Co-op Bank 2023

Integrated Annual Report

CO-OPERATIVE BANK
We are you

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of THE CO-OPERATIVE BANK OF KENYA LIMITED will be held via electronic communication on Friday, 17 May, 2024 at 11.00 a.m. for the transaction of the following business: -

ORDINARY BUSINESS

1. To read the notice convening the meeting and determine if a quorum is present.
2. To receive and consider, and, if approved adopt the Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2023 together with the Directors' and Auditors' report thereon.
3. To approve and declare a first and final dividend of KShs. 1.50 per share in respect of the year ended 31 December 2023, to be paid to the shareholders on the register as at the close of business on 29 April 2024.
4. Election of Directors.
   i) Mr. Patrick K. Githendu, Mr. Julius Sitienei and Mr. Godfrey K. Mburia being directors appointed under Article 104A of the Company's Articles under which the majority and strategic shareholder of the Company, Co-opholdings Co-operative Society Limited, nominates to the Board of the Company seven (7) directors, are retiring by rotation and being eligible offer themselves for re-election in accordance with Article 100 of the Company's Articles of Association.

   Co-opholdings Co-operative Society Limited has already nominated them for re-election.

   ii) In accordance with Article 100 of the Company's Articles of Association, Mr. John Murugu is due for retirement by rotation and being eligible for re-election offers himself for re-election.

   iii) Mr. John Murugu an independent director having attained the age of 70 years, a vote of extension of his service as a director of the Company in accordance with guideline 2.5.1 of the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 is sought.

   iv) In accordance with the provisions of Section 769 of the Companies Act, 2015, the following directors being members of the Board Audit Committee be elected to continue to serve as members of the said Committee: -
      i) Mrs. Weda Welton.
      ii) Mr. Patrick K. Githendu.
      iii) Mr. Lawrence Karissa.
      iv) Mr. Benedict Simiyu
      v) Mr. Mwambia Wanyambura.
5. To approve the remuneration of the Directors for the year ended 31 December 2023 and to authorize the Board to fix the remuneration of Directors
6. To re-appoint Ernst and Young, Auditors of the Company, having expressed their willingness to continue in office and to authorize the directors to fix their remuneration
7. Transact any other business, which may be properly transacted at an Annual General Meeting.

Dated at Nairobi this 18th day of April, 2024

By Order of the Board

SAMUEL M. KIBUGI
COMPANY SECRETARY

NOTE

1. The Co-operative Bank of Kenya Limited has convened and will conduct its Sixteenth Annual General Meeting via virtual/electronic means in line with The Companies Act 2015.
2. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:
   a) dialing *483*809# for all Kenyan telephone networks and following the various registration prompts; or
   b) Send an email request to be registered to **co-opbankagm@image.co.ke**
   c) Shareholders with email addresses will receive a registration link via email through which they can use to register

   In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number:
   (+254) 709 170 037/ 709 170 000 from 9:00 a.m. to 5:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
3. Registration for the AGM opens on 18th day of April 2024 at 9:00 am and will close on 15th day of May, 2024 at 11.00 a.m.
4. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.co-opbank.co.ke (i) a copy of this Notice and the proxy form; and (ii) the Company's audited financial statements for the year ended 31 December 2023.

   The reports may also be accessed upon request by dialing the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.
5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   a) sending their written questions by email to agm2024questions@co-opbank.co.ke;
   b) shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialing the USSD code above and selecting (Ask Question) on the prompts;
   c) to the extent possible, physically delivering their written questions with a return physical address or email address to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, Nairobi, or;
   d) sending their written questions with a return physical address or email address by registered post to the Company's address at P. O. Box 48231 - 00100 Nairobi.

   Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

   The Company's Directors will provide responses to questions received via the channel used by shareholders to send their questions i.e SMS (for USSD option), Email, Letters or Telephone call. Questions will also be responded to during the meeting.

   A full list of all questions received and the answers thereto will be published on the Company's website not later than 24 hours following the conclusion of the meeting.
6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but, if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is available on the Company's website via this link: http://www.co-opbank.co.ke. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street and at all the branches of the Company. A proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to info@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 15 May, 2024 at 11.00 a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 15 May, 2024 at 11.00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 15 May, 2024 at 2.00pm to allow time to address any issues.
7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.
8. Shareholders and proxies who have registered to attend the AGM may follow the proceedings using the live stream platform, access the agenda and vote (when prompted via SMS) via the USSD prompts or using the "VOTE" tab on the livestream link.
9. A poll shall be conducted for all the resolutions put forward in the notice.
10. Results of the AGM shall be published on the Company's website within 24 hours following conclusion of the Annual General Meetings.

    Shareholders are encouraged to continuously monitor the Company's website, **www.co-opbank.co.ke** for updates relating to the AGM.

About this integrated report

This report adheres to the International Integrated Reporting Council (IIRC) framework, providing a comprehensive overview of how our sustainable business model drives long-term value creation for all stakeholders. It evaluates our strategic focus, key capital trade-offs, and identifies material risks and opportunities within our operational environment. Specifically, the Environmental, Social, and Governance (ESG) section delves into significant matters, highlighting associated risks, strategies, and stakeholder engagements. It assesses our activities across each sustainability pillar while outlining our corporate governance structure.

Our Scope & Reporting Boundary

This report covers the period from 01 January 2023 to 31 December 2023. We have referred to other periods for comparison purpose. The report covers The 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. Encompassing both financial and non-financial dimensions, this report elucidates how we generate enduring stakeholder value.

Target Audience

Primarily tailored for shareholders seeking informed investment decisions across short, medium, and long-term horizons, this report also caters to a diverse range of stakeholders. 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 in order 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 capital.
- 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.

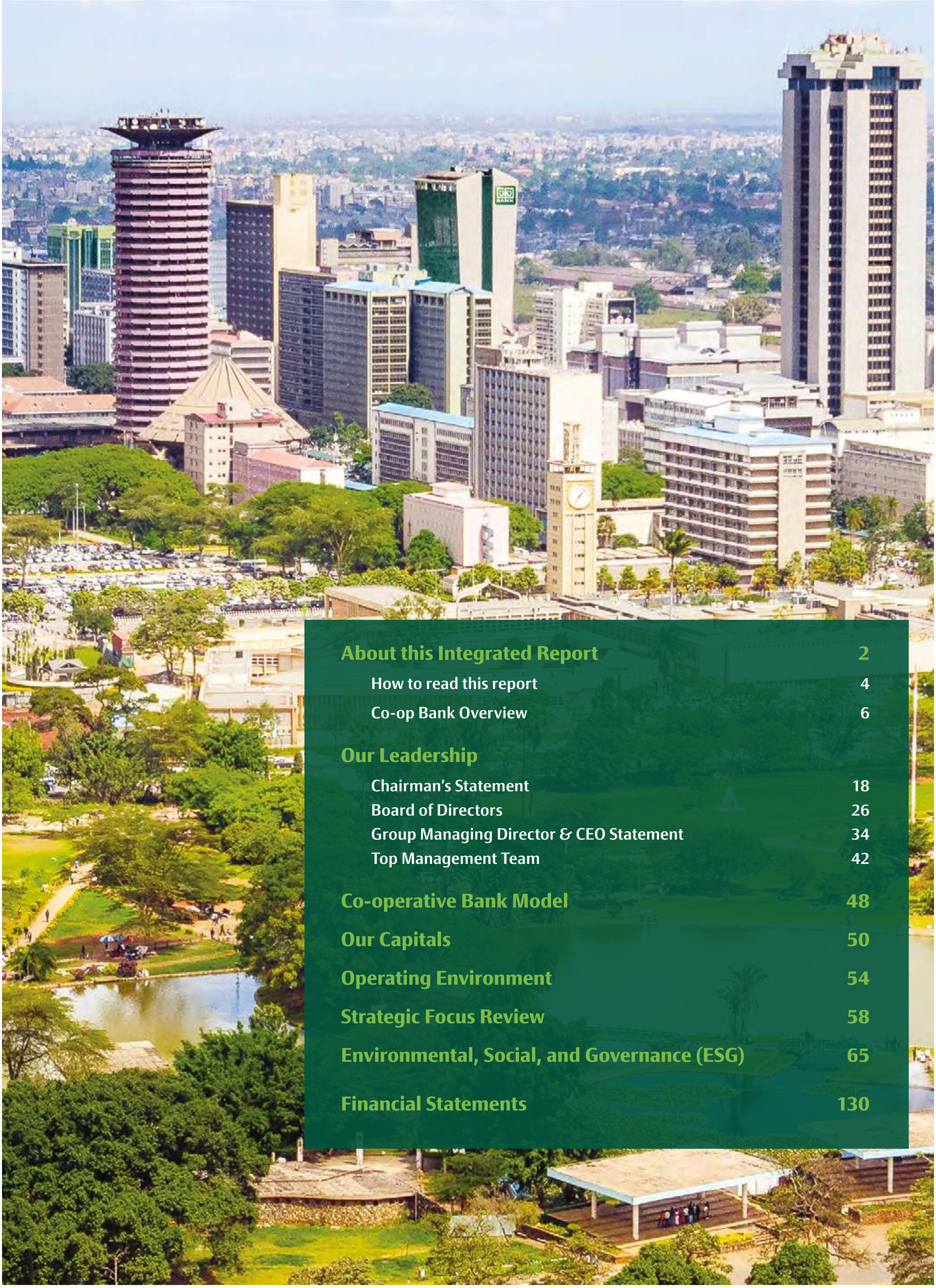
Board Support

- 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

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



How to read this report

The report employs icons for cross-referencing concepts across sections, affirming our integrated messaging approach to present a comprehensive view of the Group's activities. This strategy reinforces our commitment and offers stakeholders a detailed understanding of our multifaceted endeavours.

Glossary of Icons

Icons used throughout this Report

Our Capitals

Financial Capital

Human Capital

Manufacturing Capital

Intellectual Capital

Social & Relationship Capital

Natural Capital

Our Strategic Focus

Aggressive deepening of our dominance in the Kenyan market.

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

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

Optimal Enterprise Risk and Compliance in the dynamic environment.

Customer Experience that is seamless across all our touch points.

Positive impact on Economy, Society & Environment.

Our Stakeholders

Customers – Innovative universal banking model.

Strategic partners – Long-term credit lines for specific purpose.

Shareholders – Optimal return on investment.

Regulators – Stakeholder support and compliance to all regulations.

Employees – Effective performance and reward mechanism.

Suppliers – Responsible engagement.

Co-operative movement – Unique value proposition.

Community – Positive economic, social, and environmental impact from all our activities.

Sustainable Development Goals

- **No Poverty**
- **Zero Hunger**
- **Good Health and Well-being**
- **Quality Education**
- **Gender Equality**
- **Clean Water and Sanitation**
- **Affordable & Clean Energy**
- **Decent work and economic work**
- **Industry, innovation and infrastructure**
- **Reduced Inequalities**
- **Sustainable Cities and Communities**
- **Responsible Consumption and Production**
- **Climate Action**
- **Life Below Water**
- **Life on land**
- **Peace, Justice and Strong Institutions**
- **Partnerships for the goals**

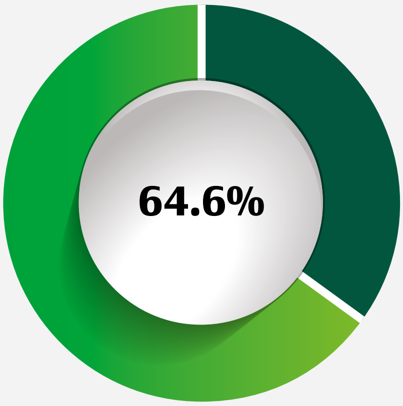
From L to R, Group Managing Director and CEO, Dr. Gideon Muriuki (CBS, MBS), Chairman, Co-op Bank, Mr. John Murugu (OGW) and Vice Chairman, Co-op Bank, Mr. Macloud Malonza (MBS, HSC) review the bank financial report during the last Bank Annual General Meeting.

Co-op Bank Overview

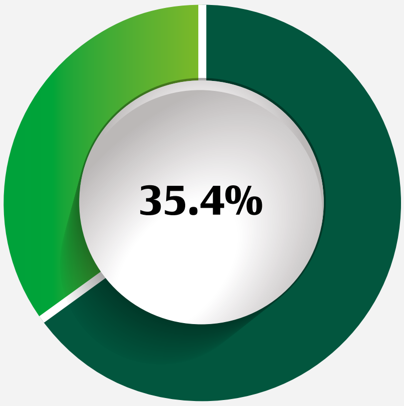
Group Structure

The Co-operative Bank of Kenya Group

Co-opholdings Co-operative Society Ltd



Minority Shareholders

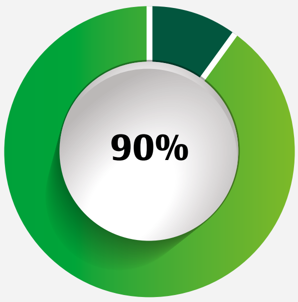


The Co-operative Bank of Kenya

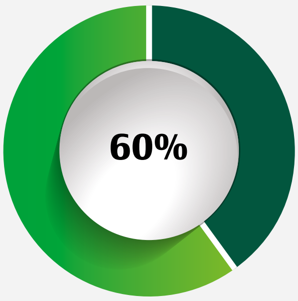
Co-optrust Investments Services Ltd

Co-op Consultancy & Bancassurance Intermediary Ltd

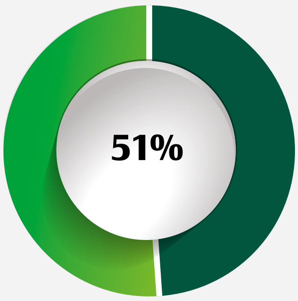
Kingdom Bank Ltd



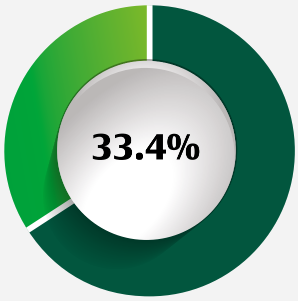
Kingdom Securities Ltd



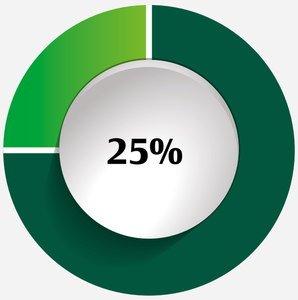
Co-operative Bank of South Sudan



Co-operative Insurance Society Ltd



Co-op Bank Fleet Africa Leasing



Co-op Bank Overview

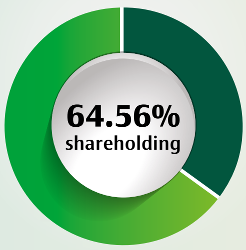
Shareholder Profile

Co-opholdings Co-operative Society Ltd – **64.6%**
Minority Shareholders – **35.4%**

Local Companies – **81.70%**
Local Individuals – **17.90%**

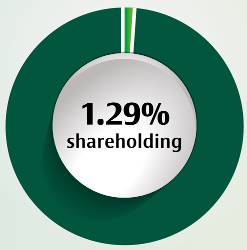
Top 10 Shareholders

Co-opholdings Co-operative Society Limited
No. of shares....... 3,787,715,404



Dr. Muriuki, Gideon Maina CBS, MBS
No. of shares........... 117,528,400

Patel, Baloobhai; Patel, Amarjeet Baloobhai
No. of shares.............75,910,199

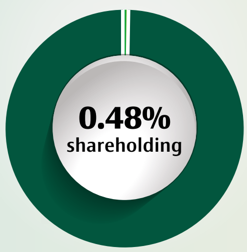


Standard Chartered Nominees Resd A/C Ke11443
No. of shares.............60,461,370

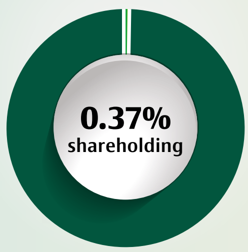
NIC Custodial Services A/C 077
No. of shares............. 56,166,543

Kenya Commercial Bank Nominees Limited A/C 915b
No. of shares.............46,564,339

Stanbic Nominees Limited R6631578
No. of shares.............27,908,042

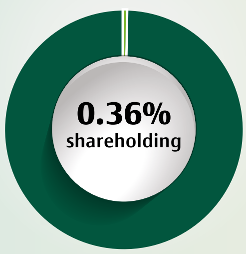


ICEA Lion Life Assurance Company Limited-Pooled
No. of shares..............21,914,676

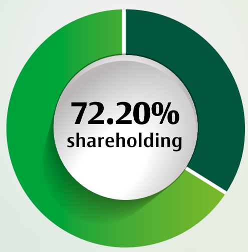


Westlands Triangle Properties Limited
No. of shares..............21,118,800

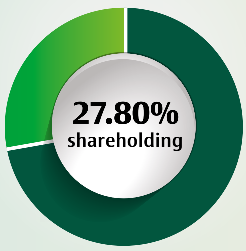
Equity Nominee Ltd A/C 00132
No. of shares............. 20,957,560



Top 10 Shareholders
No. of shares....... 4,236,245,333



Other Shareholders
No. of shares....... 1,630,929,362

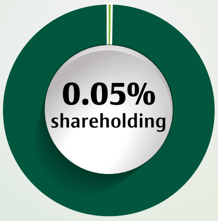


Total Shares: 5,867,180,103
% Shareholding: 100

Co-op Bank Overview

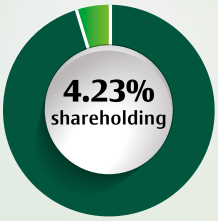
Shareholder distribution as at 31 December 2023

Category 1-500
No. of shareholders..........16,951
No. of shares................ 3,157,978

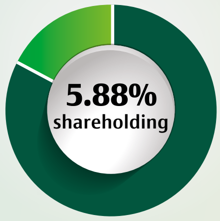


Category 501-5,000
No. of shareholders......... 37,399
No. of shares.............75,695,535

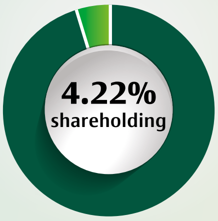
Category 5,001-10,000
No. of shareholders......... 30,682
No. of shares..........248,469,060



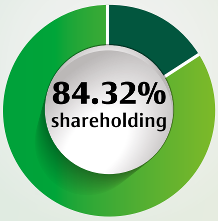
Category 10,001-100,000
No. of shareholders..........15,146
No. of shares.......... 344,945,977



Category 100,001-1,000,000
No. of shareholders...............882
No. of shares............247,710,521



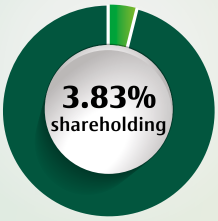
Category above 1,000,000
No. of shareholders...............233
No. of shares........4,947,201,032



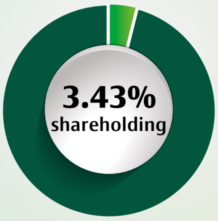
TOTAL
No. of shareholders....... 101,293
No. of shares........ 5,867,180,103

Top 10 Co-opholdings Shareholders as at 31 December 2023

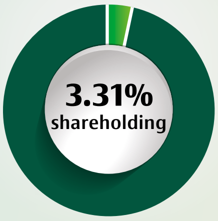
Harambee Co-operative Savings & Credit Society Ltd
No. of shares.......... 144,929,400



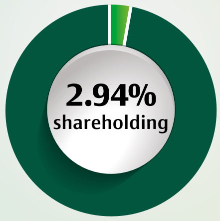
Kenya Police Sacco Society Ltd
No. of shares.......... 129,885,226



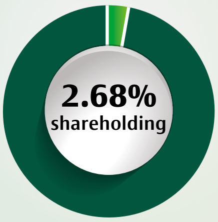
H & M Cooperative Savings & Credit Society Ltd
No. of shares........... 125,247,471



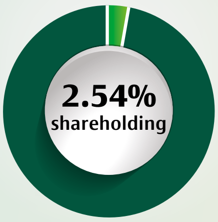
Afya Cooperative Savings & Credit Society Ltd
No. of shares........... 111,395,592



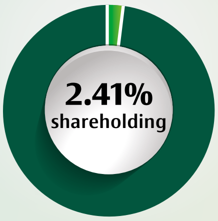
Kipsigis Teachers Coop Savings & Credit Society Ltd
No. of shares........... 101,495,520



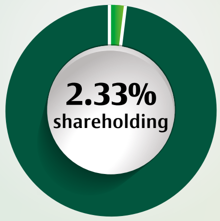
Co-operative Bank Coop Savings & Credit Society Ltd
No. of shares............. 96,103,831



K-Unity Savings & Credit Co-operative Society Limited
No. of shares..............91,162,633

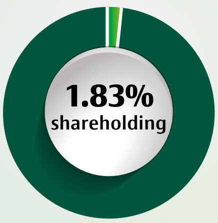


Kwetu Savings & Credit Co-operative Society Ltd
No. of shares..............88,137,033

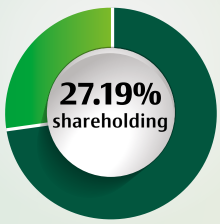


Telepost Co-operative Savings & Credit Society Ltd
No. of shares.............71,432,771

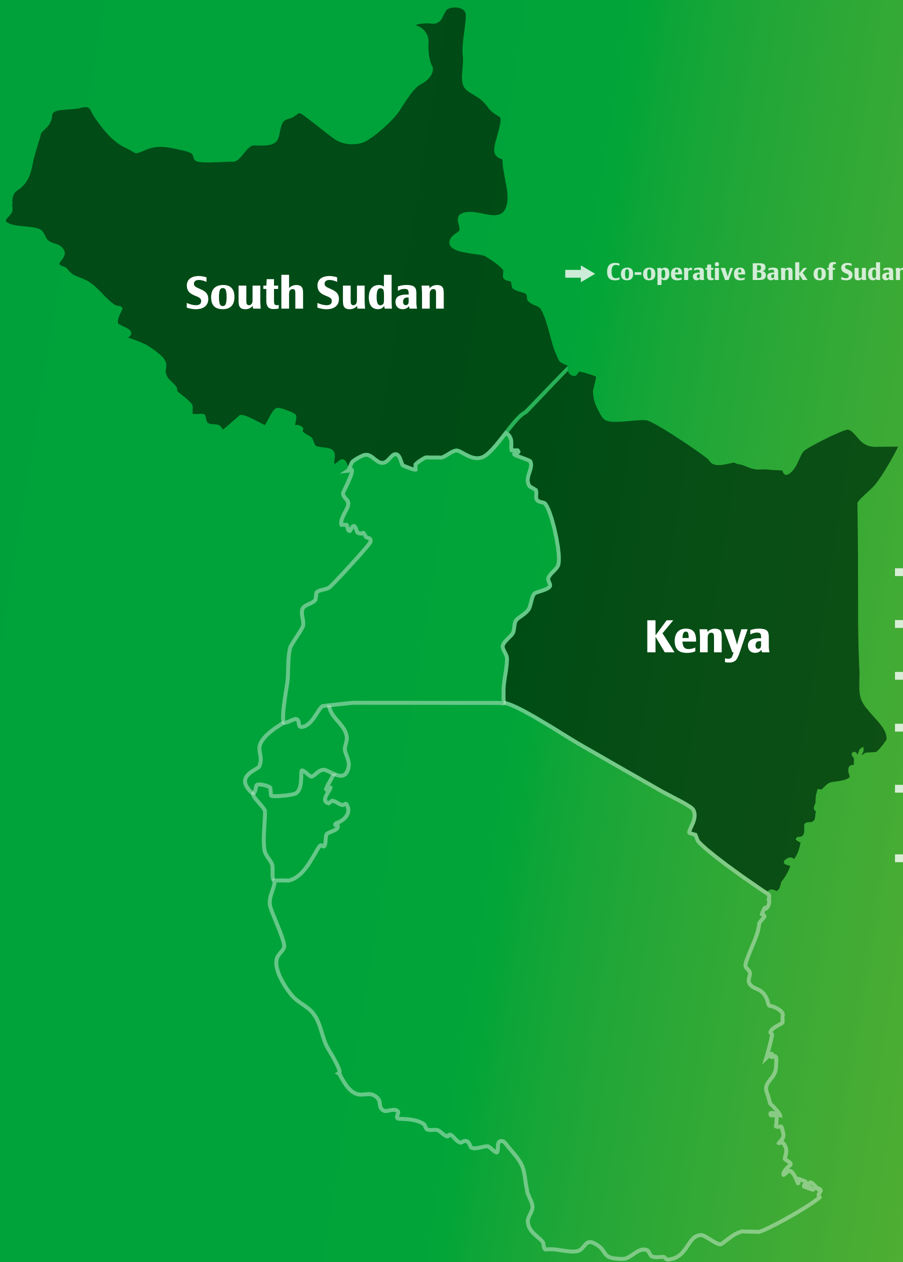
Nawiri Savings & Credit Co-operative Society Ltd
No. of shares............ 69,453,216



Total
No. of shares....... 1,029,242,693



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 & Bancassurance Intermediary Ltd.
- Co-op Bank Fleet Africa Leasing Ltd.

194
branches across the region

5 Million
Omni-channel registered Customers

17,056
Co-op Kwa Jirani agents

599
ATMs & Cash Deposit Machines

484
Sacco Front Offices Branch Network

4,875
Merchants

16,346
Diaspora Banking Customers

5,400
Staff

Who we are

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 Nairobi.

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 Co-operative 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 - 2019
The Group records a Profit Before Tax of KShs. 20.7B (FY2019), a commendable performance against the backdrop of a tight operating environment; Interest rates capping and general economic slowdown.

2020 - 2021
The Group demonstrates resilience during the covid-19 pandemic; restructures KShs. 49 billion in credit facilities to support customers through the pandemic. Group acquires Kingdom Bank Ltd (Formerly Jamii Bora Bank – Niche MSME Bank). The Group reports KShs. 22.7 Billion in Profit Before Tax for FY2021.

2022
Co-op Bank registers a Profit Before Tax 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.

2023
Co-op Bank achieves a 10% year-on-year growth, with a Profit Before Tax (PBT) of KShs. 32.4 Billion. The Bank successfully implements a new Core Banking System, the largest project in the Group's history, aligning with our digital transformation efforts to enhance operational efficiency and customer experience.

Our Purpose

Transforming Lives

Our Purpose: A financial institution owned by the Kenyan Co-operative Movement transforming lives.

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

Our 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.

Key Enablers

Corporate Strategic Plan

- Our Operating Enviroment
- Our Business Model
- Our Capitals
- Transformative Culture
- Enviroment Social & Governance

ESG at the heart of Co-op

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

Our Core Values

- Trustworthy
- Innovative & Agile
- Value our Customers/ People
- Share and Collaborate
- Passion for Excellence
- Bold & Courageous

Vision | Mission | Core Values

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Strategic Focus

- 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 & Business Banking Divisions	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
Kingdom Bank Ltd	A Niche MSME Bank providing financial services.
Co-optrust Investment Services Ltd	Fund Management Services
Coop Consultancy & Bancassurance Intermediary Ltd	• Bancassurance Services • Consultancy and capacity building services to Co-operative Societies
Kingdom Securities Ltd	Stock Brokerage Services
Co-opbank Fleet Africa Leasing Limited	Leasing Solutions to Retail, MSME's, Corporates, PSVs, Government and Non-Government

What we Deliver

- Deposit/Instant Access
- 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
- Bancassurance
- Consultancy and capacity building
- Stock Brokerage
- Leasing

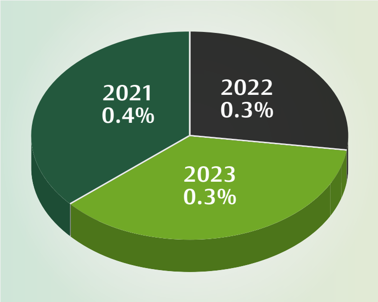
We enable our customers to

- **SAVE**
- **BORROW**
- **INVEST**
- **MITIGATE RISKS**

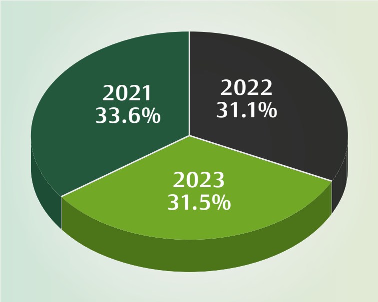
Wealth Creation & Distribution

Economic Value Created:
2023: KShs. 52.96B
2022: KShs. 47.5B
2021: KShs. 39.6B

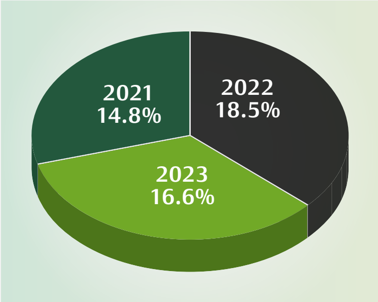
Social Capital through the Co-op Bank Foundation



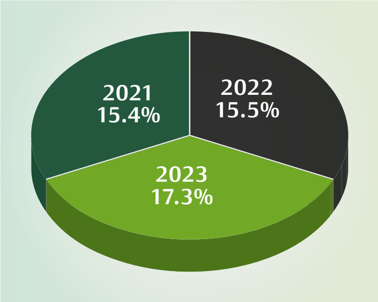
Employee Benefits



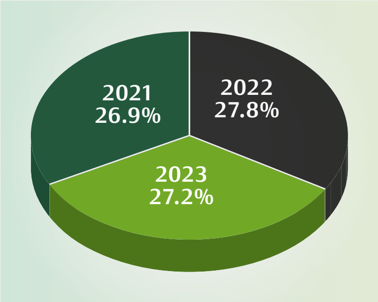
Shareholder Dividends



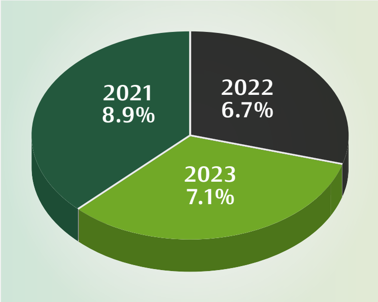
Government Tax

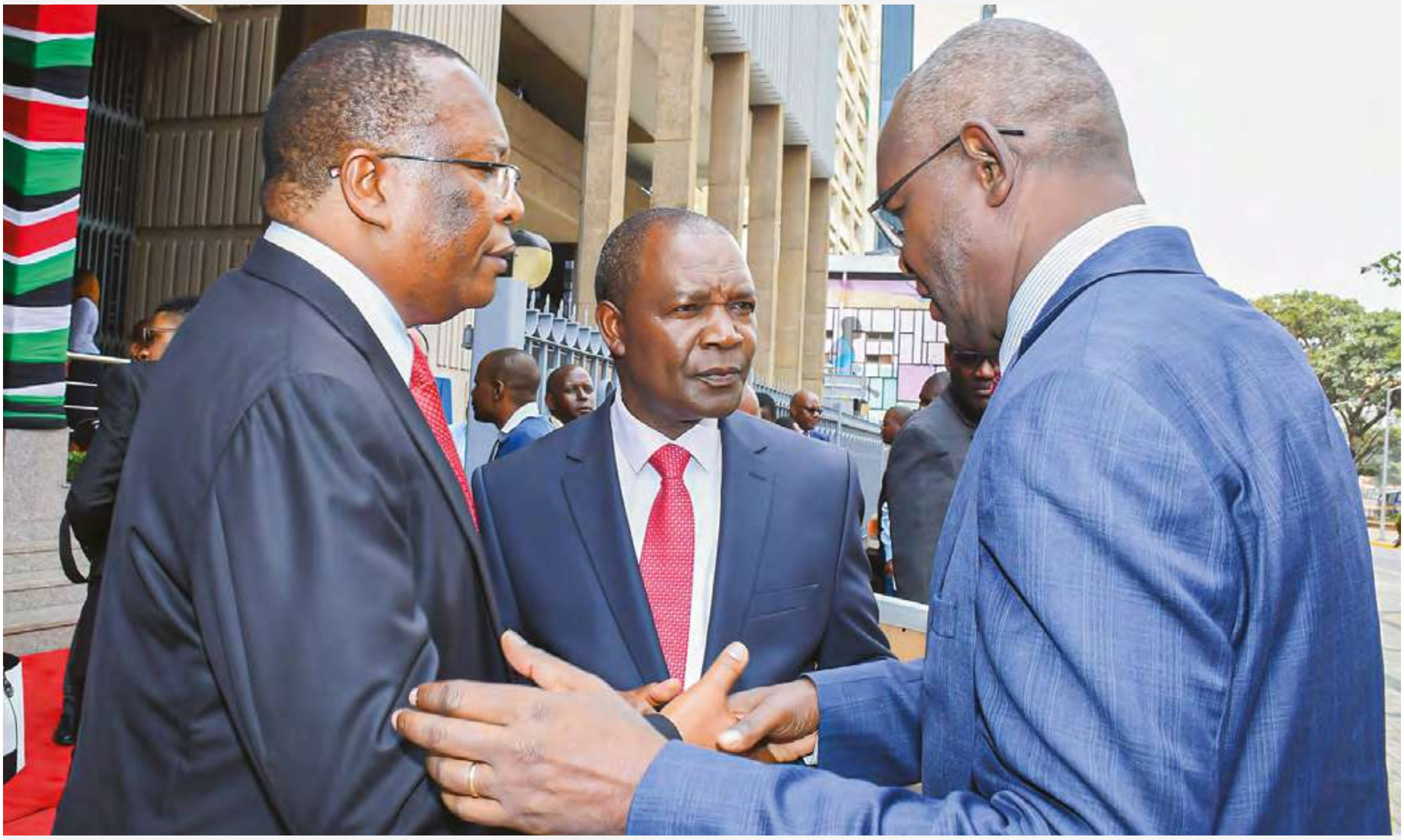


Retained Earnings



Depreciation & Amortization





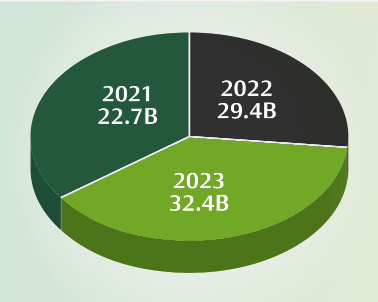
Dr. Gideon Muriuki CBS, MBS, Group Managing Director and CEO, Co-op Bank (L), Cabinet Secretary, Finance and Planning Prof. Njuguna Ndung'u (C) and Governor, the Cental Bank of Kenya (CBK) Dr. Kamau Thugge (R) consult during the CBK Launch of Dhow Central Depository System.

Who we are

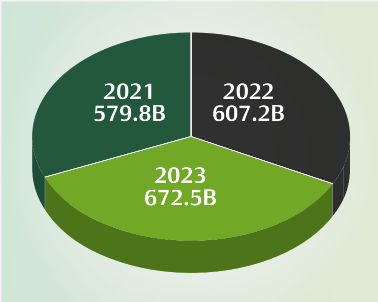
Key performance highlights (Continued)

Financial

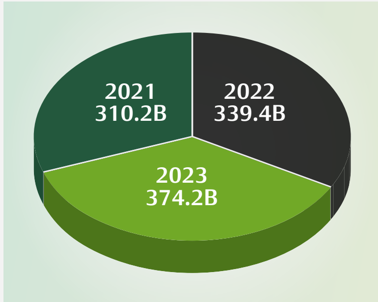
Profit Before Tax (KShs.)



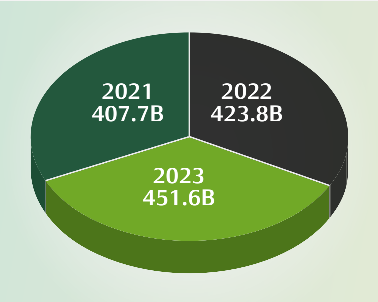
Total Assets (KShs.)



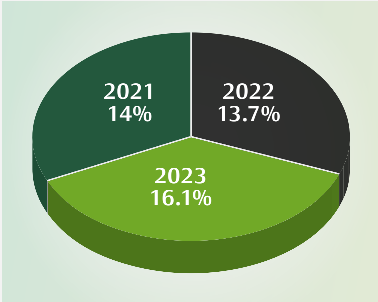
Loans & Advances (KShs.)



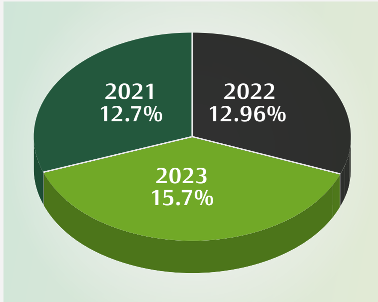
Customer Deposits (KShs.)



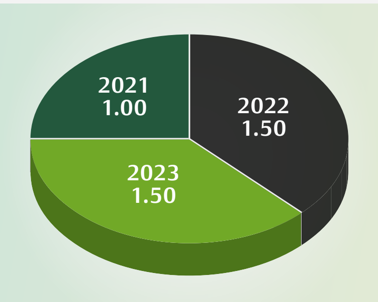
Non-Performing Loans % (Group)



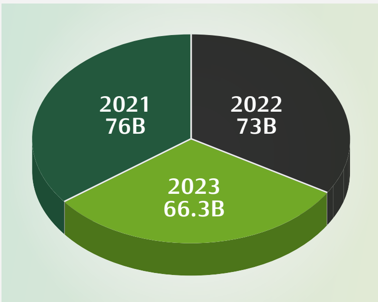
Non-Performing Loans % (Bank)



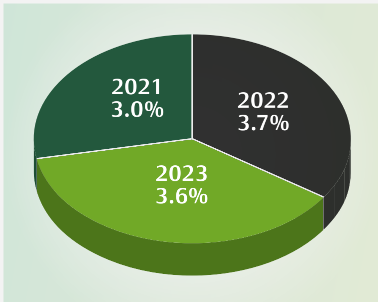
Dividend per share (KShs.)



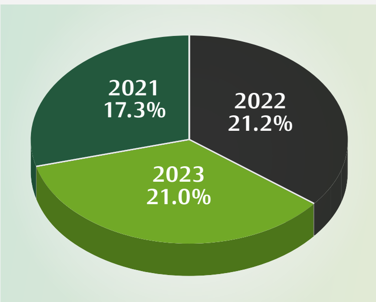
Market Capitalization (KShs.)



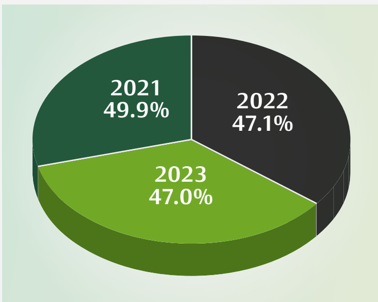
Average ROA (%)



Average ROE (%)



Cost to Income (%)

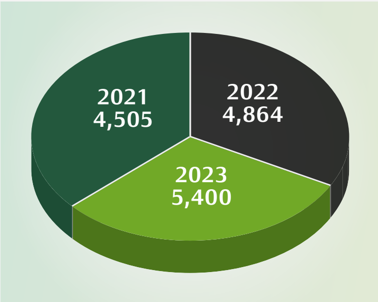


Who we are

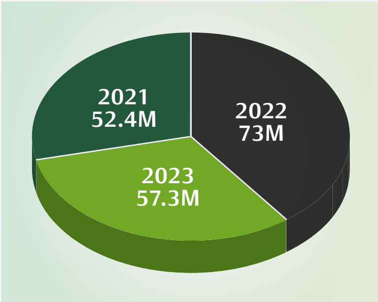
Key performance highlights (Continued)

Other Indicators

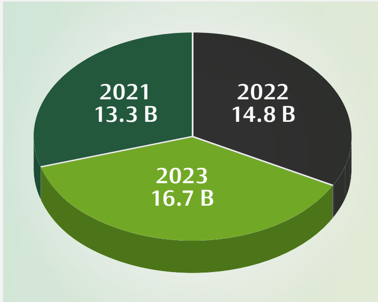
Staff Numbers



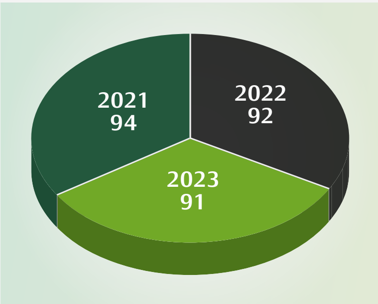
Training Spend (Kshs.)



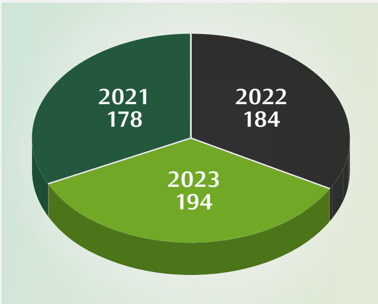
Wages & Benefits (Kshs.)



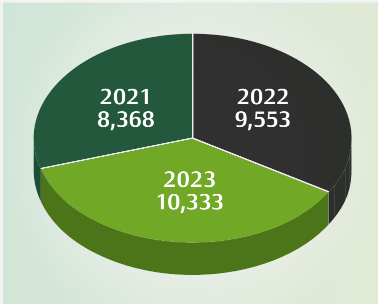
Digital Channel Transactions (%)



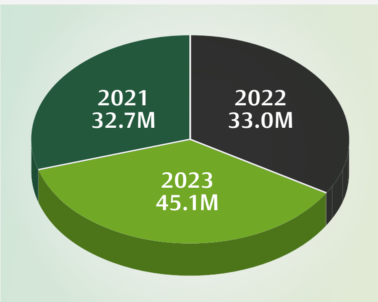
Branch Presence



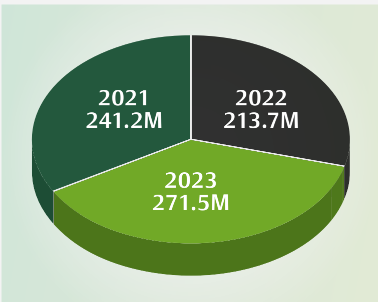
Co-op Foundation Students



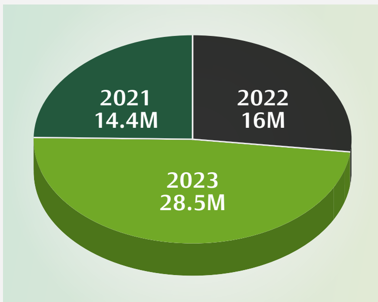
Water Cost (KShs.)



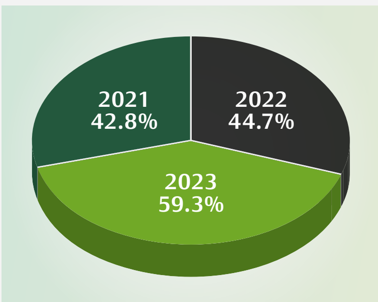
Electricity Cost (KShs.)



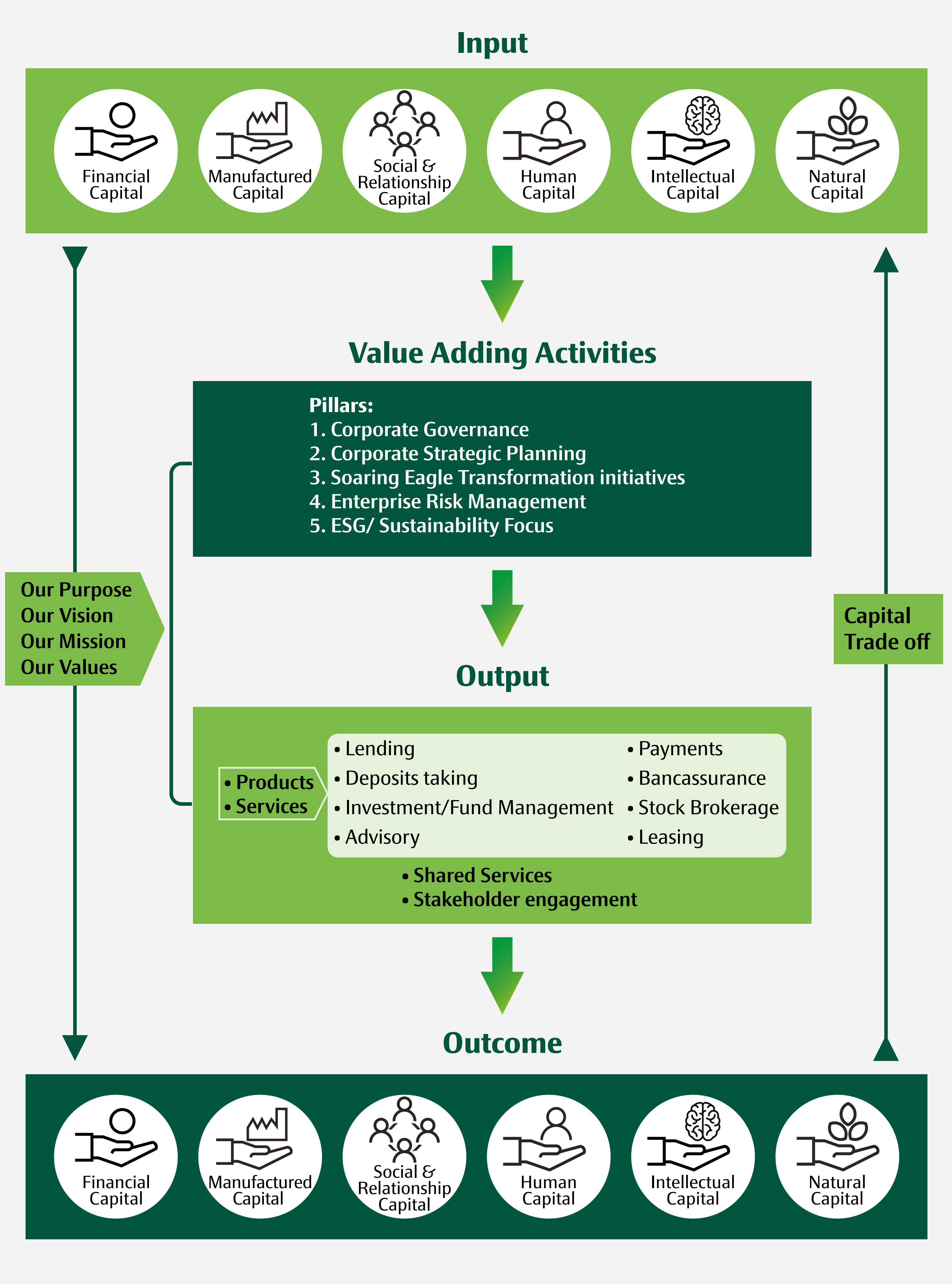
Generator Fuel Cost (KShs.)



Debt to Equity



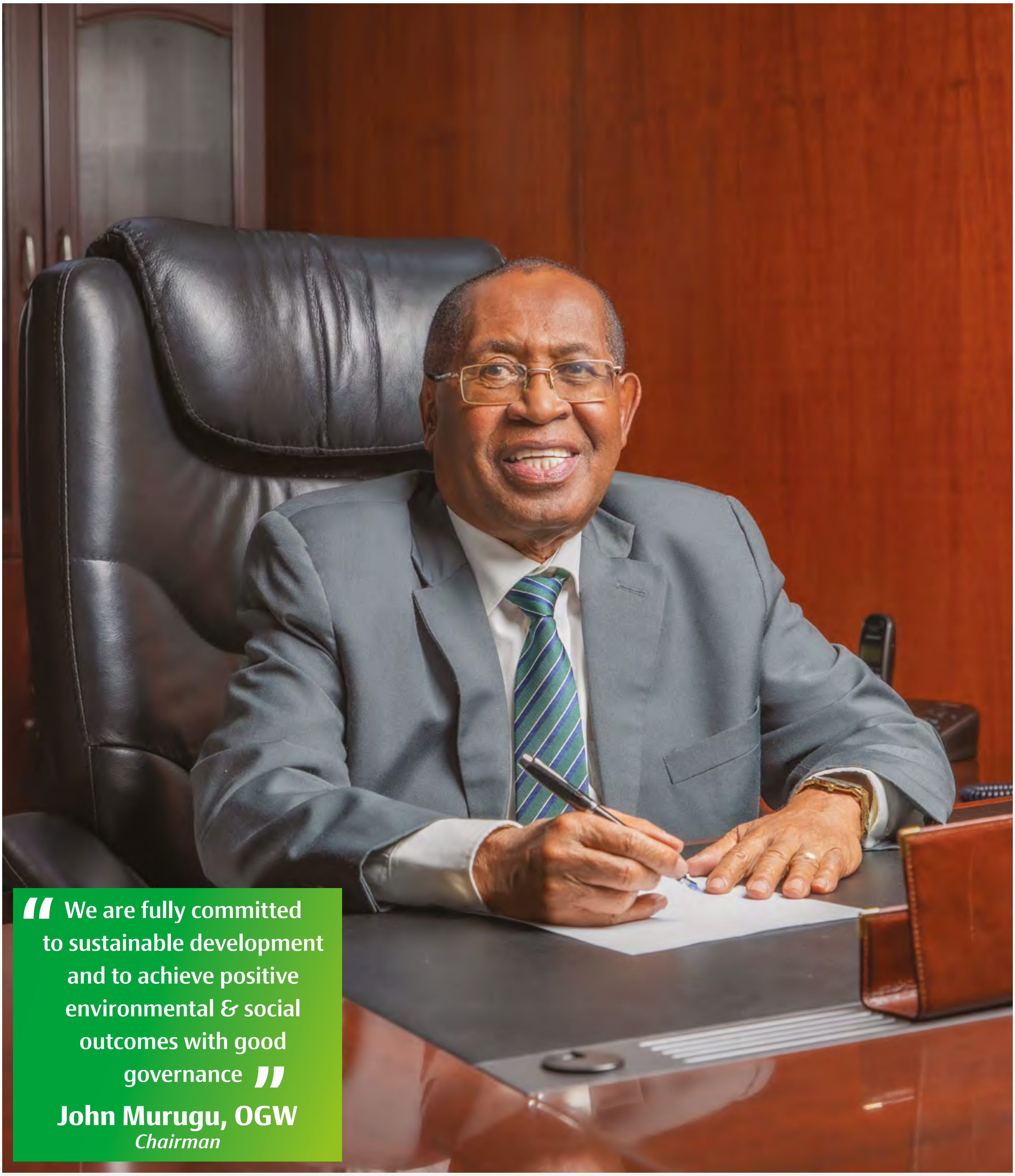
Our Business Model



The CEO Kenya Banker's Association, Dr. Habil Olaka (extreme R) presents The Overall Best Bank in Customer Satisfaction in Kenya, to the Co-op Bank Customer Experience Team Lead, Ms Rose Nyamweya. Over 30,000 banking customers across the country participated in the survey. Customer satisfaction is the single-most determinant of market success.

Co-op Bank received a KShs. 14 Billion Facility from a DEG- Led Consortium for on lending to Micro, Medium and Small Enterprises across the country. Co-operative Bank is one of the largest lenders to the business community in the region. The DEG team was led by Monika Beck, Member of DEG's Management Board while Co-op Bank was led by Dr. Gideon Muriuki CBS, MBS, Group Managing Director and CEO in signing the loan agreement.

Chairman's Statement



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

John Murugu, OGW
Chairman

Dear Shareholders,

I am delighted to present to you our Bank's Integrated Report for the year ended 31 December, 2023.

The year was challenging in many respects, with significant global and domestic economic developments that impacted our business on different fronts. However, guided by our strategy and agility, we responded well, adapting our strategies to harness available opportunities to create value for all our stakeholders.

Overview of the Operating Environment

The global economic recovery has proven to be very resilient from the recent headwinds namely COVID-19 pandemic, Russia's invasion of Ukraine, and the cost-of-living crisis. As per the IMF estimates, inflation moderated from its 2022 peak of 8.8% to 6.6% in 2023. Favorable supply-side developments and tightening by Central Banks has kept inflation expectations anchored. Global growth is estimated to have been 3.1 percent in 2023 and is projected to remain at 3.1 percent in 2024 on account of greater-than-expected resilience in the developed, and several large emerging markets, as well as fiscal support in China.

Closer home, Kenya's economic performance strengthened in 2023, with real GDP growth accelerating to an estimated 5.0% in 2023 from 4.8% in 2022.The improved performance is attributed to a strong rebound in agriculture sector and recovery of the services sector. The recovery of agriculture has led to improvements in food supply. This, coupled with monetary policy tightening, helped reduce inflationary pressures. During the year, tourism continued to expand, credit to the private sector improved and manufacturing activity picked up.

During the year, the Kenya shilling depreciated by 26.8% against the US dollar to close the year at KShs. 156.5 compared to KShs. 123.4 at the end of 2022. The weakening of the shilling is primarily underlined by a persistent current account deficit, with Kenya being a net importer. External shocks, such as the rise in global crude prices and the Russia-Ukraine conflict have exacerbated the situation.

The inflation rate for the year 2023 averaged 7.7% compared to 7.6% recorded over a similar period in 2022. The headline inflation was majorly driven by increases in fuel inflation. However, the overall headline inflation remained within the Central Bank of Kenya (CBK) target range of 2.5% to 7.5% throughout the second half of the year. We expect inflationary pressures to ease in the short term, aided by the easing in fuel prices and easing of food prices on the account of improved food supply attributed to the good harvests and government measures to zero-rate key food imports.

Interest rates also experienced a sustained upward pressure. Yields on government papers registered significant growth in 2023 with the 91-day treasury bill increasing by 6.61 percent to close the year at 16.0% from 9.4% recorded at the close of year 2022. The 182-day and 364-day paper yields increased by 6.13 percent and 5.79 percent to close the year at 16.0% and 16.1% from 9.8% and 10.3%, respectively, recorded at the end of 2022. The upward trajectory in yields was mainly driven by high inflation, currency depreciation, and tight liquidity positions. To anchor these conditions, the Central Bank adopted tight monetary stance throughout the year. The Monetary Pricing Committee (MPC) raised Central Bank Rate (CBR) rate by 3.75% in 2023 from 8.75% in January to 12.5% in December 2023. In the short term, we expect the MPC to maintain tight monetary stance to prevent further depreciation of the Kenya shilling, whose effects are being passed to the overall economy through imports.

In 2023, liquidity levels tightened as evidenced by the doubling in the average interbank rate to 9.8% from 4.9% in 2022. The tightened liquidity is partly due to tax remittances which offset government payments.

Regulatory environment

During the year, His Excellency the President appointed Dr. Kamau Thugge (EBS, MBS, CBS) as the tenth Governor of the Central Bank of Kenya and Dr. Susan Koech as the Deputy Governor. The Co-operative Bank wishes them God's wisdom and guidance as they undertake their mandate.

During the year the Central Bank of Kenya (CBK) issued and implemented the Kenya Quick Response (QR) Code Standard 2023. The Standard will guide how Payment Service Providers and institutions that are regulated by the CBK will issue Quick Response (QR) Codes to consumers and businesses that accept digital payments.

The CBK launched the DhowCSD, a Central Securities Depository infrastructure for registry, custodial and settlement services for both primary and secondary market trading of government securities. The system is aimed at enhancing operational efficiency and expansion of digital access, market deepening for broader financial inclusion, and improved monetary policy operations.

The CBK issued the Kenya Foreign Exchange Code (the FX Code) to commercial banks. The Code sets out standards for commercial banks and aims to strengthen and promote the integrity and effective functioning of the wholesale foreign exchange (FX) market in Kenya.

Other changes were in mobile money payments and wallet size. The CBK increased in daily mobile money transaction limit from KShs. 150,000 to KShs. 250,000 and the size of the mobile money wallet from KShs. 300,000 to KShs. 500,000. This will deepen financial inclusion and facilitate businesses that have been constrained by the size of the mobile money wallet.

The Finance Bill 2023 decreased excise duty on telephone, internet, and fees charged on money transfer services and other financial services to 15.0% from the 20.0%. The proposal is aimed at increasing the affordability and promote accessibility of mobile devices.

During the year we witnessed enhanced approval of commercial bank's risk-based pricing models. By end of 2023, at least 34 out of the 39 commercial banks had received CBK's approval to adopt their models. Risk based credit pricing is part of wider reforms introduced by the CBK to streamline credit pricing.

Risk and Compliance

We operate in a highly regulated environment and comply with various rules, laws and regulations. The Co-operative Bank Group is cognizant of the enduring need to ensure that we adhere to sound local and global compliance practices. The Group retains a zero-tolerance posture towards unethical behaviour of any type or magnitude. The Board of Directors and indeed all our staff regularly undergo training on emerging regulatory issues and compliance, risk threats and 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 we believe will 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.

Environmental, Social, and Governance (ESG)

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 are keen about our role as a socially responsible bank. We help our customers and our network to connect to each other in order to strengthen local communities. We take part in various local and industry initiatives and support our business and private clients in achieving their sustainability goals. 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".

Performance Overview

Our balance sheet grew by 10.8% to KShs. 672.5 Billion as at the close of 2023 from KShs. 607.2 Billion in 2022. The Group realised an impressive Profit Before Tax of KShs. 32.4 Billion, a 10% growth compared to KShs. 29.4 Billion in 2022. Profit after tax grew by 5.2% to KShs. 23.2 Billion from KShs. 22.0 Billion the previous year. This performance sustains growth in shareholder value as evidenced by a competitive Return on Equity of 21.0%. 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 and 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. This is also in deep appreciation to ensure a balanced mix in the capabilities and competences in the Board in order to remain relevant in a fast changing, dynamic and competitive market environment. Our Board consists of thirteen directors, with one of them, the Managing Director as executive, and twelve non-executive. The Directors have a variety of skills, experience, and competences in their relevant fields of expertise and is well placed to drive the bank's business forward. Having the appropriate governance mechanisms and pillars that support ethical behaviour are foremost in our business.

The directors of the Bank/subsidiaries 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

The Board of Directors has recommended for approval by the shareholders at the Annual General Meeting (AGM), a dividend of KShs. 1.50 (2022: KShs.1.50) per every ordinary share held subject to the approval by the Regulators and Shareholders. A virtual Annual General Meeting will be held on Friday, 17th May 2024.

Corporate Strategic Plan

This year the Bank will be reviewing its Corporate Strategic Plan that has been in place since 2019 and formulate a new plan to guide its operations from 2025 to 2029. Over the last 5 years the Bank has been largely successful in delivering on this strategy, with a streamlined operating model premised on Sales Force Effectiveness, enhanced customer experience, Digitization, Advanced data analytics and Staff productivity.

We have also been able to realize cost efficiency as evidenced by our Cost to income ratio which has improved from 52.1% in 2019 to 47.0% in 2023. Our balance sheet and capital position have also improved as noted earlier. Our brand recognition has strengthened and the engagement with all our stakeholders has increased.

From this solid foundation, we are now looking to enhance our strategic framework with a revamped 2025-2029 Corporate Strategic Plan. We will also embrace new frontiers especially in Environmental, Social and Governance agenda.

Outlook

The global economy is expected to remain subdued in the short term mainly as a result of persistent inflationary pressures as well as tightening of monetary policies which are expected to weigh down on economic activity. Furthermore, the global economy's future performance is majorly dependent on how soon the inflationary pressures will ease, which will see Central Banks ease their monetary policies, hence boosting economic activity.

Kenya's medium-term growth prospects remain positive with GDP projected to grow by 5.2% on average in 2024–25 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 favorable to Kenyan exports. These developments are in turn expected to catalyze 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 MSME sectors, both of which are expected to support employment and growth.

Nevertheless, our clients remain confronted 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 and the years to come. In this operating environment, our focus as a Co-operative Bank remains more than ever on food sufficiency by supporting agricultural sector's resilience and production, MSMEs, climate, energy, and working towards a more inclusive society.

Acknowledgement

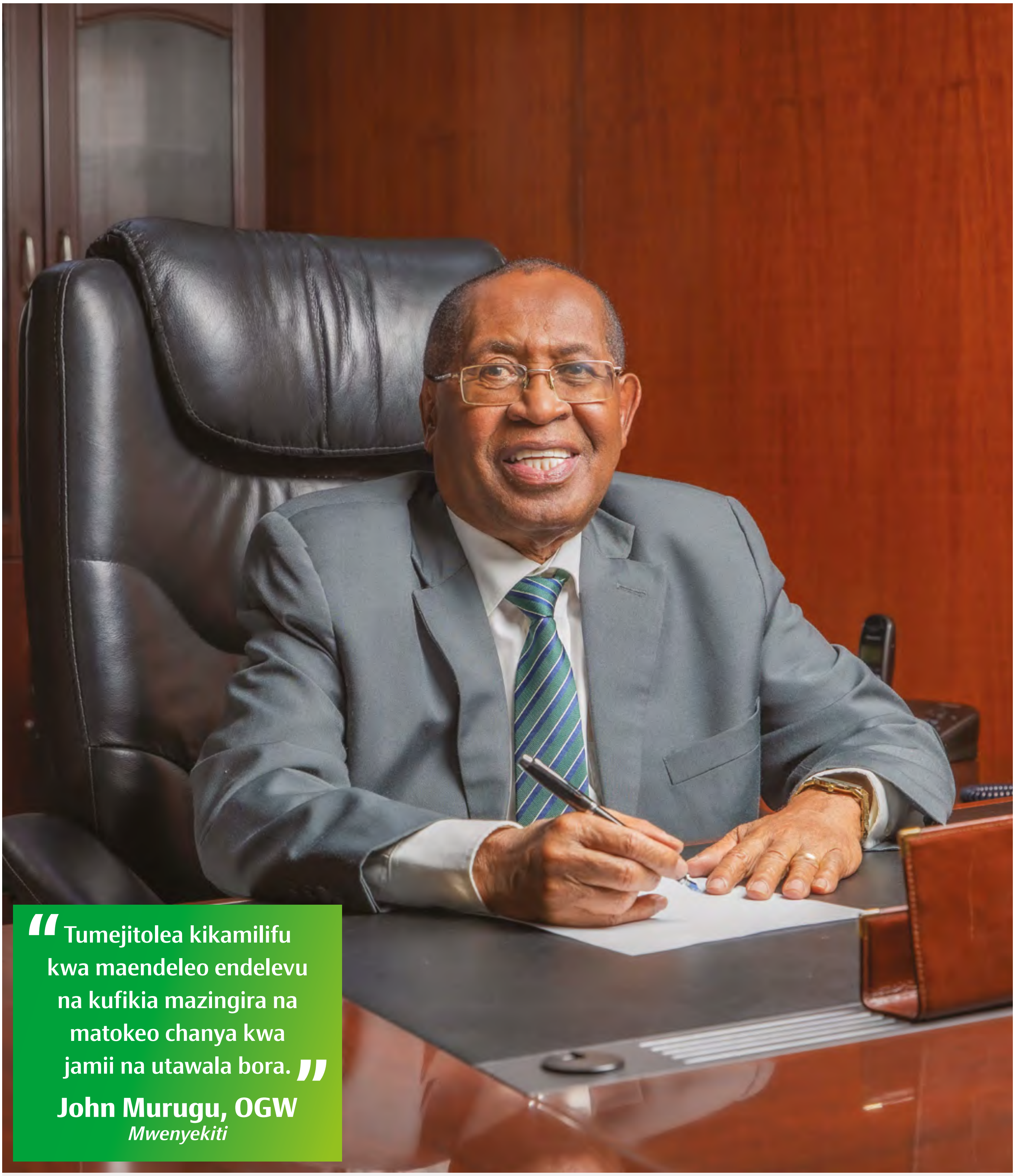
I want to express my sincere appreciation to our customers and shareholders for unwavering loyalty and commitment to our Bank. Your continued support has been instrumental to the Bank's sterling performance.

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.

Mr. John Murugu, OGW
Chairman

Ujumbe wa Mwenyekiti



"Tumejitolea kikamilifu kwa maendeleo endelevu na kufikia mazingira na matokeo chanya kwa jamii na utawala bora."

John Murugu, OGW
Mwenyekiti

Wapendwa Wanahisa,

Ninayo furaha kubwa kuwasilisha kwenu Ripoti Jumuishi ya Benki yetu ya mwaka uliomalizika tarehe 31 Desemba 2023.

Mwaka huu ulikua na changamoto katika mambo mengi, na matukio muhimu ya kiuchumi kimataifa na ya humu nchini yaliathiri biashara yetu katika nyanja tofauti. Hata hivyo, tukiongozwa na mkakati na wepesi wetu tulikabiliana vyema, kwa kupanga upya mikakati yetu ili kutumia fursa zilizopo kuleta thamani kwa wadau wetu wote.

Muhtasari wa Mazingira ya Uendeshaji

Kuimarika kwa uchumi ulimwenguni kumeonekana kustahimili sana kutokana na dhoruba za hivi majuzi yaani janga la COVID-19, uvamizi wa Urusi nchini Ukraine na mzozo wa gharama ya maisha. Kulingana na makadirio ya IMF, mfumuko wa bei ulipungua kutoka kilele chake cha 2022 cha asilimia 8.8 hadi asilimia 6.6 mwaka wa 2023. Matukio mazuri ya upande wa ugavi na kubana kwa Benki Kuu kumeweka matarajio ya mfumuko wa bei kuwa thabiti. Ukuaji wa uchumi kimataifa unakadiriwa ulikua asilimia 3.1 mwaka wa 2023 na unatarajiwa kubaki asilimia 3.1 mwaka huu kwa sababu ya uthabiti mkubwa kuliko ilivyotarajiwa katika masoko yalioendelea na mengine kadhaa yanayoibuka na usaidizi wa kifedha kutoka China.

Humu nchini, utendaji wa kiuchumi uliimarika mwaka wa 2023 huku Pato la Taifa halisi (GDP) likipanda hadi wastani wa asilimia 5.0 kutoka asilimia 4.8 mwaka wa 2022. Kuimarika kwa ukuaji wa uchumi kunaweza kuhusishwa na umathubuti wa sekta ya kilimo na kufufuka kwa sekta ya huduma. Kuimarika kwa kilimo kumesababisha kuboreshwa kwa usambazaji wa chakula. Hili pamoja na kubana kwa sera ya fedha kumesaidia kupunguza shinikizo la mfumuko wa bei. Katika mwaka huo, utalii uliendelea kupanuka, mikopo kwa sekta binafsi iliboreshwa na shughuli za utengenezaji ziliimarika.

Katika mwaka huo, thamani ya shilingi ya Kenya ilishuka kwa asilimia 26.8 dhidi ya dola ya Marekani na kufunga mwaka kwa KShs. 156.5 ikilinganishwa na KShs. 123.4 mwishoni mwa 2022. Kudhoofika kwa shilingi kimsingi kunatokana na nakisi katika akaunti ya sasa inayoendelea huku Kenya ikiwa mnunuzi mkuu wa bidhaa kutoka nje. Mishtuko ya nje, kama vile kupanda kwa bei ghafi duniani na mzozo wa Russia na Ukraine umezidisha hali hio.

Mfumuko wa bei wa mwaka wa 2023 ulikua wastani wa asilimia 7.7 ikilinganishwa na asilimia 7.6 katika kipindi kama hicho mwaka wa 2022. Sababu kuu ya mfumuko wa bei ilichangiwa pakubwa na kuongezeka kwa kuongezeka kwa mfumuko wa bei ya mafuta. Hata hivyo, mfumuko wa bei kwa jumla ulisalia ndani ya lengo la Benki Kuu ya Kenya (CBK) kati ya asilimia 2.5 hadi 7.5 katika nusu ya pili ya mwaka. Tunatarajia shinikizo la mfumuko wa bei kupungua katika mda mfupi, ikisaidiwa na kupunguwa kwa bei ya mafuta na pia kupunguwa kwa bei ya chakula, hii ikiwa ni kutokana na uboreshaji wa usambazaji wa chakula baada ya mavuno mazuri na hatua za serikali za kupunguza viwango vya uagizaji wa chakula muhimu kutoka nnje.

Viwango vya riba pia vilipata shinikizo endelevu la kupanda. Mazao za bili za hazina za serikali yalisajili ukuaji mkubwa mnamo 2023 huku bili ya hazina ya siku 91 ukiongezeka kwa asilimia 6.61 hadi kufunga mwaka kwa asilimia 16.0 kutoka asilimia 9.4 iliorekodiwa mwishoni mwa mwaka wa 2022. Mavuno ya bili ya hazina ya siku 182 na ya siku 364 yaliongezeka kwa asilimia 6.13 na asilimia 5.79 na kufunga mwaka kwa asilimia 16.0 na asilimia 16.1 kutoka 9.8 na 10.3 mtawaliwa. Mwenendo wa kupanda kwa mavuno ulichangiwa zaidi na mfumuko wa bei, kushuka kwa thamani ya sarafu na nafasi finyu za ukwasi. Ili kutekeleza masharti haya, Benki Kuu ilitekeleza misimamo mikali ya kifedha mwaka mzima. Kamati ya Bei ya Fedha (MPC) ilipandisha viwango vya riba ya Benki Kuu (CBR) kwa asilimia 3.7 mwaka wa 2023 kutoka asilimia 8.75 Januari hadi asilimia 12.5 Desemba 2023. Kwa muda mfupi, tunatarajia (MPC) kudumisha msimamo mkali wa kifedha ili kuzuia kushuka zaidi kwa thamani ya shilingi ya Kenya, ambayo inathiri uchumi kwa jumla kupitia uagizaji wa bidhaa kutoka nnje.

Mnamo 2023, viwango vya ukwasi viliimarishwa kama inavyothibitishwa na kuongezeka maradufu kwa wastani wa kiwango cha asilimia 9.8 kutoka asilimia 4.9 baina ya benki. Ukwasi ulioimarishwa kwa kiasi Fulani unatokana na utumaji kodi ambao hulipa malipo ya serikali.

Mazingira ya udhibiti

Katika mwaka huo, Mheshimiwa Rais alimteuwa Dkt. Kamau Thuge E.B.S., MBS., CBS. Kama gavana wa kumi wa Benki Kuu ya Kenya na Dkt. Susan Koech kama Naibu gavana. Benki ya Co-operative inawatakia hekima na mwongozo wa Mungu wanapotekeleza majukumu yao.

Katika mwaka huo, Benki Kuu ya Kenya (CBK) ilitoa na kutekeleza msimbo wa Kenya wa majibu haraka (QR) kanuni ya 2023. Kanuni hio itaelekeza jinsi Watoa Huduma za Malipo na taasisi zinazodhibitiwa na CBK watatoa misimbo ya majibu haraka (QR) kwa watumiaji na biashara zinazokubali malipo ya digitali.

CBK ilizindua DhowCSD, miundombinu ya Hifadhi Kuu ya dhamana kwa ajili ya usajili. Uhifadhi na huduma za malipo kwa biashara za soko la msingi na la upili la dhamana za serikali. Mfumo huu unalenga kuongeza ufanisi wa utendaji kazi na upanuzi wa huduma za kidijitali. Kukuza soko kwa ujumuishaji mpana wa kifedha, na utendakazi bora wa sera za fedha.

CBK ilitoa Msimbo wa Fedha za Kigeni wa Kenya (msimbo wa FX) kwa benki za biashara. Msimbo huu unaweka kanuni za viwango vya benki za biashara na kukuza uadilifu na utendakazi bora wa soko la fedha za kigeni (FX) kwa ujumla nchini Kenya.

Mabadiliko mengine yalikua katika malipo ya pesa kwa njia ya simu na saizi ya pochi. CBK iliongeza kiwango cha kila siku cha kutuma pesa kwa simu kutoka KShs. 150,000 hadi KShs. 250,000 na saizi ya pochi ya pesa ya rununu kutoka KShs. 300,000 hadi KShs. 500,000. Hili litaongeza ujumuishaji wa kifedha na kuwezesha biashara ambazo zimebanwa na saizi ya pochi la pesa ya rununu.

Muswada wa fedha wa 2023 ulipunguza ushuru wa bidhaa za simu, mtandao na ada zinazotozwa kwenye huduma za uhawilishaji fedha na huduma nyinginezo za kifedha hadi asilimia 15.0 kutoka asilimia 20.0. Pendekezo hilo linalenga kuongeza uwezo wa kumudu na kukuza upatikanaji wa vifaa vya rununu.

Katika mwaka huo tulishuhudia kuidhinishwa kwa bei kulingana na hatari za benki za biashara. Kufikia mwisho wa 2023, angalau benki 34 kati ya 39 za kibiashara zilikua zimepokea idhini ya CBK kutekeleza mifano yao. Uwekaji wa bei ya mikopo kulingana na hatari ni sehemu ya mageuzi mapana yalioletwa na CBK ili kurahisisha uwekaji bei za mikopo.

Hatari na Uzingatiaji

Tunafanya kazi katika mazingira yaliodhibitiwa sana na kuzingatia sheria na kanuni mbalimbali. Benki ya Co-operative inatambua hitaji la kudumu la kuhakikisha kwamba tunazingatia kanuni za kufuata za humu nchini na kimataifa. Benki ya Co-operative inahifadhi mkao wake wa kutostahimili kabisa tabia isiyo ya kimaadili ya aina au ukubwa wowote. Bodi ya wakurugenzi na wafanyikazi wetu wote hupitia mafunzo mara kwa mara kuhusu masuala ibuka ya udhibiti, vitisho vya hatari, na kupambana na ulanguzi wa pesa na kukabiliana na ufadhili wa ugaidi (AML/CFT) ili kuwaweka macho na kufahamu masuala ibuka katika sekta hii.

Benki ya Co-operative imeendelea kuweka na kutekeleza mifumo na udhabiti madhubuti inayosaidia kugundua na kuzuia uhalifu wa kifedha, ufisadi na hongo. Hatua hizo endelevu tunaamini zitapachika utamaduni wa uadilifu na uwajibikaji katika msingi wa taasisi yetu.

Tunaamini sana katika kufuata na kutekeleza kanuni za maadili. Thamani ya maadili na uwajibikaji ni jambo lisilopingika kwani wadau sasa wanazidi kuvutiwa kujenga ushirikiano endelevu na biashara na masoko ambayo yanazingatia maadili haya. Lengo letu kuu la ushirika ni kua mshirika wa kimaadili tunapofuata biashara na uhusiano na wadau wetu.

Mazingira, Jamii na Utawala (ESG)

Benki ina mwelekeo mpya wa ESG na inaendeshwa kutoka ngazi ya bodi. Co-operative Bank Group imejitolea kubadilisha maisha na kua raia anayeajibika. Benki hii inaamini kwamba maendeleo endelevu na ukuaji wa faida endelevu ni nyongeza kwa kila mmoja na unaleta matokeo chanya kwa uchumi, jamii na mazingira.

Tuna shauku kuhusu jukumu letu kama benki inayowajibika kwa jamii. Tunasaidia kuunganisha wateja wetu na mitandao yetu kuimarisha jumuiya zetu mtaani. Tunashiriki katika mipango mbalimbali ya mtaani na kisekta ili kusaidia wateja wetu wa kibiashara na kibinafsi katika kufikia malengo yao endelevu. Tumechapisha Taarifa yetu ya Sera ya ESG ambayo itaongoza shughuli zetu zote: "Tumejitolea kikamilifu kwa maendeleo endelevu na kufikia mazingira na matokeo chanya kwa jamii na utawala bora".

Muhtasari wa Utendaji

Mizania yetu ilikua kwa asilimia 10.8 hadi Bilioni 672.5 kufikia mwisho wa 2023 kutoka Bilioni 607.2 mnamo 2022. Kundi la Co-operative lilipata nyongeza ya kuvutia ya Faida Kabla ya Ushuru ya KShs. 32.4 Bilioni, ukuaji wa asilimia 10 ikilinganishwa na KShs. 29.4 Bilioni mwaka wa 2022. Faida baada ya ushuru iliongezeka kwa asilimia 5.2 hadi KShs. 23.2 Billion kutoka Bilioni 22.0 mwaka uliotangulia. Utendaji huu unaendeleza ukuaji wetu endelevu wa thamani ya wanahisa kama inavyothibitishwa na Faida ya Usawa ya asilimia 21.0. Utendaji mzuri wa Benki unaendana na mwelekeo wa kimkakati wa kundi la Co-operative katika ukuaji endelevu, uthabiti na wepesi.

Utawala wa Biashara

Bodi inawajibika kwa kanuni za usimamizi wa shirika na inakumbatia majukumu yake kwa wanahisa na washikadau wengine na kuzingatia viwango vya juu zaidi vya maadili na kuhakikisha kwamba Benki inaendesha shughuli zake kwa mujibu wa kanuni bora za kimataifa.

Benki inatambua na kukumbatia manufaa ya Bodi inayo-shirikisha watu tofauti na inakubali kwamba tofauti katika ngazi ya bodi ni kipengele muhimu katika kuimarisha mchakato wa kufanya maamuzi na matokeo ya sera na mwelekeo wa mkakati. Hili pia ni katika uthamini wa kina ili kuhakikisha mchanganyiko uliosawazishwa katika uwezo na umahiri wa Bodi ili kusalia kuwa muhimu katika mazingira ya soko yanayobadilika kwa upesi na yenye ushindani mkuu. Bodi yetu ina wakurugenzi kumi na watatu, mmoja wao, Mkurugenzi Mtendaji kama mtendaji, na kumi na wawili wasio watendaji. Wakurugenzi wana ujuzi mbalimbali, uzoefu na umahiri katika nyanja zao husika za kitaalamu na wako katika nafasi nzuri ya kuendeleza biashara ya Benki. Kuwa na taratibu zinazofaa za utawala na nguzo zinazounga mkono tabia za kimaadili ni jambo kuu katika biashara yetu.

Wakurugenzi wa Benki/kampuni tanzu wamejitolea kufanya vizuri katika utawala bora na kuunga mkono kanuni za Utawala Bora wa Shirika.

Gawio na Mkutano Mkuu wa Mwaka

Bodi ya Wakurugenzi imependekeza kuidhinishwa na wenyehisa katika Mkutano Mkuu wa Mwaka (AGM), mgao wa KShs. 1.50 (2022: KShs. 1.50) kwa kila hisa ya kawaida inayomilikiwa ikingoja idhini ya Mamlaka ya Masoko ya Mitaji (CMA). Mkutano Mkuu wa Mwaka utafanyika kwa njia ya mtandao Ijumaa tarehe 17 Mei 2024.

Mpango Mkakati wa Biashara

Mwaka huu, Benki itakua inapitia Mpango Mkakati wa Biashara ambao umekuwepo tangu 2019 na kuunda mpango mpya utakaongoza shughuli zake kutoka 2025 hadi 2029. Katika kipindi cha miaka mitano iliyopita, Benki imefanikiwa kwa kiasi kikubwa kutekeleza mkakati huu, kwa mtindo wa uendeshaji ulioboreshwa na unaozingatia Ufanisi wa Idara ya Mauzo, huduma ilioboreshwa kwa wateja, kuimarisha mfumo wa Dijitali, Uchanganuzi wa data ulioboreshwa na Tija ya wafanyikazi.

Pia tumeweza kupata ufanisi wa gharama kama inavyothibitishwa na uwiano wa Gharama kwa Mapato ambao umeongezeka kutoka asilimia 52.1 mwaka wa 2019 hadi asilimia 47.0 mwaka wa 2023. Mizania yetu na nafasi ya mtaji pia imeboreka kama ilivyobainishwa hapo awali . Utambuzi wa chapa yetu umeimarika na pia ushirikiano na wadau wetu wote umeongezeka.

Kutokana na msingi huu thabiti sasa tunatazamia kuboresha mfumo wetu wa kimikakati kutumia Mpango wa Mikakati wa Biashara ulioboreshwa wa 2025-2029. Pia tutakumbatia mipaka mipya hasa katika ajenda ya Mazingira, Jamii na Utawala.

Mtazamo

Uchumi duniani unatarajiwa kusalia kuwa duni katika mda mfupi ujao hasa kutokana na kundelea kwa shinikizo la mfumuko wa bei pamoja na kubana kwa sera za fedha ambazo zinatarajiwa kulemea shughuli za kiuchumi. Zaidi ya hayo, utendaji wa uchumi wa dunia siku za usoni unategemea sana jinsi shinikizo la mfumuko wa bei itakavyopungua hivi karibuni, jambo ambalo litazifanya Benki Kuu kurahisisha sera zao za fedha, na hivyo kukuza shughuli za kiuchumi.

Matarajio ya ukuaji wa muda wa kati wa Kenya yanasalia kuwa chanya huku Pato la Kitaifa (GDP) likitarajiwa kukua kwa asilimia 5.2 kwa wastani mwaka wa 2024-2025 licha ya majanga ya sasa ya kimataifa na humu nchini. Dhana hiyo inatarajia kuwa kutakua na ukuaji thabiti wa mikopo kwa sekta ya kibinafsi, ufufuo wa muda mfupi wa uzalishaji wa kilimo, na bei ya juu inayofaa kwa bidhaa za Kenya zinazouzwa nnje. Maendeleo haya kwa upande wake yanatarajiwa kuchochea uwekezaji wa kibinafsi ili kusaidia ukuaji wa uchumi katika muda wa kati.

Matumaini haya yanachangiwa na kuendelea kuimarika kwa sekta ya kibinafsi, athari za afua za serikali ikiwa ni pamoja na katika sekta ya kilimo na MSME, ambazo zote zinatarajiwa kusaidia ajira na ukuaji.

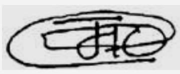
Hata hivyo, wateja wetu wanasalia kukabiliwa na kupanda kwa bei za vyakula, kupanda kwa bei ya mafuta, usumbufu wa ugavi na mfumuko wa bei. Kwa ujumla, tunaendelea kuwa waangalifu kuhusiana na mazingira ya utendakazi katika mwaka wa 2023 na miaka ijayo. Katika mazingira haya ya uendeshaji, lengo letu kama Benki ya Ushirika linabakia zaidi kuliko hapo awali katika utoshelevu wa chakula kwa kusaidia ustahimilivu na uzalishaji wa sekta ya kilimo, MSME, hali ya hewa na kukuza jamii inayojumuisha zaidi.

Shukrani

Ninataka kutoa shukrani zangu za dhati kwa wateja wetu na wanahisa kwa kujitolea na kuwa waaminifu kwa Benki yetu. Usaidizi wenu unaoendelea umekua muhimu kwa utendaji bora wa Benki.

Kwa niaba ya Bodi ya Wakurugenzi, napenda pia kutambua uungwaji mkono usioyumba na kujitolea ulioonyeshwa na Bodi ya Usimamizi ikiongozwa na Mkurugenzi Mkuu Mtendaji wa Kundi Dr. Gideon Muriuki, CBS, MBS, na timu nzima ya Co-operative Bank Group.

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



Mr. John Murugu, OGW
Chairman

Co-op Bank is now offering 100% financing on Pre-Owned Cars. Anyone with an income can walk into a second hand car dealership, select the vehicle that best suits them, and get financing from Co-operative Bank. It's that simple.

Talk to us today to find out more. Call: 0703 027000 or WhatsApp on 0736 690101

PRE-OWNED CAR FINANCING

CO-OPERATIVE BANK
We are you

Co-operative Bank is regulated by the Central Bank of Kenya

Board of Directors

John Murugu, OGW – Chairman (73)

Joined the Board of Directors on 27th May 2015 and became 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 (55)

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.

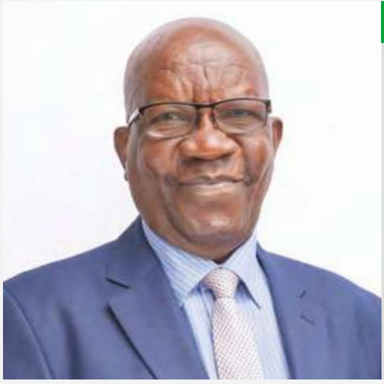
He has served in various positions in the Civil Service and is the Chairman of Harambee Co-operative Society Limited that serves employees of the various Government departments under the Office of the President. He is a director in Kingdom Bank Ltd.

Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO (59)

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. 32.4 Billion in 2023. 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 35 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 (70)

Joined the Board in 2017 having served in the Board of Co-op Trust Investment Services Ltd since 1998 and the Board of Coop 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 (65)

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's pension scheme. Mrs. Welton notably implemented the current Bank structure in liaison with Mckinsey in the year 2014 just before she left. 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 (68)

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 with 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 (69)

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 (62)

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.

Richard L. Kimanthi – Director (67)

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 – Director (68)

He was appointed a director on 7th August 2013, as the alternate to the Principal Secretary - National Treasury. He was 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.

Margaret Karangatha (Mrs.) – Director, Independent (63)

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 including Board Chairperson of the Navigators Economic Transformation Facility and Regional Treasurer of Scripture Union Africa.

She specializes in Organizational Planning, Leadership and Human Resource 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, Board Risk Committee and Kingdom Bank Limited.

Wilfred Ongoro, HSC – Director (68)

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 Coop holdings Co-operative Society Limited.

Godfrey K. Mburia – Director (67)

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 (69)

Appointed Director on 27th April 2018. He has extensive knowledge and experience in the Cooperative 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 Cooperative Society Limited.

He is the current Chairman of Catholic Men Association in the Catholic Diocese of Murang'a 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 (55)

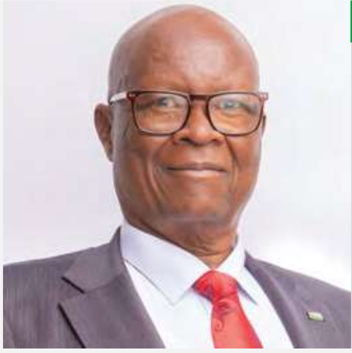
Joined the Boards of the subsidiaries in May 2014. He is a businessman and a coffee farmer, with vast experience in farm management and coffee production. He is the Chairman of Kibirigwi Farmers Co-op Society. He is a Director of Co-opholdings Co-operative Society Limited.

James N. Njiru – Director (56)

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 (64)

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 (68)

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 Cooperative Management.

David Kirk Obonyo – Director (56)

Mr. David K. Obonyo is a career civil servant who joined the Board of Directors in year 2021. He is a holder of Master 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 Cooperatives – Embu County, Head of Extension Services at the Ministry of Industry, Trade & Co-operatives, and Chief Executive Officer /Secretary at the Ethics Commission for Co-operative Societies Board. Previously he was Head of Finance and Marketing Department in the State Department of Co-operatives. 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 (54)

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 (47)

Has over 20 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.

William Mayar Wol – Chairman (61)

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 of South Sudan, field officer Ministry of Agriculture in Sudan, development, and formation of Cooperatives in South Sudan's various states among others.

Elijah Wamalwa – Managing Director (50)

He has 21 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 (65)

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.

Mr. Zachary K. Chianda – Director (66)

Mr. Zachary K. Chianda was appointed Director of the Co-operative Bank of South Sudan on 15th March 2023. Mr. Chianda is a former Managing Director & CEO of Co-operative Bank of South Sudan and one of the longest serving members of Co-op Bank having had a celebrated & distinguished service in Co-op Bank and the Kenyan Co-operative Movement and retired in December 2017. He joined Co-op Bank in 1980 and over the years he rose through the ranks to become Director – Co-operatives Banking and Director – Operations, and finally the Managing Director & CEO of the Co-operative Bank of South Sudan. Mr. Chianda is self-driven and highly motivated individual; truly dedicated and commitment to the growth, vision, and mission of the Bank. He was a key pillar of the incredible transformation journey the subsidiary has undertaken despite the difficult operating environment.

Mr. Chianda has a Bachelor of Science degree from the University of Manchester Science & Technology and an Associate Chartered Institute of Bankers (ACIB) of United Kingdom. He also holds a Certificate in Bank Management from Odense Business School in Denmark.

Hon. Benjamin West Ayali Koyongwa – Director (55)

Hon. Benjamin West Ayali Koyongwa was appointed director of Co-operative Bank of South Sudan on 8th August 2023. He is a South Sudan citizen and is currently Under Secretary for Planning in the Ministry of Finance & Planning. He is a seasoned finance, planning and budgeting technocrat with a decorated service on financial matters in South Sudan. He also has a vast international exposure having worked for various leading Non-Governmental Organizations such as Church Ecumenical Action in South Sudan, New Sudan Council of Churches, Sudan Humanitarian Services and Sudan Evangelical Mission among others.

He is a holder of Bachelor of Commerce (BCom) in Accounting, Business Administration and Management from Daystar University.

Group Managing Director and CEO Dr. Gideon Muriuki, (L) Chairman Co-opHoldings Co-operative Society Mr. Macloud Malonza (C) and the Vice Chairman, Mr. Patrick Githendu discuss the Bank performance at the Co-opholdings AGM. Co-opholdings Co-operative Society is the majority shareholder and strategic investor in the Co-operative Bank of Kenya.

www.co-opbank.co.ke

INTRODUCING:

CO-OP VISA PRE-PAID CARD

The safe & easy way to receive and manage pocket money, locally and abroad.

Easy to Apply - You don't need to have a Co-op Bank account. Requirements:

Parent's/ Guardian's ID and KRA PIN

Easy to Apply - Use Mpesa Paybill 400200 from anywhere in the world

Easy to Monitor - Parent will receive an SMS alert for every transaction done

For enquiries, please call us on:
0703 027 000, or WhatsApp: 0736 690 101
Or Visit any Co-op Bank Branch

BANK CO-OPERATIVE BANK
We are you

The Co-operative Bank of Kenya is regulated by Central Bank of Kenya

Group Managing Director & CEO's Statement

> "Our "Soaring Eagle" transformational journey remains anchored in enhancing operational efficiency, digitization, and innovation."
>
> **Dr. Gideon Muriuki,** CBS, MBS
> *Group Managing Director & CEO*

Dear Esteemed Shareholders,

I am honoured to present our Integrated Report for the year ending 31 December, 2023. I look forward to this yearly communication as it marks a significant milestone as we reflect on our journey, celebrate achievements, and acknowledge the successes we have encountered along the way.

A Year of Resilience and Achievement

In the face of evolving global and local challenges, Co-op Bank, and our remarkable team of 5,400 employees have demonstrated remarkable resilience and steadfast dedication.

We firmly believe in the pivotal role of technology in advancing our universal banking model and positively impacting lives. In 2023, we advanced our Digital Transformation as we undertook the largest project in the Bank's history, successfully implementing a new Core Banking System.

The successful migration was testament to the unwavering dedication and focus of our institution. I extend my heartfelt appreciation for the tireless effort witnessed across the organization in ensuring a seamless transition. The new Core Banking system, ushers in a new era of enhanced customer service, accelerated deployment of innovations to the market, and streamlined integration, positioned to elevate our service delivery to all our stakeholders.

A Testament of Excellence

In 2023, Co-op Bank continued its legacy of excellence and innovation, earning esteemed recognition within the industry. We were immensely proud to receive the distinguished title of "Most Sustainable Bank" at the Kenya Bankers' Catalyst Awards for the fourth time in six years, underscoring our unwavering commitment to environmental and social stewardship. Additionally, our dedication to empowering our clients was acknowledged as we were honoured with awards for "Best in Financing Commercial Clients", "Most Innovative Bank", and for our efforts in "Promoting Gender Inclusivity" and "Promoting People with Disabilities".

Internationally, Co-op Bank Group's outstanding performance was acknowledged by EMEA Finance, naming us the Best Bank in Kenya, and recognizing our subsidiary, Co-op Trust Investment Services Ltd (CISL), as the Best Asset Manager. With CISL's remarkable growth, emerging as the largest indigenous asset management firm with over 218.4 billion in assets under management, we continue to solidify our position as a leader in the financial sector. Co-operative Bank of South Sudan was also feted by the Chamber Quality Awards 2023 as the Best Bank in South Sudan affirming the mandate of driving financial inclusion through the Co-operative Movement.

Furthermore, our commitment to driving the transformation of Kenya's MSMEs was celebrated at the IFC's Global MSME Forum, where we were honoured as the SME Financier of the Year-Africa (Gold) and received an honourable mention for Product Innovation of the Year. These accolades validate our strategic approach in co-creating solutions tailored to the evolving needs of MSMEs, further establishing Co-op Bank Group as a catalyst for economic empowerment and growth in our communities.

Navigating Market Dynamics

In 2023, the economic landscape was characterized by a mix of opportunities and challenges. Despite global monetary policy tightening, overall economic performance remained strong. However, persistent geopolitical risks, particularly conflicts in Europe and the Middle East, continued to pose uncertainties.

Domestically, the agriculture sector spearheaded a remarkable recovery, buoyed by improved rainfall following a period of drought. This resurgence injected optimism into the economy, signalling potential for sustained growth. Furthermore, the services sector demonstrated notable resilience, emerging as a key driver of Kenya's economic growth. Although challenges such as inflation, high interest rates, and currency depreciation persisted throughout the year, signs of improvement began to surface. Confidence in the government's ability to meet financial obligations and manage fiscal expenditure strengthened, laying a solid foundation for future stability.

Looking ahead, with the easing of previous headwinds and growing confidence in the country's economic prospects, we anticipate a resurgence in economic activity. This optimism is expected to attract increased investments, fostering growth and prosperity across various sectors. As we navigate the evolving economic landscape, we remain cautiously optimistic about the opportunities that lie ahead. We are confident in our ability to overcome challenges and achieve sustainable progress.

Financial Performance

The Group demonstrated resilience and agility, achieving a remarkable 10% increase in profit before tax, soaring to KShs. 32.4 Billion from KShs. 29.4 Billion in 2022.

Our Total Assets surged to KShs. 672.5 Billion, reflecting a robust 10.8% expansion from the previous year, driven notably by a 10.3% rise in net loans and advances to KShs. 374.2 Billion, up from KShs. 339.4 Billion. Our strategic investment in government securities saw a 9.1% growth, reaching KShs. 189 Billion, bolstering our total interest income to KShs. 69.1 Billion, an 11.9% increase from KShs. 61.7 Billion in 2022.

Despite market liquidity challenges, customer deposits demonstrated resilience, growing by 6.6% to KShs. 451.6 Billion. However, this growth necessitated a 46.9% increase in interest expense, amounting to KShs. 23.8 Billion. Leveraging increased collaboration with development partners, our borrowed funds increased by 40% to KShs. 67.3 Billion.

We remain committed to diversifying our income streams, with non-funded income contributing a substantial 36.9% to our Total operating income. Through rigorous cost management initiatives, we successfully reduced total operating expenses by 6.1%, resulting in an enhanced cost-to-income ratio (without provisions) of 47.0%.

Our unwavering focus on operational efficiency and continuous growth has translated into significant returns for our shareholders, with a remarkable Return on average equity of 21%. As we move forward, we are poised to capitalize on emerging opportunities and navigate challenges with the same determination and strategic foresight that have underpinned our success thus far.

Transformational Journey

Our "Soaring Eagle" transformational journey remains anchored in enhancing operational efficiency, digitization, and innovation. The ongoing digitization efforts, including the recent modernization of our core banking system, are poised to revolutionize customer experience and drive sustained growth in the digital era. We remain committed to investing in technology, capacity, and innovation to ensure that we remain at the forefront of industry advancements.

Following the success of our Core Banking modernisation, we have completed the process of integrating Co-operative Bank of South Sudan on the same system. The harmonisation of our systems across the Group would enhance our efficiency and optimise the synergies that shall enhance our growth trajectory. The implementation of our new core banking system promises to be a significant catalyst for our synergised growth. It is poised to optimize operational efficiency, streamline processes, and expedite our time to market. With 24/7 operations and agile innovation leveraging an extensive Application Program Interface (API) network, we ensure seamless service delivery, rapid product launches, and responsiveness to market dynamics. Furthermore, the system yields cost efficiencies through reduced expenses, while also empowering our workforce to focus on value-adding activities, thereby driving shareholder value, competitive positioning and enhancing stakeholder confidence in our long-term growth prospects.

Additionally, with the ongoing upgrade of the Treasury and Trade Finance systems, the Bank is leveraging modernization to drive increased volumes obtained through a customer-centric value proposition. This strategic enhancement aims to optimize our capabilities in managing treasury functions and facilitating trade finance operations, aligning closely with evolving customer needs and market trends. By harnessing advanced technologies and innovative solutions, we are positioned to offer tailored services that not only meet but exceed customer expectations.

Strategic Focus Review

The Group's Corporate Strategic Plan 2020-2024 serves as our guiding compass towards our Vision, navigating the competitive landscape while safeguarding the meticulously cultivated value from current and emerging risks. While our primary focus remains on Kenya, we diligently explore regional expansion opportunities leveraging our successful Co-operatives Model.

As the leading provider of financial services to the 15-million-member Co-operative Movement, financial inclusion remains core to our mission. In Kenya, our proactive expansion strategy saw the successful launch of 8 new branches in 2023, strategically positioning us closer to our customers. Looking ahead to 2024, we envisage continued strategic expansion across the country, targeting areas of untapped potential. Aligned with our multichannel strategy, we prioritize delivering seamless customer experiences through our digital proposition, anchored on our Omni Channel (Mco-op Cash & Co-op Online). Our aim is to provide clients with convenient, functional, and delightful experiences across all touchpoints as customer satisfaction is paramount.

Our pursuit of operational efficiency is driven by digitization, innovation in products and processes, efficient business models, and enhanced staff productivity. Additionally, we maintain a steadfast focus on Enterprise Risk and Compliance to navigate the dynamic operating environment effectively. Our integrated approach to Environmental, Social, and Governance (ESG) principles underscores our commitment to responsible banking and sustainable growth.

In 2023, we raised USD 100 million in long term debt from global partners (led by DEG) to support the Bank's capital base, enhance our MSME lending and spur economic growth. Financing the long term needs of our 2.2 million MSME customers will catalyse the creation of jobs, spur innovation and propel the achievement of the Sustainable Development Goals.

Risk Management

As stewards of our stakeholders' interests, we are committed to effectively managing enterprise risk and ensuring compliance with regulatory standards. We actively engage with regulators to guarantee adherence to guidelines and regulations, safeguarding the integrity of our operations. Acknowledging the escalating threat of cyber risks within the industry, we have fortified our defences to detect, prevent and manage these threats.

To enhance our staff's ability to mitigate emerging threats, we conduct regular trainings on Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), with over 7,100 trainings having been conducted in 2023.

In pursuit of a high-quality asset book, we navigate the challenges of the macro-economic environment with diligence. Co-op Bank recorded an NPL ratio of 16.1%. Our relentless pursuit of improved asset quality focuses on monitoring, collection, and customer intimacy. By partnering with our clients, we co-create solutions to address their challenges and optimize their business performance. Through "Project Kilele," we continue to comprehensively review our credit management practices and frameworks with vigilance considering the dynamic environment. Our underwriting process further enhances this by ensuring quality growth, while our collection processes fortify against financial risks. Embedding Project "Connect & Build" allows us to enhance proximity to support the realization of our clients' ambitions despite the challenges they encounter.

Environmental, Social, and Governance (ESG)

As stewards of sustainable business practices, we fortified our organizational ethos with the robust pillars of environmental, social, and governance (ESG) principles. By leveraging technology and fortifying our governance structures, we not only embraced sustainable solutions but also embedded them into the fabric of our operations.

Anchoring our stewardship is the ESG policy framework, serving as our compass in our sustainability journey. This Board-approved framework not only guides our strategic decisions but also serves as the guideline for our commitment to global regulatory standards. Through strategic orchestration, oversight, and commitment, we have ensured the seamless integration of ESG initiatives across our enterprise. This led to resounding validation from the Fire Awards 2023, where Co-op Bank emerged as the winner of ESG reporting, crowning our efforts in the implementation and communication of our ESG strategy.

The integration of ESG principles into our operating framework in an evolving landscape has emerged as a beacon of resilience as it fortifies our risk management principles and elevates our strategic positioning as we strive to create shared value for all our stakeholders. To ensure the seamless execution of our ESG ambitions, we have ESG Champions across the enterprise, each championing sustainability in their respective spheres. Guided by a formal ESG Committee and a dedicated ESG Unit, we navigate our ESG strategy with meticulous alignment to the strategic objectives.

Reflecting on the ESG journey, we take note of the linkages between our financial performance and the positive impact on the community and the environment, affirming our integrated approach.

Recognizing the dynamics of the environment, we have adopted a proactive approach in addressing environmental and social challenges while upholding the highest standards of corporate governance. Our ESG strategy is designed to catalyse our transition to a low-carbon economy, underpinning our commitment to environmental stewardship. Upholding the directives of regulatory mandates such as the Central Bank of Kenya's Guidance on Climate-Related Risk Management and the Nairobi Securities Exchange ESG Disclosure Manual, we march towards championing a sustainable future.

Appreciation and Gratitude

I want to express my sincere gratitude on behalf of Co-operative Bank for your continued support. To our shareholders and customers, thank you for your loyalty and trust. Your confidence in us drives our commitment to providing innovative financial solutions.

I extend my appreciation to our Board of Directors for their guidance and dedication to our growth. To our Co-op Bank team, thank you for your hard work and dedication to excellence.

To all our stakeholders, including regulators, partners and communities, thank you for your collaboration to driving shared value.

As we look ahead, I am confident in our ability to continue delivering value and making a positive impact on the communities we serve and elevate to new frontiers of success.

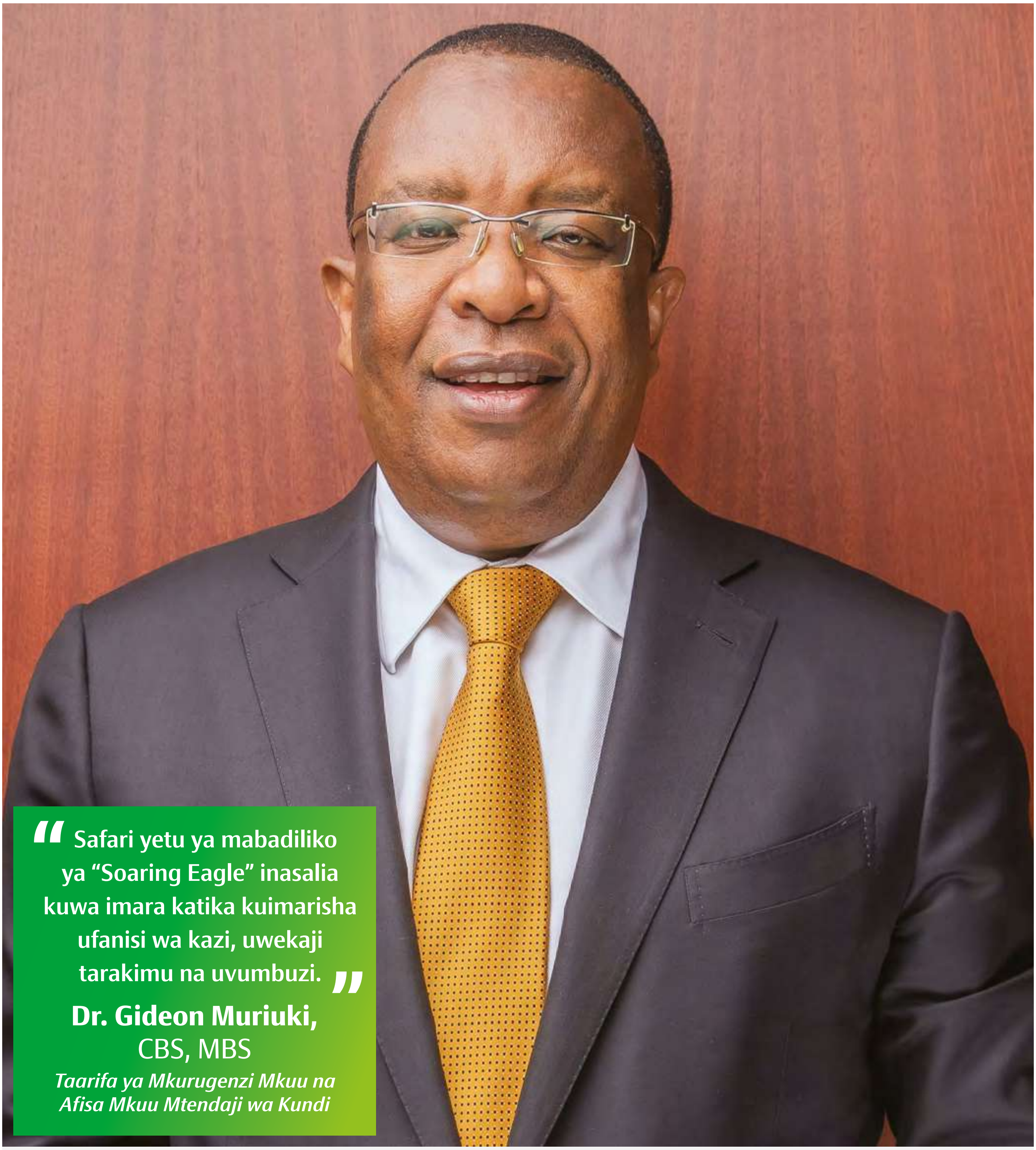
May God bless you abundantly.

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


www.co-opbank.co.ke
The question is, what can't the new MCo-op Cash do?


MCo-op Cash
MCo-op Cash
MCo-op Cash

Taarifa ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kundi



> "Safari yetu ya mabadiliko ya "Soaring Eagle" inasalia kuwa imara katika kuimarisha ufanisi wa kazi, uwekaji tarakimu na uvumbuzi."
>
> **Dr. Gideon Muriuki,**
> CBS, MBS
> *Taarifa ya Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kundi*

Wapendwa Wanahisa,

Ni kwa heshima kuu ninawasilisha Ripoti yetu Jumuishi ya mwaka ulioisha tarehe 31 Desemba 2023. Nimetazamia kwa hamu mawasiliano haya ya kila mwaka kwani yanaashiria hatua muhimu tunapotafakari juu ya safari yetu, kusherehekea na kukiri mafanikio ambayo tumekumbana nayo.

Mwaka wa Ustahimilivu na Mafanikio

Katika changamoto zinazoendelea za kimataifa na humu nchini, Benki ya Ushirika, na timu yetu ya ajabu ya wafanyakazi 5,400 wameonyesha uthabiti wa tofauti na kujitolea kwa dhati.

Tunaamini kwa dhati jukumu muhimu la teknolojia katika habari mtindo wetu wa benki kwa wote na kuathiri maisha kwa njia chanya. Katika mwaka wa 2023, tuliendeleza Mageuzi yetu ya Kidijitali tulipotekeleza mradi mkubwa zaidi katika historia ya Benki, na pia kutekeleza kwa ufanisi Mfumo Mpya wa msingi wa Benki.

Uhamiaji huu uliofaulu ulikuwa ushuhuda wa kujitolea na umakini usioyumba wa taasisi yetu. Natanguliza shukrani zangu za dhati kwa juhudi zisizochoka zilizoshuhudiwa kote katika shirika kufanya kutekelezwa kwa mageuzi haya kwa njia laini. Mfumo huu mpya wa Msingi wa Benki unaleta enzi mpya ya kuimarishwa kwa huduma kwa wateja, kuharakisha upelekaji wa ubunifu kwenye soko na uunganishaji ulioboreshwa, ili kuinua bidhaa wetu wa huduma kwa wadau wetu wote.

Ushuhuda wa Ubora

Mnamo 2023, Benki ya Co-op iliendelea na umahiri wake wa ubora na soko, na kupata kutambulika kwa heshima ndani ya tasnia. Tulijivunia sana kupokea taji mashuhuri la "Benki Endelevu Zaidi" katika Tuzo za Kichocheo za Mabenki za Kenya kwa mara yan ne katika kipindi cha miaka sita, tukisisitiza dhamira yetu usiomba katika utunzaji wa mazingira na. Zaidi ya hayo, kujitolea kwetu kuwawezesha wateja wetu kulitambulika kwa kuwa tulitunukiwa tuzo za "Bora katika Kufadhili Wateja wa Kibiashara", "Benki Bunifu Zaidi", na kwa juhudi zetu za "Kukuza Ushirikishwaji wa Jinsia" na "Kukuza Watu Wenye Ulemavu".

Kimataifa, utendakazi bora wa Co-op Bank ulitambulika na EMEA Finance, ikitutaja "Benki Bora nchini Kenya", na kuona kampuni yetu tanzu ya Co-op Trust Investment Services Ltd (CISL) kama Meneja Bora wa Mali. Kwa ukuaji wa ajabu wa CISL, ikiibuka kama kampuni kubwa zaidi ya usimamizi wa mali asilia yenye zaidi ya bilioni 218.4 katika mali zinazosimamiwa, tunaendelea kuimarisha nafasi yetu kama kiongozi katika sekta ya fedha. Benki ya Ushirika ya Sudan Kusini pia ilitunukiwa Tuzo za Ubora za Chamber 2023 kama Benki Bora nchini Sudan Kusini ikithibitisha jukumu la kuendesha ushirikishwaji wa kifedha kupitia Jumuiya ya Ushirika.

Zaidi ya hayo, dhamira yetu ya kuleta mabadiliko ya MSME za Kenya iliadhimishwa katika Kongamano la Kimataifa la MSME la IFC, ambapo tulitunukiwa kama Mfadhili wa Mwaka wa SME-Dhahabu (Afrika) na kupokea sifa ya heshima kwa Ubunifu wa Bidhaa wa Mwaka. Sifa hizi zinathibitisha mbinu yetu ya kimkakati katika kuunda suluhu zinazolingana na mahitaji yanayobadilika ya MSMEs, na kuanzisha zaidi Co-op Bank Group kama kichocheo cha uwezeshaji wa kiuchumi na ukuaji katika jamii zetu.

Kuabiri Mienendo ya Soko

Mnamo 2023, mazingira ya kiuchumi yalibainishwa na mchanganyiko wa fursa na changamoto. Licha ya kubana kwa sera ya fedha duniani, utendakazi wa jumla wa uchumi uliendelea kuwa na nguvu. Hata hivyo, hatari zinazoendelea za kijiografia na kisiasa, hasa migogoro barani Ulaya na Mashariki ya Kati, ziliendelea kuleta hali ya shaka.

Ndani ya nchi, sekta ya kilimo iliongoza katika ahueni ya ajabu, iliyochochewa na kuboreshwa kwa mvua kufuatia kipindi cha ukame. Kufufuka huku kuliingiza matumaini katika uchumi, kuashiria uwezekano wa ukuaji endelevu. Zaidi ya hayo, sekta ya huduma ilionyesha uthabiti mkubwa, ikiibuka kama kichocheo kikuu cha ukuaji wa uchumi wa Kenya. Ingawa changamoto kama vile mfumuko wa bei, viwango vya juu vya riba, na kushuka kwa thamani ya sarafu ziliendelea mwaka mzima, dalili za kuboreka zilianza kujitokeza. Imani katika uwezo wa serikali wa kutimiza majukumu ya kifedha na kudhibiti matumizi ya fedha imeimarishwa, na kuweka msingi thabiti wa utulivu wa siku zijazo.

Tukiangalia mbeleni, kwa urahisi wa mijadala ya awali na imani inayoongezeka katika matarajio ya kiuchumi ya nchi, tunatarajia kufufuka kwa shughuli za kiuchumi. Matumaini haya yanatarajiwa kuvutia uwekezaji ulioongezeka, kukuza ukuaji na ustawi katika sekta mbalimbali. Tunapopitia hali ya uchumi inayoendelea, tunasalia na matumaini kuhusu fursa zilizo mbele yetu. Tuna uhakika katika uwezo wetu wa kushinda changamoto na kufikia maendeleo endelevu.

Utendaji wa Kifedha

Benki ya Co-op ilileta utendaji thabiti wa kifedha mwaka wa 2023, na kufikia ukuaji wa rekodi na kuimarisha Kundi letu la Co-op Bank lilileta ufanisi mkubwa wa kifedha katika 2023, kuashiria mwaka muhimu wa ukuaji wa rekodi na kuimarisha zaidi nafasi yetu kama kiongozi wa soko. Kikundi kilionyesha uthabiti na wepesi, na kufikia ongezeko kubwa la 10% la Faida kabla ya ushuru, na kupanda hadi KShs. Bilioni 32.4 kutoka KShs. Bilioni 29.4 mwaka 2022.

Jumla ya Mali Yetu ilipanda hadi KShs. Bilioni 672.5, ikionyesha upanuzi thabiti wa 10.8% kutoka mwaka uliopita, unaochangiwa haswa na ongezeko la asilimia 10.3 la mikopo yote na nyongeza hadi KShs. Bilioni 374.2, kutoka KShs. Bilioni 339.4. Uwekezaji wetu wa kimkakati katika dhamana za serikali ulishuhudia ukuaji wa 9.1%, na kufikia KShs. 189 Bilioni, ikiimarisha mapato yetu ya jumla ya riba hadi KShs. 69.1 Bilioni, ongezeko la 11.9% kutoka KShs. Bilioni 61.7 mwaka 2022.

Licha ya changamoto za ukwasi wa soko, amana za wateja zilionyesha uthabiti, na kukua kwa 6.6% hadi KShs. Bilioni 451.6. Hata hivyo, ukuaji huu ulilazimu ongezeko la asilimia 46.9 la gharama ya riba, ambayo ni KShs. Bilioni 23.8. Kwa kuongeza ushirikiano na washirika wa maendeleo, fedha zetu zilizokopwa ziliongezeka kwa 40% hadi KShs. Bilioni 67.3.

Tumesalia kujitolea kubadilisha vyanzo vyetu vya mapato, huku mapato yasiyofadhiliwa yakichangia asilimia 36.9% kwa Jumla ya mapato yetu ya uendeshaji. Kupitia mipango madhubuti ya usimamizi wa gharama, tulifanikiwa kupunguza jumla ya gharama za uendeshaji kwa 6.1%, na hivyo kusababisha uwiano wa gharama kwa mapato kuimarishwa (bila masharti) wa 47.0%.

Mtazamo wetu usioyumba katika ufanisi wa utendakazi na ukuaji endelevu umesababisha faida kubwa kwa wanahisa wetu, na Rejea ya ajabu kwa wastani wa usawa wa 21%. Tunaposonga mbele, tuko tayari kuchangamkia fursa zinazojitokeza na kukabiliana na changamoto kwa dhamira sawa na utabiri wa kimkakati ambao umesaidia mafanikio yetu kufikia sasa.

Safari ya Mabadiliko

Safari yetu ya mabadiliko ya ***"Soaring Eagle"*** inasalia kuwa imara katika kuimarisha ufanisi wa kazi, uwekaji tarakimu na uvumbuzi. Juhudi zinazoendelea za kuweka kidijitali, ikijumuisha uboreshaji wa hivi majuzi wa mfumo wetu mkuu wa benki, ziko tayari kuleta mageuzi ya uzoefu wa wateja na kukuza ukuaji endelevu katika enzi ya kidijitali. Tunasalia kujitolea kuwekeza katika teknolojia, uwezo na uvumbuzi ili kuhakikisha kuwa tunasalia kuwa mstari wa mbele katika maendeleo ya sekta.

Kufuatia mafanikio ya uboreshaji wetu wa Core Banking, kwa sasa tuko katika mchakato wa kuunganisha Benki ya Ushirika ya Sudan Kusini kwenye mfumo huo huo. Kuoanishwa kwa mifumo yetu kote katika kikundi kungeimarisha ufanisi wetu na kuongeza maelewano ambayo yataimarisha mwelekeo wetu wa ukuaji. Utekelezaji wa mfumo wetu mpya wa msingi wa benki unaahidi kuwa kichocheo kikubwa cha ukuaji wetu uliounganishwa. Imejipanga kuboresha ufanisi wa utendakazi, kurahisisha michakato, na kuharakisha wakati wetu wa soko. Kwa utendakazi wa 24/7 na uvumbuzi wa haraka unaotumia mtandao mpana wa API, tunahakikisha utoaji wa huduma bila mshono, uzinduzi wa haraka wa bidhaa, na mwitikio kwa mienendo ya soko. Zaidi ya hayo, mfumo huu unatoa ufanisi wa gharama kupitia gharama zilizopunguzwa, huku pia ukiwezesha wafanyakazi wetu kuzingatia shughuli za ongezeko la thamani, na hivyo kuendesha thamani ya wanahisa, nafasi ya ushindani na kuimarisha imani ya washikadau katika matarajio yetu ya ukuaji wa muda mrefu.

Zaidi ya hayo, kwa uboreshaji wa sasa wa mifumo ya Hazina na Fedha za Biashara, Benki inatumia uboreshaji wa kisasa ili kuongeza viwango vinavyopatikana kupitia pendekezo la thamani linalomlenga mteja. Uboreshaji huu wa kimkakati unalenga kuongeza uwezo wetu katika kusimamia kazi za hazina na kuwezesha shughuli za fedha za biashara, kwa kuzingatia kwa karibu mahitaji ya wateja na mwelekeo wa soko. Kwa kutumia teknolojia za hali ya juu na masuluhisho ya kiubunifu, tumepewa nafasi ya kutoa huduma maalum ambazo sio tu kwamba zinakidhi bali kuzidi matarajio ya wateja.

Tathmini ya Kuzingatia Mkakati

Mpango Mkakati wa Ushirika wa Kundi 2020-2024 unatumika kama dira yetu kuelekea Maono yetu, kuabiri mazingira ya ushindani huku tukilinda thamani iliyokuzwa kwa uangalifu dhidi ya hatari za sasa na zinazojitokeza. Ingawa lengo letu kuu likibakia kwa Kenya, tunachunguza kwa bidii fursa za upanuzi wa kikanda kwa kutumia Muundo wetu wa Ushirika uliofaulu.

Kama mtoaji mkuu wa huduma za kifedha kwa Jumuiya ya Ushirika yenye wanachama milioni 15, ujumuishaji wa kifedha unasalia kuwa msingi wa dhamira yetu. Nchini Kenya, mkakati wetu wa upanuzi wa haraka ulifanikisha kuzinduliwa kwa matawi 7 mapya mnamo 2023, na kutuweka kimkakati karibu na mahitaji ya wateja wetu. Tukiangalia mbele hadi 2024, tunatazamia kuendelea kwa upanuzi wa kimkakati kote nchini, tukilenga maeneo yenye uwezo ambao haujatumiwa. Kwa kuzingatia mkakati wetu wa idhaa nyingi, tunatanguliza uwasilishaji wa hali ya utumiaji bila mshono kupitia pendekezo letu la kidijitali, linaloangaziwa kwenye Omni Channel yetu (Mco -op Cash & Co-op Online). Lengo letu ni kuwapa wateja uzoefu unaofaa, unaofanya kazi, na wa kupendeza katika sehemu zote za kugusa kwani kuridhika kwa wateja ni muhimu.

Shughuli yetu ya ufanisi wa kiutendaji inaendeshwa na uwekaji kidijitali, uvumbuzi katika bidhaa na michakato, miundo bora ya biashara, na kuimarishwa kwa tija ya wafanyikazi. Zaidi ya hayo, tunadumisha mkazo thabiti kwenye Hatari ya Biashara na Uzingatiaji ili kuabiri mazingira yanayobadilika ya uendeshaji kwa ufanisi. Mtazamo wetu jumuishi wa kanuni za Mazingira, Kijamii, na Utawala (ESG) unasisitiza kujitolea kwetu kwa benki kuwajibika na ukuaji endelevu.

Mnamo 2023, tulichangisha dola milioni 100 za deni la muda mrefu kutoka kwa washirika wa kimataifa (wakiongozwa na DEG) ili kusaidia msingi wa mtaji wa benki, kuimarisha mikopo yetu ya MSME na kuchochea ukuaji wa uchumi. Kufadhili mahitaji ya muda mrefu ya wateja wetu milioni 2.2 wa MSME jambo ambalo litachochea uundaji wa nafasi za kazi, kuibua ubunifu na kuendeleza kufikiwa kwa Malengo ya Maendeleo Endelevu.

Usimamizi wa Hatari

Kama wasimamizi wa maslahi ya washikadau wetu, tumejitolea kudhibiti ipasavyo hatari za biashara na kuhakikisha utiifu wa viwango vya udhibiti. Tunashirikiana kikamilifu na wadhibiti ili kuhakikisha utiifu wa miongozo na kanuni, kulinda uadilifu wa shughuli zetu. Kwa kutambua tishio linaloongezeka la hatari za mtandao katika sekta hii, tumeimarisha ulinzi wetu ili kugundua, kudhibiti na kupunguza vitisho hivi.

Ili kuboresha uwezo wa wafanyakazi wetu wa kupunguza vitisho vinavyojitokeza, tunatoa mafunzo ya mara kwa mara kuhusu Kupambana na Usafirishaji Haramu wa Pesa/Kupambana na Ufadhili wa Ugaidi (AML/CFT), huku zaidi ya mafunzo 7,100 yakiwa yamefanywa mwaka wa 2023.

Katika kutafuta kitabu cha ubora wa juu, tunapitia changamoto za mazingira ya uchumi mkuu kwa bidii. Mikopo ya sekta isiyolipika (NPL) iliyosalia kuwa 14.8% mwezi Desemba, Co-op Bank ilirekodi uwiano wa NPL wa 16.1%. Ufuatiliaji wetu usio na kikomo wa kuboreshwa kwa ubora wa mali unazingatia ufuatiliaji, ukusanyaji na ukaribu wa wateja. Kwa kushirikiana na wateja wetu, tunaunda suluhu za kushughulikia changamoto zao na kuboresha utendaji wao wa biashara. Kupitia "Mradi wa Kilele," tunaendelea kukagua kwa kina taratibu na mifumo yetu ya usimamizi wa mikopo kwa umakini kwa kuzingatia mazingira yanayobadilika. Mchakato wetu wa uandishi huboresha zaidi hili kwa kuhakikisha ukuaji wa ubora, huku michakato yetu ya kukusanya kikiimarisha dhidi ya hatari za kifedha. Kupachika Mradi wa "Unganisha na Uunde" huturuhusu kuongeza ukaribu ili kusaidia utimilifu wa matarajio ya wateja wetu licha ya changamoto wanazokabiliana nazo.

Mazingira, Kijamii na Utawala (ESG)

Kama wasimamizi wa mazoea endelevu ya biashara, tuliimarisha maadili yetu ya shirika kwa nguzo dhabiti za kanuni za mazingira, kijamii na utawala (ESG). Kwa kutumia teknolojia na kuimarisha miundo yetu ya utawala, hatukukumbatia tu masuluhisho endelevu bali pia tuliyapachika katika muundo wa shughuli zetu.

Kuimarisha uwakili wetu ni mfumo wa sera ya ESG, unaotumika kama dira yetu katika safari yetu ya uendelevu. Mfumo huu ulioidhinishwa na Bodi hauongoi tu maamuzi yetu ya kimkakati lakini pia hutumika kama mwongozo wa kujitolea kwetu kwa viwango vya udhibiti wa kimataifa. Kupitia upangaji wa kimkakati, uangalizi, na kujitolea, tumehakikisha ujumuishaji usio na mshono wa mipango ya ESG katika biashara yetu yote. Hili lilisababisha uthibitisho mkubwa kutoka kwa Tuzo za Moto 2023, ambapo Co-op Bank iliibuka kama mshindi wa ripoti ya ESG, ikiweka taji la juhudi zetu katika utekelezaji na mawasiliano ya mkakati wetu wa ESG.

Kuunganishwa kwa kanuni za ESG katika mfumo wetu wa uendeshaji katika mazingira yanayobadilika kumeibuka kama mwanga wa uthabiti kwani kunaimarisha kanuni zetu za udhibiti wa hatari na kuinua nafasi yetu ya kimkakati tunapojitahidi kuunda thamani ya pamoja kwa washikadau wetu wote. Ili kuhakikisha utekelezaji thabiti wa malengo yetu ya ESG, tuna Mabingwa wa ESG katika biashara yote, kila mmoja akitetea uendelevu katika nyanja zao. Tukiongozwa na Kamati rasmi ya ESG na Kitengo maalum cha ESG, tunapitia mkakati wetu wa ESG kwa upatanishi wa kina kwa malengo ya kimkakati.

Kwa kutafakari safari ya ESG, tunazingatia uhusiano kati ya utendaji wetu wa kifedha na athari chanya kwa jamii na mazingira, kuthibitisha mtazamo wetu jumuishi.

Kwa kutambua mienendo ya mazingira, tumechukua mbinu makini katika kushughulikia changamoto za kimazingira na kijamii huku tukizingatia viwango vya juu zaidi vya usimamizi wa shirika. Mkakati wetu wa ESG umeundwa ili kuchochea mpito wetu kwa uchumi wa chini wa kaboni, ikisisitiza kujitolea kwetu kwa utunzaji wa mazingira. Kwa kuzingatia maagizo ya mamlaka ya udhibiti kama vile Mwongozo wa Benki Kuu ya Kenya kuhusu Usimamizi wa Hatari Zinazohusiana na Hali ya Hewa na Mwongozo wa Ufichuzi wa ESG wa Soko la Hisa la Nairobi, tunaandamana kuelekea kutetea mustakabali endelevu.

Kushukuru na Kushukuru

Nataka kutoa shukrani zangu za dhati kwa niaba ya Co-operative Bank kwa kuendelea kuniunga mkono. Kwa wenyehisa na wateja wetu, asante kwa uaminifu na uaminifu wako. Kujiamini kwako kwetu kunasukuma kujitolea kwetu kutoa masuluhisho ya kibunifu ya kifedha.

Natanguliza shukrani zangu kwa Halmashauri yetu ya Wakurugenzi kwa mwongozo wao na kujitolea kwa ukuaji wetu. Kwa timu yetu ya Co-op Bank, asante kwa bidii yako na kujitolea kwa ubora.

Kwa washikadau wetu wote, wakiwemo wadhibiti, washirika, na jumuiya, asante kwa ushirikiano wako katika kuendeleza thamani inayoshirikiwa.

Tunapotazama mbele, nina imani katika uwezo wetu wa kuendelea kutoa thamani na kuleta matokeo chanya kwa jumuiya tunazohudumia na kuinua hadi mipaka mipya ya mafanikio.

Mungu awabariki sana.

Dkt. Gideon Muriuki, CBS, MBS

Mkurugenzi Mkuu na Afisa Mkuu Mtendaji wa Kundi

Dust off your shoes and put on a smile, because Co-op Bank is now offering 100% financing on Pre-Owned Cars. Anyone with an income can walk into a second hand car dealership, select the vehicle that best suits them, and get financing from Co-operative Bank. It's that simple.

PRE-OWNED CAR FINANCING

CO-OPERATIVE BANK
We are you

Co-operative Bank is regulated by the Central Bank of Kenya

Top Management Team

Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO (59)

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. 32.4 Billion in 2023. 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 35 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 (60)

He joined the Bank in 2002. He is a career banker with over 27 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 and Strategy (46)

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 22 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 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 (47)

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 Corporate & Institutional Banking (58)

She has held many senior positions in the Bank and has over 35 years banking experience. She has the critical mandate of driving business growth in the Corporate and Institutional Banking Division. She has previously held the role of Director Operations. She also sits on the Board of CIC Group Ltd. 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 (50)

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 Operations (47)

A career Corporate Banker with over 21 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 Operations in 2023 responsible for driving key operations and efficiency functions of the Group.She has previously held the role of Director Corporate and Institutional Banking. She holds a Bachelor of Law degree and a Bachelor of Business Administration degree. She also holds a diploma in Banking; advanced Diploma 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.

Vincent Marangu – Director, Cooperatives Banking (44)

He joined the Bank in 2003 and has wide experience in business and financial advisory working with cooperatives and rural finance sectors as Head of Coop 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 (47)

He has over 20 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 (54)

He joined the Bank in 2003. He is in charge of Credit Management driving proactive Credit Management including supporting asset book growth, proactive NPL management and spearheaded 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 27 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 – Director, Transformation (42)

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 (42)

Joined the Bank in 2010 and has over 17 years' experience in Treasury management. She is responsible for the Bank's Treasury management and growth objectives. Prior to her appointment she was the Head of Trading for the Bank. She previously worked with 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 (54)

He has a wealth of experience spanning over 22 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 (52)

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 (47)

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, Certified Public Accountants 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 – MD & CEO, Kingdom Bank Ltd (58)

He is a leading credit specialist in the banking industry with over 29 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 – MD & CEO, Co-op Trust Investments Services Ltd (41)

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 19 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 – MD & CEO, Co-op Consultancy & Bancassurance Intermediary (44)

He joined the Bank in 2005. At Co-op Consultancy and Insurance Agency he gives leadership to the various capacity building initiatives targeting cooperative societies across the country. He has consulted for cooperatives 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 Ltd (50)

He has 21 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.

Samantha Kibuga – Managing Director and CEO, Kingdom Securities Ltd (45)

Appointed as Managing Director in 2023, she is an experienced corporate leader with a deep understanding of Strategic Management and Stakeholder Engagement. She has over 16 years' experience leading investment management firms in the capital markets and has previously held various roles within the industry, including Senior Portfolio Manager, Financial Planning, and Head of Business & Client Relations . She holds a Bachelor of Commerce degree and is a member of the Institute of Certified Investment and Financial Analysts (ICIFA). She is also a Certified Engagement and Productivity Coach CEPC (ICF)

Co-operative Bank Model

How we create value to fulfil our purpose of transforming lives

Inputs

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
- High Performance Management and Reward culture
- High-impact leadership culture
- Staff wellness and welfare focus

Manufacturing Capital

- Branches 184
- Alternative Channels – Mcoop Cash, CoopNet, Coop kwa Jirani (Agency), Open Banking, ATMS
- Shared Services – support departments for the Group (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

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

Our universal banking model provides a range of innovative solutions and products to create shared value for the Group and our stakeholders. Our focus on shared value generates various revenue lines and impact on our environment which are sustained by our re-investment 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		Key Impact on our key Stakeholders	
Financial Capital	• Total Assets KShs. 672.5 Billion • Total Capital – KShs. 132.2 Billion • Liquidity – 52 % • KShs. 111.9 Billion in retained earnings • External Rating – B3 (Negative)	**Shareholders**	• Dividends Paid – KShs. 8.8 Billion (Payout Ratio: 38%) • Earnings Per Share – KShs. 3.92 • Quarterly Briefings on performance and Strategy
Human Capital	• 5,400 empowered staff members trained on distinct customer experience • High Performance Management and Reward culture • High-impact leadership culture • Coaching and personal development program	**Customers**	• Innovative and lending collection solutions (Deposits: KShs. 451.6 B, Loans: KShs. 374.2B) • NPS Score: 53.4 • Omnichannel Platform – 79.4 Million transactions • Non-Financial Services: 208,000 MSMEs trained
Manufacturing Capital	• New Core Banking system • 194 Branches • Enhancements on our digital channels leading to increase in out of branch transactions (91% of all transactions) and lending. • Shared Services – support departments (KShs. 11.1 Billion in Property and equipment) Efficient ICT infrastructure (Core Banking, OPICS, ERP, CRM etc.)	**Employees**	• Job Created – 5,400 (11% growth) • Salary & Bonus paid: KShs. 16.7 Billion (13% growth) • Employee Training: KShs. 57.3 Million • Wellness Webinars/talks: 143 • Number of leaders trained: 2403
Intellectual Capital	• Optimization and enhancements on McoopCash 5.0 • Augmented ICT capabilities	**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. • KShs. 100 million Capacity Building Fund
Social & Relationship Capital	• Our engagement with all our stakeholders has been active and optimal • Strategic partnerships has grown Long term funding to KShs. 67.3 Billion • Capacity building and project implementation through strategic partnerships • Socio – economic – Environmental Sustainability Initiatives and programs *(More detail in the ESG section)*	**Regulator**	• Compliance to all regulatory requirements • Formulation and review of ICAAP
Natural Capital	• Energy and Water Management Strategy • Eco-social and eco-environmental lending Book. *(More detail in the ESG section)* • Re-assessment of our lending on tickets above USD 1 million revealed a KShs. 12.3 Billion green book	**Suppliers**	• Kshs. 15.96 B paid to suppliers • 87.6% payment to local suppliers • Tendering protocol to ascertain fair competition and transparency • Vendor relation office to support faster processing, augmented by ERP system
		Community	• 10,264 students educated (7.4% increase) • Over 3,381 consultancies undertaken • 1,003 new staff hired • KShs. 9.4 Billion paid in taxes • Environmental and social impact • Social and Green Portfolio (10% of total portfolio; KShs. 37.4 Billion)

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 and technology infrastructure
Intellectual Capital	Brand and reputation, innovation, and sustainable shared value capability
Natural Capital	Environmental resources
Social & Relationship Capital	Relationships with stakeholders and shareholders, Banking licenses and client's 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. 672.5 Billion as at end of year 2023. The Group has pursued a balanced funding strategy with an attractive dividend pay-out ratio (Averaging 41.7% 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. 113.2 Billion. Apart from the retained earnings most of the Bank's funding comes from customer deposits which make up approximately 87.1% of our funding liabilities. Borrowed funds comprise 12.9% of our funding liabilities.

The Group has robust internal capital and liquidity management policies that not only meet the regulatory requirements but also ensure all its 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 47.0% (2022 - 47.1%).

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 not only fulfils our present needs, but that it is well skilled and can be easily 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 report. In the ESG section, we cover our Human Capital perspective in detail with a 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. It is a collection of all our physical, material and technological assets – our premises, network, plant and equipment and information and technology infrastructure that we use in our day-to-day activities to create value. The Group has up to KShs. 11.1 Billion in property, plant and equipment to ensure all our customers and other stakeholders are adequately catered for. Our delivery channels are key in our process to create value – In 2023, 91% (Over 131.2 million transactions) of our transactions were carried out on the alternative channels;

Our Channels

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

Omni Channel (Mco-opcash 5.0)

An Omni-Channel 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. It is a platform which promotes financial inclusion through availing to customers a variety of banking, credit, and payment services through multiple touch points.

The platform also includes a wallet which is a virtual account with a simple menu where the customer's cell phone number acts as the account number. Existing Bank accountholders can open and operate a virtual bank account end to end from their mobile phone without having to visit the branch.

Mco-opcash 5.0 can be accessed through USSD on a feature phone, Web portal and App either from a smart phone or a personal computer. We have over 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 Play store & 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. We support 484 Sacco FOSA branches. The Bank has also invested in the Sacco Link Switch which has integrated the Bank's 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 cooperative societies who then provide to their members retail services complete with full technological capabilities.

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 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 convenience as services come closer to their most accessible location.

Branch Network and ATMs

This is our footprint across the region consisting 194 branches. From our branches our customers can access much more than banking services to include those offered by our subsidiaries. In Kenya, we have 190 branches, (171 Co-op Bank Kenya and 19 in Kingdom Bank) spread in 43 counties while 4 branches in South Sudan. We also have 599 ATMS and cash deposit machines strategically 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:

Finacle Core banking System. Finacle is 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.

Omnichannel: 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)
- Debt management system
- Business Process Management & Workflows
- Risk Management system
- Shared Services Service Desk Request System
- Enterprise Service Bus-Service Oriented Architecture
- Data integration, quality and visualization
- Wealth Management System
- Enterprise Resource Planning (ERP)
- Treasury systems

Our key focus in 2023 was the delivery of the Core Banking system and the requisite infrastructure. This was completed in June 2023 after a successful go live.

The Bank now is on a journey to rationalize and optimize all others business areas e.g. Branch Operations, Treasury, Trade Finance, operational efficiency etc. while recouping the benefits of the investments done so far. We will continue to work with the various business teams and other stakeholders to leverage and maximize the huge investments in ICT for business growth in 2024. Some key outcomes into this year include: -

- Optimizing customer experience at branch
- Digital account opening out of branch
- Revamping of the youth banking offering
- Modernization of the card business technology and end-user devices including migration to Android based POS
- Fintech partnerships and integrations
- Redesign and revamp of Treasury and Trade Finance business areas.

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 are able to support us in this period of transformation and to 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 2023.

During the year the Bank had 170 instructor lead training programs where 7,925 pax were trained while 31,917 various courses translating to 51,494 learning hours were completed by our staff on our e-learning platform. This is an indication of the importance the banks places on capacity building and upskilling of its human resource.

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 in order 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 Creating Sustainable Value 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 owns and drives 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 employs 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.

Centralized Sourcing so as 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 on the basis of 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.

- 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 and our six (6) strategy 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.

The decision to employ/decrease one capital in order to increase another is a tough one because Capital is a limited resource and hence, we carefully prioritize. 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. The illustration below shows how key capital trade offs were made and the impact (increase/decrease) these trade-offs had on our capital stocks. In supporting our stakeholders through the ongoing Covid-19 pandemic the Bank had to commit all its capitals and the result has been an increase in our stakeholder relationships that will see us continue to create value into the long term. Material matters management section of this report details this support.

All key players in the potato value chain have formed 'The Potato Consortium' to boost the production of high quality crop consistent with market demands, to ensure key fast food retailers never again have to resort to potato imports to serve the popular 'French Fries'. The project kicked-off in Nyandarua County. (Left to right) Conen Henreyer of Agro Potato Services Africa, Steve Carlyon, President of Simplifine, HE Dr. Kiarie Moses Badilisha, Governor, Nyandarua County and Esther Kariuki, Head of Agri Cooperatives at Co-op Bank display the M.O.U after the signing.

Operating Environment

1.0 Overview of Global Economic Developments and Outlook

2023 started with strong fears of a recession as the global economy battled persistent inflationary pressures, carryover effects of the energy shock occasioned by the Russia-Ukraine conflict and the need for central banks to increase interest rates to bring inflation down. These fears were founded on the understanding that, a high interest environment doesn't go away without growth risks. However, the global economy surprised on the upside with overall growth seen at 3.1% according to the International Monetary Fund (IMF).

In the US, despite the aggressive increase of interest rates, growth remained robust throughout the year largely supported by strong consumer demand and fiscal stimulus under the infrastructure package, while, Europe adapted better to the energy shock than earlier predicted though overall economic activities remained largely weak. Strong oil imports from the US helped offset the effect of removal of Russian oil in the European market. Emerging and developing Asia fared much better than advanced economies growing at an average of 5.4% largely driven by strong growth in India and China while closer home and within the Sub-Saharan Africa region, growth remained resilient despite the high interest rate environment, the geopolitical tensions and insecurity in the region and the high public debt pressures.

In 2024, we expect the decline in headline inflation to result in cautious easing of monetary policy especially in the second half of 2024. This will improve the investment environment and result in a build-up of appetite towards frontier and developing economies. However, risks to this outlook linger; global remilitarization, restructuring of global trade, high fiscal deficits globally, the high number of high-stake elections and the geopolitical tensions in general, which are inflationary, could drag overall economic activities in 2024.

Table 1: World Economic Outlook Growth Projections

REAL GDP Growth Rate (%)	2022	2023 (Estimate)	2024 (Projection)	2025 (Projection)
World	3.5	3.1	3.1	3.2
Advanced Economies	2.6	1.6	1.5	1.8
United States	1.9	2.5	2.1	1.7
Japan	1	1.9	0.9	0.8
Euro area	3.4	0.5	0.9	1.7
Germany	1.8	-0.3	0.5	1.6
EMDEs	4.1	4.1	4.1	4.2
China	3	5.2	4.6	4.1
India	7.2	6.7	6.5	6.5
Russia	-1.2	3.0	2.6	1.1
Sub-Saharan Africa	4	3.3	3.8	4.1
South Africa	1.9	0.6	1	1.3
Nigeria	3.3	2.8	3	3.1
Pakistan	6.2	-0.2	2	3.5
Egypt	6.7	3.8	3	4.7
Kenya	4.8	5.1	5	5.3
United Kingdom	4.3	0.5	0.6	1.6

Source: International Monetary Fund (IMF)

2.0 Overview of the Domestic Economy

2.1 Domestic Economic Performance

The domestic economy registered faster headline growth in the first three quarters of 2023 largely supported by the recovery in agricultural activities after a historic drought, a relatively stable political environment following a smooth transfer of power in late 2022 and a resilient services sector. Real GDP is estimated to have averaged 5.9% in the third quarter of 2023 compared to 4.3% in a comparable period of 2022 (KNBS) with full year growth projected at 5.6% by the CBK.

Equally, stable government spending (second half of FY2022/23) under the Bottom-Up Economic Transformation Agenda (BETA), remained a key driver of overall economic activities in 2023. For instance, county governments received 100% of their equitable share in FY2022/23, a first since the onset of devolution which helped drive overall outturns within the devolved units.

In 2024, economic activities are expected to largely mirror 2023 with agricultural activities anchoring overall economic activities as tourism continue on a recovery path from the effects of covid-19. Eurobond buyback following the success in the international capital markets has boosted confidence in the domestic economy and is expected to help the Kenya shilling and build risk-seeking behaviour towards Kenya.

Table 2: Domestic Real GDP Growth (%)

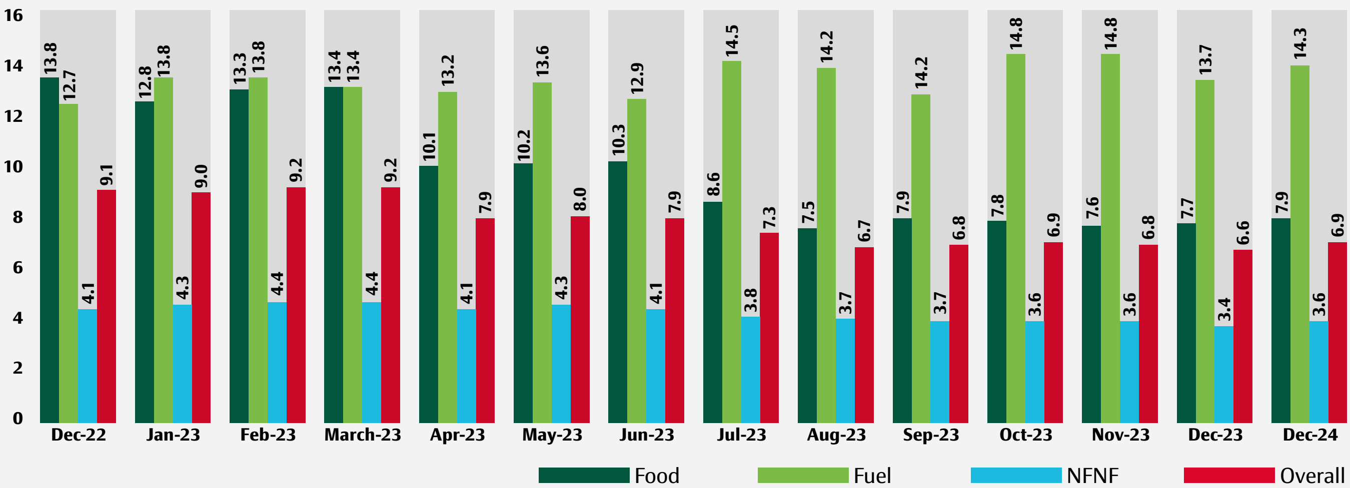
SECTOR	2019	2020	2021	2022	2023 Q1	2023 Q2	2023 Q3	2023 Q4 Est	2023 Annual Est	2024 Proj.
1. Agriculture	**2.7**	**4.6**	**-0.4**	**-1.6**	**Est**	**8.2**	**6.7**	**5.8**	**6.6**	**4.9**
2. Non-Agriculture	**5.7**	**-1.4**	**9.5**	**6.3**	**5.3**	**4.8**	**5.7**	**5.7**	**5.4**	**5.9**
2.1 Industry	**4.0**	**3.3**	**7.5**	**3.9**	**2.5**	**2.0**	**2.8**	**2.4**	**2.4**	**4.0**
Mining & Quarrying	4.3	5.5	18.0	9.3	3.3	5.2	1.1	1.8	3.0	4.0
Manufacturing	2.6	-0.3	7.3	2.7	2.0	1.4	2.6	1.6	1.9	2.9
Electricity & Water Supply	1.7	0.6	5.6	4.9	2.5	0.8	1.9	2.1	1.8	5.8
Construction	7.2	10.1	6.7	4.1	3.1	2.6	3.8	3.9	3.3	4.9
2.2 Services	**6.5**	**-1.8**	**9.8**	**7.0**	**6.2**	**5.9**	**7.1**	**6.9**	**6.6**	**6.5**
Wholesale & Retail Trade	5.3	-0.4	8.0	3.8	5.7	4.2	4.8	4.9	4.9	6.2
Accommodation & Food Services	14.3	-47.7	52.6	26.2	21.5	12.2	26.0	14.8	18.4	14.2
Transport & Storage	6.3	-8.0	7.4	5.6	6.2	3.0	2.8	3.2	3.7	5.8
ICT	7.0	6.0	6.1	9.9	9.0	6.4	7.3	7.9	7.6	8.4
Financial Services	8.1	5.9	11.5	12.8	5.8	13.5	14.7	13.8	12.0	7.8
Public Admin	8.4	7.0	6.0	4.5	6.6	3.8	4.2	4.3	4.7	5.6
Professional Services	6.8	-13.7	7.1	9.4	7.3	5.5	9.5	7.9	7.6	6.1
Real Estate	6.7	4.1	6.7	4.5	5.2	5.8	6.2	5.9	5.8	5.3
Education	5.7	-9.2	22.8	4.8	3.0	4.0	4.7	4.1	4.2	5.1
Health	5.5	5.6	8.9	4.5	5.4	5.0	5.1	5.2	5.2	5.5
Other Services	4.3	-14.6	12.5	5.7	3.2	1.6	7.4	6.5	4.7	5.8
FISIM	9.5	-1.8	5.3	1.5	0.6	6.1	3.8	2.9	3.3	2.3
3. Real GDP Growth	**5.1**	**-0.3**	**7.6**	**4.8**	**5.5**	**5.5**	**5.9**	**5.8**	**5.6**	**5.7**

Source: The Central Bank of Kenya

2.2 Inflation Outcomes

Headline inflation increased to 6.9% in January 2024 from 6.6% in December 2023, remaining sticky in the upper bound of government target range since July 2023.Food inflation edged upwards to 7.9% from 7.7% reflecting higher prices of non-vegetable items while fuel inflation rose the most from 13.7% to 14.3% in January 2024 on account of higher electricity tariffs. Core inflation on the other hand increased from 3.4% to 3.6% reflecting persistent demand pressures in the economy. Into the horizon, inflation is projected to largely remain range-bound as global energy prices remain stable on weak global demand (China), record high US oil production offsetting effects of OPEC+ production cuts, a favourable weather domestically and falling imports as domestic productive capacity improves. However, the depreciation of the Kenya shilling, though beneficial on the exports front, remains inflationary and is expected to remain a key concern in 2024. Further, the increased intensity of attacks on ships by Houthis in the Red Sea could see oil prices pivot as it increases insurance costs and increase fuel inflation.

Figure 1: Trend in inflation Outcome



Source: The Central Bank of Kenya

2.3 Exchange Rate Movement

The Kenyan shilling generally ceded ground against major currencies in 2023, depreciating by 26.7%,32% and 34.3% against the US dollar, the Euro and the British pound, respectively. Strong dollar demand, uncertainty around the maturing $2 billion Eurobond on the back of tight international financial markets drove the overall depreciation of the shilling.

In 2024, the local unit has shown significant improvement following flows from the international monetary fund and other partners, the successful floating of Eurobond and Eurobond buyback which have helped improve confidence in the market as fears of a default disappear. The expected easing of monetary policy in the advanced markets in the second half of the year, resilient diaspora remittances and external financing drawdowns will anchor the shilling.

2.4 Monetary Policy

Persistent inflationary pressures and exchange rate pass through effects saw the monetary policy tightened even further in 2023 after the 1.75% increase in 2022. For instance, food, fuel and core inflation averaged 9.8%,13.8% & 3.95% in 2023 compared to 13%, 9.6% & 2.98% in 2022. To anchor the persistent inflationary pressures in the economy and the exchange rate effects, the monetary policy committee of the Central Bank revised the benchmark rate (Central Bank Rate) upwards 3 times by a total of 3.75% to 12.5% in December 2023. This saw the short-term interest rates increase from 9.39%, 9.85% & 10.37% in January 2023 to 15.98%, 15.96% & 16.1% for the 91,182 & 364-day treasury bills in December 2023, respectively. These policy measures continue to transmit through the economy, and we expect the full effect to be felt in 2024.

2.4.1 Interest Rate

2023 saw one of the steepest increases in interest rates in the race to bring inflation down and stabilise the Kenya shilling. The Central Bank increased the benchmark rate by a total of 3.75% in 2023 alone. In 2024, the monetary policy committee of the Central Bank increased the policy rate by 0.5% in its February sitting. This continue to transmit in the economy. For instance, interest rates on the 91-days,182-days and 364-days treasury bills averaged 16.5%,16.6% and 16.9% respectively on 9th February 2024 compared to 9.6%,10.0% and 10.6%, respectively in a similar period in 2023.

In 2024, interest rates are expected to remain largely restrictive in the economy even as advanced economies cautiously ease their monetary policy stance. Credit advancement to the private sector remained largely strong in 2023 despite the tight interest rate environment highlighting strong demand especially for working capital needs. In 2024, however, we expect a slowdown in credit advancement as the benchmark rate increase works its way through the economy.

2.5 Public Debt

Kenya's public debt grew by 21.8% YoY to KShs. 11,139.69 billion in December 2023, driven by 30.3% growth in external debt and 12.9% in domestic debt. The proportion of external to domestic debt stood at 54.7% to 45.3% in 2023 compared to 50.2% & 49.8% in 2022. The KShs. 1,416.44 billion increase in external is attributed to disbursements made during the year and the depreciation of the Kenya shilling against major currencies. In terms of external debt composition, multilateral debt accounted for 50.3%, bilateral 21.9%, international sovereign bond at 18.2% and commercial debt accounted for 6.3% as of December 2023. On the currency front, the US dollar denominated debt accounted for 67.3% of total external debt, Euro at 21.4%, Yuan at 5.1%, Yen 3.8% and GBP at 2.2% over the same period.

2.6 Quality of Loans Advanced

In 2023, the banking sector remained stable and resilient. Growth in private sector credit increased to 12.3% compared to 11.8% in 2022. Strong credit growth was observed in transport and communication (19.1%), Agriculture (18.4%), manufacturing (18.3%), consumer durables (11.8%) and trade (10.9%). Reflecting a high interest environment, the ratio of gross non-performing loans (NPLs) to gross loans-which measures the quality of loans advanced, increased to 14.8% as of December 2023 compared to 13.3% in December 2022.

2.7 The Competition Landscape

The banking industry competition landscape continued to be tight in 2023. 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 2023, banks continued to increase their physical footprints across the country. Increased competition for capital was observed in 2023 and is expected to continue in 2024. Social media continue being 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 continue to gain momentum as banks broaden their value propositions. Thus, bank thickening of value for existing clients while offering excellent customer experience will remain 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 2024.

2.8 Key Developments on the legal and Regulatory Environment

Regulatory and policy measures were put in place by the regulator to ensure proper functioning of the financial services sector and the economy. To ensure price stability, monetary policy was tightened in 2023 by a total of 3.75% to 12.5% in December 2023. Other significant developments within the sector in 2023 include:

Kenya Foreign Exchange Code (FX Code): The Central Bank of Kenya issued the FX Code for commercial banks with an aim of setting standards, strengthen and to promote the integrity and effective functioning of wholesale foreign exchange market in Kenya. The release of the Kenya foreign exchange code draws from the release of the global fx code. It is expected to facilitate better functioning of the market and reinforce the country's flexible exchange rate regime for greater resilience of the economy.

Increase in Mobile Money Transaction and Wallet Limits to Support Digitization of Payments: The Central Bank of Kenya increased the limits for mobile money transactions and the size of the mobile money wallet, in a move aimed at supporting customers, businesses and institutions including Government agencies to make and receive digital payments in larger amounts, thereby increasing the convenience of mobile money services. This also supports the government focus on its digital superhighway agenda.

Enhancing Monetary Policy Transmission Through Dhowcsd, Interest Rate Corridor and Improved Access to the Discount (Overnight) Window

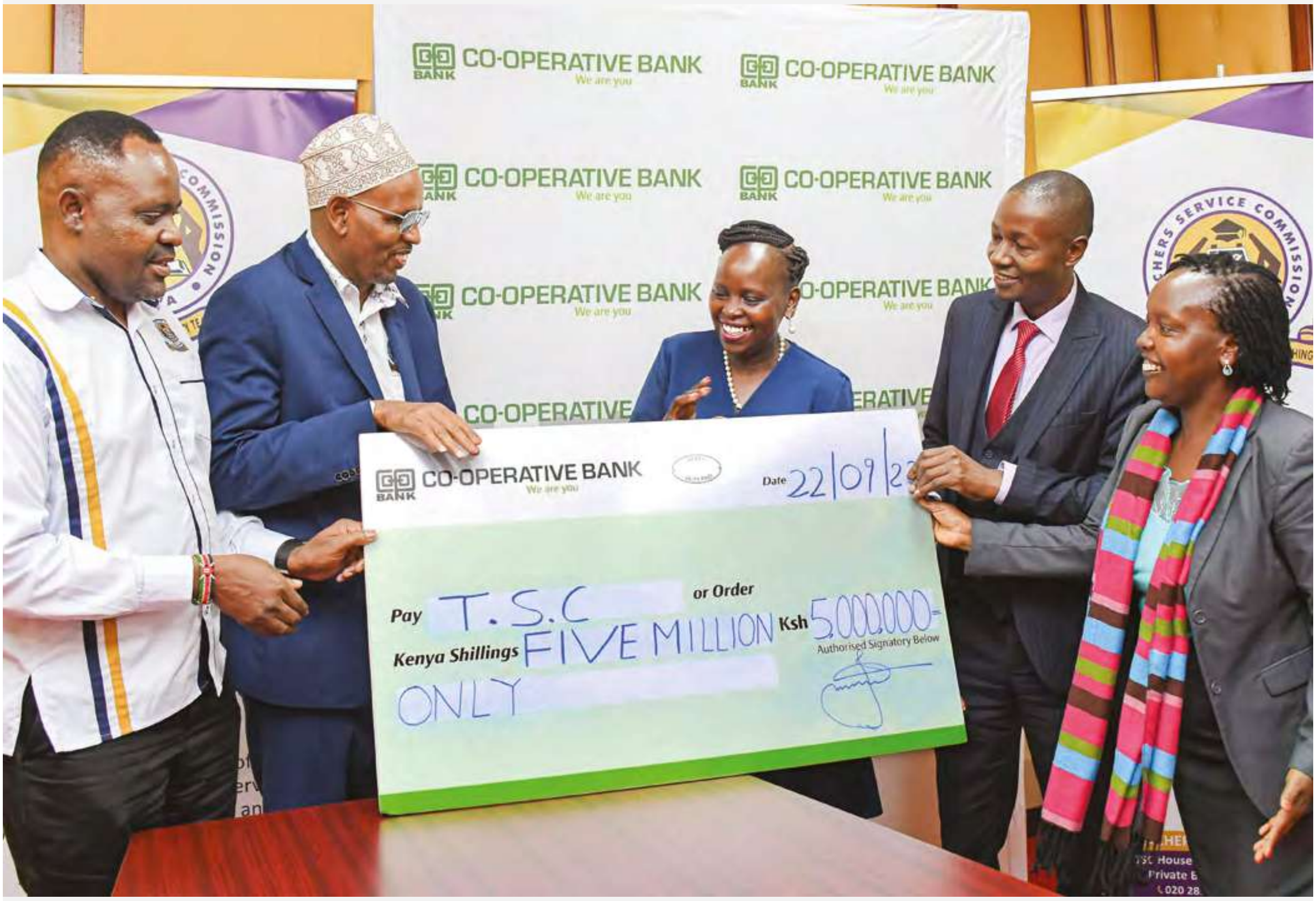
In a move aimed at enhancing Monetary Policy transmission, the monetary policy committee (MPC) approved measures based on inflation targeting and an interbank interest rate corridor around the Central Bank Rate (CBR) set at CBR ± 2.5%. In addition, the MPC reviewed the applicable interest rate on the discount window from 600 basis points above the Central Bank Rate (CBR) to 400 basis points above the CBR. These measures were designed to enhance monetary policy transmission and complement the effectiveness of the interest rate corridor.

2.9 Key Developments on the legal and Regulatory Environment

The Bank took cognizance of developments within the operating environment; the issuance of the Kenya foreign exchange code (the FX Code), the increase in mobile money transaction and wallet limits to support digitisation of payments, the enhancement of monetary policy transmission through Dhowcsd, interest rate corridor and improved access to the discount (overnight) window, the tightening of monetary policy to maintain price stability and challenges brought about by 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 and quickly aligned itself with the changes both in the monetary and fiscal policies as envisaged by the policy makers. 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.

3.0 Looking Ahead

2024 is starting with the global economy being in a better shape than in 2023; headline inflation continues to moderate with monetary policy expected to finish its job and a cautious policy easing to follow in a somewhat stable global commodity market. The International Monetary Fund, in its January 2024 world economic outlook, forecasts the global economy to expand by 3.1% in 2024 and improve to 3.2% in 2025.The reopening of international capital markets is welcome news for economies looking to tap into the markets to refinance maturing debts thus reducing uncertainty and boosting confidence. However, risks to this outlook linger; global remilitarization, restructuring of global trade, high fiscal deficits globally, the high number of high-stake elections and the geopolitical tensions in general, which are inflationary, could drag overall economic activities in 2024.



The Bank is a strong support to the teaching fraternity in Kenya and participates directly with teachers in the schools or through the Teachers Service Commission. Here the bank supported Kenyan teachers to celebrate the World Teachers' Day. Julius Olayo – Director (Human Resources) TSC, Ibrahim G. Mumin – Director (Administration Services) TSC, Lena Yego – Head Retail Banking, Co-operative Bank, Jackson Muendo – Head Consumer Banking, Co-operative Bank and Dr. Nancy Kipchillat – Brand Manager Retail, Co-operative Bank represented the two institutions.

Strategic Focus Review

The banking landscape has undergone a profound transformation, characterized by a dynamic regulatory environment, paradigm shifts in business models, and intensified competition spurred by the entry of diverse players into the financial services sector. The emergence of pan-African banks, telecommunications players, and disruptive Fintechs has necessitated a proactive response from us, prompting continuous revaluation and refinement of our strategies to uphold our commitment to delivering an unparalleled value proposition to our esteemed clientele.

Technology adoption remains pivotal in unlocking new avenues for enhanced service delivery, revenue optimization, and operational efficiency. Leveraging cutting-edge digital innovations, we have implemented robust solutions to elevate customer experiences and streamline internal processes. Nonetheless, this digital evolution has also ushered in new challenges, notably in cybersecurity. Acknowledging the imperative of safeguarding sensitive data and ensuring systems integrity, we remain steadfast in our vigilance and dedication to staying at the forefront of technological advancements, both within our industry and across broader digital landscapes.

At the heart of our strategic vision lies our Corporate Strategic Plan (CSP 2020-2024), serving as our guiding compass amid the terrain of opportunities and risks. Through continual review and refinement, this plan steers our proactive approach to identifying and capitalizing on emerging trends while mitigating potential threats. Rooted in the ethos of long-term value creation, our strategic initiatives transcend financial metrics to encompass the holistic transformation of the communities we serve. By aligning our actions with broader societal objectives, we not only drive innovation, revenue growth, and superior client service but also foster sustainable development and positive societal impact.

Strategic Themes	2023-2024 Overarching focus areas
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	• 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 • 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 • ESG strategy to create shared value • Synergies with our subsidiaries to enhance sales force effectiveness and create increased revenues • Enhance our leasing proposition through a joint venture with Super Group

The Kenya Bankers sports event is one of the Key highlights of the Kenya Banker's calendar of events. Co-op Bank is a sports powerhouse in these industry engagements and produces some of the best sports men and women in the industry.

2023 Strategic Performance

Strategic Themes	Key Strategic Performance Indicator and Achievement
Aggressive deepening of our dominance in the Kenya Market	• **Market Confidence** ➤ Market Capitalization - KShs. 66.3 B (2022: 75.7B) ➤ Most Sustainable Bank (Kenya Bankers Catalyst Awards 2023) • **Returns** ➤ Return on Assets – 3.6% (2022: 3.7%) ➤ Return on Equity – 21% (2022: 21.2%) ➤ Dividend per share – KShs. 1.5 (2022: KShs. 1.5) • **Market share** ➤ Total Assets – 8.7% ➤ Customer Deposits – 7.4% ➤ Gross Loans – 9.6% ➤ All business segments, product houses and channels continue to have proactive growth strategies • **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 ➤ We continue to implement key learnings from the Credit Risk Adaptation Project aimed at End-to-end assessment of credit risk, strengthen portfolio assessment, risk frameworks, and enhance Collections
Dominant provider of financial services to the Co-operative Movement in Kenya and the region	• **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) – Co-op Bank was appointed as the settlement bank to support reduced lead time for coffee farmers in obtaining payments ➤ Business to Business (B2B) integration with Sacco's and Co-operatives. ➤ Pay to FOSA for direct payment for Sacco members • **Partnerships** ➤ Mastercard, Shell Foundation and Co-operative Bank partnered in 2023 to provide loans to 100,000 smallholder farmers to finance clean-energy technology • **Support to the Co-operative Movement** ➤ KShs. 100m Capacity Building Fund • **Co-operatives Loans and Deposits Portfolio** ➤ 8.9% of Total Loans ➤ 8.4% of Total Deposits • **Co-operative Bank of South Sudan Performance** ➤ Profit before Tax of KShs. 291.3 M (KShs. 132.7M in 2022, a 119.5% growth)
Customer experience that is seamless across all our touch points	• **Digitization of customer journey** ➤ We continued implementing key customer journey digitization to meet customer expectations (91% of transactions were on digital channels). The Omni-channel platform is the critical pillar of this digitization *(Discussed in the Capitals Section of this report)* • **Training and Development** ➤ Staff trained on key focus areas: ‣ Leadership – 2403 ‣ Operational Excellence – 2399 ‣ Sales & Credit Management - 2154 • **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: 53.4% ➤ CSAT – 87.6% ➤ Queue time – 12.4 Minutes

2023 Strategic Performance

Strategic Themes	Key Strategic Performance Indicator and Achievement
Operating efficiency driven by digitization, innovative products & Processes, efficient business models, and staff productivity	• **Cost to income ratio** ➤ 2021: 49.9%, 2022: 47.1% 2023: 47% • **System Uptime & Availability** ➤ System and Channels service availability and Uptime averaged 99.49%. • **Product Innovation & development** ➤ 91% (92% 2022) of our transactions were performed on digital channels ➤ Enhancements on Omni-platform. ➤ E- Credit deployed to Retail and Business banking growth (KShs. 75.3B disbursed in 2023). ➤ Deployment of Co-op Till for deposit collection ➤ Kingdom Securities app for securities trading • **Digitization Road Map** ➤ Omnichannel – Feature enhancements ➤ Core banking go live in June 2023. South Sudan core banking upgrade completed. • **Staff performance & Training** ➤ 89% of staff met and exceeded targets (against a target of 90%) ➤ Training spend KShs. 57.3M • **Corporate Wellness Plan** ➤ 143 webinars and physical health talks. ➤ FY23 focus area for wellness programs was on Financial Wellness (Detailed in the ESG section of this Integrated Report)
Optimal Enterprise Risk and Compliance in the dynamic environment.	• **Optimal NPL Management** ➤ NPL of 16.1% (2022: 13.6%). At Bank level the NPL was 15.7% (2022 – 12.7%) ➤ 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 • **Performance review of Control Functions** ➤ Compliance, Internal Audit & Risk Management Departments all departments 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
Positive impact on Economy, Society & Environment	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 & ESG Committee** ➤ **Formally appointed ESG Champions in all Strategic Business Units** ➤ **Published ESG Policy Statement**

As we approach the culmination of our CSP 2020-2024, we reflect on its remarkable resilience and dynamism in navigating the multitude of challenges presented during this era. Despite the adversities faced, our strategic plan has proven robust, adapting swiftly to changing landscapes and driving sustained growth.

Looking ahead to the coming year, we are poised to embark on the formulation of a new corporate strategic plan. Drawing upon the invaluable insights gleaned from our experiences during this period, we are committed to crafting a forward-looking strategy that capitalizes on our learnings and propels us toward continued success. Our focus will be on unlocking new avenues to deliver enduring superior value to our clients and stakeholders.

In the face of evolving market dynamics and emerging opportunities, our new strategic plan will serve as a blueprint for innovation, resilience, and growth. By harnessing the collective wisdom accumulated over the past years, we are confident in our ability to navigate uncertainties and seize new opportunities, ensuring our sustained relevance and impact in the ever-changing business landscape.

"Soaring Eagle" Transformation

In 2014, recognizing the need to sustain our growth momentum and chart a new trajectory, the Board of Directors enlisted the expertise of McKinsey & Co. for a comprehensive growth and efficiency review. This strategic move paved the way for the development of a transformative culture within our institution, propelling us toward the vision of becoming a 'Digital Bank' while fostering greater synergies across departments within Co-op Bank.

Central to this transformation journey is our dedicated Transformation Office, which plays a pivotal role in ensuring the seamless implementation of initiatives aimed at driving efficiency and innovation throughout the organization.

With each stride forward, our commitment to reiterative strategies remains unwavering, ensuring that our business models are not only adaptable but deeply embedded in our ethos. Like the eagle, we continue to soar, guided by a relentless pursuit of excellence and a steadfast vision for the future.

Key Success Measures:

2.2 M MSME account holders.	**+208,000** MSME clients onboarded on the new packages (Gold, Silver, Bronze)	**69,450** customers undertook financial capacity building and management sessions
307 non-financial service programmes (Clinics, Networking forums and international trips)	**No. 2** Asset Finance provider in Kenya by market share	**2.5** average product holding within MSME packages
KShs. 75.3 Billion disbursed through e-credit	**47%** Cost to income ratio	• Staff productivity • Enhanced Digitization • Distinguished Customer Experience

The transformation pillars of growth and efficiency strategically underpin the initiatives. The transformation culture is embedded in 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 by the programs and enablers below.

The Bank has a strong focus on customer centric solutions in trade finance and asset financing. In major towns, the Bank has been engaging customers in town-hall meetings to deliberate on the best way they can receive support for international trade. Here, the Bank team led by Mr. Moses Gitau, Head – Business Banking, (extreme left on the stage) answer business owners' questions.

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 194-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 Cooperative	• Digitization of Co-operatives Banking. • Capacity building of relationship managers. • Support in asset, liability and NFI growth by tracking, monitoring and sustaining rhythms.
Digitization and innovation	**Drive implementation and full benefit realization:** • Omni-channel • Digital Hub and Innovation Framework • Digital Technology Capability Review • Core Banking System • Product Rationalization • Open Banking • CRM & BPM (Automation) Support • Digital Co-operatives
NPL & Credit processes	• Enactment of Project Kilele initiatives around time to yes/time to money and steering sandboxes formed through tracking to ensure adherence to the service level agreements for all loan and credit card facilities • 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

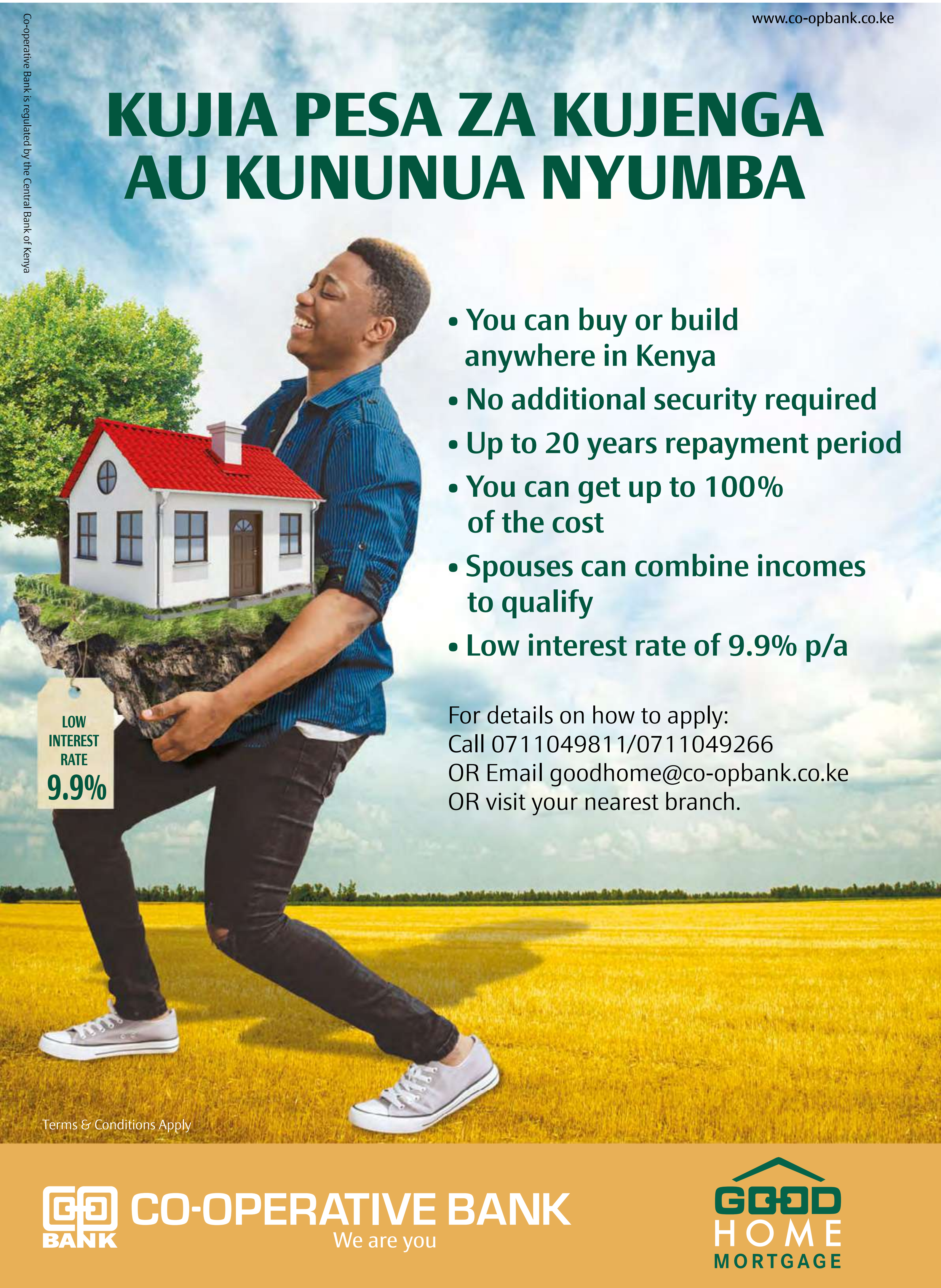
Key Transformation Enablers:

- Robust Core Banking System (Finacle)
- 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

Shares 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

Mr. Vincent Marangu, Director Co-operative Banking Division, Co-op Bank, makes presentation to the National Co-operatives Leaders Forum. The Bank is the leading business partner of the powerful Co-operative Movement in Kenya, providing over 95% of all the banking needs of the movement.



www.co-opbank.co.ke
Co-operative Bank is regulated by the Central Bank of Kenya
KUJIA PESA ZA KUJENGA AU KUNUNUA NYUMBA
• You can buy or build anywhere in Kenya
• No additional security required
• Up to 20 years repayment period
• You can get up to 100% of the cost
• Spouses can combine incomes to qualify
• Low interest rate of 9.9% p/a
For details on how to apply:
Call 0711049811/0711049266
OR Email goodhome@co-opbank.co.ke
OR visit your nearest branch.
LOW INTEREST RATE 9.9%
Terms & Conditions Apply
CO-OPERATIVE BANK
We are you
GOOD HOME MORTGAGE

Environmental, Social, and Governance (ESG)

ESG Report Map:

The Chief Executive of FSD Kenya Tamara Cook (third left), the CEO, Kenya Bankers' Association Dr. Habil Olaka (centre) and CEO Nairobi Securities Exchange Geoffrey Odundo handing over the Overall Winner Award of the 2023 Kenya Bankers Sustainable Finance Catalyst Awards to the Co-op Bank team (from left) Douglas Munene, Ben Muriuki and (from right) Veronica Njore and Andrew Wanjau.

Our ESG Approach

Since its establishment in 1968, Co-operative Bank has remained steadfast in its commitment to sustainability and ethical practices.

This is in line with our purpose to transform the lives of millions through inclusive growth, fortifying our role in the Cooperative Movement, refining our customer experiences, digital innovation, addressing emerging risks, and pursuing a positive societal, economic, and environmental impact.

A strategic focus on these areas has continued to position the Bank in an upward trajectory for resilient growth and long-term stakeholder value creation.

In 2022, the Bank bolstered its commitment to sustainability by integrating Environmental, Social, and Governance (ESG) considerations into its business and operations.

This was orchestrated through the ESG policy framework that targets five key areas: establishing a solid ESG foundation through our ESG framework, implementing Environmental and Social Management Systems (ESMS), managing ESG-related risks, developing a sustainable finance framework, and integrating management of climate-related risks into decision making.

Our renewed ESG focus has been pivotal, with noteworthy achievements in governance, policy development, and capacity building. ESG capacity building has been a key success driver in the framework implementation.

With focused programs to enhance knowledge, skills, and expertise in ESG issues, principles, practices, and regulations, staff have been enabled to seamlessly integrate ESG principles into their daily operations.

Continuous ESG themed engagements with staff have also played a role in fostering a culture of responsibility and commitment toward sustainable practices

This has further been fortified by the incorporation of ESG goals at the Board of Management level which have been cascaded to ESG Champions in every Division.

ESG Best Practice in Co-op Bank

- Implementation of the Board-approved ESG Policy Framework focused on five key areas: ESG framework, Environmental and social Management System (ESMS), ESG risk management, Climate-related risk management and integration, and Sustainable Finance framework.
- The Bank has integrated board-approved Environmental and Social Management Systems (ESMS) into daily business practices.
- Driving and integration of ESG agenda into business practices and operations through a dedicated ESG Unit, appointed ESG champions 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 through a cross functional ESG Committee that uses ESG Key Performance Indicators (KPIs) have been cascaded throughout the Bank.
- Enhanced 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). It is aligned with our strategic objectives, mission, vision, and purpose.
- The Environmental and Social Management System (ESMS) is governed and owned at the Board of Directors level and integrated into our day-to-day activities and lending activities.
- We apply the ESMS in conjunction with other policies within our enterprise risk management framework, ensuring a holistic approach to risk. The ESMS is governed and owned at the Board of Directors level and aligns with our strategic objectives, mission, vision, and purpose.
- Customized bank policies based on our portfolio, structure and responsibilities while referencing to the International Finance Corporation (IFC) guidelines and the IFC exclusion list for our lending.
- Adaptation of the Kenya Bankers Association Sustainable Finance guiding principles and minimum standards in their entirety.
- Investing directly in Environmental & Social (E&S) initiatives by partnering with development financial institutions to provide special credit lines that promote E&S sustainability. (Borrowed funds KShs. 67.3B in 2023).
- 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.

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

ESG Governance

We believe that the successful implementation of all policies and frameworks is because of our robust governance structures. This foundational structure not only reinforces our unwavering commitment to transparency, accountability, and strategic decision-making but also oversees the Bank's overarching strategy come to life for effective and principled operations.

We aim to ensure transparency and accountability as per our pillars of governance. To do this, we use various reporting frameworks and standards to disclose our ESG performance as mentioned in 'About this integrated report' section of this report. These standards ensure comprehensive, industry-specific, and globally recognized reporting that aligns with investor expectations, regulatory requirements, and the diverse interests of stakeholders.

In 2022, Co-operative Bank solidified its ESG governance structure, ensuring strategic alignment with sustainability goals. The oversight of ESG including climate-related risks and opportunities is directly embedded in the responsibilities of the Board of Directors and the Board Risk Committee.

Our Board Charter guides the Board in ensuring long-term sustainability by mandating the integration of Environmental, Social, and Governance (ESG) considerations and climate-related risk management into our strategies, business objectives, and risk management framework.

The Board Risk Committee reviews and approves policies and programs that support ESG and Climate change matters, including our newly developed Environmental, Social, and Governance Policy Framework. This committee is responsible for overseeing the integration of ESG into our Risk Management Framework, thereby ensuring we stay abreast of material risk exposures, including those arising from climate change.

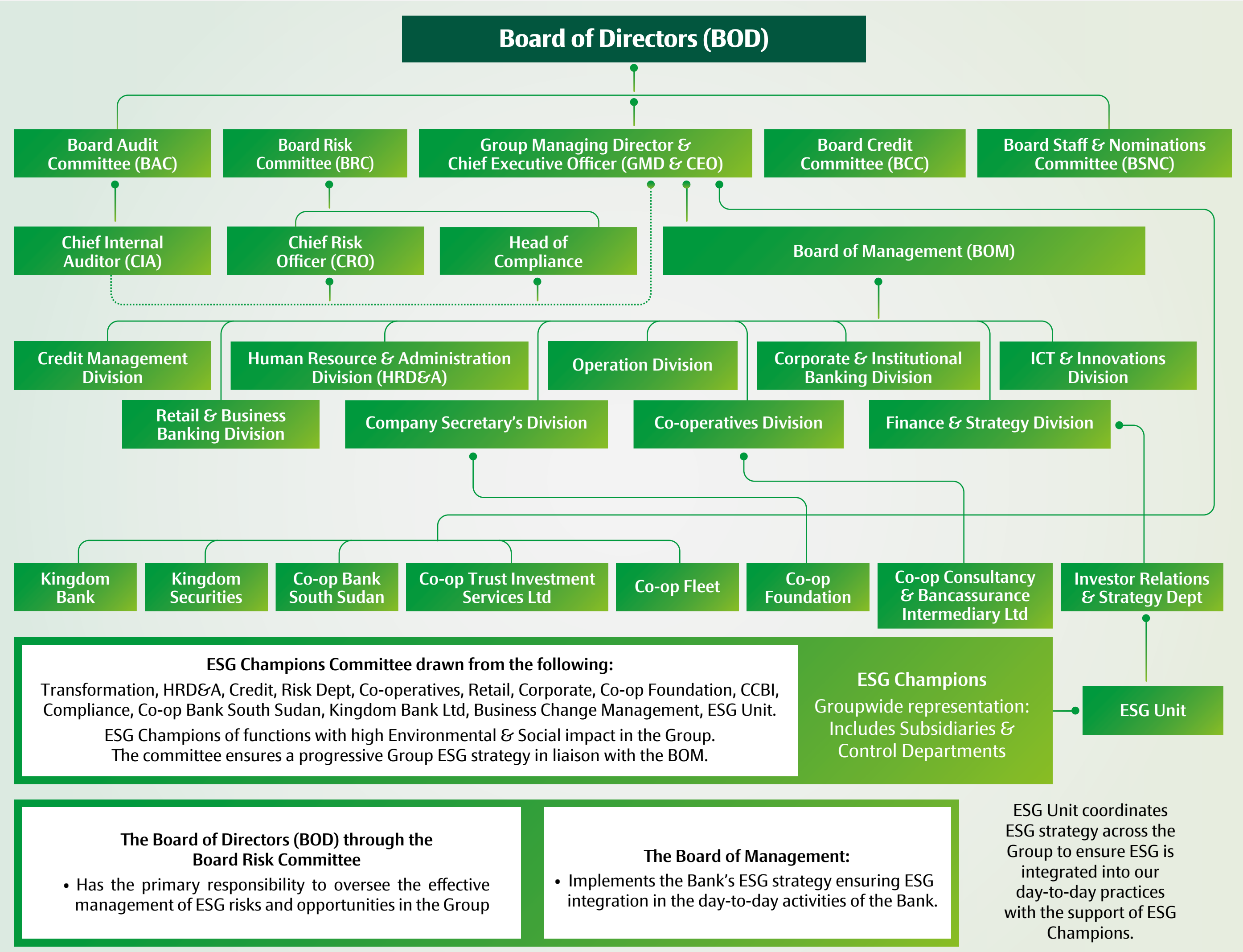
The Bank's management is essential in implementing the ESG and the Climate Change strategy. The Board of Management, as outlined in its terms of reference, approves the Bank's ESG strategy and commitments, and oversees their implementation as per the roadmap approved by the Board Risk Committee.

To execute these strategies efficiently, the Bank has established the ESG Champions Committee and a dedicated ESG Unit, with the former playing a significant role in proposing ESG strategies, identifying and mitigating ESG-related risks, and formulating the Bank's ongoing climate change plans.

The ESG Champions Committee meets at least once a month, exemplifying the active and ongoing governance process at the heart of our ESG program.

Risk Management Department is also pivotal in our ESG strategy, providing the Board Risk Committee with updates on significant policy initiatives and developments concerning climate-related risk issues and ensuring transparency of ESG policies and activities.

We have also identified ESG Champions across all functional and divisional units within the Bank. These Champions ensure appropriate assessment, transparency, and comparability in setting ESG-related engagements across the Bank's activities. This initiative is supported by comprehensive training toolkits for the Risk Management Department and ESG Champions, promoting a climate-conscious culture across our organization.



ESG Policy Framework

Our ESG Policy Framework is a cohesive structure guiding Co-operative Bank's strategic approach to Environmental, Social, and Governance (ESG) obligations. To achieve our aim of having a positive impact on the economy, society & and the environment, the policy framework incorporates five key areas.

1. Establishing a solid ESG foundation through the ESG framework
2. Environmental and Social Management System (ESMS)
3. ESG Risk Management Framework
4. Climate-related risk management and integration framework.
5. Sustainable Finance Framework

Our ESG Framework is designed to cover focus areas where we will have the most significant impact. These focus areas are divided into three pillars and each pillar showcases our material topics.

1. **Environmental Stewardship:** We understand that our activities have a direct and indirect impact on the environment. We are committed to reducing our carbon footprint and promoting environmentally friendly practices. Our efforts include investments in energy-efficient technologies and renewable energy sources, as well as supporting green lending initiatives to promote sustainable business practices among our clients.
2. **Social Responsibility:** Our mission extends beyond providing excellent banking services. We believe in building and nurturing the communities we serve. We aim to drive financial inclusion, promote equal opportunities, and support initiatives that enhance societal well-being. Through our corporate social responsibility programs, we are actively involved in community development projects, supporting education, health, and other social causes.
3. **Governance and Ethics:** We believe that good corporate governance is crucial for sustainable business. Our governance structures promote transparency, accountability, and ethical business practices. We ensure compliance with regulatory guidelines and adhere to the highest standards of corporate governance. This commitment to integrity extends to our employees, customers, shareholders, and all our stakeholders.

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 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

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

Responsible Resource Use

Encouraging responsible and efficient use of resources throughout the Bank's operations.

Social

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

Financial Inclusion

Enabling access to financial solutions supporting economic development and reducing inequalities.

Social Inclusion

Promoting financial intermediation in the economy.

Economic Inclusion

Empowering and building resilient communities especially to the undeserved.

Governance

Build enterprise resilience through ESG integration.

ESG Business Integration

Incorporating ESG in all investment and operations decisions.

As we proudly navigate the multifaceted landscape of Environmental, Social, and Governance (ESG), we recognize that this comes with both risks and opportunities. To actively mitigate risks associated, the ESG policy framework ensures that the ESG Framework is harmonized with other frameworks and policies in the Bank.

Environmental and Social Management System

In today's dynamic world, Environmental and Social (E&S) risks are no longer peripheral concerns, but fundamental aspects of financial stability and responsible growth. We recognize this inherent link and have positioned E&S risk management at the forefront of our operations.

We have a formal, Board-approved Environmental and Social Management System (ESMS) aligned with our strategic objectives, mission, vision, and purpose. The ESMS is governed and owned at the Board of Directors level and 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. Our lending decisions factor in E&S risks, including climate change, ensuring long-term financial sustainability for both the Bank and our clients.

Our approach is underpinned by the understanding that E&S risks, including climate-related risks, not only impact our borrowers but also have significant implications for the Bank's overall risk profile, encompassing credit, reputational, and operational dimensions.

Our lending framework is meticulously designed to integrate Environmental & Social Due Diligence (ESDD) of proposed projects, proportionate to the nature and potential significance of the environmental & social risks and impacts related to the project.

We have established robust policies, processes, and governance structures to manage, monitor, and report E&S risks. This approach enables us to embed these considerations into our lending practices, both at the client level and portfolio level.

In 2023, Co-operative Bank elevated its commitment to sustainable development by refreshing our Environmental and Social Management System (ESMS) in collaboration with IFC and DEG, aligning it with international standards. This upgrade included the development of new tools to bolster the environmental and social risk assessment processes for relevant transactions.

Key features of the refreshed ESMS are the advanced Environmental and Social Due Diligence (ESDD) tools which now include climate risk assessment and the integration of Environmental and Social Action Plans (ESAPs) to address and mitigate risks. These improvements are underpinned by rigorous capacity building, with our teams achieving internationally recognized certifications to ensure the effective application of the updated ESMS.

Further integrating sustainability into our lending processes, we have identified ESMS-ready fields into our Core Banking System, enhancing our environmental and social risk classification capabilities. In addition, to enhance the efficiency and effectiveness of our E&S risk screening and assessment processes, we have developed the Environmental and Social Risk Assessment (ESRA) Tool. This innovative tool streamlines our risk assessment processes, ensuring comprehensive and consistent evaluations.

Our refreshed ESMS framework is testament to our ongoing pursuit of excellence in environmental stewardship and social responsibility, underscoring our promise of transparency and commitment to continuous advancement in our ESG endeavours.

In 2023, over 33 applications underwent the bank's Environmental and Social Due Diligence (ESDD) process, identifying environmental and social risks and outlining necessary mitigation measures with customers. This process is integral to the bank's credit operations, incorporating environmental and social risk assessments into decision-making and contractual agreements.

Going forward, Co-op Bank's E&S Risk Management function expects:

- Proactive Monitoring: We will remain vigilant of emerging E&S regulations and industry trends, proactively assessing their potential impact on our operations and businesses.
- Enhanced Tools and Capabilities: We are committed to continuously improving our E&S risk management tools and processes, ensuring ongoing efficacy and adaptability.

The Matatu Industry is the single largest transporter of human resource in Kenya moving over 5 million people daily across the country. Co-operative Bank, through the Cooperative Movement is one of the largest financiers of the transport industry in Kenya. Here Isuzu East Africa CEO, Ms Rita Kaveshe presents a bank funded fleet to MetroTrans Sacco one of the largest Transport Saccos in Kenya.

Sustainable Finance Framework

Co-operative Bank has a sustainable finance framework, that defines the process and criteria by which it tracks sustainable (green/social) projects.

Eligible environmental project categories include renewable energy, energy efficiency, pollution prevention and control, management of living natural resources and land use, clean transportation, sustainable water and wastewater management, climate change adaptation, and green buildings. The framework includes an exhaustive exclusionary list.

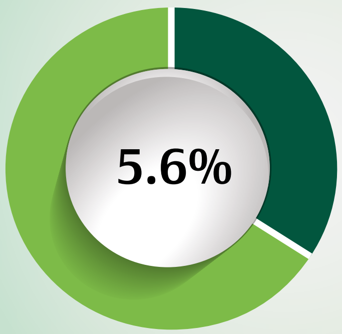
Every project will undergo evaluation based on our bank's Environmental, Social, and Governance (ESG) policy. Moreover, to qualify, these projects must adhere to the specific requirements detailed in our sustainability framework.

In 2023, using the criteria defined in the framework, the Bank was able to assess that within its portfolio with outstanding balances of $1 million and above, that KShs. 37.4 billion or 5.6% of the Bank's current portfolio could be categorized and tracked as sustainable.

Currently, the Bank is taking deliberate steps to accelerating and scaling up the amount of green lending which was 33% of the identified portfolio.

Additionally, the Bank is leveraging on its new core-banking system to tag transactions which fall within the framework as sustainable.

Portfolio of loans above USD 1 Million – KShs. 37.4 Billion



Affirms our commitment to sustainable banking

2023 ESG Journey

2023 Accolades

- **Asian Banker Global – The Middle East and Africa Awards 2023**

  Best Omnichannel Technology Implementation

- **CSR 100**

  Best Women and Youth empowerment Programs

- **Global SME Awards**

  SME Financier of the Year Africa

- **EMEA Finance Awards**

  Best Bank – Kenya

  Best Asset Manager – Kenya,
  Co-op Trust Investments Services

- **FIRE Awards**

  Environmental and social reporting – 1st Position

- **Catalyst Awards**

  Overall, Winner of KBA's 2023 Catalyst Awards

Financing Commercial Clients	– 1st
Most Innovative Bank	– 1st
Promoting gender inclusivity	– 1st
Promoting PWD (People with Disability)	– 1st
Best in financing MSME	– 2nd
Best sustainable finance	– 3rd
SME	– 2nd

- **CIO 100 Awards**

  Banking Sector Award – 1st

- **South Sudan National Chamber of Commerce Industry and Agriculture**

  Best Bank South Sudan 2023

Key Highlights

Sustainable Growth and Environmental Management:

In 2023, we advanced our environmental stewardship, significantly refreshing our Environmental and Social Management System (ESMS) to better assess and manage environmental risks in our lending operations.

The launch of our Sustainable Finance Framework marked a pivotal step, defining eligibility criteria for sustainable transactions and leading to a reclassification of our loan portfolio over USD 1M. Impressively, 33.2% of these loans are now recognized as green, and 66.8% as social, solidifying our role in sustainable banking.

Through our partnership with the Kenya Wildlife Service (KWS), the Lusoi Hill (600 Acres) reforestation initiative has made substantial contributions to the government's 10% forest cover goal.

The Bank successfully transitioned to the latest Finacle core banking system that has empowered us with enhanced flexibility and security, ensuring we meet our customers' evolving needs while safeguarding their data and assets.

Additionally, our provision of the Coffee Direct Settlement System at the Nairobi Coffee Exchange is set to revolutionize transparency for all stakeholders in the coffee value chain, particularly benefiting the farmers.

Inclusion and Social Responsibility:

This year saw Co-operative Bank broaden its community reach, opening eight (8) new branches and driving financial inclusion forward. Our collaboration with the Kenya Mortgage Refinance Company PLC brought forth affordable housing loans at an accessible 9.9% rate, supporting societal access to housing.

Our Co-op foundation, the Group's social impact vehicle, continues to provide social scholarships to gifted but needy students, with 10,264 students supported since inception.

More than 50,000 farmers across various agricultural sectors are poised to benefit from a KShs. 100M fund aimed at capacity building and digitization, spearheaded by the Bank.

A refocused effort on youth engagement led to the appointment of a dedicated Youth Manager and the launch of targeted campaigns, underpinning our investment in the financial literacy and future of younger customers.

The Bank maintains a robust wellness program for staff, fostering a culture of health and well-being.

The refreshed outsourcing policy has clarified our strategic approach, objectives, and decision-making criteria, providing a robust framework for assessing outsourcing activities against our ESG Policy.

Operational Efficiency and Digital Advancement:

Co-operative Bank has achieved a significant milestone by migrating 91% of customer transactions to alternative delivery channels. Our commitment to operational excellence saw us review and enhance key processes, from the digital account opening to cash deposit machines and the B2B integration solution, which streamlined services and improved customer experience.

Governance and Compliance:

We have remained steadfast in our governance practices, exemplifying integrity, and effectiveness throughout the year. Our ongoing compliance programs ensure meticulous reporting of suspicious activities, strict adherence to data privacy, and regulatory compliance. The Risk Management Department has provided critical advisory, including El Nino preparedness, reflecting our commitment to staff safety and business continuity.

Co-operative Bank has also prioritized capacity building, with essential staff across ESG, HR, Credit, and supplier management achieving certifications in climate-related risk management, auditing social accountability, and implementing effective ESMS. Our board's comprehensive training in ESG compliance, climate governance, and risk disclosures has strengthened our governance and oversight capabilities.

Accolades & Recognition:

In 2023, Co-operative Bank's commitment to ESG excellence was celebrated with numerous prestigious awards. Including the African Banker Awards, Catalyst Awards, FIRE awards, CIO Awards amongst others. These accolades reflect the Bank's overarching success in integrating ESG principles into all facets of our operations and culture.

Climate action:

To support climate impact and target setting. The Bank is in the process of onboarding a climate consultant.

Navigating the Digital Future Together: A new Core Banking System, Better Customer experience – Stability and Efficiency

In 2022, we acknowledged the escalating significance of digitalization for service delivery, efficiency, and sustainability. Our objective was to seamlessly blend the transformation into a Digital Bank which is critical for a greener and socially responsible future.

We are excited to announce that in 2023, we upgraded our core banking system to the latest version of Finacle from Infosys, which was recently rated as the top global core banking system in 2022 by Gartner. This upgrade is part of our ongoing digitization journey to enhance our services and provide the most innovative and advanced banking solutions. Our new banking system brought a host of benefits including:

- Enhanced Security: The new system features advanced security measures that will help us to protect your data and assets more effectively.
- Improved Performance: The new system is faster and more efficient, which means that we will be able to process transactions and requests more quickly.
- Increased Flexibility and Agility: The new system is designed to be more flexible, allowing us to respond to changing needs more effectively.
- Better User Experience: The new system features a more intuitive and user-friendly interface, making it easier for customers to access and manage their accounts.
- Greater capacity of customers that can be supported: 50Million

In tandem with the core banking system upgrade, the successful migration of our customers to the Omni-channel further elevates the user experience. Our Omni-channel seamlessly integrates online banking through personal computers, mobile devices, and USSD, ensuring accessibility for all customers through their preferred channel.

The new omni-channel achieved remarkable results, onboarding five million users who now enjoy inclusive, accessible, and convenient banking services. An impressive 91% of recorded transactions were conducted through digital channels.

As we celebrate these accomplishments, we also acknowledge the risks accompanying transformative changes. To address these risks, our risk management strategies were consistently reviewed and updated. These achievements and risk management frameworks underscore our steadfast commitment to the principles of responsible and sustainable financial practices, ensuring that our growth is inclusive, our customer experience is cutting-edge, and our operations are efficient and environmentally conscious.

The Bank is increasing its footprint across the country with the opening of new branches in every region. Recent branches have been opened in Kimana, Kajiado South, Kabarnet in Baringo, Imaara Mall in Nairobi among many others. Additional branches are under construction in Kenya and South Sudan to give more people financial access.

Our alignment to the Sustainable Development Goals

Global	National	Industry	Corporate
UN Sustainable Development Goals (SDGs) IFC Exclusion List & Performance Standards IFRS S1 and S2	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's initiatives across these diverse areas underscore its role in advancing sustainable development through its business practices, highlighting a model for integrating SDGs into corporate strategy and operations through policy and governance. Here's how the bank's initiatives align with specific SDGs. Progress realization of the Sustainable Development Goals (SDGs).

1 NO POVERTY

- Offering affordable financial services enabling individuals manage financial risks and invest in income-generating activities
- Offering financial literacy programs and access to financial services, empowering individuals and communities to improve their livelihoods, thus contributing to reducing the overall poverty rates
- Collaborating with the government programs, to facilitate the delivery of social protection payments

2 ZERO HUNGER

- Offering financial services and advisory support to enterprises within the agribusiness value chain.
- Developing digital platforms or services that provide farmers with real-time information on market prices, potential buyers
- Partnering with government agencies, and international organizations to fund and implement programs aimed at improving nutrition and food security
- Providing crop and livestock insurance

3 GOOD HEALTH AND WELL-BEING

- Financing Healthcare Infrastructure
- Investing in programs and initiatives that promote mental health and well-being, including workplace wellness programs
- Providing access to high quality and standardized health care to employees and their families
- Providing access to affordable health insurance products

4 QUALITY EDUCATION

- Offering sponsorship to students at all levels of education, focusing on those from disadvantaged backgrounds
- Providing financial literacy and entrepreneurship programs to youth and adults to equip them with skills necessary for employment and personal financial management.
- Implementing employee education programs
- Training farmers in climate-smart agriculture

5 GENDER EQUALITY

- Offering financial products that cater specifically to women, including loans (Msamaria Loan)
- Implementing policies and practices within the Bank that promote gender equality, including equal pay for equal work, maternity and paternity leave, and opportunities for advancement and leadership for women.
- Developing technological innovations that increase women's access to financial services - MCo-opcash

6 CLEAN WATER AND SANITATION	• Offer financial support for projects focused on water supply, sanitation facilities, wastewater treatment plants, and water recycling and reuse	technologies adoption of water-efficient technologies in the Bank to help reduce water
7 AFFORDABLE AND CLEAN ENERGY	• Providing loans and financial support for the development and expansion of renewable energy projects, such as solar, wind, hydro, and geothermal power	• Investing in Energy Efficiency in Bank premises. This includes installation of LED lights, motion sensor activated lights etc • Financing solarization of schools and universities
8 DECENT WORK AND ECONOMIC GROWTH	• Fostering business growth, innovation, and job creation by providing loans, credit facilities, and other financial services tailored to the needs of MSMEs • Offering financial literacy training and skills development programs to MSMEs • Developing technology and infrastructure that enhances the efficiency and reach of our financial services, such as digital payment systems and fintech innovations	• Offering trade finance products and services that facilitate international trade for Kenyan businesses, including export financing and letters of credit • Implementation of the Bank's Environmental and Social Management System (ESMS) that ensures that human rights, labor, health and safety standards are adhered to, and any ES risks are well managed
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Financing infrastructural projects, including energy, water, transportation, and telecommunication.	• Implementing training and capacity-building programs for entrepreneurs and SMEs to enhance their business skills, knowledge of sustainable practices, and ability to innovate
10 REDUCED INEQUALITIES	• The Bank's lending practices, employment policies, and service delivery are non-discriminatory and promote equality of opportunity for all individuals and communities. • Providing affordable remittance services to support receipt of money from abroad	• Offering financial products that contribute to social protection, such as savings plans for education and healthcare and insurance products • Co-op foundation – supporting needy students
11 SUSTAINABLE CITIES AND COMMUNITIES	• In collaboration with KMRC providing financing options for affordable housing projects to ensure access to safe and affordable housing • Establishing PWD accessible facilities in the Bank premises including ramps	• Providing credit and business development services to small and medium enterprises (SMEs) in sectors related to urban development, such as construction, transportation, and waste management

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Implementing energy-efficient practices in Bank facilities, such as using energy-efficient lighting and appliances, promoting paperless transactions and communications, and encouraging recycling and waste reduction among employees
- Monitoring and managing the bank's use of water and other natural resources to ensure efficient use, including implementing water-saving fixtures and practices
- Adopting IT practices such as server virtualization, energy-efficient data centers

13 CLIMATE ACTION

- Implementing the Bank's climate-related risk management roadmap
- Financing agricultural practices that are resilient to climate change and contribute to carbon sequestration, such as agroforestry, conservation agriculture, and organic farming
- Promoting sustainable and green financing products that support renewable energy projects, energy efficiency, and other eco-friendly initiatives
- Integrating environmental and climate considerations into the bank's risk assessment and lending criteria, avoiding financing projects with significant negative environmental impacts
- Taking leadership role in the banking industry for sustainability, participating in forums, working groups
- The Bank will calculate its carbon footprint and take steps to reduce it through energy conservation, use of renewable energy sources, and offsetting emissions where necessary
- Collaborating with KWS to grow trees in Lusoi Forest

14 LIFE BELOW WATER

- Incorporating environmental risk assessments into lending and investment decisions to ensure that financed projects do not adversely affect marine and coastal ecosystems
- Implementing the Bank's exclusion list that exclude financing or investing in activities harmful to marine environments, such as destructive fishing practices, pollution, and habitat destruction
- The Bank will calculate its carbon footprint and take steps to reduce it through energy conservation, use of renewable energy sources, and offsetting emissions where necessary

15 LIFE ON LAND

- Collaborating with KWS to grow trees in Lusoi Forest
- Financing the development of hotels and lodges in wildlife parks that meet sustainability standards
- Assessing environmental risks and consider the ecological impacts of projects when making lending and investment decisions, promoting environmentally sustainable and socially responsible projects

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Implementing transparent banking practices, including robust anti-money laundering (AML) and combating the financing of terrorism (CFT) policies, to help reduce corruption, illicit financial flows, and organized crime
- Fostering a culture of integrity within the organization and among clients by promoting ethical business practices and fighting corruption and bribery in all forms
- Ensuring that the bank's policies and practices are non-discriminatory and actively promote social inclusion and equality, contributing to peaceful and inclusive societies

17 PARTNERSHIPS FOR THE GOALS

- Supporting government efforts on tax collection
- Offering financial services that facilitate trade, including trade finance and insurance products
- Ensuring that the bank's policies and practices are aligned with sustainable development goals and principles, promoting policy coherence
- Long term financing partnerships: IFC, DEG, ECO FUND, SUED Fund etc

Stakeholder Engagement

We place utmost importance on stakeholder engagement and adopt a stakeholder-inclusive approach to corporate governance, championed by our esteemed Board of Directors and Board of Management.

Our commitment to fostering strong relationships with our stakeholders is exemplified by the leadership rating we received in the 2023 corporate governance assessment conducted by the Capital Markets Authority (CMA).

We actively identify key stakeholders and value their feedback, which serves as a valuable input in shaping our policies, procedures, and strategies. Regular reviews ensure the ongoing relevance and effectiveness of these initiatives.

Understanding the diverse interests and expectations of our stakeholders enables us to address their needs effectively while maintaining a high level of transparency in our communications.

We have established a formal process for resolving disputes and keep our communication channels open, reporting diligently on our adherence to ethical practices. This aligns with our commitment to meet our social and environmental responsibilities. Whistleblowing – Co-operative Bank (co-opbank.co.ke)

Committed to providing accurate and efficient feedback, we have staff to facilitate seamless information exchange between various stakeholders.

Through this integrated approach to stakeholder engagement, we not only address immediate concerns but also harness valuable insights for the identification of material topics. We conducted a survey of internal stakeholders in 2023 that enriched our insights. In 2024, we plan to conduct an external stakeholder's engagement.

This process is critical in aligning our ESG strategy with the expectations and needs of our stakeholders, ensuring our efforts in sustainable development are focused and impactful.

By prioritizing issues that hold the greatest significance for our stakeholders and aligning them with our strategic objectives, we foster a culture of sustainability and value creation for all involved.

Communities

Customers

Employees

Co-operative Movement

Industry Associations

Regulators & Policy Makers

Government

Strategic Partners

Suppliers

Shareholders & Investors

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
- 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 2023 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 experience.
- 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.
- We have successfully complied with all regulations and guidelines regarding product and service information and labelling, without any instances of non-compliance. Additionally, there have been no incidences of non-compliance concerning the health and safety impacts of products and services.
- 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
- We have maintained a commendable track record, as we have not received any substantiated complaints regarding breaches of customer privacy or losses of customer data.

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 labour 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 labour 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 re-engineering 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 labour standards: Our Bank adheres to all applicable labour standards and regulations. We are committed to providing a safe and healthy workplace for our employees and to upholding fair labour 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	

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
- 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.
- 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, labour 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 • Feedback surveys and questionnaires • Email, telephone engagements with Co-operative relationship managers, the Contact Centre, Co-op Consultancy
Key ESG Concerns	• Access to banking • Meeting the needs of Co-operative movement customers • Products/services value propositions and features Key ESG concerns • 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.

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.

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 labour 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 labour laws and regulations: We ensure that we are meeting all our obligations and to stay up to date with any changes or updates to labour 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. We take great pride in our commitment to compliance, as we have diligently ensured that our marketing communications remain fully compliant. Consequently, we have not experienced any incidents of non-compliance in this regard.	

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 Key ESG concerns	• 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	

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 Key ESG concerns
- 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.

At the grass-root level Co-op Bank is supporting the growth of sporting activities among the youth. Here the Bank contributed towards the purchase of the Gor Mahia FC Club Bus in a program initiated by the Cabinet Secretary for Information, Communication and Digital Economy Mr. Eliud Owalo

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. • We are dedicated to conducting responsible business operations and delivering services with a strong commitment to sustainability. We recognize the importance of minimizing any potential negative impact on biodiversity, the environment, and our societies. With this in mind, we prioritize proactive measures to ensure that our activities align with the preservation of biodiversity, the protection of the environment, and the well-being of the communities we serve. • 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. • The bank upholds the rights of indigenous peoples and has had no incidents of violations in this regard.	

Our Material Topics

Materiality Assessment

As a financial services provider, 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 concentrate on key areas of impact and align with the objectives of the Sustainable Development Goals (SDGs). Our portfolio and service offerings are designed to generate significant economic, social, and environmental benefits.

Our material topics assessment process involves a comprehensive and systematic approach to identify 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.

For each material topic, our approach is investigating existing and emerging risks, opportunities, our response and management to the risks and opportunities, and key outcome indicators. These are then integrated into our key performance indicators, allowing us to monitor and track our progress in delivering sustainable value to all stakeholders.

The Bank publishes an annual integrated report and a separate Sustainability report https://sustainability.co-opbank.co.ke/

In doing so, attention is paid that all material topics are covered. 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.

ESG Pillars	Material Topics	
Environmental • Environment & Climate Change • Responsible Resource Use	• Resource use (water, electricity, fuel) • Energy efficiency • Waste Management & Pollution	• Green financing • Climate Change
Social • Financial Inclusion • Economic Inclusion • Social Inclusion	• 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	• Corporate governance quality • Regulatory compliance • Integrity and transparency	• Accuracy and timeliness of information • Business ethics

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 corporate strategic plan.

Prioritization

We rank all identified issues based on their significance to achieving our business strategy.

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 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.

Material Topics Identified

Governance

In 2023, we advanced our environmental stewardship, significantly refreshing our Environmental and Social Management System (ESMS) to better assess and manage environmental risks in our lending operations.

Effective governance is essential for managing risks, ensuring regulatory compliance, building stakeholder trust, making informed decisions, and securing access to capital

Our Response: Effective Governance structures

- Board oversight
- Effective Governance structures
- Well, constituted, competent, and diverse board membership
- Dedicated Board committees
- Integrity and Accountability
- Stakeholder Engagement
- Strategy implementation
- Compensation

Customer experience

Positive customer experiences drive business success through increased engagement, loyalty, and revenue. Simultaneously, it reinforces the bank's commitment to social responsibility and sustainability, enhancing its reputation, brand equity and competitive advantage.

Our Response:

- Equitable access to financial products and services
- Responsible lending,
- Transparency, fairness, distinctive customer service
- Innovative products & services tailor made to meet customer needs
- Enterprise data management

Risk Management

Risk management is crucial to ensure that the Bank is sustainable, responsible, and able to contribute positively to economic growth and stability. It helps the Bank identify, assess, manage, and mitigate risks that could lead to financial losses, insolvency, or systemic crises.

Our Response:

- Regulatory compliance
- Operational resilience
- Adaptation to emerging risks
- Reputation and social responsibility
- Environment & social management

Operational Excellence

Achieving operational excellence better positions the Bank to thrive financially and contribute positively to society and the environment and aligns our business practices with broader sustainability goals and stakeholder expectation. Digitization of our operation is key.

Our Response:

- Efficiency and cost reduction measures
- Continuous improvement and innovation
- Positive and engaging work environment
- Supply chain management
- Internal Audits

Climate action

Climate action intersects directly with an organization's risk profile, regulatory compliance, operational efficiency, innovation potential, and reputation.

Our Response:

- Responsible resource use (energy, water, fuel)
- Waste management
- Green and sustainable finance
- Sustainable Partnerships

Employee welfare

Effective employee welfare directly impacts financial performance through enhanced productivity, staff wellness, reduced absenteeism, and better talent retention, while also influencing both operational success and ethical business practices, demonstrating a commitment to the sustainable and responsible growth of the Bank within its community and the broader society.

Our Response:

- Wellness programs
- Grievance handling
- Whistle blowing policy https://www.co-opbank.co.ke/whistleblowing/
- Training and development
- Diversity, equity, and inclusion initiatives
- Safety measures
- Performance evaluation, recognition, and compensation
- Work-life balance

Our People

Employee overview

At Co-operative Bank, our people stand at the forefront of our operations and service excellence to deliver the Group's strategy. In nurturing their talents and ensuring their well-being, we have created a work environment that not only fosters productivity and engagement but also embodies the safety, health, and satisfaction that lead to overall job fulfilment.

Our core values are as follows: We are Trustworthy, Innovative and Agile, we value our Customers/People, we Share and Collaborate, have a Passion for Excellence and are Bold and Courageous. Our approach to employee management is holistic and includes:

- Competitive compensation and benefits to attract and retain the industry's best.
- Career growth opportunities and a knowledge transfer program that anchors institutional knowledge.
- Work-life balance that empowers our employees to thrive in all facets of their lives.
- Teamwork that promotes collaboration to lighten individual workloads and enhance our collective output.
- Regular communication and engagement that cultivates a positive relationship with our staff,
- Fair and equitable policies that assure every employee of their valued place within the bank.
- A structured dispute resolution mechanism stands ready to address and resolve conflicts, maintaining workplace harmony.
- Performance management with regular feedback and coaching to guide our team members along their professional journeys.
- Celebration of high-performing employees to motivate and recognize their contributions to our collective objectives.
- Staff Training

This investment in our human capital has reaped significant benefits, evidenced by higher retention rates that translate into cost savings and a more experienced team. The resultant uplift in morale sparks increased productivity, driving innovation and deepening engagement.

The health and well-being of our employees leads to higher productivity which not only enhances our brand reputation but also attracts new talent.

Mindful of the risks, we have adopted strategies to mitigate the loss of expertise due to staff turnover, pre-emptively addressing employee burnout, and ensuring that our performance management system continually motivates and fosters innovation.

Our commitment to ongoing training and development guards against skill gaps, ensuring our competitive edge in a dynamic industry.

	2023	2022
Number of permanent employees	5400	4864
Number of contract employees	763	583
Sick off days	7213	5684
% female staff members	48%	46%
% male staff members	52%	54%
% below 35 years	36%	35%
% staff with disabilities	0.8%	0.7%
Number of paternity leave applicants	128	157
Number of maternity leave applicants	171	170
Employees hired by collective bargaining agreement (CBA)	1933	1845
New hires (Group)	1003	838
Average increase in staff remuneration	4%	4%

Benefits Provided
Parental (maternity/paternity/adoption) leave
Annual and Sick leave
Staff salaries and Performance Bonuses
Workman's compensation insurance
Staff retirement benefits scheme
Employee wellness engagements
Medical Insurance
Life Assurance Cover
Preferential staff lending rates

Diversity and Inclusion

At Co-operative Bank, we recognize the rich tapestry of perspectives that fuels our innovation and reflects the diverse clientele we serve. We have in place policies that guard against discrimination and foster equality ranging from hiring to promotions.

As an equal opportunity employer, we maintain a healthy gender ratio actively fostering an inclusive environment where talent thrives on merit. We track diversity in the Bank by collating data on gender, age, and people with disabilities.

Gender breakdown across the Bank

The Bank's gender profile is improving.
Captured below is the performance at that various management levels.

Management Level	% total 2023	% total 2022
Women in the board of the directors	16%	16%
Women in senior management	29%	34%
Women in management	44%	44%
Women in employee compliment	48%	46%
Women who are contract employees	8%	12%

Equal Pay

Competitive remuneration packages are paid to all permanent and contract staff. The bank employs the principle of equal pay for equal work ensuring that employees received equitable compensation regardless of their gender.

People with disabilities

Competitive remuneration packages are paid to all permanent and contract staff. The bank employs the principle of equal pay for equal work ensuring that employees received equitable compensation regardless of their gender.

- We ensure equal and fair opportunities for all our staff, including persons with disabilities
- Providing comprehensive support to employees who may develop disabilities during their tenure.
- Extending assistance to parents and guardians of children with special needs and disabilities.
- Sponsoring essential disability support equipment, such as wheelchairs.
- Providing people with disabilities friendly infrastructure including ramps and other facilities.

Measures implemented in the Bank to promote gender inclusivity & equal opportunities

The Bank has implemented various measures to empower women in the organization. These include:

- Competitive vacancies for equal participation.
- Advanced training and exposure opportunities, including executive training programs workshops and seminars.
- Gender-neutral communication and using inclusive language.
- Specialized support to mothers raising children with special needs.
- "Inspire Her" Family Health and Wellness Program is a transformative initiative that focuses on promoting the overall well-being of women in the bank.
- Dedicated 61 lactation rooms, offering them a comfortable and private space for nursing.

The Bank has implemented various measures to empower men in the organization. These include:

- Competitive vacancies for equal opportunity.
- Advanced training and exposure opportunities, including training programs.
- Gender neutral communication and using inclusive language.
- Specialized support to fathers raising children with special needs.
- Designing various men`s programs like Man of Valor and Anchored man
- Special men webinars in the month of June: Men's health month

Age

With 36% of our staff under the age of 35, we are privileged to harness the unique blend of youthful vigour and seasoned experience, fostering a dynamic workplace that is innovative, knowledgeable, and adaptable to the evolving needs of our diverse customers.

Cultural Diversity

Our team's varied cultural backgrounds are not just celebrated; they are integral to providing personalized banking that resonates with and respects each customer's unique heritage and identity.

Talent Management and Development

At Co-operative Bank, we continue to grow and develop our employees through ongoing training and development and regular performance appraisals. The bank has put in place coaching and mentorship measures to support a high – performance culture across the entire organization and has invested significantly in developing programs that aligns with the organization's goals and strategy.

The bank administers its training through its in-house eLearning platform, complemented by virtual and face-to-face engagements.

Trainings conducted in the Bank

In 2023, over 3,000 staff undertook various training sessions across the Bank.

The Bank also provides tailored training for employees to benefit them and to ensure alignment with business needs and ensure that our teams remain compliant with the latest regulatory requirements.

To enhance the Bank's robust Environmental and Social Management System (ESMS), targeted training was provided to key departments. Staff in credit, ESG, and business functions. These trainings included:

- DEGs & EDFI E&S requirements eLearning Course
- Various Environmental and Social Risk Analysis eLearning Courses on the KFW eLearning platform
- UNEP FI ESRA Course
- Lead Auditor Course ISO 14001
- SA 8000 Course

To align with the Central Bank of Kenya's climate risk guidelines, we mandated all employees to complete the Kenya Bankers Association Sustainable Finance Initiative's Climate Risk Management training, Module XII, now accomplished by 42.5% of our staff.

Mentorship

The Bank trains all new hires to the Bank with the aim of orienting employees to the Bank's culture. Each hire is assigned to a mentor whose responsibility is to model and hand hold the employee to ensure they fit in well in their role.

At the end of every month, a performance report is shared with the HR department to ensure that the employee is achieving their objectives.

Coaching

The Bank has certified professional coaches who are at hand to help staff unlock their potential and set them on a path to thriving personally and professionally.

Succession Planning

Succession planning is integral to our strategic foresight, encompassing comprehensive training programs, job shadowing, and role modelling to ensure business continuity.

	2023	2022
Training spend (in millions)	57.3	73
Number of staff trained	3828	4086
Average number of learning hours achieved	14.72	11.1
Total number of courses (eLearning) completed	36,000	35,783
% Total number of courses completed by women	43%	48%
% Total number of courses completed by men	57%	52%
% of staff who met and exceeded performance	98%	92%
Total number of employees who have undergone coaching	All employees have performance and coaching sessions every quarter except for staff who are on extended absence e.g. maternity leave, sick offs	
Number of leadership programs	12	9
Number of staff who have undergone leadership training	2403	1431

Occupational Health and Safety

At Co-operative Bank, our Occupational Health and Safety management systems are designed to identify hazards, assess, and mitigate risks, and offer focused worker training. These systems extend to all personnel, including employees, contractors, interns, and supplier staff within our premises, ensuring a holistic approach to safeguarding every individual associated with our operations. Prioritizing the well-being of our workforce, we are equally committed to the physical and mental health of our workers, upholding their safety and security as paramount.

The Banks OHS Management System:

The Bank has in place systems to prevent work-related injuries, illnesses, and accidents and to promote the health and well-being of workers. These include:

Compliance with OHS regulations, and regular audits to ensure that our OHS practices are up to date with legal standards

- OHS policy that outlines our commitment to health and safety, which are communicated to all employees.
- Health and safety committees made up of employee representatives that meet regularly to discuss issues and recommend improvements.
- Regular risk assessments and screening conducted to identify potential hazards in the workplace
- Ergonomic design of workspaces to prevent musculoskeletal disorders, which are common in desk-bound professions
- Wellness programs that address both physical and mental health including counselling services, and health screenings
- Provision of Personal Protective Equipment (PPE) for certain roles in the Bank
- Training for staff on issues like emergency response
- Emergency response plans and safety drills to prepare employees for potential workplace emergencies.
- Pandemic response plans to handle occurrence of pandemics
- Reporting and monitoring workplace incidents and accidents through the Bank's RUniverse system

Employee Wellness

The Bank's commitment to employee wellness is holistic, focusing on both physical and mental health through a range of programs. Personal counselling and financial coaching provide tailored support, while group sessions and wellness talks promote collective well-being. Rehabilitation and family health initiatives underscore our holistic care approach, complemented by specialized training for Mental Health Champions.

Number of wellness talks (webinars)	137
Number of staff trained on OHS	161
Number of OHS related incidences reported	0
Number of OHS Committees in the Bank	58
Hearing screenings conducted	147
First Aid & Fire Marshal trainings	18

The Bank is working to extend financial services across the consumer segments in Kenya particularly through training of various groups in financial management and prepare them to take up financial instruments that are available in the Bank for local businesses. Some of the training is physical while others are done online using the heavy investment the Bank has made in technology.


CO-OPERATIVE BANK
We are you
Occupational Safety and Health Policy Statement
Co-operative Bank of Kenya (Co-op Bank) recognizes and appreciates the importance of Occupational Health and Safety Policy in the Bank. The Bank commits to protect the Health and Safety of all persons in the Bank, including employees, customers, contractors, and visitors to all Bank facilities.
Co-op Bank will develop and maintain effective Occupational Health, Safety, and Welfare arrangements to protect its staff and all who come into contact with its operations and will ensure compliance with all relevant legal and statutory instruments in all matters of Occupational Health and Safety.
Co-op Bank will make available the necessary resources in order to:
• Comply with all relevant workplace health and safety legislation;
• Ensure the health and safety of employees and others.
Co-op Bank will conduct its activities and provide a work environment that:
• Protects the health, safety, and welfare of all persons, including staff, contractors, and visitors, affected by our workplace activities;
• Actively encourages controlling risk in workplace activities;
• Strives for continuous improvement in workplace health and safety.
The Management of Co-op Bank is responsible (within the scope of their authority) for:
• Integrating workplace health and safety into all aspects of the workplace;
• Promoting communication about workplace health and safety as a normal component of all aspects of work;
• Planning, developing, implementing, and monitoring a workplace health and safety program;
• Taking effective action to provide and maintain a healthy and safe workplace.
The employees of Co-op Bank and subsidiaries are responsible for:
• Working in a healthy and safe manner;
• Encouraging others to work in a healthy and safe manner;
• Cooperating with, supporting, and promoting workplace health and safety at the workplace;
• Reporting or rectifying any unsafe conditions that come to their attention.
Signed:
DR. GIDEON MURIUKI – CBS, MBS
GROUP MANAGING DIRECTOR & CEO
The Co-operative Bank of Kenya is Licensed and Regulated by the Central Bank of Kenya.
Co-opBank Kenya
Co-opBank Kenya
Co-opBank Kenya
Co-opBank Kenya

Our Customers

Customer Experience

Co-operative Bank's vision and mission focuses on delivering distinctive customer experience. This is shaped by our efficient business models, highly trained staff and innovative products & services. This experience is powered by digitization, ensuring operational efficiency and the reliability of our digital channels. Our commitment to customer service excellence is safeguarded by our robust risk management and compliance processes, with customer engagement and feedback mechanisms being central to continuous improvement and customer satisfaction. This was further affirmed by the Kenya Bankers Association (KBA) Customer Satisfaction survey conducted in 2023, where the bank emerged the overall winner.

Service Excellence Key Focus Areas

Co-operative Bank is committed to delivering a customer experience that is seamless, intuitive, and anchored in fairness and transparency. Our focus areas include:

- Streamlining in-branch service to be efficient and effective.
- Ensuring consistent accessibility and usability across digital platforms.
- Swiftly resolving complaints to uphold service quality.
- Utilizing analytics and feedback for ongoing customer journey enhancements.
- Integrating inbound and outbound communication for all-encompassing customer engagements.
- Use of CRM solution for effective logging, tracking and resolution of customer complaints.
- Business Process Re-engineering to revamp processes that affect customers regularly
- Building capacity for staff with regards to service delivery

Branch Service

Our extensive countrywide branch network provides a personal, face-to-face service experience. This direct interaction ensures not only efficient service but also a connection with the community we serve:

The Customer Experience Department identifies and resolves service challenges, continually refining our approach to branch service excellence:

- Efficient Queue Time Management: Utilizing digital queueing system to monitor, track and improve customer wait times by reviewing customer volumes, analysing customer needs and allocating both physical and digital resources to manage the queues.
- Capacity building for branch staff on a continuous basis touching on current industry trends, customer expectations, relevant products for clients and handling multiple roles to create a dynamic workforce that supports clients seamlessly.
- Complaints Management: Facilitate and equip the branch staff to handle as many complaints as possible in the front line so as to avoid inconveniencing customers through escalations. Capturing and logging customer complaints and feedback on CRM for future reference
- Operational Efficiency: Minimal errors to prevent complaints, as well as streamlining various processes regularly.

Our Contact Centre

Our 24-Hour Contact Centre ensures accessibility for every customer at their convenience. We maintain seamless communication through:

- Multichannel Availability: Open lines through Calls, WhatsApp, social media, Email, and SMS. Calls lead in popularity, with WhatsApp as a close second.
- Engagement Analytics: Diligent tracking of social media activity, call volumes, and drop rates to support customers
- Issue Resolution: We proactively monitor and address high-engagement queries to enhance service quality.
- First Call Resolution is implemented to improve efficiency in complaints resolution and requests support.
- The contact centre agents proactively offer solutions based on the wide array of products and services available that are relevant to the customers.

Customer Relationship Management (CRM)

- Our CRM 365 solution is the definitive solution to aid in managing our customer interactions i.e., complaints, requests and feedback:
- The CX Department utilizes the system to:
- Track, monitor and ensure complaints are resolved promptly and within specified timelines in case of escalations.
- Conduct regular analysis of customer feedback and complaints which is used to inform solutions and product development.
- To avail customer history which allows us to interact in a better way with our clients, as we are coming from a point of knowledge.

Customer Experience Indicators	
Customer Experience Score	90.7%
Queue time management	12.4 Minutes
Net promoter score (NPS)	53.4
Customer Satisfaction Score (CSAT)	87.6%
Number of followers on social media	3 Million
Average system uptime	99.2%
Complaint resolution rate	97.8%
Total number of calls at contact centre	3.2M
Total interactions through social media platforms	2.1M

Customer protection

Co-operative Bank prioritizes the well-being and satisfaction of our customers, embodying our core values through responsive product design, transparent communication, and ethical practices. We aim to deliver our distinctive customer experience while upholding the highest standards of integrity and security.

Data Privacy and Security

Co-operative Bank takes a proactive stance on data privacy and security, ensuring the safeguarding of our customers' personal and financial information. Our comprehensive approach is designed to fortify trust, enhance security, and promote transparency in every interaction:

- Robust Data Privacy Policies: We have established policies to detail the handling, usage, and sharing of customer data
- Enterprise Data Privacy Risk Management Framework: This policy framework enables us to systematically manage and mitigate risks associated with personal information, ensuring a consistent focus on customer data protection
- Employee Empowerment through Training: Core briefs and regular training sessions are conducted to equip our employees with the necessary tools to identify and mitigate potential data security threats.
- Continuous Security Enhancements: Our security measures are constantly reviewed and updated in response to emerging threats, leveraging the latest advancements in technology to maintain a secure banking infrastructure.
- Access Control and Audit Procedures: Strict access controls and regular audits are in place to prevent unauthorized access to sensitive information, thereby protecting customer data from potential breaches.
- Proactive Security and Penetration Testing: Routine security audits and penetration tests are performed to uncover and address vulnerabilities, further securing our customers' information against unauthorized access.
- Incident Response and Advanced Security Technologies: We have established dynamic incident response plans and invested in cutting-edge security technologies to rapidly detect and respond to potential data breaches.
- Comprehensive Cybersecurity Measures: Multi-layered cybersecurity defences, including firewalls and intrusion detection systems, are employed to shield against cyber threats, complemented by employee awareness programs to foster a culture of vigilance.
- Anti-Malware Protections and Data Backups: Deployment of robust anti-malware solutions and regular data backups ensure the integrity and availability of customer information, safeguarding against data loss and cyber-attacks.
- Insider Threat Management: Clear policies and ongoing training sessions address insider threats, promoting a secure and aware banking environment.
- Third-Party Vetting and Compliance: Rigorous due diligence processes for third-party service providers ensure compliance with our stringent information security policies, maintaining a secure and protected customer data ecosystem.

Marketing and Communication

We are committed to transparency and integrity in our communications, aligning our marketing efforts with ethical standards and community values to ensure our customers make informed decisions:

- We adhere to the Marketing Operations Manual and the Code of Advertising Practice and actively seek to ensure that all our communications comply with national laws and regulations.
- We do not engage in comparative advertising that directly compares prices or product features with competitors or depicts other institutions negatively.
- We are a corporate member of the Marketing Society of Kenya.
- We ensure full transparency by hosting our tariff guide and general terms and conditions on our website and available in branches, facilitating informed customer decisions.
- We disclose all fees, charges, and terms for loans and cards are provided at the point of transaction or onboarding. This includes level of indebtedness allowed.
- Our commitment to customer clarity extends through various touchpoints, addressing concerns and clarifying product details to enhance understanding and satisfaction.
- Regular customer satisfaction surveys are conducted to gauge service experience, reinforcing our dedication to responsive and responsible customer engagement.

Financial Inclusion

At Co-operative Bank, our product innovation and personalized services are deeply rooted in our commitment to satisfying the diverse needs of our customers and advancing financial inclusion, placing them at the core of our business strategy. Financial inclusion is central to Co-operative Bank's mission, ensuring that all members of society have access to essential financial services.

Our strategy aims to empower individuals and businesses, including underserved segments, to manage resources effectively, finance enterprises, and seize opportunities for income growth.

The Drivers

Achieving our financial inclusion objectives is driven by a suite of strategic and operational initiatives:

- Comprehensive Training: Enhancing the capabilities of Cooperatives with specialized training and funding access.
- Agribusiness Support: Crafting financial solutions for smallholder farmers in partnership with agricultural cooperatives.
- Digital Accessibility: Expanding financial access through digital innovations for rural communities and MSMEs.
- Inclusive Financial Products: Designing loans, savings options, and planning tools tailored for MSMEs.
- Financial Education: Conducting financial literacy programs to empower economic decision-making.
- Crisis Response: Aligning with governmental efforts to provide financial relief during emergencies.
- Financial Accessibility for Customers with Disabilities: Using biometrics (thumb and facial recognition) as an alternative in processing transactions. Having trained dedicated staff at our branches who provide specialized support services to our customers.

Customer protection

Frontline divisions:

The bank has various divisions that provide customized products and services to various customer segments.

Business Divisions	Description
Corporate and institutional Banking	Corporate Financial Solutions for large entities & Institutions
Retail and Business Banking	Personalized banking services for individual, small, and medium business customers
Co-operatives Banking	Financial products designed for cooperative societies and their members

Agri Co-operatives	
Government-Supported Coffee Financing	10% financing rate for farmers' coffee
Capacity Building for Coffee Unions	Supported 11 unions to comply with new regulations
Government-Supported Cotton Farmers Training	4 training sessions
Government-Supported Dairy Farmers Training	2 training sessions
Unions and affiliate societies onboarded on Direct Coffee Settlement System (DSS)	680 coffee farmers societies with 1282 coffee factories
Number of Societies integrated on Co-op Bank Soko	688
Farmers on Co-op Bank Soko	1,187,103

Social Payments	
Beneficiaries of Inua Jamii programme	56,200
Amount disbursed under the Inua Jamii Programme	KShs. 1.2B

Youth and Women Banking	% Growth in 2023
Count of YEA account holders	18%
Total number of women benefiting from Msamaria Women's Loan	22%

Digital Accessibility	
Percent of Transactions on Digital Channels	91%
Count of Omni Channel Customers (Millions)	5
Count of Co-op Kwa Jirani Agents	17,056
E-Credit Disbursements (Billions)	KShs. 75
Count of Co-op Till Customers	96,343
Total Number of Merchants	4875

Micro, Small and Medium Enterprises	
% growth in Count of MSMEs	13%
Amount disbursed to MSMEs through Ecredit	KShs. 18.6B
Percentage of E-credit disbursed to MSMEs	39%
% of Female MSME Customers	46%
% of Youth (18-35) MSME Customers	44%
Amount Disbursed to Youth (18-35) MSME Customers	14%

Financial Literacy	
Count of CCBI mandates (consultancies) to Co-operatives	3410
Count of entrepreneurs (MSMEs) trained in business management	58,850
Amount Disbursed to Youth (18-35) MSME Customers	14%

Our Customers

Revolutionizing Agriculture: Co-op Bank's Strategic Investment in Farmers' Futures

"At Co-operative Bank, we are transforming the agricultural landscape through innovative product offerings and personalized services, rooted in our commitment to financial inclusion and customer-centricity. Our establishment of the KShs. 100 Million Co-op Bank Farmers' Co-operative Societies Capacity Building & Technical Assistance Fund is a testament to this, aiming to empower farmers across Kenya with the tools for sustainable growth and enhanced productivity."

The Co-op Bank established the Co-op Bank Farmers' Co-operative Societies Capacity Building & Technical Assistance Fund, a KShs. 100 Million initiative aimed at capacity building, technical support, and digitization for farmer cooperatives. This transformative fund has embarked on capacity building for 30 cooperatives across seven agricultural sectors: Coffee, Cotton, Potatoes, Rice, Poultry, maize and dairy poised to impact over 3,000,000 individual farmers.

The Co-op Bank's Capacity Building Fund is crafted to bolster the sustainability, efficiency, and digital prowess of farmer cooperatives, fostering a 50% turnover increase, and promoting environmental resilience. Managed by the Co-op Foundation and implemented by Co-op Consultancy and Bancassurance Intermediary (CCBI), the initiative underscores technological advancements, strategic planning, and community upliftment, steering towards sustainable agriculture and improved livelihoods.

The project targets ambitious milestones: enhancing incomes for over 3 million smallholders, generating employment opportunities, especially for women and youth, and establishing climate-resilient cooperatives through advanced technology and improved operations. This concerted effort is expected to markedly advance community development, environmental stewardship, and poverty alleviation.

Under this initiative, significant strides have been made in various sectors, reflecting the fund's broad impact:

- Rice cooperatives have seen improved management-board relationships, bolstered record-keeping, and enhanced information security.
- Cotton sectors have recognized the value of strategic partnerships and digitization, leading to better financial planning and produce pricing.
- Poultry sector has benefited from improved governance and farming practices, establishing new strategic partnerships.
- Coffee cooperatives have witnessed a surge in member confidence and information security measures.
- Across the board, cooperatives have experienced enhanced stakeholder relations, strategic clarity, and governance, contributing to a unified approach towards sustainable agricultural practices and increased animal productivity.

The integration of the Co-op Bank Soko platform has been a game-changer, creating a marketplace that connects farmers, input providers, and buyers, revolutionizing access to finance, and significantly impacting Kenya's agricultural landscape. So far 1.1 million farmers have been registered on the Co-op Bank platform.

Through these strategic interventions, the Co-op Bank is addressing the enduring challenges faced by Kenyan farmers, promising a sustainable shift in small-holder agriculture. This initiative represents a critical step in surmounting the obstacles to agricultural productivity and sustainability.

Digitization for Impact: Coffee Direct Settlement System (DSS)

We have successfully developed a cutting-edge digital platform, the Direct Settlement System (DSS), that revolutionizes the coffee industry by enabling coffee unions and farmers to trade their commodities directly, eliminating intermediaries. This transformative solution has already yielded remarkable results, with the Kipkelion coffee union utilizing the system to directly export coffee valued at KShs. 120 million to South Korea.

At Co-operative Bank, our product innovation and personalized services are deeply rooted in our commitment to satisfying the diverse needs of our customers and advancing financial inclusion, placing them at the core of our business strategy.

Financial inclusion is central to Co-operative Bank's mission, ensuring that all members of society have access to essential financial services. Our strategy aims to empower individuals and businesses, particularly in underserved segments, to manage resources effectively, finance enterprises, and seize opportunities for income growth. The Coffee Direct settlement system is a Co-op Bank developed solution and facility for the management, clearing and settlement of coffee sales proceeds that are traded from the Coffee Auction House – Nairobi Coffee Exchange. The Direct settlement system was created by the following sets of Regulations that govern the coffee subsector; the crops (coffee) (general) regulations, 2019 and the capital markets (coffee exchange) regulations, 2020.

This system empowers coffee farmers and cooperative societies by providing a platform for direct trade, significantly reducing the dependency on intermediaries, and enhancing transparency in the coffee value chain. There is the adoption of direct coffee settlement systems & auctions through their unions. A notable milestone is that within the DSS system here is an option of pay out in USD. This gives the farmers maximum value as they are now able to change it at competitive rates at their point of choice thereby reducing dependence on marketers and brokers.

The Direct Settlement System (DSS) represents a significant step towards achieving sustainable agricultural practices, financial empowerment for farmers, and the bank's commitment to innovating for inclusivity and efficiency in the agricultural sector. DSS revolutionizes the way coffee is traded, directly impacting the agricultural and financial ecosystems in Kenya. In the year 2023, there were 1870 number of transactions on the platform and USD 24 million settled through the system.

An example is the Kipkelion coffee union's successful export of coffee worth KShs. 120 million to South Korea, utilizing the DSS, serves as a testament to the system's potential to transform the industry. This achievement not only highlights the effectiveness of direct trade in enhancing profitability for farmers but also sets a precedent for other agricultural sectors to follow. Through strategic collaborations and continuous improvement of the system, the bank aims to extend these benefits to more farmers and sectors, reinforcing its role as a catalyst for economic development and sustainability in Kenya and beyond.

The DSS aligns with the broader goals of financial inclusion and agricultural sustainability, aiming to empower farmers with direct control over their sales and finances. By eliminating intermediaries, the system ensures that farmers receive a fairer share of the profits from their labour, contributing to improved livelihoods and economic empowerment.

From Struggle to Success: A Journey of Home Ownership and Hope

"Kevin Kariuki's story unfolds as a powerful testament to resilience and the transformative impact of financial inclusion. Supported by Co-operative Bank, Kevin transitioned from an economically disadvantaged background to achieve his dream of home ownership, showcasing how strategic financial guidance and support can turn aspirations into reality and uplift entire families."

Kevin Kariuki's remarkable journey, a testament to the transformative power of support and financial inclusion, finds its pinnacle in the achievement of home ownership. Emerging from an economically disadvantaged background, Kevin's determination and positive outlook on life were evident even during his high school days. Co-operative Bank played a crucial role by providing support for pocket money and essentials, enabling Kevin to concentrate on his studies.

Despite facing formidable challenges, Kevin excelled academically, achieving a B- Minus in the Kenya Certificate of Secondary Examinations (KCSE). Fuelled by a deep passion for the disciplined forces, he successfully joined the armed services and later the Kenya Prisons, graduating from training in 2021 and receiving a posting to Maralal.

Throughout his journey, Kevin maintained a valuable connection with Co-operative Bank, seeking advice on investment opportunities and additional financial assistance. His primary goal was to secure a home for his mother, transitioning her from a one-roomed slum rental house – where she had raised him and his sister – to home ownership in a better environment.

Recognizing the urgency of Kevin's dream, Co-operative Bank provided invaluable financial guidance, emphasizing the time value of money. Advising Kevin to consider a Co-operative Bank loan rather than waiting to accumulate enough shares for a SACCO loan, the bank efficiently processed a loan of 930k over 60 months. This enabled Kevin to purchase a half-acre plot in Endarasha at a favourable price.

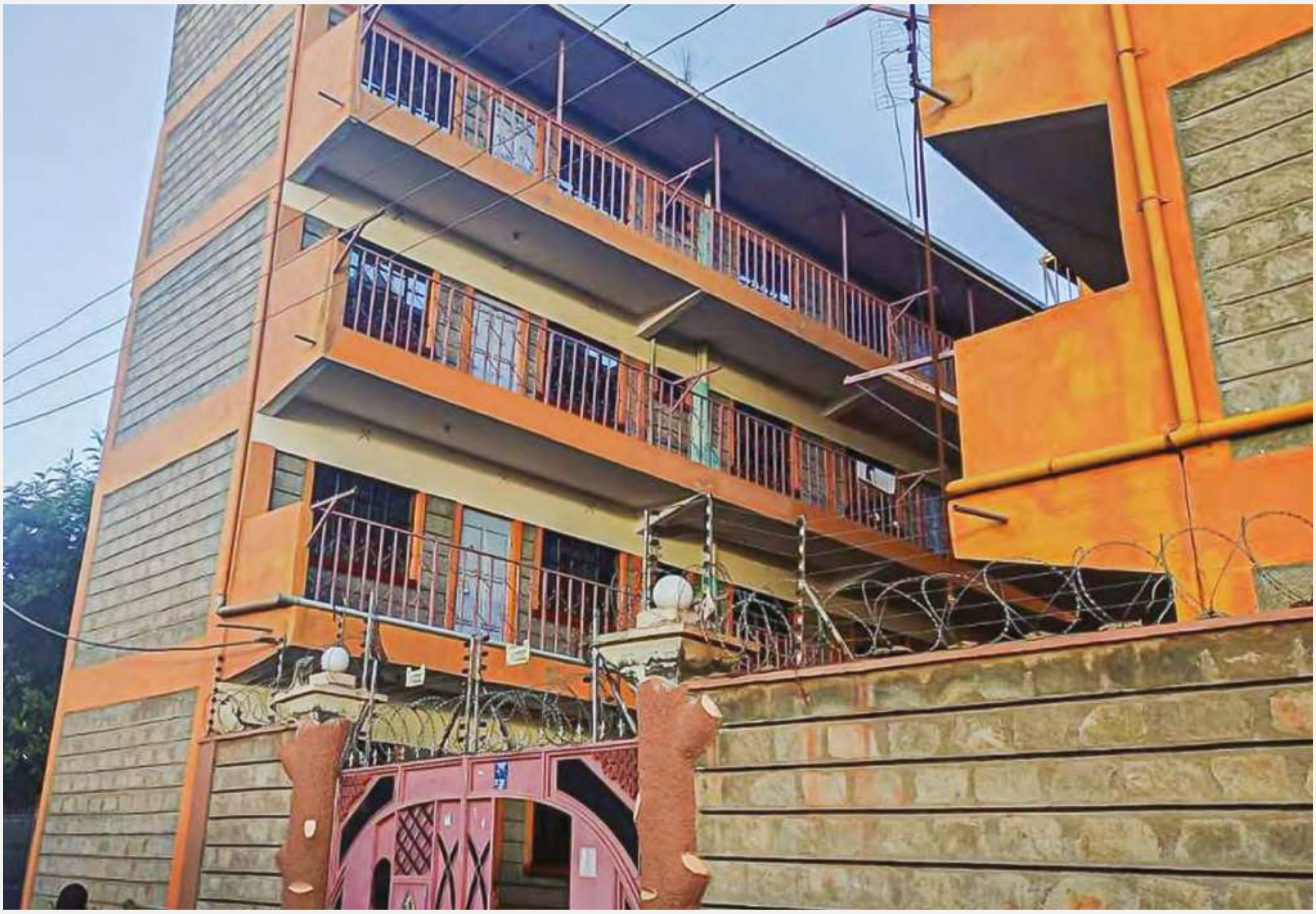
The efficiency of the loan process allowed Kevin to fast-track the land purchase and immediately commence the construction of a two-bedroom house for his mother. The family's life took a positive turn, with Kevin's mother thriving in farming, and the entire family experiencing improved life quality standards.

In expressing his gratitude to Co-operative Bank, Kevin acknowledged the pivotal role it played in his success. The achievement of moving his mother from a slum rental to owning a home marked the fulfilment of his greatest dream. Kevin's family continues to make significant strides, and whenever his mother is in town, she attributes their life-changing journey to the unwavering support provided by Co-operative Bank.

This heart-warming story reflects the profound impact of strategic financial guidance and timely support, illustrating how Kevin's success story became a catalyst for positive change within his family, culminating in the realization of home ownership.

Building Futures: How Co-op Bank and Nyahururu Highway Senior School are Shaping Community Development

"Through a strategic partnership with Co-operative Bank, Nyahururu Highway Senior School has undergone a transformation that extends beyond its gates, addressing teacher accommodation challenges while fostering community growth. This collaboration highlights the power of financial support in realizing sustainable solutions for education and community development alike"



In partnership with Co-operative Bank Nyahururu Highway Senior School has undergone a remarkable transformation. The school, facing a critical challenge of limited teacher accommodation, sought financing from Co-operative bank, and the ensuing journey has become a beacon of sustainable growth for both the institution and the local community.

Financial constraints were hindering the construction of much-needed teacher accommodation. Recognizing the importance of education and community development, the school turned to The Co-operative Bank for partnership in achieving their goal. The school envisioned not just a solution to their immediate housing challenge but a catalyst for broader community development. Their proposal sought a mortgage loan of 13.8 million to construct a three-story building that would not only house teachers but also serve as rental units for the local community.

The Bank, following its commitment to community-focused financial solutions, embraced the vision of Nyahururu Highway Senior School. Providing a mortgage loan of 13.8 million, the bank empowered the school to turn their vision into reality. Upon completion of the building, it provided accommodation for the teachers and created a sustainable source of income for the school. It was a source of development for the local community. What started as a solution to a housing challenge evolved into a community-driven initiative.

The impact of the project extended beyond the immediate need for teacher accommodation. The community, now benefiting from the rental units, experienced a positive economic shift. The success story became a testament to the transformative power of strategic financial partnerships.

This story echoes The Co-operative Bank's mission of empowering communities through diverse financial solutions. It showcases the bank's commitment to being more than just a financial institution but a catalyst for positive change and how financial institutions can contribute to holistic community growth. It underscores the importance of looking beyond immediate challenges and envisioning solutions that benefit everyone involved.

In the words of the school's leadership, "The journey so far is a testament to Co-operative Bank's unwavering support. Our success story is intricately woven with the bank's commitment to community development."

Our Suppliers

Sustainable Procurement & Outsourcing

Co-operative Bank upholds a sustainable procurement strategy that integrates stringent policy adherence, ethical sourcing, and support for local economic growth. Our procurement practices are rooted in rigorous supplier evaluation, emphasizing compliance with environmental, social, and business ethics standards. This approach ensures the responsible acquisition of services and goods while fostering robust, transparent supplier relations and contributing to the vibrancy of our local communities.

The Sourcing & Facilities Management Department aims to implements the Bank's sourcing strategy, ensuring cost efficiency, value creation, and transparency in the procurement process.

- The bank has formal internal procedures and a procurement policy that specify procurement requirements, accountability and authority to take procurement actions.
- The selection of suppliers is non-discriminatory and is based on their ability to meet the bank's requirements and specifications in a cost-effective manner.
- Our contracts with suppliers include terms and conditions that require adherence to labor laws and regulations, health and safety, sustainability, and confidentiality agreements.
- We require suppliers to comply with international labor standards, uphold human rights and maintain ethical business practices
- We prioritize local businesses that will lead to the creation of jobs and the stimulation of economic activity that benefits the local community.
- A diverse supplier base is actively pursued, with a rigorous evaluation process in place during selection and continuous relationship management to ensure compliance and performance that includes dispute resolution to handle any conflicts or complaints
- The bank closely manages the relationships with suppliers and monitors their performance and compliance with the contractual obligations.

Key Indicators	2023	2022
Percent of local Suppliers	95.2%	93.5%
Amount paid to suppliers (Billions)	15.9	14.8

Environmental Stewardship and Climate Action

Environmental Stewardship

Co-operative Bank is committed to sustainable practices that reduces our environmental footprint in our business processes and operations. To manage responsible resource consumption the Bank has put instituted various initiatives. We collect data on the consumption, in value, of our water, energy, and paper use. This data is used to track our resource consumption and improve our resource efficiency.

Energy Use

The Bank has implemented various energy efficiency initiatives including:

- Installing LED lighting, motion sensors and energy efficient ACs in some of the branches and offices with plans for addition in 2024. 172 Branch LED upgrades have been completed with more planned in 2024.
- Conducting energy audits and implementing recommendations to reduce energy consumption and costs. The last energy audit was conducted in 2020, with implementation audits done annually.
- Monitoring and optimizing diesel fuel consumption and maintenance of the generators.
- Switching off lights at night when spaces are not in use.
- We have embraced online rather than physical meetings.
- As of Q4, 2023 total energy savings realized across the Bank was 444,062KWhs, this translates to about 51.5 tons of CO2 Saved.

Paper Use

The Bank has implemented the following measures on responsible paper use

- Adopting paperless work processes, such as digital signatures, online banking, and e-statements.
- Reducing paper consumption by printing on both sides minimizing paper waste.
- Digitizing workflows operations that are heavily reliant on paper, such as account opening, loan applications, customer records, and reports. This is supported by the digitized Business Process Management system.
- Implementing an electronic document management system that allows for digital storage and retrieval of documents
- Paper recycling – Some of our envelopes are designed for multi-use. Additionally, documents for internal circulation are put in re-used envelopes.

Water use

We have implemented various measures to ensure sustainable water management including:

- Installed sensor taps and dual flush toilets in some of the existing facilities.
- Undertaken regular preventive maintenance to minimize water leakages.
- Closely monitored water usage and installed water harvesting at our leadership and training centre.
- Partnering with water.org to offer to address the critical water and sanitation needs within the community.

Pollution control and waste management

The Bank has implemented various sustainable waste management practices, such as:

- Treating wastewater generated at the Leadership Management Centre through a modern water treatment plant .
- Adopting a leasing policy for laptops and other electronic equipment to reduce electronic waste and promote reuse.
- Implementing the 3R's: Reduce, Reuse, Recycle.

Case study:

Empowering Communities, One Drop at a Time: The Transformative Partnership of Co-operative Bank and Water.org

The Co-operative Bank's partnership with Water.org represents a strategic alignment with the global agenda for sustainable development, specifically targeting Sustainable Development Goal 6 (SDG 6), which focuses on ensuring availability and sustainable management of water and sanitation for all.

This collaboration is part of the broader initiative aiming to significantly enhance Water Sanitation & Hygiene (WASH) sector support through innovative financing solutions. The partnership started in March 2023 and has a three-year agreement. This partnership endeavours to leverage financial products and services to address the critical water and sanitation needs within the community. It embodies the bank's commitment to environmental and social governance, utilizing its financial services as tools for significant societal and environmental impact.

An example of this partnership's impact is the support extended to a client from the Mlolongo Branch for constructing a borehole powered by solar energy for his residential units. Thomas, the client in focus, sought a mortgage loan to finalize the construction of his rental properties, comprising 1-bedroom houses and studio rooms. The project was however faced a significant hurdle with the identification of an insufficient water supply, posing a threat to occupancy rates and tenant well-being.

In response, the bank, through its partnership with Water.org, devised a tailored financial solution that not only facilitated the drilling of the borehole but also ensured its operation through solar power. This intervention yielded substantial benefits underscoring the potential of strategic financial solutions and partnerships to drive sustainable development.

This project serves as a model for future initiatives aimed at fulfilling our corporate sustainability objectives and underscores our commitment to positively impact society and the environment. Looking ahead, we aim to offer financing solutions worth KShs. 3 billion with an aim to impact over 110,000 individuals, MSMEs, and institutions. Through these efforts, we aspire to be the leading financial institution in the water and sanitation space, driving significant improvements in community well-being and environmental sustainability.

Financing solutions
Total Number Disbursed – 94

Drilling of bore hole

Solar panels

Progress of borehole to connection of the residence

Climate Action

As a financial institution at the heart of Kenya's sustainable development, We are cognizant of the unique climate-related risks that we face, impacting sectors such as energy, transportation, construction, agriculture, and manufacturing. The Guidelines issued by CBK provided us with a comprehensive roadmap for managing climate-related risks and opportunities and served as an indispensable resource for us as we began our journey.

In 2023 we submitted to CBK our inaugural TCFD report. In it we provided a snapshot of our commitment to managing climate-related financial risks and opportunities in line with the Central Bank of Kenya's guidance.

Our strategy and risk management practices are aligned with the proactive management of ESG and climate-related risks. In response to the TCFD recommendations and recognizing the challenges of measuring climate change impact, we have focused our efforts on strengthening our governance and strategic frameworks. In 2023, we embarked on a significant initiative of onboarding a climate risk consultant to baseline our environmental and carbon footprint. This crucial step will enable us to set relevant metrics and targets, ensuring our strategic actions are both impactful and aligned with our commitment to sustainability and transparency.

Climate Governance

We have ensured that climate considerations are part of our Board Charter, the Board Risk Committee's responsibilities, and the Board of Management's terms of reference. The Board of Directors, through the Board Risk Committee, are responsible for overseeing climate-related risks and opportunities, integrating ESG considerations into the bank's strategies, objectives, and risk management framework, and approving policies and programs that support ESG and climate change matters. The board members undergo regular training and updates on climate-related issues to enhance their expertise and decision-making.

The Board of Management, led by the Chief Risk Officer (CRO), is entrusted with approving and implementing the ESG and Climate Change strategy, supervised by the Board Risk Committee. The CRO oversees risk management plans and policies, ensuring the integration of climate-related risks in the risk management framework, and reports to the Board Risk Committee on significant climate-related risk issues and initiatives.

The bank has established the ESG Champions Committee and a dedicated ESG Unit under the Finance and Strategy Division to drive its ESG and Climate Change strategies efficiently. The ESG Champions Committee is responsible for proposing ESG strategies, identifying and mitigating ESG-related risks, and formulating the bank's ongoing climate change plans.

The ESG Unit coordinates the implementation of the ESG Policy Framework that incorporates Climate-related Risk Management and Integration. The bank also has ESG Champions across all functional and divisional units to ensure appropriate assessment, transparency, and comparability in setting ESG-related engagements across its activities.

Climate Strategy

The Bank Conducted a materiality assessment to identify key climate-related risks impacting the business, such as physical risks (droughts, floods, extreme temperatures) and transition risks (regulatory changes, industry shifts, market conditions, consumer/stakeholder preferences).

These risks may present both direct and indirect impacts on our operations, credit risk profile, customer base, and overall financial performance. The physical risks are likely to lead to decreased agricultural yields impacting loan repayment rates. Additionally, the Bank faces elevated funding costs due to reduced deposit volumes, due to a disruption in economic activities. The Bank sees this as an opportunity to support its customers to adopt climate-smart agricultural practices, risk-sharing mechanisms, and insurance solutions to mitigate the impact of extreme weather events.

In the medium to long term, the Bank expects more laws and regulations on energy and the environment, which could create new demand for capital and funding from its customers who need to comply with the requirements. The Bank also sees an opportunity to develop products and services that support the transition to clean energy and reduce the carbon and environmental footprint of its customers.

In addition to new financing products, there are opportunities in improving our operational efficiency. Implementing energy-efficient measures within our branches and offices will continue to significantly reduce our carbon footprint and operational costs. These initiatives include installing energy-efficient lighting and transitioning to renewable energy sources for our power needs.

Our materiality assessment findings have shaped our strategic response to these factors. For example, with the identification of legislative changes as a material risk, our strategy now includes regular reviews of relevant legislation, early adoption of new requirements such as the new IFRS S1/S2 standards and active participation in industry dialogues on policy changes which saw the Bank actively involved in the Kenya's TCFD reporting template development in liaison with KBA.

Our strategic response to climate action included developing a Climate-related Risk Management and Integration Framework for risk evaluation, mitigation strategy development, and ongoing monitoring.

To align our strategic planning with global best practice, the Bank adopted the Network for Greening the Financial System (NGFS) climate scenarios for strategic planning and resilience testing.

The Bank's climate strategy is not static; it is subject to ongoing evaluation and enhancement based on emerging climate science, regulatory developments, and best practices. Going forward to ensure that the Bank is well-prepared to meet the challenges of a changing climate, we will continue to refine our strategies to ensure alignment with global practices and our local context.

We further aim to develop our scenario analysis capability to enable us better to understand and plan for future climate-related risks and opportunities. Additionally, to enhance our understanding of climate-related issues, across the entire Bank, we will continue to invest in continuous learning and developing.

The Lusoi Reforestation and Rehabilitation Project

The Lusoi Reforestation and Rehabilitation Project represents a significant environmental restoration effort, covering 600 acres and featuring the planting of over 350,000 trees.

This initiative is a collaboration between the Co-operative Bank, the Kenya Forest Service (KFS), and the local community, aimed at fostering forest reforestation, biodiversity enhancement, and ecological sustainability.

The Co-operative Bank has contributed over Sh30 million for the Lusoi Reforestation Project. This financial support has been crucial for building essential infrastructure, including office blocks and residences for forest guards, thereby enhancing forest management capabilities and facilitating effective stewardship of the reforested area.

Additionally, the bank has established a nursery which plays a critical role in the projects ongoing restoration efforts, ensuring a steady supply of saplings for planting.

Contracted workers from the local community are integral to the project, undertaking the task of daily watering and caring for both the newly planted trees and the saplings within the nursery.

The involvement of the Kenya Forest Service (KFS) has been instrumental in bolstering the project's guardianship. The introduction of forest guards, supported by a five-year Memorandum of Understanding (MOU) between the bank and KFS, ensures that the project's stewardship is in capable hands dedicated to its preservation and growth.

There are plans underway to establish a borehole to secure an independent water source for the nursery and the trees. Understanding the broader ecological context, the project includes the construction of additional water troughs for elephants. This preventative measure is designed to mitigate potential conflicts between wildlife and the reforestation effort, allowing elephants and other wildlife to access water without damaging the nursery or competing for resources.

The Bank is at the forefront of conservation efforts in various parts of the country. At Lusoi Hill in Laikipia the Bank has now planted over 500,000 trees and is taking care of them daily in partnership with Kenya Forest Service and the Community Forest Association in the region. Part of the conservation efforts includes the building of houses and administration block for KFS officers to ensure the planted trees are protected. Additionally the Bank is partnering with others to extend the forest cover in Kakamega among other regions.

Sustainable Finance

"Empowering a Sustainable Future: Co-operative Bank's Strategic Framework for Green and Social Finance"

Co-operative Bank has established a sustainable finance framework to guide the identification and support of green and social projects, encompassing a range of environmental initiatives and incorporating a detailed exclusion list. In 2023, KShs. 37.4 billion, or 5.6% of its portfolio, was classified as sustainable, with efforts underway to increase green lending, which constitutes 33% of this sustainable segment. The bank is also enhancing its capacity to track sustainable transactions through its new core-banking system.

The Co-operative Bank's Sustainable Finance Framework (SFF) outlines the bank's methodology for classifying financing as sustainable, aiming to monitor, track, and disclose performance. It guides the development of themed green and social products, including specific, dedicated, or general-purpose financing.

Sustainable Finance includes green, social, environmental sustainability, and sustainability-linked finance, covering financing with a specific purpose and general-purpose financing. Green Finance is structured financial activities designed for a better environmental outcome, supporting green projects or minimizing the climate impact of regular projects. Social Finance focuses on leveraging private capital to address social and environmental challenges, aiming for public benefits and measurable positive impacts.

The guiding principle of our SFF is to balance financial returns with economic viability, growth through innovation and inclusivity, managing and mitigating associated risks, optimal resource management, and adherence to business ethics and values. This is per the Industry principles by Kenya Bankers Association Sustainable Finance Initiatives (kba.co.ke)

Projects are classified as sustainable based on their use of proceeds or if the financial product contributes to the Paris Agreement goals and SDGs, in line with the bank's principles for environmental and social sustainability.

Through the Bank's Environmental and Social Management System (ESMS), the Bank specifies activities and sectors excluded from sustainable financing due to their negative environmental or social impacts, underpinned by environmental and social due diligence procedures.

In 2023 the Bank passed over 33 applications through its Environmental and Social Due Diligence (ESDD) process, which is the Bank's systematic identification an assessment of the ES risk as well as proposed mitigation actions that are agreed upon with the customer.

Our credit process incorporates Environmental and Social risk assessment for decision making and for contractual agreement on the required mitigation actions with the customers. There is also a standard Environmental and Social clause included in our letter of offer with our customers. The bank also maintains monitoring register to assess the effective management of the identified risks.

Looking ahead, we are committed to deepening our sustainable finance initiatives by intensifying efforts to identify and sustainably enhance data capture in our existing portfolio. This strategy involves a review and classification of our current financial activities to ensure they align with our sustainability objectives. Furthermore, we are in the process of integrating Sustainable Finance Framework (SFF) data tags into our new core banking system. This technological enhancement will enable a more seamless and efficient tracking of sustainable transactions, ensuring that every aspect of our operations contributes to our overarching goals of environmental conservation, social inclusion, and economic growth.

This framework represents Co-operative Bank's commitment to sustainable development, ensuring that its financing activities contribute positively to environmental conservation, social inclusion, and economic growth.

In Kenya, the Boda Boda Industry is a vital contributor to the economy with 1.2 million riders serving 14.4 million people daily. The industry generates about Ksh. 600 million every day, leading to approximately Ksh. 219 billion earnings. However, these individuals face challenges like licensing and lack of access to information

Co-op Foundation

Co-op Foundation is a registered trust that was established in 2007 to enhance the bank's corporate social investments. The foundation aims to promote long-term economic prosperity and quality of life, based on the belief that "if our people prosper, we prosper". In 2023, the foundation created value amounting to KShs. 144.9 Million mainly in supporting bright and needy students. Since inception, the foundation has supported 10,264 students.

Agriculture

We seek to enhance small holder farmers' productivity

Education

Increase access to quality education

Youth & Women Empowerment

Enhance access to economic opportunities for youth and women

Environment

- Promote good practices in environmental protection
- Reduce the level of environmental degradation in rural Kenya
- Promote use of safe and sustainable waste management policies and procedures
- Promote best practices in environmental protection

Health

Support access to quality healthcare

Part of Co-op Bank successful programs include working with schools in rural areas, either in support of infrastructure like purchase of buses and other equipment and provision of modern technology. The Bank is working with partners to promote Coding in schools, a skill that will define future success for students.

The Co-operative Bank Foundation's Secondary School Scholarship Program has become a cornerstone in the pursuit of educational equity and empowerment within Kenya. Expanding from an initial cohort of 30 students per region to 60, plus an additional 5 from each of Kenya's 47 counties, the program now annually benefits 655 students, reflecting a broad and impactful commitment to fostering educational opportunities across diverse communities.

Impact on Enrolment

Kenya faces significant challenges in secondary school enrollment, with only 70.3% general enrollment and 53.2% net enrollment rates as of 2018. High costs associated with education, including school fees and uniforms, alongside indirect barriers such as poverty, long distances to schools, cultural practices, and inadequate facilities, severely limit access to and completion of secondary education. The Foundation's scholarship program directly addresses these barriers, contributing to an increase in the absolute number of secondary school scholars and thus boosting overall enrollment rates across the country. In 2023, the Foundation's efforts spanned 402 schools in all 47 counties, supporting a diverse array of students in national, extra-county, county, and sub-county schools.

Impact on Attainment and Retention

A remarkable achievement of the program is its high completion rate, which stood at 96% in 2023. The scholarships have been pivotal for many students, enabling them to complete their education by mitigating financial constraints. Furthermore, the program's success is highlighted by the performance of its beneficiaries in the Kenya Certificate of Secondary Education (KCSE) exams, where 91% of the students qualified for university degree courses, 8% for technical and vocational training, and 1% for craft and artisan certificate courses.

Impact on Cultural Conservatism

The program's reach into Arid and Semi-Arid Lands (ASAL) areas and marginalized communities has not only facilitated access to education for underrepresented groups, particularly girls, but also triggered a cultural shift towards valuing education for all genders. Beneficiaries and community members from these areas reported a noticeable change in attitudes toward girls' education, with success stories fostering a new appreciation for the opportunities education can bring.

Impact on Gender Equality

Aligned with global Sustainable Development Goal 5 and Kenya's Vision 2030, the scholarship program places a strong emphasis on gender equality. By ensuring that at least one-third of the regional scholarship recipients are female and aiming for a balanced gender representation in county scholarships, the program actively promotes equal opportunities for boys and girls. This approach is critical in a country where gender disparities in education and broader societal roles persist.

In 2023, the program enrolled 249 girls and 406 boys, demonstrating a commitment to gender inclusivity and the support of orphans and physically challenged students as a priority.

The Co-operative Bank Foundation's Secondary School Scholarship Program exemplifies a multi-faceted approach to addressing educational disparities in Kenya. The foundation's impact extends beyond just education. It plays a role in challenging cultural norms, and promoting gender equality, thus paving the way for a more inclusive and educated society.

Case study:

Empowered to Excel: Samuel Kinyanjui's Journey of Resilience and Triumph with the Co-op Foundation

In the heart of Githunguri, Samuel Kairu Kinyanjui emerged as the firstborn among four boys, his story weaving a tapestry of triumph over adversity. It begins in 2013, a year where Samuel's brilliance shone through, earning an impressive 344 marks in his first KCPE exam. Financial constraints threatened to dim his educational aspirations. Unable to join secondary school, his situation demanded his return to the same grade for the second time. Undeterred, he pressed on, and in 2014, he surpassed his own achievements with a stellar score of 378 in his second KCPE sitting. This marked the turning point that opened the doors of Kijabe High School, a testament to Samuel's unwavering determination.

Facing the same financial challenges, the family sort admission at a closer cheaper day school. Amidist this, his teacher, keen on assisting him, sort out scholarship opportunities. Through regional selection, Co-operative Bank through Co-op Foundation, extended a scholarship, allowing Samuel to pursue his studies in the school he was initially admitted to, Kijabe High school. Throughout high school, Samuel had no worry about ever being sent home due to fee balances. While under the bank, Samuel had the opportunity to be mentored by the then Limuru Branch Manager. Samuel says that the branch manager fuelled his desire for academic excellence, culminating in a remarkable mean grade of B+ in his KCSE, a source of immense pride for his family.

As excited as he was about the grades, he was worried about his next steps. As the family was not in a financial position to further his studies, he joined a milk company, becoming a beacon of support for his family earning KShs. 9,000/ per month. Another transformative twist awaited him as news of yet another scholarship from Co-operative Bank reached him. He would be joining university. As part of the holistic program, he joined a group of 28 scholars and embarked on a journey of training and mentorship offered by the foundation.

After some time at the Co-operative Leadership Management and training Center, he joined Kiambu branch, under the mentorship of Alfred Mwaura. This mentorship had him inspired and happy because Alfred continuously shared his funny and interesting stories. This interaction had an indelible mark on Samuel. His interest in matters 'cooperate affairs' was kindled here.

Samuel manged to apply for a transfer to Kenyatta University during his placement, finding joy in pursuing a degree in BA Actuarial Science. Graduating with first-class honours, in December 2023, Samuel acknowledged the support of his lecturers and study group, embodying a commitment of "No man left behind." He attributed the most difficult part of the course being the project submission.

His study group decided to submit a project that would incorporate actuarial knowledge to contribute to climate change solutions through green finance fundraising. The project, a ripple effect of the courses he had engaged with within the bank as part of the ESG capacity building program. Samuel is grateful for the Bank's support, beyond just the financial aspects.

He recalls fondly of how 4 of the 28 of those in his cohort ended up in the same university. They became good friends and are to date still in touch. He tells of how once while in school, they unfortunately got robbed. He says, that when they came to the foundation to report the incidence, they left feeling better than they had coming in.

Samuel's aspirations now extend to venturing into innovative startups and investments for societal impact. He also desires to acquire a Ph.D. His infectious enthusiasm serves as a beacon to his brothers, encouraging them to follow their passions and charter their own paths, whether academic or otherwise. In the radiance of Samuel's journey, we celebrate resilience, mentorship, and the transformative power of education. His story is not just a personal triumph but a testament to the profound impact of belief, support, and unwavering determination.

Case study:

Co-op Bank, in partnership with GIZ, is revolutionizing the Boda Boda industry in Kenya through the Jenga Rider initiative, promoting economic empowerment and sustainable electric mobility. By training over riders, we are not only enhancing business skills but also pioneering the shift towards e-mobility to combat climate change and drive towards a cleaner, greener future.

The World Bank estimates that approximately 800,000 Kenyan youth join the labour market each year and only 50,000 succeed in getting professional jobs. With the current population trends, the overall number of unemployed youth will double between the years 2010 and 2035.

Underscoring the urgency of effective interventions, Co-op Bank Foundation, in collaboration with GIZ under the Employment and Skills for Development in Africa (E4D) program, launched the Jenga Rider initiative. This initiative is part of the broader E4D program, which seeks to improve employment outcomes in six African countries: Ghana, Kenya, Mozambique, South Africa, Tanzania, and Uganda.

A significant focus of the Jenga Rider project is the Boda Boda industry, a cornerstone of Kenya's economy, employing 1.2 million riders and serving 14.4 million people daily. With daily revenues of about Ksh. 600 million, the industry contributed approximately Ksh. 219 billion to the Kenyan economy in 2017, as reported by the Kenya National Bureau of Statistics (KNBS). By targeting this vital sector, Jenga Rider not only aims to improve individual livelihoods but also to bolster a critical component of the national economy.

Jenga Rider aimed to mitigate this issue by enhancing the business acumen of 2,400 youths, thus fostering business growth, increasing savings, and encouraging the adoption of digital solutions for better access to information and compliance with road safety regulations.

In addition to these efforts, recognizing the energy sector's significant contribution to greenhouse gas emissions, which account for about 75% of the global total, the shift towards e-mobility in the boda boda sector is strategic. This sector's reliance on petroleum makes it a prime candidate for transformation through emerging clean energy technologies.

The transition towards e-mobility among Boda Boda riders represents a forward-looking stride in Kenya's commitment to the Paris Agreement, aiming to reduce carbon emissions by 45% by 2030 and achieve net zero by 2050.

To advance this transition, through the Jenga rider program, four regional workshops on e-mobility were hosted. These workshops were designed to raise awareness about e-mobility through experience sharing, showcasing various market technologies, and providing access to accurate information from e-mobility dealers.

Over 500 boda boda leaders from Kisumu, Mombasa, Eldoret, and Nairobi participated, marking a significant step towards integrating e-mobility into Kenya's boda boda sector, thereby aligning with global environmental goals while addressing the pressing issue of youth unemployment.

Our Subsidiaries

Co-op South Sudan: Empowering Girls, Shaping Futures: Bridging Education Gaps with Girls Education South Sudan (GESS) in South Sudan

South Sudanese girls face a challenge where only a small fraction complete primary education and even fewer progress to secondary education. The Girls Education South Sudan (GESS) program seeks to address some of the challenges faced by girls in their educational journey.

This initiative, aimed at improving girls' education in South Sudan, is a collaborative effort funded by various international donors including the UK Foreign, Commonwealth & Development Office (FCDO), Global Affairs Canada (GAC), the United States Agency for International Development (USAID), and the European Union (EU).

Built on the successes of GESS 1, GESS 2's is designed to enhance access, retention, and completion rates for girls in primary and secondary education, aiming for a significant shift in the Gender Parity Index by 2024. This is done by providing cash transfers, capitation grants, and other support mechanisms to improve girls' enrolment, retention, and completion rates.

Co-operative South Sudan, a subsidiary of the Co-operative Bank Group, has played a crucial role in the Girls' Education South Sudan Phase 2 (GESS 2) project as the executor of cash transfer payments to school-going girls to alleviate financial barriers to education.

The program emphasizes the need for a qualified payment provider that can execute cash transfers while observing high standards of Know Your Customer (KYC) assurance, maximizing value for money, and maintaining robust mechanisms for the safeguarding of children and beneficiaries.

To ensure this is done the bank reaches out to school-going girls to minimize dropout rates and increase attendance and completion rates, providing a one-off annual payment to targeted beneficiaries in coordination with GESS donors and the Ministry of General Education and Instruction (MoGEI), Ensuring the effectiveness, efficiency, and equity of resource flow to the intended beneficiaries in a timely and effective manner; and reporting on disbursements with evidence and receipts for amounts disbursed.

Co-operative South Sudan's involvement highlights its commitment to contributing to the wider financial inclusion and economic development of the country and its contribution to the educational empowerment of girls in South Sudan. By facilitating cash transfers, the bank is not only alleviating the financial burdens faced by families but also ensuring that girls can enrol in and attend school.

Kingdom Bank: A Journey to Empowering Growth and Enriching lives

Kingdom Bank is a subsidiary of the Co-operative Bank of Kenya since its acquisition in August 2020. It has made significant contributions to the parent bank's performance with over KShs. 9.82 billion in assets and KShs. 3.3 billion in total operating income. As part of its strategy to grow assets, particularly in personal loans and micro, small, and medium-sized enterprises (MSMEs). Kingdom Bank has grown and supports 10,463 MSMEs.

In 2023, Kingdom Bank underscored its commitment to sustainable business practices by implementing a board-approved Environmental, Social, and Governance (ESG) policy framework in line within Co-op Bank Group ESG Policy Framework. The framework is designed to guide the bank's strategic emphasis on ESG initiatives and considerations in asset acquisition, focusing on creating long-term value for stakeholders and addressing climate-related risks and opportunities.

As part of the bank's strategy to support Environmental and Social initiatives, Kingdom bank partnered with stakeholders for positive environmental and social impacts. Through a partnership with the armed services, including the Kenya Defence Forces, Kenya Police, GSU, Administrative Police Training College, and Kenya Prisons, Kingdom bank successfully planted 9,000 trees in Nairobi's satellite towns in the year 2023.

In line with its sustainable business model, Kingdom Bank has also engaged in financing solar power initiatives in ASAL (Arid and semi-arid) regions (7 successful disbursements), borehole drilling and rehabilitation (3 disbursements), along with opening accounts for E-mobility sector support (7 disbursements).

These efforts underscore the bank's dedication to environmental and social (E&S) initiatives through supporting green and renewable energy projects, clean cooking, social impact activities, and water project financing in arid and semi-arid regions.

Looking ahead, Kingdom Bank aims to finance over KShs. 100 million to both individuals and microenterprises in sustainability segments by the end of 2024, to foster sustainable development and financial inclusion through financial sustainability projects/ partnerships and non-financial services i.e financial capacity building and awareness trainings.

Kingdom Bank Staff Team and Officers from National Defence College

Co-operative Consultancy and Bancassurance Intermediary

"Co-op Consultancy & Bancassurance Intermediary (CCBI), formerly known as CCIA, was established in 2002 as a specialized subsidiary of the Bank. CCBI's primary focus is to provide capacity building services, including consultancy and financial advisory, on highly concessional terms.

Its core objective revolves around enhancing the efficiency and profitability of the Co-operative movement by offering affordable and tailored solutions. Since its inception, CCBI has excelled in delivering 3,410 successful business advisory mandates and has conducted extensive training for numerous individuals from the Co-operative movement and microfinance institutions."

Co-operative Bank holds a prominent position as the primary point of financial intermediation for Kenya's robust Co-operative movement, which boasts over 15 million members. This movement, directly and indirectly, contributes significantly to the country's economic landscape, accounting for 45% of Kenya's Gross Domestic Product (GDP) and 30% of national savings and deposits.

To cater to the needs of the Co-operative movement and other selected sectors of the economy, Co-op Consultancy & Bancassurance Intermediary (CCBI), formerly known as CCIA, was established in 2002 as a specialized subsidiary of the Bank. CCBI's primary focus is to provide capacity building services, including consultancy and financial advisory, on highly concessional terms. Its core objective revolves around enhancing the efficiency and profitability of the Co-operative movement by offering affordable and tailored solutions.

Since its inception, CCBI has excelled in delivering more than 3,410 successful business advisory mandates and has conducted extensive training for numerous individuals from the Co-operative movement and microfinance institutions.

In the year 2023, CCBI carried out 145 consultancy assignments across Kenya and trained a total of 4,681 individuals. CCBI has 23 staff who carry out the advisory and training and an additional 12 data officers who were engaged in onboarding individual farmers on a digital platform dubbed 'Co-op Bank Soko'

In its operations, CCBI collaborates with three notable donor projects, namely the KCEP-CRAL Project, We-Effect, and Bankable Frontiers Association (BFA). By focusing on areas where business and society intersect, CCBI endeavors to develop innovative solutions that leverage the complementary capabilities of both partners. These solutions aim to address significant challenges faced by each partner, creating a positive and lasting impact on society.

Bancassurance

The focus here is on a variety of insurance products and initiatives aimed at agricultural sectors and rural communities, highlighting the specific areas of crop and livestock insurance, as well as personal accident cover and micro-loan insurance products tailored for small-scale farmers and cooperative societies.

These include:

- Crop Insurance: This is designed to protect farmers against the loss of their crops due to unforeseen events like drought and diseases. Specific crops mentioned include coffee and potatoes, with efforts concentrated in regions like Nakuru.
- New Customers: Efforts to attract new clients through offering competitively priced insurance products and raising awareness in rural communities.
- Livestock Insurance: A product developed with an annual premium of KShs. 2,000, aimed at offering competitive pricing for livestock coverage.
- Training and Liaison with Cooperative Societies and County Governments on insurance awareness initiatives. This involves collaboration with various agencies to train co-operative societies, on the importance and benefits of insurance.
- Micro-loan Insurance Product: Developed in partnership with WeEffect for coffee farmers, rural housing cooperatives, small savings and credit cooperative organizations (saccos), and Village Savings and Loan Associations (VSLAs) to protect group loans against the death or accident of a member.
- Personal Accident Cover: An insurance product with a premium of KShs. 400 aimed at small-scale farmers, covering medical expenses in case of accidents, particularly for those involved in tree planting.
- Through the bank Network, including country wide branches and select saccos, facilitation of the distribution of insurance products to members.
- Comprehensive Insurance Solutions: A partnership mainly with CIC Insurance Group to offer a wide range of insurance solutions, targeting various groups including saccos, agricultural cooperatives, community groups, self-help groups, and individuals.

This comprehensive approach to bancassurance aims to deepen insurance penetration in rural and agricultural sectors, offering tailored products that meet the unique needs of farmers and cooperative societies, thereby enhancing their financial security and resilience against risks.

Corporate Governance

Statement of 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 Board of Directors (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.

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.

Board Composition

Our Board is committed to fosters diversity because of its age diversity and gender inclusivity, valuing 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.

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.

	Director	Tenure	Age	Skills
1.	John Murugu, OGW – Chairman (Indepedent)	8 years and 7 months	73	• Banking and finance • Public finance management • Bank supervision and Debt Management • Leadership and governance
2.	Macloud Malonza, MBS, HSC – Vice - Chairman	18 years	55	• Organizational change and development
3.	Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO	22 years	59	• Banking and finance • Corporate and institutional banking • Leadership and management • Rural finance development • Strategic planning and implementation
4.	Patrick K. Githendu – Director	6 years and 2 months	70	• Business Management • Coffee Industry Expertise
5.	Weda Welton (Mrs) – Director (Indepedent)	4 years and 7 months	65	• Human resource management • Strategic planning • Risk management
6.	Lawrence C. Karissa – Director (Indepedent)	8 years and 7 months	68	• Accounting • Banking • Leadership • Corporate governance
7.	Julius Sitienei – Director	20 years and 11 months	69	• Business management • Education • Human resources management
8.	Benedict W. Simiyu – Director	9 years and 4 months	62	• Education management • Leadership
9.	Richard L. Kimanthi – Director	29 years and 12 months	67	• Business Management • Leadership
10.	Wanyambura Mwambia, Principal Secretary-Representing PS Ministry of Finance (Indepedent)	10 years and 4 months	68	• Finance and management • Economic affairs • Tax and administration
11.	Wilfred Ongoro, HSC – Director	17 years and 1 month	68	• Education leadership • Cooperative movement experience
12.	Margaret Karangatha (Mrs) – Director (Indepedent)	4 years and 2 months	63	• Organizational Planning • Leadership • Human Resources Management • Finance and Non-Finance Managers • Consulting and Facilitation
13.	Godfrey K. Mburia – Director	6 Years	67	• Accountant

Corporate Governance

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

Directors – 2023 Board Meetings Attendance	Co-operative Bank Group				
Schedule of meetings:	Co-operative Bank of Kenya Ltd	Co-op Consultancy & Bancassurance Intermediary Ltd	Co-op Trust Investment Services Ltd	Kingdom Securities Ltd	Audit Committee
John K. Murugu, OGW – Chairman (appointed on 01 October 2017	5				
Macloud Malonza, MBS, HSC – Vice Chairman (appointed on 01 October 2017)	5	5	5		
Dr. Gideon Muriuki, CBS, MBS – Group Managing Director & CEO	5	5	5		5
Lawrence C. Karissa	5				5
Wilfred Ongoro, HSC	5				
Wanyambura J. Mwambia – Representing PS Ministry of Finance	5				5
Julius Sitienei	5			5	
Weda Welton (Mrs)	5				5
Richard L. Kimanthi	5				
Benedict W. Simiyu	5				5
Godfrey K. Mburia	5				
Patrick K. Githendu	5				5
Margaret Karangatha (Mrs.)	5				
Charles Kamari					
Scholastica Odhiambo (Mrs.)		5	5		
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				3	
Arthur Muchangi				5	
Lydia Muchiri				3	
Samantha Kibuga				2	
Eng. William W. Mayar – Chairman					
John K. Murugu, OGW					
Macloud Malonza, MBS, HSC					
Dr. G. Muriuki, CBS, MBS – Group Managing Director & CEO					
Elijah Wamalwa – Managing Director					
Prof. Mathew Gordon Udo					
Zachariah Chianda					
Hon. Angelo Deng Rehan					
Hon. Benjamin Ayala Koyongwa					

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.

Co-operative Bank of Kenya Ltd Board Sub-committees				Co-op South Sudan		
Staff and Nomination Committee	Credit Committee	Risk Committee	Kingdom Bank	Full BOD	Audit	Risk & Finance
3	2					
2		5	5			
3	2	4	5			
3		4				
	2					
		4	2			
		5	5			
3						
	2					
		4				
3						
		4				
	2	4	5			
			2			
				4		2
				4	2	
				4		2
				4	2	2
				4	2	2
				4	2	
				3		
				0		
				0		

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	Key Responsibilities
Board Staff and Nomination Committee	Mr. Lawrence Charo Karissa – Chairman Mr. John Kamau Murugu, OGW Mr. Julius Sitienei Mrs.Weda Welton Mr. Godfrey Mburia	• 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 and every director, including the Chairman in order 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 Risk Committee	Mrs. Margaret Karangatha – Chair Mr. Wanyambura Mwambia Mr. Lawrence Karissa Mr. Patrick Githendu Mr. Benedict Simiyu	• 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 • 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 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	The Committee meets at least once every four months and is 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	Key Responsibilities
Board Audit Committee	Mrs. Weda Welton – Chair Mr. Lawrence Karissa Mr. Wanyambura Mwambia Mr. Patrick Githendu Mr. Benedict Simiyu	• 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

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

Executive Committee	Summary of ESG related responsibilities
Board of Management (BOM)	• 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 & Governance (ESG) strategy, commitments, and ambition
Board of Management Credit (BOMC)	• Receives, reviews and consider material, high-value and sensitive credit cases and matters
Asset and Liability Committee (ALCO)	• 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
Expenditure Management Committee (EMC)	• Receives, considers, and approves capital and recurrent expenditure with reference to approved budget limits and annual cost efficiency targets
Staff Disciplinary Committee	• Receives and reviews staff disciplinary cases referred by Human Resource Division and makes recommendations to the Chief Executive as is appropriate
Operations & Efficiency Committee (OEC)	• Responsible for receiving and reviewing business process changes aimed at exceeding benchmarked industry/market standards on customer experience, operational risks management, profitable trading and processing efficiency

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.

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 2023 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 MDs of the subsidiaries. The bank has a performance-based bonus reward system applicable to all staff, including unionizable staff.

As at 31st December 2023 loans to Non-Executive Directors or companies controlled by Directors amounted to KShs. 168.1M (2022: KShs. 188.3M). All loans to directors were made in the ordinary course of business and 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.

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 fulfil its responsibilities effectively.

Some of the training undertaken includes:

Name of the Programme	Training Institution
Leading the Board	• Strathmore Business School
The Effective Director Masterclass	• Strathmore Business School
The Effective Director	• Strathmore Business School
1. ESG Compliance and Reporting as a commitment to sustainable practices 2. Climate Governance & Risk Disclosures 3. Digital Transformation and Cybersecurity	• Institute of Directors (IOD)
IOD Summit	• Institute of Directors (IOD)

Shareholder 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%). 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-codeof-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 behaviour or violations of the Ethics Code and Conduct.

Email:
tellittohr@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 2022 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 analyse 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 & 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 in place 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 ultimately responsible for overseeing IT governance, ensuring that it aligns with the evolving technology landscape and regulatory requirements. Clear IT 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.

Enterprise Risk Management

At Co-operative Bank Group, effective Enterprise Risk Management (ERM) is integral to our business strategy. We are dedicated to enhancing shareholder value while expanding our business within the boundaries of our Board-approved risk appetite, with a focus on stakeholder interests. Our commitment involves carefully balancing risk and reward, continuously improving risk management capabilities to realize growth plans in a meticulously controlled environment.

This strategic framework includes identifying potential risks, evaluating their likelihood and impact, and implementing effective strategies for management and monitoring. Our ERM approach provides a comprehensive perspective on current and emerging challenges. We manage risk exposures meticulously, adhering to agreed-upon risk appetite levels to mitigate adverse fluctuations in earnings and capital, aiming to minimize concentrations of exposure, restrict potential losses, and ensure the sufficiency of financial reserves. The overarching goal is to fortify our resilience and sustain a secure financial landscape for stakeholders.

The Board of Directors oversees risk management, with various committees supporting this task. These committees, including the Board Audit Committee, Board Risk Committee, Board Staff and Nominations Committee, and the Board Credit Committee, contribute to risk governance. The Chief Internal Auditor and Chief Risk Officer report to the Board Audit Committee and Board Risk Committee, respectively.

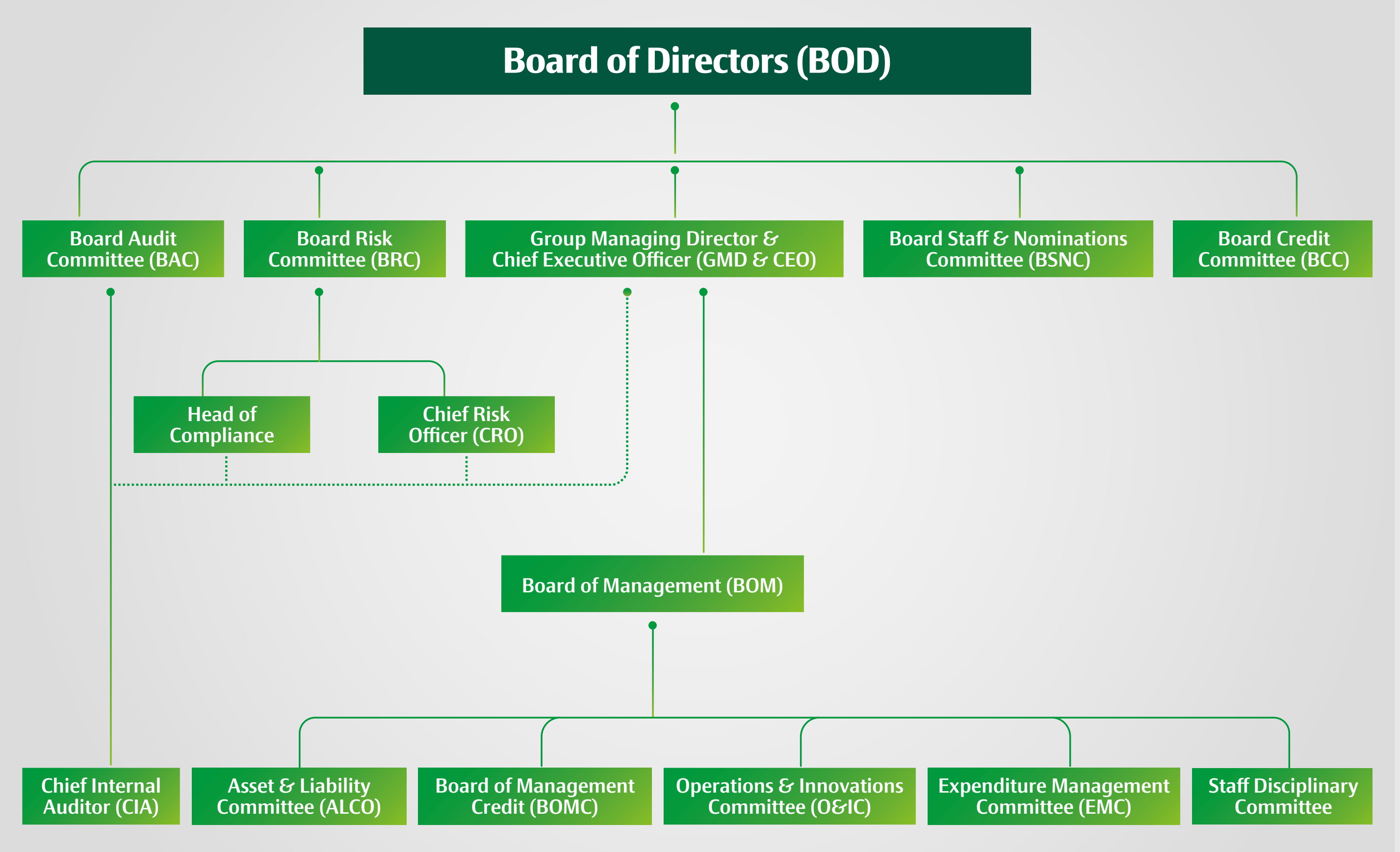
The Board of Directors holds overall responsibility for risk management and compliance, with the Board's Risk Committee leading in developing and monitoring risk management policies. The Risk Management Department oversees risk frameworks, policies, and governance, while the Compliance Department ensures adherence to policies and legislative requirements.

The Group has established risk governance standards for each major risk type, serving as the foundation for policies and procedures at both the Bank and Subsidiary levels. These standards outline minimum governance, control, and reporting criteria for each risk, with the Board Risk Committee playing a critical role in assessing and monitoring risks. The Group's Risk Management Department collaborates closely with risk owners, maintaining independence and ensuring a proper segregation of responsibilities between business and risk.

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 and Chief Risk Officer 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.



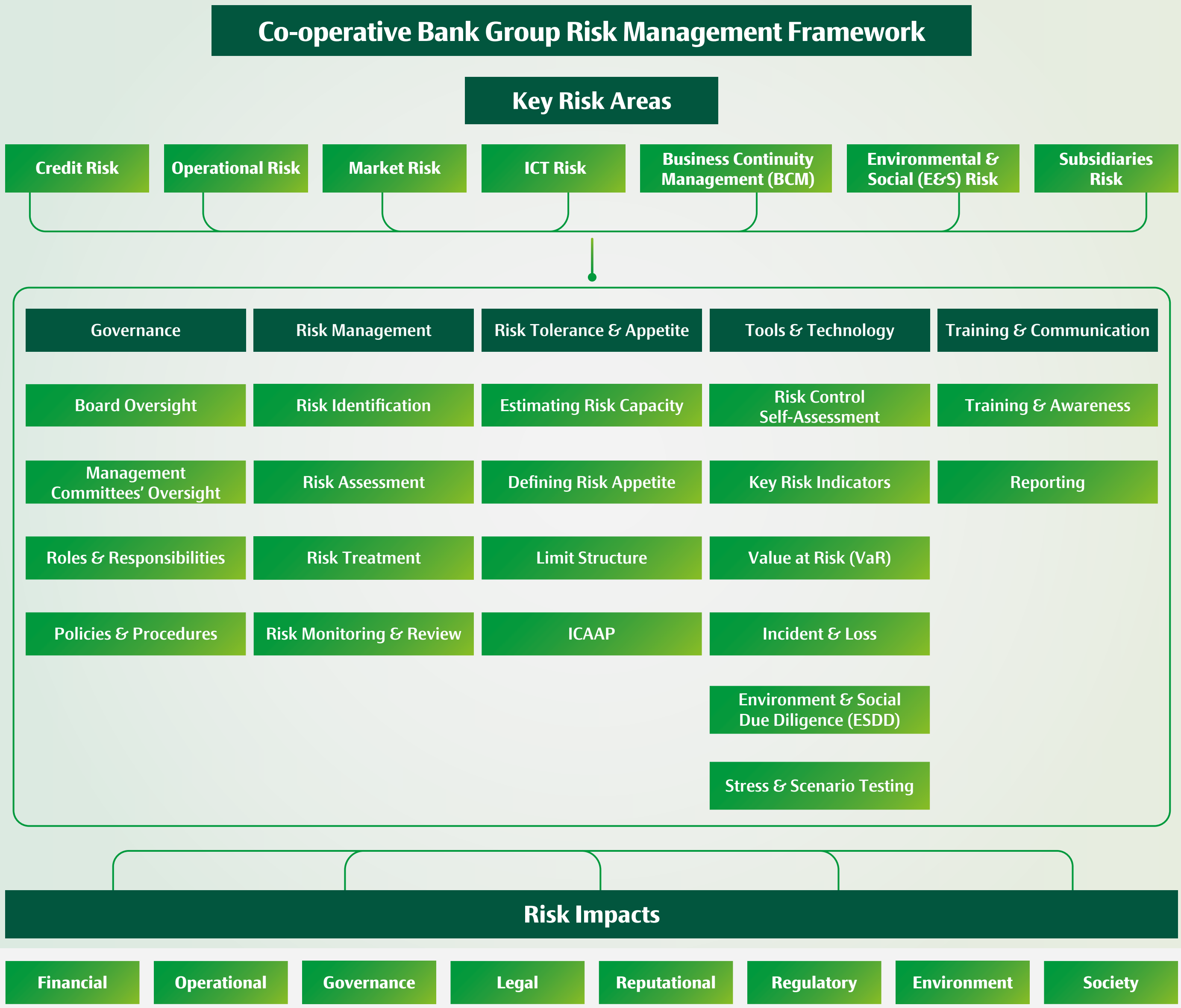
Our Risk Management Framework

At Co-operative Bank, our risk management framework encompasses principal risk categories that are fundamental to the safekeeping and integrity of our operations and reputation. Central to our framework are the key risk areas that we manage:independence and appropriate segregation of responsibilities between business and risk.

- Credit risk management scrutinizes the creditworthiness of borrowers and the potential for default, directly impacting our financial stability.
- Operational risk management considers the integrity of our internal processes, people, and systems, aiming to minimize losses from failures or breaches.
- Market risk management takes into account the volatility of financial markets and the associated impact on our investment portfolio.
- ICT risk management addresses the vulnerabilities associated with information and communication technologies, vital in today's digital banking landscape.
- Business continuity management ensures that the bank has the resilience to withstand and quickly recover from disruptions.
- Environmental and social risk acknowledges the bank's impact on, and responsibility to, the community and the natural environment including climate risk, aligning with broader sustainability goals.
- Subsidiaries risk oversees the challenges and exposures within our diverse portfolio of subsidiary companies, ensuring alignment with our overarching risk posture.

Tools and technology are leveraged for precision in risk identification, assessment, and monitoring

Responsibility and accountability for risk management is shared across all levels, from the Board of Directors and Business Unit Managers to all staff who have been sensitized through robust training and communication programs, ensuring that employees across the organization understand their role in risk management and are equipped with the knowledge to execute it effectively.



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.

Responsibility and accountability for risk management is 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

Our Risk Universe

The Risk Universe offers a comprehensive view of the diverse risk categories confronting us, enabling effective anticipation and response to both current and emerging risks. In the Risk Outlook for 2023, key risk categories were identified, and our Risk Management Strategy for 2023 detailed proactive measures for their effective management. This comprehensive risk perspective positions us well to foresee and address emerging risks, ensuring our continued delivery of sustainable value.

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

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.
	Concentration risk	Risk of loss due to overexposure to a single borrower or group of related borrowers	Concentration ratios, exposure limits, value-at-risk	• 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 on diversification in 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.

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 cyber security 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. • Ssegregation 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 Management Strategy 2024

Recognizing the critical nature of specific risk categories for effective management, we have outlined key focus areas:

- Conducting proactive monitoring of the environment to assess opportunities and risks within the broader macro-economic context for our stakeholders.
- Continuing to support asset quality and proactive credit management.
- Actively maintaining an up-to-date policy framework, benchmarked to provide optimal guidance on risk-related matters.
- Ensuring that the Board of management and Board Risk Committee stay informed about emerging and current risk issues to enhance strategic decision-making.
- Proactively updating and optimally implementing the Stress testing framework to capture emerging key risks.
- Optimizing the Vulnerability Management Tool for system security monitoring.
- Enhancing cyber security assessments and monitoring through the Security Operations Centre, leveraging Qradar - a Security Information and Event Management (SIEM) tool, for optimal cyber security threat management.
- Conducting an annual Business Impact Assessment for the Bank and its subsidiaries.
- Providing continuous training for Group staff to ensure comprehensive awareness of risk matters, along with capacity building on Enterprise Risk Management and Business Continuity.
- Ensuring group-wide regulatory compliance
- Implementing a proactive Internal Capital Adequacy Assessment Process.
- Continuously expanding the capacity of the risk management unit commensurate with the Bank's growth and expansion plans.
- Automating risk monitoring, reporting, and insights across all risk classes to offer a unified, comprehensive view of risk.

THE CO-OPERATIVE BANK OF KENYA LIMITED AND ITS SUBSIDIARIES

ANNUAL REPORT AND FINANCIAL STATEMENTS

CONTENTS PAGE

Group Information

FOR THE YEAR ENDED 31 DECEMBER 2023

REGISTERED OFFICE, PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE

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 Limited

L.R. No. 7 GIV
Tel: +211 913085760
JUBA, SOUTH SUDAN

Kingdom Bank Limited

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

Co-op Trust Investment Services Limited

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

Co-op Consultancy & Bancassurance Intermediary Agency Limited

P.O. Box 48231 – 00100
Tel: 020-3276000
NAIROBI, KENYA

Kingdom Securities Limited

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

LEGAL ADVISORS

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

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023.

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 131.

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 149.

5. RECOMMENDED DIVIDEND

The directors recommend payment of a first and final dividend of KShs. 1.50 (2022: KShs. 1.50) for every ordinary share of KShs. 1. The dividends will be paid on or about 10 June 2024 to the shareholders registered on the Bank's register at the close of business on 29 April 2024. The register will remain closed for one day on 30th April 2024 for the preparation of dividend warrants.

6. RESERVES

The movement in the Group's reserves is shown on page 154 of these financial statements.

7. GROUP DIRECTORS

The directors who held office 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	

Report of the Directors (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. GROUP DIRECTORS (Continued)

Co-operative Bank of South Sudan: -

Eng. William Mayar Wol*	– Chairman
Elijah Wamalwa	– Managing Director
Prof. Mathew Gordon Udo*	
Hon. Benjamin Ayali Koyongwa*	
John K Murugu OGW	
Macloud Malonza, MBS, HSC	
Dr. Gideon Muriuki, CBS, MBS	
Mr. Zachariah Kihato Chianda*	

* *South Sudanese*

8. BUSINESS REVIEW

The Co-operative Bank of Kenya Limited 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 193 branches (4 in South Sudan, 19 for Kingdom Bank Limited) that covers 43 counties in Kenya, with alternative channels growing: Omnichannel (over 5 Million customers), over 21,000 Diaspora customers, 599 ATMs and Cash Deposit Machines, 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 & Company for a growth and efficiency review. The period has been marked by unparalleled transformation and growth, and we have reaped many benefits including;

- Set up of a Transformation office that has been key in driving the 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 mins (12.5 Minutes wait time as at Dec 2023).
- End to end Migration to alternative banking channels with 91% of our transaction being in Alternative Banking Channels and only 9% in branches.
- MSME – Successful Market launch for the MSME initiatives on 23rd Aug 2018, over 208,000 Clients on boarded by FY2023.
- E-credit growth focus – Over KShs. 75.3B disbursed as at FY2023.
- Implemented a customer centric relationship model: One Relationship Manager (RM), One Customer, Many products (Sales Force Effectiveness – SFE);
  - Re-organized our relationship management model for Corporate Banking
  - Re-tooled our Co-operatives banking teams
  - Our tellers are now Sales and Service advisors.
- Centralized operations support and Digitization through shared services.
  - New Core Banking System (Finacle) capable of hosting over 1000 APIs.
  - Omni-channel offering for internet and mobile banking services.
  - RM 365 implementation as single source of sales information. Fully adopted across the bank.
  - Business Process Management System (BPMS) system implementation.
  - E-commerce business growth through secure online payments through Verified by Visa enablement
  - Money Transfer Organizations partnerships to drive international remittances
  - Innovations and partnerships framework of engagement with fintechs developed
  - Business to Business (B2B) integration
- Significant improvement on cost to income ratio from 59% in Dec 2014 to 47.0% (without provisions) in FY2023
- Proactive NPL management post IFRS9 reinforced through "Project Kilele" and "Project Connect and Build" initiatives.
- Data analytics providing improved access to information and enhanced decision making throughout the organization.
- An effective performance and consequence management platform.

Report of the Directors (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

8. BUSINESS REVIEW (Continued)

Business Model (Continued)

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 themes and key focus areas for 2024 and 2023 are as follows:

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 business model. 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

2023-2024 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.
- ESG monetization to create shared value.

Financial Review

In 2023, the Kenyan economy experienced multiple challenges on both a global and domestic perspective, including the depreciation of the Kenyan shilling, Government taxation regulation reviews, high inflation and interest rates. The Group braced these challenges to continue showcasing unrivalled command in the market on the backdrop of an efficient operation structure, a solid corporate governance structure and a loyal stakeholder support.

Despite the uncertain macroeconomic environment, The Group's financial performance was strong headlined by 11% balance sheet growth. The Group profit before tax grew by 10% from KShs. 29.4 Billion in 2022 to KShs. 32.4 Billion in 2023. Fundamentally, the Group grew the balance sheet position with an impressive 10% growth in loans and advances to stand at KShs. 374.2 Billion with a special focus on customer support and empowerment. Customer deposits similarly grew by 7% to KShs. 451.6 Billion. Investment in Government securities increased by 9% to KShs. 189.04 Billion incentivised by increased yields in the market. This strong performance informed the Group's solid capital base with a core capital to risk weighted assets of 18.2%, which is 7.7% above the statutory minimum of 10.5%. Total capital to risk weighted assets was 22.5% against the statutory minimum requirement of 14.5%.

The performance in 2023 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.

Macroeconomic and geopolitical uncertainty

High inflation and high interest rates have characterised the current economic environment with associated impacts on foreign exchange rates and other macroeconomic factors. The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures globally initially through a sharp rise in energy prices and then through expanded effects on food and core inflation. A number of IFRS standards specifically refer to inflation as one of the assumptions to be considered for measurement purposes. For example, in assessment of asset impairments, which require estimates to be made about future revenue and expenditure.

Centrals banks across the world have adjusted the interest rates higher as a factor of higher inflation. Locally the Central Bank of Kenya (CBK) has consistently increased the Central Bank Rate (CBR) to align to the increase in inflate and other market factors. Consequently, companies face increased borrowing costs and, potentially, higher refinancing costs in the future. High interest rates also imply higher discount rates. Many IFRS standards use discounting to account for the time value of money in measuring non-current assets and liabilities (for example, the fair value measurement of investment properties using discounted cash flows). When interest rates increase, the present value of the assets and liabilities will decrease. This may consequentially affect a number of areas of financial reporting including: impairment calculations; provisions; retirement obligations; leases; financial instruments; and revalued tangible and intangible assets.

Report of the Directors (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

8. BUSINESS REVIEW (Continued)

Climate-related matters and financial reporting

Environmental, Social, and Governance (ESG) has become the market trend and a special focus to ensure sustainable development. Stakeholders are increasingly interested in the impact of climate change on companies' business models, cash flows, financial position and financial performance. While IFRS do not explicitly refer to climate-related matters, companies must consider them in applying IFRS when the effect of those matters is material. Climate-related risks include both physical risks and transition risks. Physical risks include the risk of loss due to specific weather events (such as storms or wildfires), so-called acute physical risks, and risks due to longer-term changes (such as rising sea levels). Transition risks relate to the risk of financial loss due to the economic transition toward a more sustainable economy.

Companies must consider the impact of climate-related matters when applying IFRS, as there are a number of areas that may be impacted by climate-related considerations. Some of the key areas of estimates and judgements that may potentially be affected include: expected credit losses; fair value measurement; the estimate of the forecasts that support the impairment assessment of fixed assets and goodwill; the recoverability of deferred tax assets and the assessment of going concern. For more information on the disclosed impact on Bank, refer to Note 3 of the financial statements and 104 of the Integrated Report.

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 AUDITOR

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. 47.63 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 20th March 2024.

By order of the Board

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

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

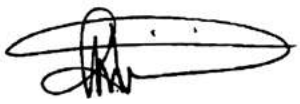
Having made an assessment of the Group's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company and Group's ability to continue as a going concern.

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 20th March 2024 and signed on its behalf by:

J. K. Murugu, OGW

Chairman

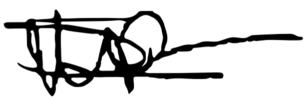


M. Malonza, MBS, HSC

Vice Chairman

Dr. G. Muriuki, CBS, MBS

Group Managing Director & CEO



Samuel M. Kibugi

Company Secretary

Directors' Remuneration Report

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Information not subject to audit comprise the following with respect to Directors:

- Policy on Directors' remuneration.
- Contract of service
- Statement of voting at general meeting on directors' remuneration.
- Any substantial changes to directors' remuneration during the year

The 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 Bank's Directors Remuneration Policy

The Board of Directors, as mandated by the shareholders, establish and review 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 17th May 2024 the shareholders authorized the Board to fix the Directors remuneration.

The 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's Chairman, the Bank's Vice Chairman, Vice Chairman of 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 (NSE), the Bank has not developed a Directors / Employee share ownership program.

Loans to Directors

As at 31st December 2023 loans to Non-executive Directors or companies controlled by Directors amounted to KShs. 168.1 Million (2022: KShs. 188.3 Million). All loans to Directors were made in the ordinary course of business and at 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. (2022: 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.

Directors' Remuneration Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

Information subject to audit

Information subject to audit comprise of the amounts of each Directors' emolument and compensation in the relevant years.

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 2023	Total 2022
John K. Murugu, OGW – Chairman	4.61	1.26	0.65	6.98	6.17	2.98	–	**22.65**	**21.51**
Macloud M. Malonza, MBS, HSC	5.31	1.84	0.65	6.46	4.20	1.80	–	**20.26**	**19.48**
Patrick K. Githendu	2.00	1.28	1.04	6.02	3.00	1.28	–	**14.62**	**13.98**
Wanyambura Mwambia	1.50	1.06	0.70	6.02	–	–	–	**9.28**	**8.49**
Lawrence C. Karissa	1.50	1.23	2.07	6.02	–	–	–	**10.82**	**9.21**
Margaret Karangatha (Mrs)	1.50	0.91	0.68	6.02	–	–	–	**9.11**	**8.74**
Weda Welton (Mrs)	1.50	1.13	0.72	6.02	–	–	–	**9.37**	**8.79**
Julius Sitienei	1.50	0.83	1.16	6.02	–	–	–	**9.51**	**8.69**
Benedict Simiyu	1.50	1.22	1.91	6.02	–	–	–	**10.65**	**9.46**
Richard L. Kimanthi	1.50	0.75	1.38	6.02	–	–	–	**9.65**	**8.81**
Wilfred Ongoro, HSC	1.50	0.71	1.26	6.02	–	–	–	**9.49**	**8.62**
Godfrey Mburia	1.50	0.79	1.40	6.02	–	–	–	**9.71**	**9.72**
Scholastica Odhiambo (Mrs)	2.11	1.03	0.57	6.02	–	–	–	**9.73**	**8.95**
James N. Njiru	2.11	1.03	0.87	6.02	–	–	–	**10.03**	**9.15**
David M. Muthigani	2.11	0.99	0.80	6.02	–	–	–	**9.92**	**9.13**
Francis Ngone	2.11	0.94	0.71	6.02	–	–	–	**9.78**	**9.51**
Geoffrey M'Nairobi	2.11	0.94	0.80	6.02	–	–	–	**9.87**	**9.59**
Michael M. Muthigani	2.11	0.98	0.52	6.02	–	–	–	**9.63**	**8.90**
David Kirk Obonyo	1.89	0.86	0.49	6.02	–	–	–	**9.26**	**9.46**
Charles Kamari	–	–	–	1.73	–	–	–	**1.73**	**–**
Dr. G. Muriuki, CBS, MBS - GMD & CEO	–	–	–	–	5.94	–	148.45	**154.39**	**140.71**
	39.97	**19.78**	**18.38**	**117.51**	**19.31**	**6.06**	**148.45**	**369.46**	**340.90**

Note

The Directors are also entitled to non-cash benefits which include medical insurance and professional indemnity cover.

Directors' Remuneration Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

b) Kingdom Bank Limited (90% Owned)

Amounts in KShs. Million

Name	Retainer Allowance	Sitting Allowance	Responsibility Allowance	Travelling Facilitation	Total 2023	Total 2022
Margaret Karangatha (Mrs)	2.40	0.65	2.40	0.00	**5.45**	**5.26**
Macloud M. Malonza, MBS, HSC	1.56	0.39	0.00	0.00	**1.95**	**1.76**
Julius Sitienei	1.32	0.45	0.00	0.26	**2.03**	**1.76**
Wanyambura Mwambia	0.24	0.32	0.00	0.00	**0.56**	**–**
Charles Mwembu Kamari	0.24	0.26	0.00	0.00	**0.50**	**–**
	5.76	**2.07**	**2.40**	**0.26**	**10.49**	**8.78**

c) Kingdom Securities Limited (60% Owned)

Amounts in KShs. Million

Name	Retainer Allowance	Sitting Allowance	Travelling Facilitation	Total 2023	Total 2022
Julius Sitienei – Chairman	0.72	0.29	0.34	**1.35**	**1.38**
Patrick K. Githendu	0.36	0.24	0.16	**0.76**	**0.79**
B. M. Ouma – Awiti	0.36	0.24	0.38	**0.98**	**1.00**
Samuel M. Kariuki	0.36	0.16	0.04	**0.56**	**0.65**
	1.80	**0.93**	**0.92**	**3.65**	**3.82**

d) Co-operative Bank of South Sudan (51% Owned)

Amounts in KShs. Million

Name	Retainer Allowance	Sitting Allowance	Travelling Facilitation	Honorarium	Responsibility Allowance	Housing Allowance	Total 2023	Total 2022
Eng. William Mayar Wol – Chairman	4.20	0.53	1.03	–	6.15	6.15	**18.06**	**12.10**
John K. Murugu, OGW	2.32	0.40	1.04	–	–	–	**3.76**	**1.84**
Prof. Mathew Gordon Udo	2.10	0.40	0.60	–	–	–	**3.10**	**1.79**
Macloud M. Malonza, MBS, HSC	2.32	0.36	0.87	–	–	–	**3.55**	**1.81**
Hon. Angelo Deng Rehan	0.76	–	–	0.37	–	–	**1.13**	**1.50**
Dr. G. Muriuki, CBS, MBS - GMD & CEO	2.32	–	–	–	–	–	**2.32**	**1.55**
Hon. Benjamin Ayala Koyongwa	1.13	–	–	–	–	–	**1.13**	**–**
Mr. Zachary Chianda	1.79	0.21	0.31	–	–	–	**2.31**	**–**
Hon. Ocum Genes Karlo	–	–	–	–	–	–	**–**	**0.60**
Rosemary Githaiga (Mrs)	–	–	–	–	–	–	**–**	**1.73**
	16.94	**1.90**	**3.85**	**0.37**	**6.15**	**6.15**	**35.36**	**22.92**

Five (5) Year Summary of Directors Emoluments

Amounts in KShs. Million	2023	2022	2021	2020	2019
Directors emoluments	264,494	235,729	197,849	245,715	201,701

Directors' Remuneration Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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. 673 Billion and a Profit Before Tax of KShs. 32.4 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. 32.4 Billion and asset base of KShs. 673 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.

2023 Awards

KENYA BANKERS – CATALYST AWARDS 2023

- Overall Winner – KBA's 2023 Catalyst Awards
- Most innovative Bank
- Best in financing Commercial clients
- Best in promoting gender inclusivity
- Best in Promoting PWD (People With Disability)
- 2nd runners up – Best in Financing MSMEs
- 3rd runners up – Best in Sustainable finance

KENYA BANKERS – CUSTOMER SATISFACTION SURVEY 2023

- Best Bank in Customer Satisfaction

THE MIDDLE EAST AND AFRICA AWARDS 2023

- Best Omnichannel Technology Implementation – By The Asian Banker Global

EMEA FINANCE AFRICAN BANKING AWARDS 2023

- Best Bank – Kenya
- Best Asset Manager, Co-op Trust Investments Services – Kenya

OTHER 2023 AWARDS

- Winner - Environmental and social reporting – Fire Awards
- Winner - Excellence in Banking Customer Experience 2023
- Winner - Best Women and Youth empowerment Programs – by the CSR 100

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
- Best Bank – Kenya
- Best Asset Manager, Co-op Trust Investments Services – Kenya

Directors' Remuneration Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2022 Awards (continued)

ENERGY MANAGEMENT AWARDS 2022

- Winner - Best New Entrant Award
- 1st runners up - Electricity Savings Award – Small Consumers
- 1st runners up - Service Sector Award

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

Directors' Remuneration Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

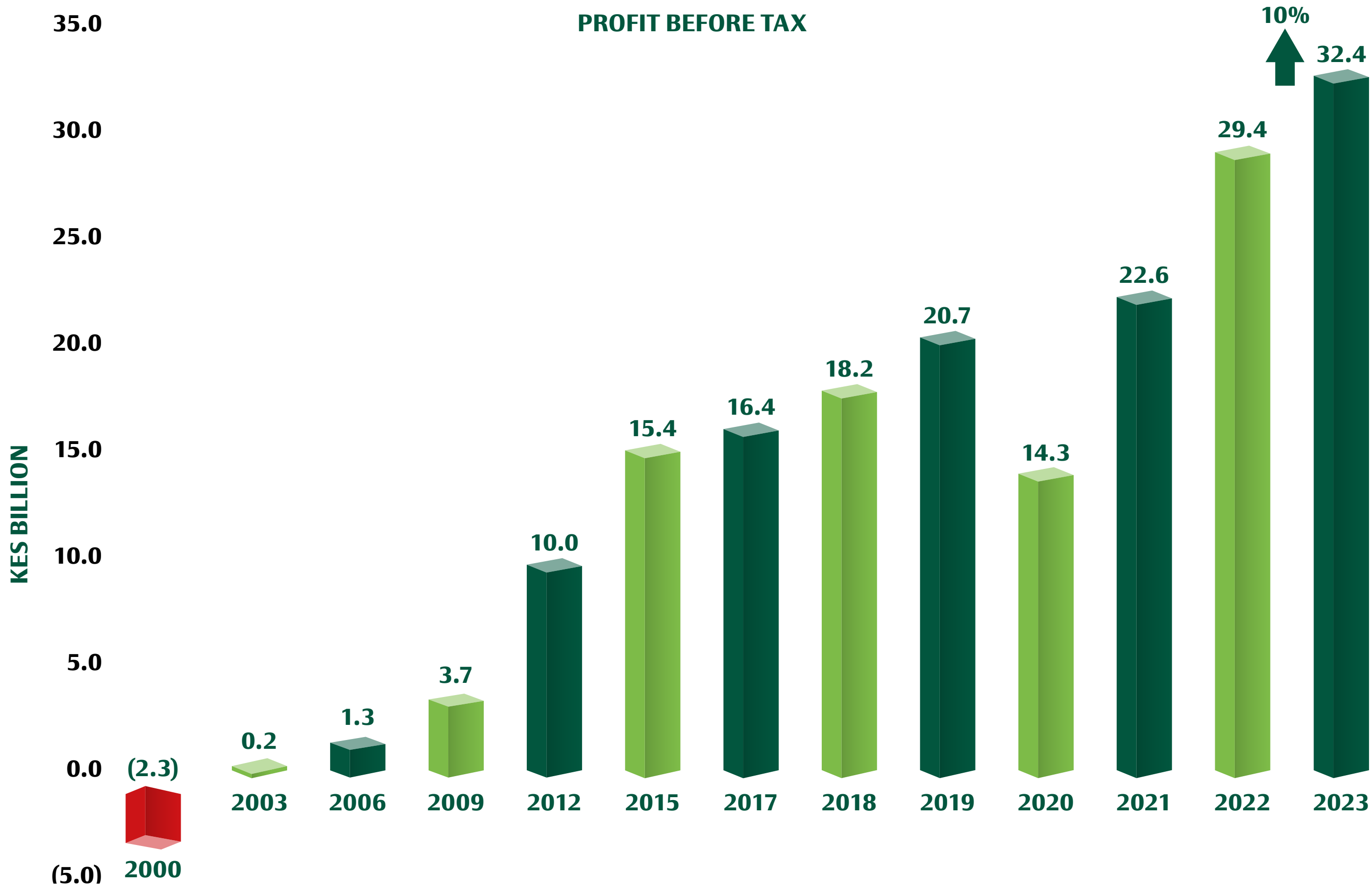
2011 Awards

- Banker Awards: Bank of the Year in Kenya by the Financial Times of UK
- Fire Awards Overall winner: Corporate Governance

Directors' Remuneration Report (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

The performance summary for the Group is as shown on the chart below.



Amounts in KShs. Million

	Salaries	Bonus/Gratuity	Fees, Other allowances and Honorarium
Board of Directors	–	–	264.5
Executive Management*	589.5	618.0	–
Group MD & CEO	154.4	301.1	–

* Executive management comprises of the Group Managing Director, the Divisional Directors and Managing Directors of the subsidiaries.

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 148 to 263, which comprise of the consolidated and separate statements of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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.

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 2023, the Group had recognised an allowance for ECL for loans and advances of KShs. 42.79 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(m), 3 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. • From the sample, recomputing the probability of default. • Assessing the reasonableness of management's assumptions in the determination of the PD and LGDs for stage 1 and stage 2, and the determination of the expected future cash flows related to defaulted loans and advances in stage 2 and 3, including the value of collateral. • 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

Report of the Independent Auditor to the Shareholders of The Co-operative Bank of Kenya Limited (Continued)

Report of the Independent Auditor (Continued)

Key Audit Matter	How the matter was addressed in the audit
Cessation of reporting in hyperinflationary economies by Co-operative Bank of South Sudan (CBOSS) 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. **Economies ceasing to be Hyperinflationary** - South Sudan ceased to be hyperinflationary at the end of 2023 subject to further monitoring. Therefore, the last financial statements prepared by the Bank in accordance with IAS 29 were for the year ended 31 December 2022. For the annual year ended 31 December 2023, South Sudan is no longer in scope of IAS 29. Therefore, as at 31 December 2023, the Bank used the 31 December 2022 balances as the basis for the carrying amount. For the comparative information, the Bank included adjustments for hyperinflation up to 31 December 2022. **International Accounting Standard (IAS) 29.38** - When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements prepared in accordance with this Standard, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements. For purposes of transition, the standards provides that the amounts expressed in the measuring unit current at the end of the previous reporting period will be treated as the basis of the carrying amounts of items in its subsequent statement of financial position. We consider this to be a key audit matter because, previously, there has been restatement on the Group Financial Statements because of adjusting Co-operative Bank of South Sudan financial statements to reflect the general change in purchasing power/ Consumer Price Index (CPI). With the cessation of South Sudan being a hyperinflationary economy, CBOSS shall treat the amounts expressed in the measuring unit current at the end of previous reporting period as the basis for the carrying amounts in its subsequent financial statements.	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. • Assessing whether the Bank has discontinued the preparation and presentation of financial statements prepared in accordance with this Standard. • Assessing whether the Bank, has treated the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements. • Assessing whether the 31 December 2022 reported numbers are used as the basis for the carrying amounts in the subsequent financial statements.

Report of the Independent Auditor to the Shareholders of The Co-operative Bank of Kenya Limited (Continued)

Report of the Independent Auditor (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 *Group Information, Report of the Directors and the Directors' Remuneration Report* as required by the Kenyan Companies Act of Kenya, 2015 which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after that 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 Group and 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)

Report of the Independent Auditor (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 132 to 135 is consistent with the consolidated and separate financial statements; and,

ii) in our opinion, the auditable part of directors' remuneration report on pages 137 to 143 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 Number 2158.

For and on behalf of Ernst & Young LLP
Certified Public Accountants

Nairobi, Kenya

28 March 2024

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
ASSETS			
Cash and balances with Central Banks	8	32,492,671	28,106,288
Deposits and balances due from banks	9	27,275,130	9,983,779
Derivative financial instruments	11	–	206,725
Debt instruments at fair value through other comprehensive income	10(a)	98,695,811	99,963,950
Equity instruments at fair value through other comprehensive income	10(b)	385,479	388,857
Loans and advances to customers	13(a)	374,227,421	339,390,039
Debt instruments at amortised cost	14	91,741,759	74,799,963
Other assets	12	20,880,479	30,131,635
Income tax recoverable	24(b)	654,776	330,854
Investments in associates	16	2,711,086	2,483,303
Leasehold land	18	32,083	32,693
Property and equipment	19(a)	7,048,168	6,795,404
Right-of-use assets	20(i)	4,079,075	2,630,328
Intangible assets	17(a)	2,670,704	2,615,326
Deferred tax asset	21	6,338,746	6,044,575
Goodwill	14	3,294,000	3,294,000
TOTAL ASSETS		**672,527,388**	**607,197,719**
LIABILITIES			
Deposits and balances due to banks	22	4,457,278	1,087,501
Customer deposits	23(a)	451,642,048	423,802,668
Loans and borrowings	24	67,334,316	48,102,072
Derivative financial instruments	11	1,396,103	–
Other liabilities	25	33,734,161	25,981,592
Provisions	26	284,379	276,702
Government grants	28	369,513	387,989
TOTAL LIABILITIES		**559,217,798**	**499,638,524**
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)	1,621,428	1,652,990
Retained earnings	31(b)	111,887,781	97,685,796
Fair value reserve	31(c)	(16,956,216)	(8,698,411)
Statutory reserve	31(d)	53,490	67,286
Foreign currency translation reserve	31(e)	2,728	2,728
Proposed dividends	32	8,800,770	8,800,770
		113,189,087	**107,290,265**
Non-controlling interest		120,503	268,930
TOTAL EQUITY		**113,309,590**	**107,559,195**
TOTAL LIABILITIES & EQUITY		**672,527,388**	**607,197,719**

The financial statements were approved by the Board of Directors on 20th March 2024 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 ....

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
Interest and similar income calculated using the effective interest method	34	69,066,068	61,744,896
Other interest and similar income	34	–	1,227
Interest and similar expense calculated using the effective interest method	35	(23,844,906)	(16,421,337)
NET INTEREST INCOME		**45,221,162**	**45,324,786**
Fees and commission income	36	22,379,996	20,079,339
Fees and commission expense	36	(143,141)	(341,229)
NET FEES AND COMMISSION INCOME		**22,236,855**	**19,738,110**
Net trading income	37	3,181,189	4,717,291
Amortisation of government grants	28	18,476	18,476
Other operating income	38	1,025,228	1,256,058
TOTAL OTHER INCOME		**4,224,893**	**5,991,825**
OPERATING INCOME		**71,682,910**	**71,054,721**
Credit loss expense on loans and advances	13(b)	(6,008,158)	(8,547,524)
Credit loss write back/ (expense) on other financial assets	41	575,475	(439,057)
Amortisation of intangible assets	17(a)	(978,123)	(805,223)
Amortisation of leasehold land	18	(610)	(609)
Depreciation of property and equipment	19(a)	(1,315,595)	(1,220,009)
Depreciation of right-of-use assets	20(i)	(1,461,825)	(1,165,304)
Employee costs	39	(16,690,249)	(14,782,536)
Other operating expenses	40	(13,785,702)	(15,083,378)
OPERATING EXPENSES		**(39,664,787)**	**(42,043,640)**
OPERATING PROFIT		**32,018,123**	**29,011,081**
Share of profit of associates	16	345,725	416,141
PROFIT BEFORE TAX		**32,363,848**	**29,427,222**
Income tax expense	25(a)	(9,175,483)	(7,389,055)
PROFIT FOR THE YEAR		**23,188,365**	**22,038,167**
Profit attributable to:			
Equity holders of the parent		23,023,816	21,829,894
Non-controlling interest		164,549	208,273
		23,188,365	**22,038,167**
Basic earnings per share (KShs)	42	3.92	3.72
Diluted earnings per share (KShs)	42	3.92	3.72

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
PROFIT FOR THE YEAR		**23,188,365**	**22,038,167**
Other comprehensive income that will be reclassified to the income statement			
Financial assets at fair value through other comprehensive income	43	(8,361,591)	(8,605,319)
Revaluation of building surplus		–	188,981
Share of other comprehensive income of associates		–	(177,981)
-Exchange differences on translation of a foreign operation	16	–	1,027
Total items to be reclassified to profit or loss		**(8,361,591)**	**(8,593,292)**
OTHER COMPREHENSIVE INCOME, NET OF TAX		**(8,361,591)**	**(8,593,292)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**14,826,774**	**13,444,875**
Total comprehensive income attributable to:			
Equity holders of the parent		14,763,503	13,326,511
Non-controlling interest		63,271	118,364
		14,826,774	**13,444,875**

Bank Statement of Financial Position

AS AT 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
ASSETS			
Cash and balances with Central Bank of Kenya	8	28,015,013	24,307,459
Deposits and balances due from banks	9	21,729,052	6,836,863
Derivative financial instruments	11	–	206,725
Debt instruments at fair value through other comprehensive income	10(a)	84,804,458	83,381,239
Equity instruments at fair value through other comprehensive income	10(b)	313,755	313,157
Loans and advances to customers	13(a)	360,387,386	331,323,038
Debt instruments at amortised cost	14	84,345,718	67,216,667
Other assets	12	21,145,427	27,424,048
Income tax recoverable	25(b)	790,836	326,217
Investments in subsidiaries	15	3,884,925	3,884,925
Investments in associates	16	706,444	706,444
Leasehold land	18	32,083	32,693
Property and equipment	19(b)	5,732,438	5,522,238
Right-of-use assets	20(i)	3,608,049	2,417,209
Intangible assets	17(b)	2,595,668	2,539,611
Deferred tax asset	21	6,163,371	5,643,960
TOTAL ASSETS		**624,254,623**	**562,082,493**
LIABILITIES			
Deposits and balances due to banks	22	5,752,083	981,637
Customer deposits	23(a)	432,548,298	410,187,854
Derivative financial instruments	11	1,396,103	–
Loans and borrowings	24	47,086,007	24,884,464
Income tax payable	25(b)	–	–
Other liabilities	27	30,637,174	24,496,596
Provisions	26	274,687	271,581
Government grants	28	369,513	387,989
TOTAL LIABILITIES		**518,063,865**	**461,210,121**
EQUITY			
Share capital	29	5,867,180	5,867,180
Share premium	30	1,911,926	1,911,926
Revaluation reserve	31(a)	1,448,823	1,470,573
Retained earnings	31(b)	102,921,832	90,218,036
Fair value reserves	31(c)	(14,759,773)	(7,396,113)
Statutory reserve	31(d)	–	–
Proposed dividends	32	8,800,770	8,800,770
TOTAL EQUITY		**106,190,758**	**100,872,372**
TOTAL LIABILITIES & EQUITY		**624,254,623**	**562,082,493**

The financial statements were approved by the Board of Directors on 20th March 2024 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 ....

Bank Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
Interest and similar income calculated using the effective interest method	34	64,475,772	58,023,604
Other interest and similar income	34	–	1,227
Interest and similar expense calculated using the effective interest method	35	(22,802,596)	(15,768,268)
NET INTEREST INCOME		**41,673,176**	**42,256,563**
Fees and commission income	36	19,819,867	17,823,007
Fees and commission expense	36	(143,141)	(341,229)
NET FEES AND COMMISSION INCOME		**19,676,726**	**17,481,778**
Net trading income	37	2,877,509	4,551,793
Amortisation of government grants	28	18,476	18,476
Other operating income	38	698,942	845,581
TOTAL OTHER INCOME		**3,594,927**	**5,415,850**
OPERATING INCOME		**64,944,829**	**65,154,191**
Credit loss expense on loans and advances	13(b)	(5,541,095)	(8,091,696)
Credit loss writeback/ (expense) on other financial assets and commitments	41	260,167	(309,846)
Amortisation of intangible assets	17(b)	(955,761)	(770,641)
Amortisation of leasehold land	18	(610)	(609)
Depreciation of property and equipment	19(b)	(1,222,171)	(1,110,118)
Depreciation of right-of-use assets	20(i)	(1,362,454)	(1,076,408)
Employee costs	39	(15,247,267)	(13,647,798)
Other operating expenses	40	(11,259,181)	(13,275,333)
OPERATING EXPENSES		**(35,328,372)**	**(38,282,449)**
PROFIT BEFORE TAX		**29,616,457**	**26,871,742**
Income tax expense	25(a)	(8,142,963)	(7,236,119)
PROFIT FOR THE YEAR		**21,473,494**	**19,635,623**
Basic earnings per share (KShs)	42	3.66	3.35
Diluted earnings per share (KShs)	42	3.66	3.35

Bank Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
PROFIT FOR THE YEAR		**21,473,494**	**19,635,623**
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	(7,363,660)	(7,598,110)
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		**(7,363,660)**	**(7,409,129)**
OTHER COMPREHENSIVE INCOME, NET OF TAX		**(7,363,660)**	**(7,409,129)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**14,109,834**	**12,226,494**

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Statutory reserve KShs'000	Fair value reserve KShs'000	Foreign currency translation reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Attributable to equity holders of the Bank KShs'000	Non-controlling interest KShs'000	Total KShs'000
At 1 January 2023		**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**
Profit/ (loss) for the year		–	–	–	–	–	–	–	23,023,816	23,023,816	164,549	23,188,365
Other comprehensive income		–	–	–	–	(8,260,313)	–	–	–	(8,260,313)	(101,278)	(8,361,591)
Total comprehensive income		**–**	**–**	**–**	**–**	**(8,260,313)**	**–**	**–**	**23,023,816**	**14,763,503**	**63,271**	**14,826,774**
Transfer of excess depreciation		–	–	(31,072)	–	–	–	–	31,072	–	–	–
Deferred tax on excess depreciation	21	–	–	9,322	–	–	–	–	–	9,322	–	9,322
Transfer from statutory reserve		–	–	–	–	–	–	–	–	–	69,005	69,005
Exchange difference on hyperinflationary economy		–	–	(9,812)	(13,796)	2,508	–	–	(52,133)	(73,233)	(280,703)	(353,936)
2022- Dividends paid	31	–	–	–	–	–	–	(8,800,770)	–	(8,800,770)	–	(8,800,770)
Proposed dividends	31	–	–	–	–	–	–	8,800,770	(8,800,770)	–	–	–
At 31 December 2023		**5,867,180**	**1,911,926**	**1,621,428**	**53,490**	**(16,956,216)**	**2,728**	**8,800,770**	**111,887,781**	**113,189,087**	**120,503**	**113,309,590**

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Statutory reserve KShs'000	Fair value reserve KShs'000	Foreign currency translation reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Attributable to equity holders of the Bank KShs'000	Non-controlling interest KShs'000	Total 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	31	–	–	–	–	–	–	(5,867,180)	–	(5,867,180)	–	(5,867,180)
Proposed dividends	31	–	–	–	–	–	–	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**

Bank Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Fair value reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Total KShs'000
At 1 January 2023		**5,867,180**	**1,911,926**	**1,470,573**	**(7,396,113)**	**8,800,770**	**90,218,036**	**100,872,372**
Profit for the year		–	–	–	–	–	21,473,494	**21,473,494**
Other comprehensive income		–	–	–	(7,363,660)	–	–	**(7,363,660)**
Total comprehensive income		**–**	**–**	**–**	**(7,363,660)**	**–**	**21,473,494**	**14,109,834**
Transfer of excess depreciation		–	–	(31,072)	–	–	31,072	**–**
Deferred tax on excess depreciation	21	–	–	9,322	–	–	–	**9,322**
2022- Dividends paid	31	–	–	–	–	(8,800,770)	–	**(8,800,770)**
Proposed dividends	31	–	–	–	–	8,800,770	(8,800,770)	**–**
At 31 December 2023		**5,867,180**	**1,911,926**	**1,448,823**	**(14,759,773)**	**8,800,770**	**102,921,832**	**106,190,758**

	Note	Share capital KShs'000	Share premium KShs'000	Revaluation reserve KShs'000	Fair value reserve KShs'000	Proposed dividends KShs'000	Retained earnings KShs'000	Total 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	31	–	–	–	–	(5,867,180)	–	**(5,867,180)**
Proposed dividends	31	–	–	–	–	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**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
Cash flows from operating activities:			
Cash generated from operating activities	44	51,114,979	12,945,910
Income tax paid	25(b)	(9,691,485)	(9,531,523)
Net cash generated from operating activities		**41,423,494**	**3,414,387**
Investing Activities:			
Purchase of property and equipment	19(a)	(1,588,272)	(1,443,006)
Purchase of intangible assets	17(a)	(1,136,938)	(895,273)
Proceeds from disposal of property and equipment		2,629	22,606
Purchase of investments at amortised cost	14	(74,008,250)	(62,013,190)
Maturity of investments at amortised cost	14	57,180,099	64,744,331
Net cash (used in)/ generated from investing activities		**(19,550,732)**	**415,468**
Financing Activities:			
Proceeds from borrowings	24	16,030,174	7,281,733
Repayment of borrowings	24	(8,200,095)	(4,891,074)
Dividends paid to equity holders of the parent		(8,800,770)	(5,867,180)
Repayment of principal portion of lease liabilities	20(ii)	(1,284,558)	(1,131,370)
Repayment of interest portion of lease liabilities	20(ii)	(377,494)	(200,154)
Additional Capital by Non-controlling interest		–	136,774
Net cash used in financing activities		**(2,632,743)**	**(4,671,271)**
Net movement in cash and cash equivalents		19,240,019	(841,416)
Cash and cash equivalents at the beginning of the year		20,666,001	21,782,133
Effect of foreign exchange difference		153,195	(274,716)
Cash and cash equivalents at 31 December	44	**40,059,215**	**20,666,001**

Interest received during the year amounted to KShs. 69.1 Billion (2022: KShs. 61.8 Billion) while interest paid amounted to KShs. 23.8 billion (2022: KShs. 16.4 billion)

Bank Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KShs'000	2022 KShs'000
Cash flows from operating activities:			
Cash from operating activities	44	46,205,407	3,858,979
Tax paid	25(b)	(9,117,672)	(9,116,223)
Net cash generated from/ (used in) operating activities		**37,087,735**	**(5,257,244)**
Investing Activities:			
Purchase of property and equipment	19(b)	(1,434,184)	(1,281,311)
Purchase of software	17(b)	(1,111,461)	(869,697)
Proceeds from disposal of property and equipment		1,980	–
Purchase of investments at amortised cost	14	(74,008,250)	(54,653,643)
Maturity of investments at amortised cost	14	57,053,817	64,744,332
Net cash (used in)/ generated from investing activities		**(19,498,098)**	**7,939,681**
Financing Activities:			
Proceeds from borrowings	24	15,646,180	6,458,253
Repayment of borrowings	24	(5,168,032)	(4,771,958)
Dividends paid		(8,800,770)	(5,867,180)
Repayment of principal portion of lease liabilities	20(ii)	(1,138,765)	(1,008,664)
Repayment of interest portion of lease liabilities	20(ii)	(339,308)	(182,839)
Net cash generated from/ (used in) financing activities		**199,305**	**(5,372,388)**
Net movement in cash and cash equivalents		17,788,941	(2,689,951)
Cash and cash equivalents at the beginning of the year		14,411,350	17,101,300
Cash and cash equivalents at 31 December	44	**32,200,291**	**14,411,350**

Interest received during the year amounted to KShs. 64.48 billion (2022: KShs. 58.02 billion) while interest paid amounted to KShs. 22.80 billion (2022: KShs. 15.77 billion)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2023

1. CORPORATE 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 address of its registered office is as disclosed on page 131. The Bank's equities are listed on the Nairobi Stock Exchange (NSE).

The consolidated financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors on 20 March 2024.

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
- financial assets and liabilities designated at fair value through profit or loss (FVPL)
- debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

The consolidated financial statements are presented in Kenya Shillings (KShs) and all values are rounded to the nearest thousands, except when otherwise indicated. The Group has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern.

(b) Statement of compliance

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 represented by/is equivalent to the statement of profit or loss and statement of other comprehensive income.

The Group's consolidated and separate financial statements, except for cashflow statement, have been prepared using the accrual basis of accounting.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies. The Directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

(c) 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 2023. 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (Continued)

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

(d) 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 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following amendments became effective during the period:

New standards or amendments	Effective for annual period beginning on or after
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
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
International Tax Reform - Pillar two model rules - Amendment to IAS 12	1 January 2023

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 adoption of this standard did not have a material impact on the Group's financial statements based on the nature of Group subsidiaries' business. IFRS 17 implementation is however judged to have material impact on CIC Insurance Group Limited which is accounted for as an associate to the Group.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(d) Changes in accounting policies and disclosures (Continued)

(i) New standards, amendments and interpretations effective and adopted during the year (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank'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 adoption of this standard did not have a material 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 2023, the Group will present a separate deferred tax liability of Shs 23 million and a deferred tax asset of Shs 145 billion.There will be no impact on retained earnings on adoption of the amendments.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. For example:

a) Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist, and

b) Quantitative information such as:

  - An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
  - An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(d) Changes in accounting policies and disclosures (Continued)

(i) New standards, amendments and interpretations effective and adopted during the year (continued)

***International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12* (continued)**

The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective since its effective tax rate is above 15% in all the jurisdictions in which it operates. Therefore, as the related Pillar Two disclosures are not required, the amendments will have no impact on the Group's consolidated financial statements at 31 December 2023.

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2023

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the Bank's 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
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	1 January 2024
Lack of exchangeability – Amendments to IAS 21	1 January 2025

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.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(d) 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 2023 (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The disclosure requirements in the amendments are intended to assist users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments are not expected to have a material impact on the Group's financial statements.

(e) 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 (e)(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, 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(e) (i) and (ii) above.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(f) 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.

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, banc assurance, 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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.

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%

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.

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.

(i) 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(i) Business combinations and goodwill (Continued)

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.

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.

(j) 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 a\t 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.

See categorisation below of the Group's intangible assets useful lives:

- Computer software licenses – Finite useful lives (5 years)
- NSE trading right – Indefinite useful lives

(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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(j) Intangible assets (Continued)

(2) Other intangible assets (continued)

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.

(k) 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.

(l) 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 19 and are subject to impairment in line with the Bank's policy as described in Note 2 (s) Impairment of non-financial assets.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

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 26) and a further detailed disclosure under note 19 (ii).

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.

(m) 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 marketplace (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

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

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 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

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.

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 m (ii). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 3(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 3(a).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

Financial guarantee, letter of credit and undrawn loan commitment (Continued)

(i) Overview of the Expected Credit Loss (ECL) principles (Continued)

Based on the above process, the Group categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

- 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.
- 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 3(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.

(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): T*he 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 3(a), the Group recognises the lifetime expected credit losses for these loans, with the PD set at 100%.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

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.

(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 3(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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(m) Financial assets (Continued)

(vii) Forborne and modified loans

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 3 (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.

(n) 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

Derecognition other than for substantial modification

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 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(n) Derecognition of financial assets (Continued)

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.

(o) 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 (2022: 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.

(p) 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.

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(q) 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.

(r) 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.

(s) 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.

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.

(t) 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).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(t) Foreign currency (Continued)

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 2023) 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. The financials were restated from 2016 to 2022 using consumer price index (CPI) figures derived from South Sudan Consumer Price Index (CPI) compiled by the National Bureau of Statistics, South Sudan. Refer to Note 33(d).

In April 2023, the (International Monetary Fund - World Economic Outlook) IMF WEO reported a 3-year cumulative rate of inflation of 172% as of December 2022. However, in October 2023, the IMF WEO revised the 3-year cumulative rate of inflation down to 67% as of December 2022. The IMF WEO forecasts an annual rate of inflation of 46% and 6% for 2023 and 2024, respectively. Therefore, it is expected that South Sudan will no longer be hyperinflationary at the end of 2023 subject to further monitoring.

In light of the above, Co-operative Bank of South Sudan has aligned with IAS 29 standard by unwinding from application of the standard effective Year ended 2023.

(u) 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.

(v) 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(v) Taxes (Continued)

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.

(w) 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.

(x) 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

2. ACCOUNTING POLICIES (Continued)

(y) 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.

(z) 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.

(aa) 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 's 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 7.

Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 2 (e), 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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).

Impact of climate risk on accounting judgments and estimates

Where appropriate, the Group considers climate-related matters in its estimates and assumptions, which may increase their inherent level of uncertainty. This assessment includes a wide range of possible impacts on the Group due to both physical and transition risks. The Group and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Group's counterparties and the underlying collateral limit the impact of this exposure. Even though climate-related risks might not currently have a significant impact on measurement, the Group is closely monitoring relevant changes and developments.

The items and considerations that are most directly impacted by climate-related matters are:

– ***Expected credit losses (ECL):*** Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. An analysis was performed of the exposure of counterparties to these climate risks, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. Furthermore, the underlying collaterals for the assets are not expected to be impacted by climate risk as the assets are not in high-risk geographical areas and also have EPC ratings largely in compliance with current regulations. As a result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impact of climate risk on accounting judgments and estimates (continued)

- ***Classification of ESG-linked (or sustainability-linked) loans and bonds:*** For loans and bonds with sustainability-linked features, the Bank determines whether the instrument passes the solely payments of principal and interest test by considering whether they provide commensurate compensation for basic lending risks, such as credit risk, or whether they do not introduce compensation for risks that are inconsistent with basic lending arrangements.
- ***Fair value measurement:*** The Bank has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. Consequently, the Bank concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables. Where a proxy valuation approach has been used for unobservable prices, the selection of the proxy includes consideration of climate risk factors where appropriate.

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

***Management of credit risk** (Continued)*

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.

Climate risk considerations

The effect of climate risk on credit risk was assessed, and the impact in the current year was determined to not be material at 31 December 2023. Refer to Note 3 for further details on the judgements made as part of this assessment.

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	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Items recognised in the statement of financial position:				
Balances with central bank	22,122,309	19,094,493	19,305,088	16,505,269
Items in the course of collection	650,637	325,425	650,502	325,425
Deposits and balances due from banking institutions	27,316,305	13,042,578	21,729,052	6,836,863
Derivatives	14,121,392	206,725	13,141,140	206,725
Debt instruments at amortised cost	91,855,403	74,801,332	84,520,336	67,288,843
Debt instruments at fair value through other comprehensive income	98,695,811	99,963,950	84,804,458	83,381,239
Interest receivable	4,962,638	5,411,632	4,725,952	4,601,599
Deposits with financial Institutions	233,771	233,771	230,857	230,857
Loans and advances to customers	423,373,402	382,772,878	407,348,908	372,426,839
	683,331,668	**595,852,784**	**636,456,293**	**551,803,659**
Items not recognised in the statement of financial position (note 49)	**29,017,564**	**46,421,930**	**28,451,850**	**45,853,960**
Allowance for credit losses	(850,266)	(1,267,266)	(822,456)	(1,255,963)
Net Carrying Amount	**28,167,298**	**45,154,664**	**27,629,394**	**44,597,997**
	711,498,966	**641,007,448**	**664,085,687**	**596,401,656**

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	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances	419,735,159	383,603,050	407,348,908	372,426,838
Fair value of collateral	576,859,942	542,973,260	554,686,182	524,445,941
Surplus collateral	157,124,783	159,370,210	147,337,274	152,019,103
Allowance for impairments	(42,523,745)	(37,996,800)	(40,613,665)	(34,886,600)

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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(m).

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 stockbrokers. 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

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.

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

(iv) The Group's and the Bank's internal credit rating grades (continued)

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

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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'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

	Upside	Base	Downside
Year 1	1.240109	1.208673	1.305455
Year 2	1.258345	1.226447	1.291073
Year 3	1.195688	1.165378	1.226786
Year 4	1.202606	1.172120	1.233884
Year 5	1.216451	1.185614	1.248089

Probability weightings

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario.

	2023	2022
Base case	40%	40%
Best case	20%	20%
Worst case	40%	40%

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Credit quality analysis

An analysis of the Group's credit risk exposure per class of financial asset and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, are analysed under a separate category under Note 49.

GROUP	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	KShs'000	KShs'000	KShs'000	KShs'000
Gross carrying amount as at 1 January 2023	**294,587,633**	**36,481,803**	**52,534,604**	**383,604,040**
New financial assets originated or purchased	120,022,517	36,571,808	16,090,636	**172,684,961**
Financial assets that have been derecognised (excluding write-off)	(98,915,584)	(25,375,690)	(9,585,816)	**(133,877,090)**
Transfer to Stage 1	3,243,351	(2,135,370)	(1,107,981)	–
Transfer to Stage 2	(3,956,128)	4,587,667	(631,539)	–
Transfer to Stage 3	(7,945,384)	(2,099,686)	10,045,070	–
Write offs	–	–	(1,440,805)	**(1,440,805)**
Other changes	1,587,232	614,050	201,014	**2,402,296**
Gross carrying amount as at 31 December 2023	**308,623,637**	**48,644,582**	**66,105,183**	**423,373,402**
Impairment allowance as at 1 January 2023	**5,195,837**	**4,243,146**	**28,557,817**	**37,996,800**
New financial assets originated or purchased	7,834,304	14,745,662	1,007,869	**23,587,835**
Financial assets that have been derecognised (excluding write-off)	(1,342,849)	(9,535,006)	(6,656,536)	**(17,534,391)**
Transfer to Stage 1	174,570	(100,457)	(74,113)	–
Transfer to Stage 2	(334,381)	543,749	(209,368)	–
Transfer to Stage 3	(3,308,639)	(209,829)	3,518,468	–
Write offs	–	–	(1,440,805)	**(1,440,805)**
Other changes	37,096	87,004	64,585	**188,685**
Impairment allowance as at 31 December 2023	**8,255,938**	**9,774,269**	**24,767,917**	**42,798,124**
Net carrying Amount as at 31 December 2023	**300,367,699**	**38,870,313**	**41,337,266**	**380,575,278**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Credit quality analysis (Continued)

GROUP	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	KShs'000	KShs'000	KShs'000	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)**
Transfer to Stage 1	2,670,620	(2,385,363)	(285,257)	–
Transfer to Stage 2	(1,011,805)	1,492,380	(480,575)	–
Transfer 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)**
Gross carrying amount as at 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	4,041,267	7,755,699	**15,895,069**
Financial assets that have been derecognised (excluding write-off)	(1,440,580)	(953,563)	(3,950,530)	**(6,344,673)**
Transfer to Stage 1	54,136	(48,657)	(5,479)	–
Transfer to Stage 2	(257,398)	386,328	(128,930)	–
Transfer to Stage 3	(2,174,069)	(1,165,710)	3,339,779	–
Write offs	–	–	(4,069,397)	**(4,069,397)**
Other changes	(729,405)	40,987)	(370,102)	**(1,058,520)**
Impairment allowance as at 31 December 2022	**5,195,837**	**4,202,159**	**28,557,817**	**37,996,800**
Net carrying Amount as at 31 December 2022	**289,391,796**	**32,279,644**	**23,976,787**	**345,607,240**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Credit quality analysis (Continued)

GROUP	Stage 1 12-month ECL KShs'000	Stage 2 Lifetime ECL KShs'000	Stage 3 Lifetime ECL KShs'000	Total KShs'000
Other financial assets				
Deposits and balance due from banks- at amortised cost:				
- Gross carrying amount	27,316,305	–	–	27,316,305
- ECL	41,175	–	–	41,175
Net carrying amount as at 31 December 2023	**27,275,130**	**–**	**–**	**27,275,130**
Government Securities:				
- Gross carrying amount	193,097,345	–	–	193,097,345
- ECL	2,659,775	–	–	2,659,775
Net carrying amount as at 31 December 2023	**190,437,570**	**–**	**–**	**190,437,570**
Deposits and balance due from banks- at amortised cost:				
- Gross carrying amount	21,731,801	–	–	21,731,801
- ECL	2,749	–	–	2,749
Net carrying amount as at 31 December 2022	**21,729,052**	**–**	**–**	**21,729,052**
Government Securities:				
- Gross carrying amount	177,265,086	–	–	177,265,086
- ECL	2,501,773	–	–	2,501,773
Net carrying amount as at 31 December 2022	**174,763,313**	**–**	**–**	**174,763,313**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Credit quality analysis (Continued)

BANK	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	KShs'000	KShs'000	KShs'000	KShs'000
Gross carrying amount as at 1 January 2023	**289,557,659**	**35,389,334**	**47,479,846**	**372,426,839**
New financial assets originated or purchased	**113,189,984**	**36,400,928**	**15,835,126**	**165,426,038**
Financial assets that have been derecognised (excluding write-off)	(96,881,151)	(24,911,282)	(9,123,149)	**(130,915,582)**
Transfer to Stage 1	3,166,758	(2,098,708)	(1,068,050)	**–**
Transfer to Stage 2	(3,759,492)	4,347,688	(588,196)	**–**
Transfer to Stage 3	(7,900,101)	(1,981,092)	9,881,193	**–**
Write-offs	–	–	(185,970)	**(185,970)**
Other changes	171,018	261,017	165,548	**597,583**
Gross carrying amount as at 31 December 2023	**297,544,675**	**47,407,885**	**62,396,348**	**407,348,908**
Impairment allowance as at 1 January 2023	**4,630,561**	**4,127,746**	**26,128,293**	**34,886,600**
New financial assets originated or purchased	7,531,410	14,695,708	447,552	22,674,670
Financial assets that have been derecognised (excluding write-off)	(932,779)	(9,435,735)	(6,591,556)	(16,960,070)
Transfer to Stage 1	120,575	(82,353)	(38,222)	–
Transfer to Stage 2	(296,433)	471,983	(175,550)	–
Transfer to Stage 3	(3,284,602)	(207,805)	3,492,407	–
Write offs	–	–	(185,970)	(185,970)
Other changes	50,597	75,410	72,428	198,435
Impairment allowance as at 31 December 2023	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**
Net carrying Amount as at 31 December 2023	**289,725,346**	**37,762,931**	**39,246,966**	**366,735,243**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Credit quality analysis (Continued)

BANK	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	KShs'000	KShs'000	KShs'000	KShs'000
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)**
Transfer to Stage 1	2,563,877	(2,359,112)	(204,765)	–
Transfer to Stage 2	(685,156)	1,099,719	(414,563)	–
Transfer 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)**
Gross carrying amount as at 31 December 2022	**289,557,659**	**35,389,334**	**47,479,846**	**372,426,839**
Impairment allowance as at 1 January 2022	**4,861,632**	**,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)
Transfer to Stage 1	39,979	(37,696)	(2,283)	–
Transfer to Stage 2	(249,567)	355,219	(105,652)	–
Transfer 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)
Impairment allowance as at 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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Impairment assessment (Continued)

Credit quality analysis (Continued)

BANK

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	KShs'000	KShs'000	KShs'000	KShs'000
Other financial assets				
Deposits and balance due from banks- at amortised cost:				
- Gross carrying amount	21,731,801	–	–	21,731,801
- ECL	2,749	–	–	2,749
Net carrying amount as at 31 December 2023	**21,729,052**	**–**	**–**	**21,729,052**
Government Securities:				
- Gross carrying amount	171,748,597	–	–	171,748,597
- ECL	2,598,421	–	–	2,598,421
Net carrying amount as at 31 December 2023	**169,150,176**	**–**	**–**	**169,150,176**
Deposits and balance due from banks- at amortised cost:				
- Gross carrying amount	6,839,160	–	–	6,839,160
- ECL	2,297	–	–	2,297
Net carrying amount as at 31 December 2022	**6,836,863**	**–**	**–**	**6,836,863**
Government Securities:				
- Gross carrying amount	153,028,872	–	–	153,028,872
- ECL	2,430,966	–	–	2,430,966
Net carrying amount as at 31 December 2022	**150,597,906**	**–**	**–**	**150,597,906**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	
	2023	2022
	KShs'000	KShs'000
(i) Categorised by loans & advances:		
Stage 3/Doubtful & loss categories	30,674,697	27,661,410
Stage 3/ Sub-standard category	57,268,666	45,591,085
Stage 1&2 / Normal & watch categories	488,916,579	469,720,765
	576,859,942	**542,973,260**
(ii) Categorised by nature of collateral:		
Land & buildings	275,450,562	209,705,946
Cash & other pledges	8,094,816	2,613,370
Motor vehicles	64,385,452	55,814,833
Hypothecation of stock	1,909,959	2,053,578
Debentures & guarantees	213,162,837	250,568,431
Equities & Shares	819,648	282,143
Other chattels	13,036,668	21,934,959
	576,859,942	**542,973,260**

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. 9,867,733 (2022: KShs. 7,497,941).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(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.

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	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
(i) Concentration by sector:				
Agriculture	6,682,061	6,308,494	6,666,677	6,303,940
Manufacturing, energy & water	20,630,529	13,922,908	20,474,104	13,822,925
Financial services	37,421,545	33,717,560	36,178,695	33,531,285
Tourism & hospitality	3,637,971	3,327,398	2,700,049	2,512,000
Wholesale and retail trade	56,150,372	49,573,815	52,743,612	47,401,614
Transport and communication	42,223,701	42,164,694	41,074,449	41,651,617
Real Estate, building & construction	45,689,515	37,623,583	42,992,711	35,499,587
Consumer & household	210,937,708	196,965,588	204,518,611	191,703,871
	423,373,402	**383,604,040**	**407,348,908**	**372,426,839**
Less: staff loans amortisation	(6,347,857)	(6,217,201)	(6,347,857)	(6,217,201)
	417,025,545	**377,386,839**	**401,001,051**	**366,209,638**
(ii) Concentration by business:				
Corporate	126,669,258	111,281,720	124,769,886	110,256,515
Mortgage & Asset Finance	66,842,368	65,358,961	64,145,564	63,234,965
Small, Medium and Microenterprises	52,130,028	41,033,487	47,574,016	38,348,208
Retail	172,844,324	160,746,753	165,987,402	155,408,586
Agribusiness	4,887,424	5,183,119	4,872,040	5,178,565
	423,373,402	**383,604,040**	**407,348,908**	**372,426,839**
Less: staff loans amortisation	(6,347,857)	(6,217,201)	(6,347,857)	(6,217,201)
	417,025,545	**377,386,839**	**401,001,051**	**366,209,638**

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023	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	29,982,617	2,510,054	–	–	–	**32,492,671**
Deposits and balances due from banks	22,848,242	4,829,678	–	–	–	**27,677,920**
Investment in financial instruments	2,004,560	11,483,204	15,426,314	102,493,585	134,736,549	**266,234,211**
Loans and advances to customers	37,207,916	15,311,367	26,917,180	166,739,944	269,475,674	**515,652,081**
Other assets	650,637	8,806,037	4,962,638	6,227,396	233,771	**20,880,479**
Total undiscounted financial assets	**92,693,972**	**42,940,339**	**47,306,132**	**275,460,925**	**404,445,994**	**862,937,363**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	5,752,083	628,047	–	–	–	**6,380,130**
Customers' deposits	335,563,894	60,106,605	57,023,492	328,632	–	**453,022,623**
Loans and borrowings	4,874,105	59,049	2,356,896	14,440,318	60,796,745	**82,527,113**
Lease liability	115,456	282,716	1,206,657	1,878,575	1,970,623	**5,454,027**
Derivative	–	–	1,396,103	–	–	**1,396,103**
Other liabilities	7,413,300	–	21,575,646	3,310,757		**28,988,946**
Total undiscounted financial liabilities	**353,718,838**	**61,076,417**	**83,558,794**	**19,958,282**	**62,767,368**	**577,768,941**
Net liquidity gap at 31 December 2023	**(261,024,866)**	**(18,136,078)**	**(36,252,662)**	**255,502,644**	**341,678,626**	**285,168,421**
Liabilities not recognised in statement of financial position (Note 49)	**1,762,509**	**4,679,048**	**13,037,421**	**9,336,366**	**202,220**	**29,017,564**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

BANK

31 December 2023	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	28,015,013	–	–	–	–	**28,015,013**
Deposits and balances due from banks	18,974,973	2,754,079	–	–	–	**21,729,052**
Investment in financial instruments	2,004,560	11,483,204	13,926,314	76,714,218	134,690,411	**238,818,707**
Loans and advances to customers	36,543,292	14,559,653	25,228,184	153,202,210	269,475,674	**499,009,013**
Other assets	650,502	9,082,995	4,725,952	6,350,606	230,857	**21,040,912**
Total undiscounted financial assets	**86,188,340**	**37,879,931**	**43,880,450**	**236,267,034**	**404,396,942**	**808,612,697**
FINANCIAL LIABILITIES						
Deposits and balances due to banks	5,752,083	–	–	–	–	**5,752,083**
Customers' deposits	328,351,680	50,505,097	54,583,802	275,892	–	**433,716,471**
Loans and borrowings	2,585,135	–	–	5,355,430	51,813,888	**59,754,453**
Lease Liability	115,456	233,355	1,066,581	1,417,357	1,970,623	**4,803,372**
Derivatives	–	–	1,396,103	–	–	**1,396,103**
Other Liabilities	7,412,856	–	19,129,759	–	–	**26,542,615**
Total undiscounted financial liabilities	**344,217,210**	**50,738,452**	**76,176,245**	**7,048,679**	**53,784,511**	**531,965,097**
Net liquidity gap at 31 December 2023	**(258,028,870)**	**(12,858,521)**	**(32,295,795)**	**229,218,355**	**350,612,431**	**276,647,600**
Liabilities not recognised in statement of financial position (Note 49)	**1,762,509**	**4,679,048**	**12,471,707**	**9,336,366**	**202,220**	**28,451,850**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Exposure to liquidity risk (Continued)

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	–	35,838,167	–	–	**43,130,916**
Total undiscounted financial liabilities	**330,206,535**	**57,582,547**	**89,137,017**	**24,029,859**	**26,264,451**	**527,220,409**
Net liquidity gap at 31 December 2022	**(281,131,661)**	**(39,132,137)**	**(46,411,073)**	**220,446,203**	**385,040,547**	**238,811,879**
Liabilities not recognised in statement of financial position (Note 49)	**3,444,430**	**15,591,516**	**20,930,455**	**6,429,441**	**26,088**	**46,421,930**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	–	33,395,368	–	–	**39,448,677**
Total undiscounted financial liabilities	**321,840,659**	**55,729,690**	**80,664,936**	**12,318,543**	**15,161,655**	**485,715,483**
Net liquidity gap at 31 December 2022	**(277,662,032)**	**(44,303,491)**	**(38,638,602)**	**197,696,193**	**396,098,159**	**233,190,227**
Liabilities not recognised in statement of financial position (Note 49)	**3,444,430**	**15,023,546**	**20,930,455**	**6,429,441**	**26,088**	**45,853,960**

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:

	2023	**2022**	**2021**
	%	**%**	**%**
At 31 December	52.0	42.2	47.6
Average for the year	51.3	44.7	48.5
Maximum for the year	52.3	47.4	50.7
Minimum for the year	50.3	42.2	46.9
Statutory minimum ratio	20.0	20.0	20.0

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

i) Exposure to interest rate risk

The Bank carries interest rate fluctuations risk on its operations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. As comprehensively highlighted above, the Bank has constituted various policies managed by different departments to manage and monitor the risks on a day-to-day basis.

Interest rate benchmark reform

A fundamental reform by the Financial Stability Board of major interest rate benchmarks was undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The GBP, EUR and JPY LIBOR rates and the one-week and two-month USD LIBOR rates were discontinued as at 31 December 2021. The USD LIBOR rate was discontinued post 30 June 2023.

By the end of 2023 the Group had successfully completed the transition of the majority of its IBOR exposure to RFRs. In particular, prior to the cessation of some synthetic LIBORs the Group had completed the transition of all affected exposures.

The IBOR reform exposes the Group to various risks, which the relevant teams have been managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs.

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Exposure to interest rate risk (Continued)

GROUP

31 December 2023	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	–	–	–	–	–	32,492,671	**32,492,671**
Deposits and balances due from banks	22,581,366	3,202,266	–	–	–	1,491,498	**27,275,130**
Investment in financial instruments	1,984,713	11,148,742	14,638,032	78,841,219	84,210,343	–	**190,823,049**
Loans and advances to customers	36,839,521	14,489,476	25,446,704	126,222,585	170,833,580	395,555	**374,227,421**
Total assets	**61,405,600**	**28,840,484**	**40,084,736**	**205,063,804**	**255,043,923**	**34,379,724**	**624,818,271**
LIABILITIES							
Deposits and balances due to banks	3,829,231	628,047	–	–	–	–	**4,457,278**
Customers' deposits	108,468,060	52,451,187	55,632,922	292,117	–	234,797,762	**451,642,048**
Loans and borrowings	2,353,213	–	544,005	6,555,498	39,856,837	18,024,763	**67,334,316**
Lease liabilities	224,957	281,618	1,128,340	1,616,272	1,494,028	–	**4,745,215**
Total liabilities	**114,875,461**	**53,360,852**	**57,305,267**	**8,463,887**	**41,350,865**	**252,822,525**	**528,178,857**
Interest sensitivity gap	**(53,469,861)**	**(24,520,368)**	**(17,220,531)**	**196,599,917**	**213,693,058**	**(218,442,801)**	**96,639,414**

BANK

ASSETS							
Cash and balances with Central Bank of Kenya	–	–	–	–	–	28,015,013	**28,015,013**
Deposits and balances due from banks	18,974,973	2,754,079	–	–	–	–	**21,729,052**
Investment in financial instruments	1,984,713	11,148,742	13,138,032	59,010,937	84,181,507	–	**169,463,931**
Loans and advances to customers	36,181,477	14,135,585	23,800,174	117,847,854	168,422,296	–	**360,387,386**
Total assets	**57,141,163**	**28,038,406**	**36,938,206**	**176,858,791**	**252,603,803**	**28,015,013**	**579,595,382**
LIABILITIES							
Deposits and balances due to banks	5,752,083	–	–	–	–	–	**5,752,083**
Customers' deposits	101,371,024	49,881,577	53,252,490	245,237	–	227,797,970	**432,548,298**
Loans and borrowings	2,572,274	–	–	4,656,896	39,856,837	–	**47,086,007**
Lease liabilities	114,845	229,691	1,033,609	1,222,386	1,494,028	–	**4,094,559**
Total liabilities	**109,810,226**	**50,111,268**	**54,286,099**	**6,124,519**	**41,350,865**	**227,797,970**	**489,480,947**
Interest sensitivity gap	**(52,669,063)**	**(22,072,862)**	**(17,347,893)**	**170,734,272**	**211,252,938**	**(199,782,957)**	**90,114,435**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Exposure to interest rate risk (Continued)

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**

BANK

ASSETS							
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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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:

GROUP	2023 Carrying amount KShs'000	1% increase	1% decrease	2022 Carrying amount KShs'000	1% increase	1% decrease
ASSETS						
Deposits and balances due from banks	**25,783,632**	257,836	(257,836)	**9,983,779**	99,838	(99,838)
Loans and advances to customers	**373,831,866**	3,738,319	(3,738,319)	**339,390,039**	3,393,900	(3,393,900)
		3,996,155	**(3,996,155)**		**3,493,738**	**(3,493,738)**
LIABILITIES & EQUITY						
Deposits and balances due to banks	**4,457,278**	(44,573)	44,573	**1,087,501**	(10,875)	10,875
Customers' deposits	**216,844,286**	(2,168,443)	2,168,443	**179,485,940**	(1,794,859)	1,794,859
Lease liabilities	**4,745,215**	(47,452)	47,452	**3,191,216**	(31,912)	31,912
Loans and borrowings	**49,309,553**	(493,096)	493,096	**27,142,072**	(271,421)	271,421
		(2,753,563)	**2,753,563**		**(2,109,067)**	**2,109,067**
Effect on profit before tax		**1,242,592**	**(1,242,592)**		**1,384,671**	**(1,384,671)**
As percentage of profit before tax (%)		**3.84%**	**(3.84%)**		**4.71%**	**(4.71%)**
Effect on profit for the year		869,814	(869,814)		969,270	(969,270)
Debt instruments at fair value through other comprehensive income	**98,695,811**	986,958	(986,958)	**99,963,950**	999,640	(999,640)
Effect on equity		**1,856,772**	**(1,856,772)**		**1,968,909**	**(1,968,909)**
As percentage of equity (%)		**1.64%**	**(1.64%)**		**1.83%**	**(1.83%)**

BANK	2023 Carrying amount KShs'000	1% increase	1% decrease	2022 Carrying amount KShs'000	1% increase	1% decrease
ASSETS						
Deposits and balances due from banks	**21,729,052**	217,291	(217,291)	**6,836,863**	68,369	(68,369)
Loans and advances to customers	**360,387,386**	3,603,874	(3,603,874)	**331,323,038**	3,313,230	(3,313,230)
		3,821,165	**(3,821,165)**		**3,381,599**	**(3,381,599)**
LIABILITIES & EQUITY						
Deposits and balances due to banks	**5,752,083**	(57,521)	57,521	**981,637**	(9,816)	9,816
Customers' deposits	**204,750,328**	(2,047,503)	2,047,503	**168,909,374**	(1,689,094)	1,689,094
Lease liabilities	**4,094,559**	(40,946)	40,946	**2,921,715**	(29,217)	29,217
Loans and borrowings	**47,086,007**	(470,860)	470,860	**24,884,464**	(248,845)	248,845
		(2,616,830)	**2,616,830**		**(1,976,972)**	**1,976,972**
Effect on profit before tax		**(1,204,335)**	**(1,204,335)**		**1,404,627**	**(1,404,627)**
As percentage of profit before tax (%)		**4.07%**	**(4.07%)**		**4.84%**	**(4.84%)**
Effect on profit for the year		843,034	(843,034)		983,239	(983,239)
Debt instruments at fair value through other comprehensive income	**84,804,458**	848,045	(848,045)	**83,381,239**	833,812	(833,812)
Effect on equity		**1,691,079**	**(1,691,079)**		**1,817,051**	**(1,817,051)**
As percentage of equity (%)		**1.59%**	**(1.59%)**		**1.80%**	**(1.80%)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	156.4618	199.8047	173.7797	1.1100	186.9094	8.4402	–	
31 December 2023	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	21,381,390	434,104	7,993,059	146,825	59,078	12,177	105,519	**30,132,152**
Loan and advances	45,696,801	213,117	130,914	–	–	–	–	**46,040,832**
Other foreign assets	31,588,076	2,183	6,040	2,954	–	–	–	**31,599,253**
Total statement of financial position items	**98,666,267**	**649,404**	**8,130,013**	**149,779**	**59,078**	**12,177**	**105,519**	**107,772,237**
Items not recognized in statement of financial position*	17,718,146	99,112	3,975,527	62,399	178	422,010	251,418	**22,528,790**
Total Foreign assets	**116,384,413**	**748,516**	**12,105,540**	**212,178**	**59,256**	**434,187**	**356,937**	**130,301,027**
Foreign Currency Liabilities:								
Deposits	44,069,443	613,576	2,639,396	161,813	4,001	2,917	57,385	**47,548,531**
Loan and advances	31,647,955	–	5,213,391	–	–	–	–	**36,861,346**
Other foreign liabilities	7,280,923	67,321	22,961	4	(9)	–	4,271	**7,375,471**
Total statement of financial position items	**82,998,321**	**680,897**	**7,875,748**	**161,817**	**3,992**	**2,917**	**61,656**	**91,785,348**
Items not recognized in statement of financial position*	33,446,380	60,114	3,990,999	62,399	–	422,010	240,145	**38,222,047**
Total Foreign liabilities	**116,444,701**	**741,011**	**11,866,747**	**224,216**	**3,992**	**424,927**	**301,801**	**130,007,395**
Net Exposure at 31 December 2023	**(60,288)**	**7,505**	**238,793**	**(12,038)**	**55,264**	**9,260**	**55,136**	**293,632**

* This comprises of the letters of credits, guarantees, forwards and swaps

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	156.4618	199.8047	173.7797	1.1100	186.9094	8.4402	–	
31 December 2023	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	17,208,618	415,801	7,976,272	146,825	59,078	12,177	104,987	**25,923,758**
Loan and advances	42,029,155	213,117	130,914	–	–	–	–	**42,373,186**
Other foreign assets	29,761,587	2,183	6,040	2,954	–	–	–	**29,772,764**
Total statement of financial position items	**88,999,360**	**631,101**	**8,113,226**	**149,779**	**59,078**	**12,177**	**104,987**	**98,069,708**
Items not recognized in statement of financial position*	17,718,146	99,112	3,975,527	62,399	178	422,010	251,418	**22,528,790**
Total Foreign Assets	**106,717,506**	**730,213**	**12,088,753**	**212,178**	**59,256**	**434,187**	**356,405**	**120,598,498**
Foreign Currency Liabilities:								
Deposits	36,682,563	601,299	2,615,414	161,813	4,001	2,917	57,385	**40,125,392**
Loan and advances	31,647,955	–	5,213,391	–	–	–	–	**36,861,346**
Other foreign liabilities	5,909,095	67,321	22,961	4	(9)	–	4,271	**6,003,643**
Total statement of financial position items	**74,239,613**	**668,620**	**7,851,766**	**161,817**	**3,992**	**2,917**	**61,656**	**82,990,381**
Items not recognized in statement of financial position*	32,880,666	60,114	3,990,999	62,399	–	422,010	240,145	**37,656,333**
Total foreign liabilities	**107,120,279**	**728,734**	**11,842,765**	**224,216**	**3,992**	**424,927**	**301,801**	**120,646,714**
Net exposure at 31 December 2023	**(402,773)**	**1,479**	**245,988**	**(12,038)**	**55,264**	**9,260**	**54,604**	**(48,216)**

* This comprises of the letters of credits, guarantees, forwards and swaps

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	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

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	2023 Carrying amount KShs'000	10% appreciation	10% depreciation	2022 Carrying amount KShs'000	10% appreciation	10% depreciation
Foreign Currency Assets:						
USD	**116,384,413**	(11,638,441)	11,638,441	**111,445,840**	(11,144,584)	11,144,584
GBP	**748,516**	(74,852)	74,852	**523,161**	(52,316)	52,316
EURO	**12,105,540**	(1,210,554)	1,210,554	**8,520,323**	(852,032)	852,032
JPY	**212,178**	(21,218)	21,218	**67,983**	(6,798)	6,798
CHF	**59,256**	(5,926)	5,926	**62,274**	(6,227)	6,227
ZAR	**434,187**	(43,419)	43,419	**36,992**	(3,699)	3,699
Other currencies	**356,937**	(35,694)	35,694	**415,150**	(41,515)	41,515
		(13,030,104)	**13,030,104**		**(12,107,172)**	**12,107,172**
Foreign currency liabilities						
USD	**116,444,701**	11,644,470	(11,644,470)	**114,714,553**	11,471,455	(11,471,455)
GBP	**741,011**	74,101	(74,101)	**569,444**	56,944	(56,944)
EURO	**11,866,747**	1,186,675	(1,186,675)	**8,503,645**	850,365	(850,365)
JPY	**224,216**	22,422	(22,422)	**67,017**	6,702	(6,702)
CHF	**3,992**	399	(399)	**52,243**	5,224	(5,224)
ZAR	**424,927**	42,493	(42,493)	**39,602**	3,960	(3,960)
Other currencies	**301,801**	30,180	(30,180)	**294,849**	29,485	(29,485)
		13,000,740	**(13,000,740)**		**12,424,135**	**(12,424,135)**
Effect on profit before tax		**29,363**	**(29,363)**		**316,964**	**(316,964)**
As percentage (%) of profit before tax		**0.09%**	**(0.09%)**		**1.08%**	**(1.08%)**
Effect on equity (profit after tax)		**20,554**	**(20,554)**		**221,874**	**(221,874)**
As percentage (%) of equity		**0.02%**	**(0.02%)**		**0.21%**	**(0.21%)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) *Market risk (Continued)*

(ii) Exposure to currency risk (Continued)

BANK

	2023 Carrying amount KShs'000	10% appreciation	10% depreciation	2022 Carrying amount KShs'000	10% appreciation	10% depreciation
Foreign Currency Assets:						
USD	**106,717,506**	(10,671,751)	10,671,751	**106,749,854**	(10,674,985)	10,674,985
GBP	**730,213**	(73,021)	73,021	**523,161**	(52,316)	52,316
EURO	**12,088,753**	(1,208,875)	1,208,875	**8,520,323**	(852,032)	852,032
JPY	**212,178**	(21,218)	21,218	**67,983**	(6,798)	6,798
CHF	**59,256**	(5,926)	5,926	**62,274**	(6,227)	6,227
ZAR	**434,187**	(43,419)	43,419	**36,992**	(3,699)	3,699
Other currencies	**356,405**	(35,641)	35,641	**414,828**	(41,483)	41,483
		(12,059,851)	**12,059,851**		**(11,637,540)**	**11,637,540**
Foreign currency liabilities						
USD	**107,120,279**	10,712,028	(10,712,028)	**109,964,311**	10,996,431	(10,996,431)
GBP	**728,734**	72,873	(72,873)	**560,912**	56,091	(56,091)
EURO	**11,842,765**	1,184,277	(1,184,277)	**8,482,685**	848,269	(848,269)
JPY	**224,216**	22,422	(22,422)	**67,017**	6,702	(6,702)
CHF	**3,992**	399	(399)	**52,243**	5,224	(5,224)
ZAR	**424,927**	42,493	(42,493)	**39,602**	3,960	(3,960)
Other currencies	**301,801**	30,180	(30,180)	**294,849**	29,485	(29,485)
		12,064,672	**(12,064,672)**		**11,946,162**	**(11,946,162)**
Effect on profit before tax		**4,821**	**(4,821)**		**308,622**	**(308,622)**
As percentage (%) of profit before tax		**0.02%**	**(0.02%)**		**1.15%**	**(1.15%)**
Effect on equity (profit after tax)		**3,375**	**(3,375)**		**216,034**	**(216,034)**
As percentage (%) of equity		**0.00%**	**(0.00%)**		**0.21%**	**(0.21%)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

(e) Climate-related risk

Climate-related risks are potential negative impacts on the Group arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e., credit, liquidity, market, and operational risks), but due to their pervasive nature have been identified and managed by the Group on an overall basis. The Group distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts, and rising sea levels. Transition risks arise because of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products, and services due to changes in consumer behaviour and investor demand.

Central to our climate risk management is our Chief Risk Officer (CRO), who oversees risk management plans and formulates necessary policies, ensuring the integration of climate-related risks in our risk management framework. The Risk department is responsible for; identifying risk factors and assessing their potential impact on the Group's financial statements; and allocating responsibilities for managing each identified risk factor. In addition, the Bank has re-evaluated its model landscape to incorporate climate-related risks and their impact on borrower's credit risk. In the current year, the Bank has also enhanced its data collection systems to help it achieve its climate related aims. For instance, the Bank has introduced mechanisms to collect information relating to clients' exposure to transition and physical risk, and to rate such exposure, in order to understand the impact of climate-related risk on corporate clients in affected sectors. The Bank has also made significant progress in the development of climate risk scenarios that will be used to assess the impact of climate risk on forward-looking information; and in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Bank acknowledges the need for further efforts to fully integrate climate in the Bank's risk assessments and management protocols.

Refer to Note 3 for details of accounting judgements, estimates and assumptions the Bank has made in relation to climate-related risks.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

(f) Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Group incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Bank's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Group, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CAPITAL MANAGEMENT (Continued)

***Regulatory capital** (Continued)*

The Bank's regulatory capital position as at 31 December was as follows:

	2023	2022
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	102,921,832	90,218,038
Other reserves	369,512	387,987
Less: Investments in equity of other institutions & deferred tax	(9,808,295)	(9,294,290)
Core Capital	**101,262,154**	**89,090,840**
Tier II Capital:		
Revaluation reserves (25%)	362,206	367,643
Term subordinated debt	25,033,888	5,551,808
Supplementary capital	**25,396,094**	**5,919,451**
Total regulatory capital	**126,658,247**	**95,010,291**
Total risk weighted assets	**570,279,516**	**539,577,102**
Capital ratios:		
Core capital to Total deposit liabilities (CBK minimum 10.5%)	23.10%	21.67%
Core capital to Total risk weighted assets (CBK minimum 10.5%)	17.76%	16.51%
Total capital to Total risk weighted assets (CBK minimum 14.5%)	22.21%	17.61%

The increase of the Tier 1 qualifying capital in the year of 2023 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 2023.

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 or 2022.

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 2023	**Wholesale Banking**	**Retail Banking**	**Group Functions**	**Total**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Interest income	9,004,175	32,821,863	27,240,030	**69,066,068**
Interest expense	(9,330,642)	(8,273,594)	(6,240,670)	**(23,844,906)**
Net interest income	(326,467)	24,548,269	20,999,360	**45,221,162**
Non-funded income	5,239,411	16,456,235	4,766,102	**26,461,748**
Operating income	**4,912,944**	**41,004,504**	**25,765,462**	**71,682,910**
Depreciation	(23,993)	(702,416)	(2,051,011)	**(2,777,420)**
Amortization	(58,053)	(114,448)	(806,232)	**(978,733)**
Other operating expenses	(854,262)	(6,541,882)	(28,512,490)	**(35,908,634)**
Share of profit in associates	–	–	345,725	**345,725**
Profit before tax	**3,976,636**	**33,645,758**	**(5,258,546)**	**32,363,848**
Income tax expense	–	–	(9,175,483)	**(9,175,483)**
Profit after tax	**3,976,636**	**33,645,758**	**(14,434,029)**	**23,188,365**
Profit or loss for the year ended 31 December 2022				
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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT REPORTING (Continued)

Statement of financial position as at 31 December 2023	Wholesale Banking KShs'000	Retail Banking KShs'000	Group Functions KShs'000	Total KShs'000
Assets:				
Segment assets	113,023,138	276,737,476	–	**389,760,614**
Unallocated assets	–	–	282,766,774	**282,766,774**
Total assets	**113,023,138**	**276,737,476**	**282,766,774**	**672,527,388**
Liabilities and equity:				
Segment liabilities and Equity	158,067,187	272,943,884	–	**431,011,071**
Unallocated liabilities and Equity	–	–	241,516,317	**241,516,317**
Total liabilities and equity	**158,067,187**	**272,943,884**	**241,516,317**	**672,527,388**

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**	**298,321,499**	**607,197,719**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

Profit or loss for the year ended 31 December 2023	Kenya	South Sudan	Total
	KShs'000	KShs'000	KShs'000
Interest income	68,567,491	498,577	**69,066,068**
Interest expense	(23,799,491)	(45,415)	**(23,844,906)**
Net interest income	44,768,000	453,162	**45,221,162**
Non-funded income	25,384,063	1,077,685	**26,461,748**
Operating income	**70,152,063**	**1,530,847**	**71,682,910**
Depreciation	(2,701,056)	(76,974)	**(2,778,030)**
Amortization	(973,285)	(4,838)	**(978,123)**
Other operating expenses	(34,750,895)	(1,157,739)	**(35,908,634)**
Loss on net monetary position	–	–	**–**
Operating profit	**31,726,827**	**291,296**	**32,018,123**
Share of profit in associate	345,725	–	**345,725**
Profit before tax	**32,072,552**	**291,296**	**32,363,848**
Income tax expense	(9,083,617)	(91,866)	**(9,175,483)**
Profit for the year	**22,988,935**	**199,430**	**23,188,365**
Statement of financial position			
Segment assets			
Non-current assets	507,232,197	6,446,100	**513,673,597**
Current assets	154,725,071	4,124,020	**158,849,091**
	661,957,268	**10,570,120**	**672,527,388**
Segment liabilities	**549,966,179**	**9,251,619**	**559,217,798**
Equity	**111,991,088**	**1,318,502**	**113,309,590**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

6. SEGMENT REPORTING (Continued)

Profit or loss for the year ended 31 December 2022	Kenya	South Sudan	Total
	KShs'000	KShs'000	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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets measured at fair value:				
Free hold land and buildings	–	–	3,083,653	**3,083,653**
Debt instruments at FVOCI				
Treasury bonds	98,695,811	–	–	**98,695,811**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	–	–	385,479	**385,479**
Loans and advances				
Directors and staff loans	–	6,347,857	–	**6,347,857**
Assets for which fair values are disclosed (Note 7(b))				
Debt Instruments at Amortised cost				
Treasury bonds	75,153,703	–	–	**75,153,703**
Treasury bills	15,198,350	–	–	**15,198,350**
Corporate bonds		1,389,706	–	**1,389,706**
Liabilities for which fair values are disclosed (Note 7(b))				
Loans and borrowings	–	8,287,532	–	**8,287,532**
Derivatives	–	1,396,103	–	**1,396,103**

As at 31 December 2022	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total 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	–	–	388,857	**388,857**
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 7(b))				
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 7(b))				
Loans and borrowings	–	1,625,699	–	**1,625,699**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

7. FAIR VALUE OF ASSETS AND LIABILITIES (Continued)

(a) Determination of fair value and fair value hierarchy (Continued)

BANK

As at 31 December 2023	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets measured at fair value:				
Free hold land and buildings	–	–	2,307,300	**2,307,300**
Debt instruments at FVOCI				
Treasury bonds	84,804,458	–	–	**84,804,458**
Equity instruments at FVOCI				
Unquoted equity instruments at FVOCI	–	–	313,755	**313,755**
Loans and advances				
Directors and staff loans	–	6,347,857	–	**6,347,857**
Assets for which fair values are disclosed (Note 7(b))				
Debt Instruments at Amortised cost				
Treasury bonds	67,757,662	–	–	**67,757,662**
Treasury bills	15,198,350	–	–	**15,198,350**
Corporate bonds	–	1,389,706	–	**1,389,706**
Liabilities for which fair values are disclosed (Note 7(b))				
Loans and borrowings	–	8,287,532	–	**8,287,532**
Derivatives	–	1,396,103	–	**1,396,103**
As at 31 December 2022				
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 7(b))				
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 7(b))				
Loans and borrowings	–	1,625,699	–	**1,625,699**

The transfers between levels 1 and 2 in the year are disclosed on Note 7(e).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:	KShs'000	KShs'000	KShs'000	KShs'000
Amortised cost				
Treasury bonds and bills	90,352,053	87,529,275	73,317,138	63,893,949
Financial liabilities:				
Loans and borrowings				
Fixed-rates borrowings	6,762,420	4,205,807	1,625,745	1,486,063
BANK				
Financial assets:				
Amortised cost				
Treasury bonds and bills	82,956,012	80,332,970	65,733,842	56,496,271
Financial liabilities:				
Loans and borrowings				
Fixed-rates borrowings	6,762,420	4,205,807	1,625,745	1,486,063

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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% (2022: +/-1%) = Fair value change of +/- KShs. 23million (2022: 23million)
		Long-term vacancy rate	5%	
		Discount rate	5%	
Unquoted-equity instruments	DCF method	Long term growth rate	5%	+/-1% (2022: +/-1%) = Fair value change of +/- KShs. 0.3million (2022: +/- Nil)
		Discount rate (WACC)	25%	

(d) Transfers between Level 1 and Level 2

There were no transfers between Level 1 & 2 in the year (2022: NIL)

(e) Reconciliation of fair value measurement of unquoted equity instruments classified as FVOCI

	Group and Bank	
	2023	2022
	KShs'000	KShs'000
At 1 January	313,157	309,038
Purchase	–	–
Remeasurement recognised through OCI	598	4,119
At December	**313,755**	**313,157**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

8. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Cash on hand	10,370,362	9,011,795	8,709,925	7,802,190
Central Bank of Kenya:				
Restricted balances (Cash Reserve Ratio)	19,129,438	17,788,081	18,196,999	17,056,100
Unrestricted balances available for use by the Group	1,823,337	(271,155)	1,108,089	(550,831)
Central Bank of South Sudan	1,199,875	1,612,374	–	–
	32,523,012	**28,141,095**	**28,015,013**	**24,307,459**
Allowance for expected credit losses	(30,341)	(34,807)	–	–
	32,492,671	**28,106,288**	**28,015,013**	**24,307,459**

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 2023, the Cash Reserve Ratio requirement on all deposits was 4.25% (2022: 4.25%) for Kenya and 20.0% (2022: 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	
	2023	**2022**	**2023**	**2022**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Local banks	10,261,357	6,971,954	4,913,578	3,798,674
Foreign banks	17,054,948	3,027,128	16,818,223	3,040,486
	27,316,305	9,999,082	21,731,801	6,839,160
Allowance for expected credit losses	(41,175)	(15,303)	(2,749)	(2,297)
	27,275,130	**9,983,779**	**21,729,052**	**6,836,863**

The weighted average effective interest rate on deposits and balances due from banks as at 31 December 2023 was 1.49% (2022: 1.47%).

10. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVPL

a) DEBT INSTRUMENTS AT FVOCI

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Treasury Bonds:				
Maturing within 91 days	327,608	–	–	–
Maturing after 91 days	**98,368,203**	**99,963,950**	84,804,458	83,381,239
	98,695,811	**99,963,950**	**84,804,458**	**83,381,239**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

10. FINANCIAL INVESTMENTS OTHER THAN THOSE MEASURED AT FVPL (Continued)

b) *EQUITY INSTRUMENTS AT FVOCI*

	Group		Bank	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Quoted equity investments: -				
Nairobi Securities Exchange: -				
7,000,000 ordinary shares of KShs. 14.65 each	42,888	47,460	–	–
CIC Insurance Group Ltd: -				
8,000,000 ordinary shares of KShs. 3.80 each	10,916	12,640	–	–
Uchumi Supermarkets Ltd: - 57,500,000 ordinary shares of KShs. 0.28 each	17,920	15,600	–	–
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	109,484	108,886	109,484	108,886
	385,479	**388,857**	**313,755**	**313,157**
Movement in the year for debt and equity instrument through OCI				
At January 1	**100,352,807**	**108,233,108**	**83,694,396**	**84,790,148**
Additions	10,036,201	12,150,399	9,708,593	12,150,399
Disposals and maturities	(2,965,585)	(11,444,405)	(940,968)	(5,667,065)
Reclassification from debt instruments at amortised cost	–	–	–	–
Expected credit losses	19,458	19,024	19,852	19,024
Change in fair value recognized OCI	(8,361,591)	(8,605,319)	(7,363,660)	(7,598,110)
At December 31	**99,081,290**	**100,352,807**	**85,118,213**	**83,694,396**

The weighted average effective interest rate on debt instruments at FVOCI as at 31 December 2023 was 12.12%.

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. 1,023,094 (2022: KShs. 1,022,971).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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			
	2023		2022	
	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	477,924	27,481	2,127,853	20,944
Swaps	13,643,468	(1,423,584)	11,013,287	185,781
	14,121,392	**(1,396,103)**	**13,141,140**	**206,725**

12. OTHER ASSETS

	Group		Bank	
	2023	2022	2022	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Interest receivable	4,962,638	5,411,632	4,725,952	4,601,599
Items in the course of collection from other banks	650,637	325,425	650,502	325,425
Deposits with financial Institutions	233,771	233,771	230,857	230,857
Sundry debtors and prepayments	8,806,037	18,430,413	9,082,995	16,017,147
Amounts due from related parties (44 (c))	–	–	104,515	29,593
Staff loan amortisation	6,347,857	6,217,201	6,347,857	6,217,201
	21,000,940	**30,618,442**	**21,142,678**	**27,421,822**
Impairment (losses)/ gains on deposits with financial institutions & other financial assets	(120,461)	(486,807)	2,749	2,226
	20,880,479	**30,131,635**	**21,145,427**	**27,424,048**

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

13. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2023	2022	2023	2022
(a) Net loans and advances	KShs'000	KShs'000	KShs'000	KShs'000
Overdrafts	25,176,677	15,403,441	23,918,010	14,572,278
Commercial loans	371,464,071	342,136,632	358,271,758	332,550,435
Government/Donor funded loan schemes	628,477	704,924	628,477	704,924
Credit cards	874,657	823,273	874,657	823,273
Micro enterprises & SME	25,229,520	24,535,770	23,656,006	23,775,929
Gross loans and advances	**423,373,402**	**383,604,040**	**407,348,908**	**372,426,839**
Staff loans amortisation	(6,347,857)	(6,217,201)	(6,347,857)	(6,217,201)
	417,025,545	**377,386,839**	**401,001,051**	**366,209,638**
Allowance for expected credit losses (Note 13(b))	(42,798,124)	(37,996,800)	(40,613,665)	(34,886,600)
Net loans and advances	**374,227,421**	**339,390,039**	**360,387,386**	**331,323,038**

	Group and Bank	
(b) The weighted average effective interest rates at 31 December were: -	2023	2022
	%	%
Overdrafts	19.5	12.9
Commercial loans	19.5	12.9
Government/Donor funded loan schemes	9.5	8.5
Credit card balances	19.5	13

(c) Allowance for Expected Credit Losses

GROUP

	Stage 1	Stage 2	Stage 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2023	**5,195,837**	**4,243,146**	**28,557,817**	**37,996,800**
Expected credit loss	3,066,106	5,532,540	(2,590,488)	6,008,158
Write off	–	–	(1,130,675)	(1,130,675)
Exchange difference on translation of a foreign operation	(6,005)	(1,417)	(68,737)	(76,159)
At 31 December 2023	**8,255,938**	**9,774,269**	**24,767,917**	**42,798,124**
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/ (off)	65,041	–	(4,069,396)	(4,004,355)
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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Allowance for Expected Credit Losses (Continued)

BANK

	Stage 1	Stage 2	Stage 3	Total
	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January 2023	**4,630,560**	**4,127,748**	**26,128,292**	**34,886,600**
Expected credit loss	3,188,769	5,517,206	(3,164,880)	5,541,095
Write back	–	–	185,970	185,970
At 31 December 2023	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**
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**

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 2023

					Provisions for impairment			
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	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	308,623,637	–	–	**308,623,637**	8,255,938	–	–	**8,255,938**
Grade2	–	48,644,582	–	**48,644,582**	–	9,774,269	–	**9,774,269**
Grade3	–	–	41,343,085	**41,343,085**	–	–	15,532,076	**15,532,076**
Grade4	–	–	23,190,462	**23,190,462**	–	–	7,801,997	**7,801,997**
Grade5	–	–	1,571,636	**1,571,636**	–	–	1,433,844	**1,433,844**
Total	**308,623,637**	**48,644,582**	**66,105,183**	**423,373,402**	**8,255,938**	**9,774,269**	**24,767,917**	**42,798,124**

31 December 2022

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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

13. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Allowance for Expected Credit Losses (Continued)

BANK

31 December 2023					Provisions for impairment			
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	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	297,544,675	–	–	**297,544,675**	7,819,329	–	–	**7,819,329**
Grade2	–	47,407,885	–	**47,407,885**	–	9,644,954	–	**9,644,954**
Grade3	–	–	41,162,564	**41,162,564**	–	–	15,493,269	**15,493,269**
Grade4	–	–	20,889,397	**20,889,397**	–	–	7,311,570	**7,311,570**
Grade5	–	–	344,387	**344,387**	–	–	344,543	**344,543**
Total	**297,544,675**	**47,407,885**	**62,396,348**	**407,348,908**	**7,819,329**	**9,644,954**	**23,149,382**	**40,613,665**
31 December 2022								
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**

Maturity Analysis

	Group		Bank	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Maturity within 3 months	39,646,360	20,429,310	36,181,477	18,053,951
Maturing after 3 months but within 12 months	39,936,180	32,625,925	37,935,759	32,262,181
Maturity after 1 year	294,644,881	286,334,804	286,270,150	281,006,906
Net loans and advances to customers	**374,227,421**	**339,390,039**	**360,387,386**	**331,323,038**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

14. DEBT INSTRUMENTS AT AMORTISED COST

	Group		Bank	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Government treasury bills:				
Maturing within 91 days	13,186,303	5,964,643	13,186,303	5,964,643
Maturing after 91 days	2,012,047	2,573,664	2,012,047	2,573,664
Treasury bonds:				
Maturing within 91 days	2,043,134	3,854,814	2,043,134	3,854,814
Maturing after 91 days	73,110,569	60,924,018	65,714,528	53,340,722
Corporate bonds:				
Maturing within 91 days	–	–	–	–
Maturing after 91 days	1,389,706	1,482,824	1,389,706	1,482,824
	91,741,759	**74,799,963**	**84,345,718**	**67,216,667**
Movement in the year:				
At 1 January	74,799,963	77,529,735	67,216,667	77,235,179
Additions	74,008,250	62,013,190	74,008,250	54,653,643
Allowance for credit losses	113,644	1,369	174,618	72,176
Maturities	(57,180,098)	(64,744,331)	(57,053,817)	(64,744,331)
At December 31	**91,741,759**	**74,799,963**	**84,345,718**	**67,216,667**

The weighted average effective interest rate on Debt instruments measured at amortised cost as at 31 December 2023 was 12.39%. 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

15. INVESTMENT IN SUBSIDIARIES

The following subsidiaries are owned by the Bank: -

Bank	Ownership	Principal Activity	2023 KShs'000	2022 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 2023 show that the company made a profit after tax of KShs. 877,137,369 (2022: KShs. 706,117,045)

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 2023 show that the company made a profit after tax of KShs. 226,021,302 (2022: KShs. 143,020,419).

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 2023 show that the company made a profit after tax of KShs. 13,190,935 (2022 – KShs. 5,794,979). Refer to Note 33 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 2023 show that the company made a profit of KShs. 291,299,415 (2022- KShs. 233,379,344). Refer to note 33 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 2023 show that the Bank made a profit after tax of KShs. 1,080,684,652 (2022 – profit after tax of KShs. 915,989,827). Refer to Note 33 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 was KShs. 1.5 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	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
At 1 January	**2,483,303**	**2,146,675**	**706,444**	**706,444**
Share of profit/(loss)	345,725	416,141	–	–
Other comprehensive income	(117,942)	(170,403)	–	–
Exchange difference on translation	–	90,890	–	–
At 31 December	**2,711,086**	**2,483,303**	**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:	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Non-current assets	13,553,679	10,530,017	1,300,568	1,300,568
Current assets	36,782,803	36,185,327	60,301	60,301
	50,336,482	46,715,344	1,360,869	1,360,869
Current liabilities	(43,914,589)	(38,145,417)	(867,017)	(867,017)
Equity	**6,421,893**	**8,569,927**	**493,852**	**493,852**
Group's share in equity	2,145,530	2,863,180	153,094	153,094
Other adjustments	565,556	(379,878)	–	–
Group's carrying amount of the investment	**2,711,086**	**2,483,303**	**153,094**	**153,094**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

16. INVESTMENTS IN ASSOCIATES (continued)

	Co-operative Insurance Society Limited		CIC South Sudan Limited	
	2023	**2022**	**2023**	**2022**
Statement of comprehensive income:	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Revenue	25,590,532	22,506,416	486,131	486,131
Operating and other expenses	(23,997,519)	(20,482,961)	(426,080)	(426,080)
Profit before tax	1,593,013	2,023,455	60,051	60,051
Income tax expense	(719,637)	(914,626)	–	–
Profit after tax	**873,376**	**1,108,829**	**60,051**	**60,051**
Other comprehensive income	(522,786)	(510,044)	86,674	86,674
Total comprehensive income for the year	**350,590**	**598,785**	**146,725**	**146,725**
Attributable to parent	233,459	580,019	–	–
Attributable to Non-controlling interest	117,131	18,766	–	–
	350,590	**598,785**	**–**	**–**
Group's share of comprehensive income	**117,131**	**200,052**	**49,020**	**49,020**
Split as follows				
Share of profit or loss	291,792	370,456	18,616	18,616
Share of OCI				
-Fair value gain of FVOCI investment	–	(204,850)	–	–
-Translation difference	–	1,027	–	–
- Revaluation gain of building	–	33,419	86,674	86,674
	291,792	(170,404)	86,674	86,674
	117,131	**200,052**	**105,289**	**105,289**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

17. INTANGIBLE ASSETS

(a) GROUP

	Computer software KShs'000	Business Rights KShs'000	Other intangible assets KShs'000	Work-in-progress KShs'000	Total KShs'000
COST					
At 1 January 2023	**7,965,342**	**63,453**	**25,000**	**716,822**	**8,770,617**
Additions	520,428	–	–	616,510	**1,136,938**
Transfers from WIP	1,083,579	–	–	(1,083,579)	**–**
Write off	(18,523)	–	–	(92,269)	**(110,792)**
Exchange difference on translation	(25,617)	(11,354)	–	(2,086)	**(39,057)**
At 31 December 2023	**9,525,209**	**52,099**	**25,000**	**155,398**	**9,757,706**
AMORTISATION					
At 1 January 2023	**6,091,838**	**63,453**	**–**	**–**	**6,155,291**
Amortisation for the year	978,123	–	–	–	**978,123**
Write off	(11,149)	–	–	–	**(11,149)**
Exchange difference on translation	(23,909)	(11,354)	–	–	**(35,263)**
At 31 December 2023	**7,034,903**	**52,099**	**–**	**–**	**7,087,002**
NET CARRYING AMOUNT					
At 31 December 2023	**2,490,306**	**–**	**25,000**	**155,398**	**2,670,704**
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	–	–	–	(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**

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

17. INTANGIBLE ASSETS (continued)

(b) BANK

	Computer Software KShs'000	Work-in progress KShs'000	KShs'000
COST			
At 1 January 2023	**7,301,234**	**706,651**	**8,007,885**
Additions	498,104	613,357	1,111,461
Transfer from work-in-progress	1,077,969	(1,077,969)	–
Write off	(18,523)	(92,269)	(110,792)
At 31 December 2023	**8,858,784**	**149,770**	**9,008,554**
AMORTISATION			
At 1 January 2023	**5,468,274**	**–**	**5,468,274**
Amortisation for the year	955,761	–	955,761
Write off	(11,149)	–	(11,149)
At 31 December 2023	**6,412,886**	**–**	**6,412,886**
NET CARRYING AMOUNT			
At 31 December 2023	**2,445,898**	**149,770**	**2,595,668**
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	–	(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**

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. 3,295,098,540 (2022-KShs. 3,047,328,044), 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. 659,019,708 (2022-KShs. 609,465,609).

18. LEASEHOLD LAND

	Group and Bank	
	2023 KShs'000	**2022 KShs'000**
COST		
At 1 January	**54,413**	**54,413**
AMORTISATION:		
At 1 January	**21,720**	**21,111**
Charge for the year	610	609
At 31 December	**22,330**	**21,720**
NET CARRYING AMOUNT		
At 31 December	**32,083**	**32,693**

Prepaid lease rentals relate to advance payments made for the right of occupancy of leasehold land made to the Government of Kenya for a lease term period of 99 years. Amortization is done over the remaining lease period of the lease as at the time of purchase.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. PROPERTY AND EQUIPMENT

(a) GROUP

COST/VALUATION	Land & buildings KShs'000	Capital work-in progress KShs'000	Fixtures KShs'000	Office machinery, furniture & equipment KShs'000	Motor vehicles KShs'000	Computers KShs'000	Total KShs'000
At 1 January 2023	**3,073,296**	**148,409**	**10,243,815**	**2,542,030**	**131,973**	**8,972,995**	**25,112,518**
Additions	–	538,769	386,796	270,226	50,494	341,987	**1,588,272**
Disposals	–	–	(2,479)	(13,889)	–	(33,109)	**(49,477)**
Revaluation	10,500	–	–	–	–	–	**10,500**
Transfers from WIP	–	(302,000)	302,000	–	–	–	**–**
Asset reclassification	–	–	(50,571)	–	–	50,571	**–**
Exchange difference on translation	(143)	(2,974)	(76,294)	(39,317)	(9,787)	(16,148)	**(144,663)**
At 31 December 2023	**3,083,653**	**382,204**	**10,803,267**	**2,759,050**	**172,680**	**9,316,296**	**26,517,150**
ACCUMULATED DEPRECIATION							
At 1 January 2023	**–**	**–**	**8,832,580**	**1,934,014**	**106,662**	**7,443,858**	**18,317,114**
Charge for the year	134,863	–	367,371	177,322	19,371	616,668	**1,315,595**
Disposals	–	–	(2,479)	(13,863)	–	(33,010)	**(49,352)**
Asset reclassification	–	–	(1,054)	–	–	1,054	**–**
Asset transfer	–	–	–	–	–	1,738	**1,738**
Exchange difference on translation	–	–	(70,906)	(23,734)	(7,563)	(13,910)	**(116,113)**
At 31 December 2023	**134,863**	**–**	**9,125,512**	**2,073,739**	**118,470**	**8,016,398**	**19,468,982**
NET CARRYING AMOUNT							
At 31 December 2023	**2,948,790**	**382,204**	**1,677,755**	**685,311**	**54,210**	**1,299,898**	**7,048,168**

(i) Capital work-in-progress (WIP) represents ongoing construction work at the various branches of the Group.

(ii) Kingdom Bank Land and Buildings were revalued as at 30 January 2023 by Morgan Wright Limited. The Bank revalued the Land and Buildings 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. 2,948,790,089 (2022: KShs. 3,073,296,409).

(iii) 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. 14,283,110,953 (2022- KShs. 13,472,995,738), 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. 2,185,036,288 (2022 - KShs. 2,182,264,329).

(iv) The Group has not pledged any item of property, plant and equipment as security as at 31 December 2023 (31 December 2022: Nil).

(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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. PROPERTY AND EQUIPMENT (continued)

(a) GROUP (Continued)

COST/VALUATION	Land & buildings KShs'000	Capital work-in progress KShs'000	Fixtures KShs'000	Office machinery, furniture & equipment KShs'000	Motor vehicles KShs'000	Computers KShs'000	Total 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	**-**
Asset Reclassification from intangible assets	(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) 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).

(iv) The Group has not pledged any item of property, plant and equipment as security as at 31 December 2022 (31 December 2021: Nil).

(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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. PROPERTY AND EQUIPMENT (continued)

(b) BANK

COST/VALUATION	Land & buildings KShs'000	Capital work-in progress KShs'000	Fixtures KShs'000	Office machinery, furniture & equipment KShs'000	Motor vehicles KShs'000	Computers KShs'000	Total KShs'000
At 1 January 2023	**2,307,300**	**78,626**	**9,871,694**	**1,601,726**	**85,597**	**8,876,675**	**22,821,618**
Additions	–	462,392	378,313	220,345	44,554	328,580	**1,434,184**
Disposals	–	–	(2,479)	(12,947)	–	(31,385)	**(46,811)**
Transfer from work-in-progress	–	(302,000)	302,000	–	–	–	**–**
Asset Reclassification		–	(50,571)	–	–	50,571	**–**
At 31 December 2023	**2,307,300**	**239,018**	**10,498,957**	**1,809,124**	**30,151**	**9,224,441**	**24,208,991**
ACCUMULATED DEPRECIATION							
At 1 January 2023	**–**	**–**	**8,486,736**	**1,383,028**	**69,251**	**7,360,365**	**17,299,380**
Charge for the year	134,863	–	356,879	103,357	13,422	613,650	**1,222,171**
Disposals	–	–	(2,479)	(12,921)	–	(31,336)	**(46,736)**
Asset transfer	–	–	–	–	–	1,738	**1,738**
Asset reclassification	–	–	(1,054)	–	–	1,054	**–**
At 31 December 2023	**134,863**	**–**	**8,840,082**	**1,473,464**	**82,673**	**7,945,471**	**18,476,553**
NET CARRYING AMOUNT							
At 31 December 2023	**2,172,437**	**239,018**	**1,658,875**	**335,660**	**47,478**	**1,278,970**	**5,732,438**

(i) Capital work-in-progress represents ongoing construction work at the various branches of the Bank.

(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. 2,172,437,089 (2022- KShs. 2,307,300,000).

(iii) 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. 14,263,107,148 (2022- KShs. 13,466,851,726), 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. 2,307,432,683 (2022 – KShs. 2,181,035,527).

(iv) 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

19. PROPERTY AND EQUIPMENT (continued)

(b) BANK (Continued)

COST/VALUATION	Land & buildings KShs'000	Capital work-in progress KShs'000	Fixtures KShs'000	Office machinery, furniture & equipment KShs'000	Motor vehicles KShs'000	Computers KShs'000	Total 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) 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).

(iii) 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).

(iv) 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

20. LEASES

i) Right-of-use assets

	Group			Bank		
	Buildings and Equipment KShs'000	Motor Vehicles KShs'000	Total KShs'000	Buildings and Equipment KShs'000	Motor Vehicles KShs'000	Total KShs'000
COST						
At 1 January 2023	**7,278,636**	**208,273**	**7,486,909**	**6,799,021**	**208,273**	**7,007,294**
Additions	2,869,518	69,902	2,939,420	2,483,392	69,902	2,553,294
Disposals	(2,030)	–	(2,030)	–	–	–
Exchange differences	(54,627)	–	(54,627)	–	–	–
At 31 December 2023	**10,091,497**	**278,175**	**10,369,672**	**9,282,413**	**278,175**	**9,560,588**
DEPRECIATION						
At 1 January 2023	**4,667,789**	**160,983**	**4,828,772**	**4,429,102**	**160,983**	**4,590,085**
Depreciation for the year	1,411,955	47,840	1,459,795	1,314,614	47,840	1,362,454
Disposals	2,030	–	2,030	–	–	–
At 31 December 2023	**6,081,774**	**208,823**	**6,290,597**	**5,743,716**	**208,823**	**5,952,539**
NET CARRYING AMOUNT						
At 31 December 2023	**4,009,723**	**69,352**	**4,079,075**	**3,538,697**	**69,352**	**3,608,049**
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
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
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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
At 1 January	3,191,216	4,286,368	2,921,715	3,848,619
Additions/ modification	2,702,431	125,476	2,311,609	81,760
Accretion of interest	377,494	200,154	339,308	182,839
Payments	(1,662,052)	(1,331,524)	(1,478,073)	(1,191,503)
Translation difference	136,126	(89,258)	–	–
At 31 December	**4,745,215**	**3,191,216**	**4,094,559**	**2,921,715**

Expected to be settled within 12 months after the year end	1,437,546	979,770	1,378,145	926,904
Expected to be settled more than 12 months after the year end	3,307,669	2,211,446	2,716,414	1,994,811
	4,745,215	**3,191,216**	**4,094,559**	**2,921,715**

The total cash outflow for leases in the year was:				
Payments of principal portion of the lease liability	1,284,558	1,131,370	1,138,765	1,008,664
Interest paid on lease liabilities	377,494	200,154	339,308	182,839
	1,662,052	**1,331,524**	**1,478,073**	**1,191,503**

iii) Amounts recognised in profit or loss

	Group		Bank	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Interest on lease liabilities	(377,494)	(200,154)	(339,308)	(182,839)
Depreciation of right to use asset	(1,461,826)	(1,165,304)	(1,362,454)	(1,076,408)
As at 31 December	**(1,839,320)**	**(1,365,458)**	**(1,701,762)**	**(1,259,247)**

The Group and Bank lease holdings include leased space where the bank's branches and subsidiaries conduct their business as well as twenty-five 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 3(b).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	2023			2022		
	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	(5,242,616)	(259,179)	–	(4,983,437)	(511,445)	
Revaluation surplus	540,096	–	(9,322)	549,418	–	80,992
Excess of tax wear and tear allowance over depreciation	(686,507)	249,971	–	(936,478)	42,564	–
Unrealised exchange gains	–	(17,082)	–	17,082	(195,621)	–
Right-of-use assets	(145,107)	3,693	–	(148,800)	(18,882)	–
Unutilised tax losses	3,297	442,527	–	(183,466)	(183,466)	–
Other temporary differences	(818,221)	(612,011)	–	(461,975)	59,652	–
Deferred tax asset	**(6,349,058)**	**(192,081)**	**(9,322)**	**(6,147,656)**	**(807,198)**	**80,992**
Collective allowance for impairment disallowed for tax purposes	(13,319)	31,209	–	(5,772)	10,362	–
Excess of tax wear and tear allowance over depreciation	(10,763)	8,564	–	(5,266)	(2,734)	–
Right-of-use assets	22,736	(35,737)	–	94,835	(133,717)	–
Other temporary differences	11,658	7,991	–	19,284	25,435	–
Deferred tax liability	**10,312**	**12,027**	**–**	**103,081**	**(100,654)**	**–**
Net deferred tax asset	**(6,338,746)**	**(180,054)**	**(9,322)**	**(6,044,575)**	**(907,852)**	**80,992**
BANK						
Collective allowance for impairment disallowed for tax purposes	(5,127,542)	(302,285)	–	(4,825,259)	(539,720)	–
Revaluation surplus	540,096	–	(9,322)	549,418	–	80,992
Accelerated wear and tear allowance over depreciation	(763,848)	273,577	–	(1,037,425)	42,181	–
Unrealised exchange gains	–	(17,082)	–	17,082	(195,622)	–
Provision for staff leave pay	(97,766)	(932)	–	(96,834)	(29,389)	–
Right-of-use assets	(145,953)	4,051	–	(150,004)	(18,975)	–
Other temporary differences	(568,357)	(467,418)	–	(100,938)	96,919	–
	(6,163,370)	**(510,089)**	**(9,322)**	**(5,643,960)**	**(644,606)**	**80,992**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

22. DEPOSITS AND BALANCES DUE TO BANKS

	Group		Bank	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Local banks	4,457,254	250,571	4,106,575	144,708
Foreign banks	24	836,930	1,645,508	836,929
	4,457,278	**1,087,501**	**5,752,083**	**981,637**

The weighted average effective interest rate on deposits from other banks at 31 December 2023 was 1.92% (2022: 1.15%). These current accounts do not accrue any interest.

23. CUSTOMER DEPOSITS

	Group		Bank	
	2023	2022	2023	2022
(a) Deposit category	KShs'000	KShs'000	KShs'000	KShs'000
Call deposits	79,945,345	46,837,749	79,945,345	46,837,749
Fixed deposits	107,590,357	103,468,489	97,692,213	96,840,803
Transaction accounts	127,561,393	126,412,537	126,222,456	125,421,013
Savings accounts	24,447,352	22,763,493	23,832,959	22,381,245
Current accounts	108,817,790	121,470,823	101,575,514	115,857,467
Foreign currency deposits	3,279,811	2,849,577	3,279,811	2,849,577
	451,642,048	**423,802,668**	**432,548,298**	**410,187,854**
(b) From government and parastatals: -				
Payable on demand	26,968,358	32,157,603	26,678,537	31,793,037
Payable within 30 days	15,905,837	9,706,827	15,905,837	9,706,827
Payable after 30 days but within 1 year	17,863,549	18,939,272	17,863,549	18,939,271
	60,737,744	**60,803,702**	**60,447,923**	**60,439,135**
From private sector and individuals: -				
Payable on demand	212,099,213	221,817,559	198,722,713	215,431,748
Payable within 30 days	86,066,310	37,602,221	86,066,310	37,602,221
Payable after 30 days but within 1 year	92,738,781	103,579,186	87,311,352	96,714,750
	390,904,304	**362,998,966**	**372,100,375**	**349,748,719**
	451,642,048	**423,802,668**	**432,548,298**	**410,187,854**

Included in customers' deposits is an amount of KShs. 6,585 million (2022: KShs. 1,634 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 4.13% (2022: 3.37%).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

24. LOANS AND BORROWINGS

	Group		Bank	
	2023	**2022**	**2023**	**2022**
Long-term borrowing	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Kenya Mortgage Refinance Company	389,783	467,450	389,784	467,450
International Finance Corporation (IFC)	16,078,640	15,546,497	16,078,640	15,546,497
AFD Microfinance & line of credit	–	1,158,249	–	1,158,249
EIB- East Africa	7,897,748	6,888,788	7,897,748	6,888,788
DEG	15,719,835	–	15,719,835	–
	40,086,006	**24,060,984**	**40,086,007**	**24,060,984**
Central Bank of Kenya	27,248,310	24,041,088	7,000,000	823,480
	67,334,316	**48,102,072**	**47,086,007**	**24,884,464**
Movement in the year:				
At 1 January	48,102,072	42,914,622	24,884,464	20,144,729
Additional loan disbursement	16,030,174	6,458,253	15,646,180	6,458,253
Central Bank REPO	7,000,000	823,480	7,000,000	823,480
Accrued interest	361,305	139,674	314,611	139,674
Loan Repayment	(8,200,095)	(4,881,479)	(5,168,032)	(4,771,958)
Foreign exchange difference	4,040,860	2,647,522	4,408,784	2,090,286
At 31 December	**67,334,316**	**48,102,072**	**47,086,007**	**24,884,464**

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 2023, 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 facility was fully repaid in 2023.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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, Women Owned Enterprises (WOE) 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 2023, 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 2023, the amount disbursed to the Bank was KShs. 549.79 Million.

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.

DEG - Deutsche Investitions- Und Entwicklungsgesellschaft Mbh

The Co-operative Bank of Kenya Limited signed USD 100 Million Subordinated Term facility agreement arranged by DEG in December 2022. The loan facility was disbursed in 2023. The facility is for onward lending to micro, small and medium-sized enterprises. The loan has a maturity period of 7 years and a 5-year grace period on principal repayment.

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

25 TAXATION

	Group		Bank	
	2023	**2022**	**2023**	**2022**
(a) Income Statement: -	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Current tax at 30% on the taxable profit for the year (2022-30%)	9,367,563	8,296,906	8,653,052	7,880,725
Deferred tax (credit) / charge	(192,081)	(907,851)	(510,089)	(644,606)
Income tax expense	**9,175,482**	**7,389,055**	**8,142,963**	**7,236,119**
(b) Statement of Financial Position: -				
Tax (recoverable)/ Payable				
Balance brought forward	(330,854)	903,763	(326,217)	907,798
Under provision in previous year	–	–	–	1,483
Charge for the year	9,367,563	8,296,906	8,653,052	7,880,725
Paid during the year	(9,691,485)	(9,531,523)	(9,117,671)	(9,116,223)
	(654,776)	**(330,854)**	**(790,836)**	**(326,217)**
(c) Reconciliation of tax expense to tax based on accounting profit: -				
Accounting profit	**32,363,848**	**29,427,223**	**29,616,457**	**26,871,740**
Tax applicable rate at 30% (2022:30%)	9,709,154	8,828,167	8,884,937	8,061,522
(Over) / under-provision in previous year	–	–	–	(1,483)
Share of profit in associate	103,718	124,842	–	–
Hyper inflationary adjustment	2,174	1,293	–	–
Tax effect of items not eligible for tax	(639,563)	(1,565,247)	(741,974)	(823,920)
Tax expense in the income statement	**9,175,483**	**7,389,055**	**8,142,963**	**7,236,119**

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

26. PROVISIONS

	Group		Bank	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Leave liability	284,379	276,702	274,687	271,581
Balance at 1 January	**276,702**	**173,866**	**271,581**	**173,617**
Movement through profit or loss	7,677	102,836	3,106	97,964
Balance at 31 December	**284,379**	**276,702**	**274,687**	**271,581**

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	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Bills payable	7,413,300	6,053,611	7,412,856	6,053,309
Lease liabilities (Note 20)	4,745,215	3,191,216	4,094,559	2,921,715
Items in the course of collection by other banks	3,088	3,289	–	–
Sundry creditors and accruals	20,750,101	15,477,513	18,307,302	14,265,609
Allowance for credits losses for off balance sheet commitments	822,457	1,255,963	822,457	1,255,963
	33,734,161	**25,981,592**	**30,637,174**	**24,496,596**

Bills payable, sundry creditors and accruals are payable on demand and are non-interest bearing.

28. GOVERNMENT GRANTS

	Group and Bank	
	2023 KShs'000	2022 KShs'000
Grant net of amortisation:		
At 1 January	**387,989**	**406,465**
Amortisation for the year	(18,476)	(18,476)
At 31 December	**369,513**	**387,989**

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

29. SHARE CAPITAL

	Group and Bank	
	2023 KShs'000	2022 KShs'000
Authorised :-		
7.5 billion (2022: 7.5 billion) ordinary shares of KShs. 1 each.	**7,500,000**	**7,500,000**
Issued and fully paid:-		
5.8 billion (2022: 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	
	2023 KShs'000	2022 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 2023, the Group and the Bank's allowance for expected credit losses calculated in line with IFRS 9 amounted to KShs. 42.8 billion and KShs. 40.6 billion (2022: KShs. 38.0 billion and KShs. 34.9 billion) respectively while the Group and the Bank's Statutory loan loss provisions amounted to KShs. 53 million and Nil in 2023, (2022: KShs. 67 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

32. PROPOSED DIVIDENDS AND DIVIDENDS PER SHARE

	Group and Bank	
	2023	**2022**
	KShs'000	**KShs'000**
Proposed dividends	**8,800,770**	**8,800,770**

(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 2023 financial statements, a first and final dividend in respect of year 2023 of KShs. 1.50 (2022 - KShs. 1.50) 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 2023	**Kingdom Bank Limited KShs'000**	**Kingdom Securities Limited KShs'000**	**Co–operative Bank of South Sudan KShs'000**
Interest and other income	4,272,077	138,990	1,576,262
Interest and commission expenses	(955,284)	(41,126)	(45,415)
	3,316,793	**97,864**	**1,530,847**
Operating expenses	(2,236,106)	(84,673)	(1,239,551)
Loss on net monetary position	–	–	–
Profit / (loss) before tax	**1,080,687**	**13,191**	**291,296**
Share of profit of an associate	–	–	–
Income tax credit/ (expense)	(419,616)	(11,388)	(91,866)
Profit for the year	**661,071**	**1,803**	**199,430**
Other comprehensive income	(996,073)	(4,178)	–
Total comprehensive income	**(335,002)**	**(2,375)**	**199,430**
Allocated to non-controlling interest	66,107	721	97,721

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

33. MATERIAL PARTLY OWNED SUBSIDIARIES (Continued)

Summarised statement of profit or loss and other comprehensive income for: -

As at 31 December 2022	Kingdom Bank Limited KShs'000	Kingdom Securities Limited KShs'000	Co-operative Bank of South Sudan 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 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

Summarised statement of financial position: -

As at 31 December 2023	Kingdom Bank Limited KShs'000	Kingdom Securities Limited KShs'000	Co-operative Bank of South Sudan KShs'000
Current assets	27,689,317	794,171	10,032,172
Non-current Assets	8,906,723	28,496	537,948
Liabilities	(35,025,351)	(712,672)	(9,251,618)
Total equity	**1,570,689**	**109,995**	**1,318,502**
Attributable to:			
Equity holders of the parent	1,413,620	65,997	672,436
Accumulated non-controlling interests of the subsidiary	157,069	43,998	646,066
As at 31 December 2022			
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**	**112,370**	**1,386,180**
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

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 for the financial years ended 2016 to 2022 using consumer price index (CPI) figures derived from South Sudan Consumer Price Index (CPI) compiled by the National Bureau of Statistics, South Sudan. CPIs and the corresponding conversion coefficients used in the previous period 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

The International Monetary Fund - World Economic Outlook forecasts an annual rate of inflation of 46% and 6% for 2023 and 2024, respectively. Therefore, it is expected that South Sudan will no longer be hyperinflationary at the end of 2023 subject to further monitoring. Co-operative Bank of South Sudan has aligned with IAS 29 standard by unwinding from application of the standard effective the year ended 31 Dec 2023.

34. INTEREST AND SIMILAR INCOME

	Group		Bank	
	2023	2022	2023	2022
Interest income calculated using the effective interest method	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances to customers	44,760,485	40,398,121	43,366,267	39,782,410
Debt instruments at amortised cost	10,286,744	8,628,974	9,320,982	8,057,882
Debt instruments at FVOCI	12,474,810	12,609,343	10,736,975	10,312,097
Amortization of financial instruments	370,760	(371,532)	370,760	(371,532)
Deposits and balances due from other banks	1,173,269	479,990	680,788	242,747
	69,066,068	**61,744,896**	**64,475,772**	**58,023,604**
Other interest and Similar income				
Treasury bonds at FVPL	–	1,227	–	1,227
Total interest and similar income	**69,066,068**	**61,746,123**	**64,475,772**	**58,024,831**

35. INTEREST AND SIMILAR EXPENSE

	Group		Bank	
	2023	2022	2023	2022
Interest expense calculated using the effective interest method	KShs'000	KShs'000	KShs'000	KShs'000
Call deposits	3,183,554	2,812,291	3,183,554	2,812,291
Fixed deposits	12,527,162	8,842,050	11,593,248	8,264,711
Savings accounts	907,359	974,014	906,218	973,735
Current accounts	1,623,016	1,783,489	1,621,720	1,781,190
Deposits and balances due to banks	1,231,766	426,186	1,225,565	426,186
Lease obligations	377,494	200,154	339,308	182,839
Borrowed funds	3,994,555	1,383,153	3,932,983	1,327,316
	23,844,906	**16,421,337**	**22,802,596**	**15,768,268**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

36. FEES AND COMMISSIONS

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	KShs'000	**KShs'000**	**KShs'000**	**KShs'000**
Fees and commissions income	22,379,996	20,079,339	19,819,867	17,823,007
Fees and commissions expense	(143,141)	(341,229)	(143,141)	(341,229)
Net fees and commissions income	**22,236,855**	**19,738,110**	**19,676,726**	**17,481,778**

Disaggregated fees and commission information as at the period end

31 December 2023	**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	333,777	–	–	–	–	333,777
Share registration	14,207	–	–	–	–	14,207
Fund management	–	–	–	392,045	–	392,045
Brokerage	–	–	–	–	54,582	54,582
Consultancy	–	37,298	–	–	–	37,298
Training	–	34,472	–	–	–	34,472
Insurance agency	–	–	999,114	–	–	999,114
Ledger fees and service charges	1,468,391	–	–	–	–	1,468,391
Other fees & commissions	18,902,969	–	–	–	–	18,902,969
Total revenue from contracts with customers	**20,719,344**	**71,770**	**999,114**	**392,045**	**54,582**	**22,236,855**
Timing of revenue recognition						
Services transferred at a point in time	20,371,361	71,770	999,114	–	54,582	21,496,827
Services that are provided over time	347,983	–	–	392,045	–	740,028
Total revenue from contracts with customers	**20,719,344**	**71,770**	**999,114**	**392,045**	**54,582**	**22,236,855**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

36. FEES AND COMMISSIONS (Continued)

Disaggregated fees and commission information as at the period end (Continued)

31 December 2022	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	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**

37. NET TRADING INCOME

	Group		Bank	
	2023 KShs'000	**2022 KShs'000**	**2023 KShs'000**	**2022 KShs'000**
Foreign exchange gain	3,181,189	4,717,291	2,877,509	4,551,793

38. OTHER OPERATING INCOME

	Group		Bank	
	2023 KShs'000	**2022 KShs'000**	**2023 KShs'000**	**2022 KShs'000**
Gain on disposal of property and equipment	2,504	1,288	1,905	–
Dividend income	–	1,444	86,668	1,444
Rental income	140,722	131,043	140,722	131,043
Gain on sale of financial assets at Fair value	115,868	103,164	10,502	59,770
Sundry Income	766,136	1,019,119	459,147	653,324
	1,025,230	**1,256,058**	**698,944**	**845,581**

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

39. EMPLOYEE COSTS

	Group		Bank	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Basic salaries	13,538,500	12,000,336	12,478,606	11,136,999
Allowances	520,202	448,105	492,040	427,090
Pension scheme contribution				
- Statutory Scheme	48,860	9,179	47,876	8,992
- Employee Scheme	970,719	910,668	931,664	881,550
Medical expenses	787,672	674,983	732,876	632,547
Education and training	62,177	77,441	59,185	72,572
Others	762,119	661,824	505,020	488,048
	16,690,249	**14,782,536**	**15,247,267**	**13,647,798**
The number of employees at the year-end was:				
Management	776	720	679	652
Supervisory and unionizable	3,790	3,322	3,280	3,148
Others	834	822	763	511
	5,400	**4,864**	**4,722**	**4,311**

40. OTHER OPERATING EXPENSES

	Group		Bank	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Rent and maintenance costs for branch premises	849,894	923,913	701,845	820,111
Motor vehicle running & other equipment maintenance	3,040,191	2,315,516	3,028,580	2,306,295
Stationery and printing	368,943	315,677	346,351	300,013
Travelling and insurance	987,978	1,235,138	755,651	1,062,237
Telephone, postage, electricity and water	750,458	623,391	681,169	580,530
Contribution to Deposit Protection Fund	675,506	661,114	662,071	649,496
Directors' emoluments	264,495	235,728	192,496	177,448
Auditors' remuneration	47,631	47,306	22,443	20,872
Loss on net monetary position	–	116,090	–	–
Other operating and administrative expenses	6,787,668	8,609,505	4,868,579	7,358,331
	13,772,764	**15,083,378**	**11,259,185**	**13,275,333**

	2023	2022
Total Audit fees charged		
Auditors of the Group	**KShs'000**	**KShs'000**
The company	22,443	20,872
Other audit service	8,287	4,928
Consolidated controlling entities	6,052	5,628
Total	**36,782**	**31,428**
Total Non-audit fees charged		
Tax	2,394	2,259
ICT and Cybersecurity	16,485	15,537
All other services	4,684	4,621
Total	**23,563**	**22,317**

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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

41. ECL-OTHER FINANCIAL ASSETS

	Group		Bank	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Credit loss expense				
ECL- Bank balances	452	2,226	452	2,226
ECL- Off balance sheet balances	–	253,530	–	253,530
ECL- Investments in Government securities	167,455	46,257	167,455	46,257
ECL- Sundry debtors	–	137,044	5,433	7,833
	167,907	**439,057**	**173,340**	**309,846**
Credit loss write back				
ECL- Bank balances	–	–	–	–
ECL- Off balance sheet balances	(433,507)	–	(433,507)	–
ECL- Sundry debtors	(309,875)	–	–	–
	(743,382)	**–**	**(433,507)**	**–**
Net credit loss (write back)/expense	**(575,475)**	**439,057**	**(260,167)**	**309,846**

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	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Profit for the year attributable to equity holder of the parent (KShs'000)	24,154,373	21,829,895	21,473,494	19,635,623
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)	3.92	3.72	3.66	3.35
Diluted earnings per share (KShs)	3.92	3.72	3.66	3.35

43. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Financial Assets at fair value through other comprehensive income

	Group		Bank	
	2023 KShs'000	2022 KShs'000	2023 KShs'000	2022 KShs'000
Losses arising during the year	(8,357,413)	(8,605,319)	(7,363,660)	(7,598,110)
Reclassification to profit or loss	(4,178)	–	–	–
	(8,361,591)	**(8,605,319)**	**(7,363,660)**	**(7,598,110)**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

44. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

		2023	2022	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES: -	**Note**	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
Profit before tax		**32,363,848**	**29,427,223**	**29,616,457**	**26,871,742**
Adjustments for: -					
Depreciation of property and equipment	19	1,315,595	1,220,009	1,222,171	1,110,118
Depreciation of right-of-use asset	20	1,461,825	1,165,304	1,362,454	1,076,408
Write-off on property and equipment	19	–	(16,933)	–	(180)
Amortization of leasehold	18	610	610	610	610
Write-off on intangible assets	17	99,643	–	110,792	–
Movement in provisions		4,801,324	4,422,479	5,727,066	5,195,704
Leave provision	26	7,677	102,836	3,106	97,964
Allowance for credit losses		(645,345)	712,828	(260,167)	(698,134)
Unrealised exchange difference		–	–	–	–
Amortization of intangible assets	17	(978,123)	805,223	955,761	770,641
Amortization of capital grants	28	(18,475)	(18,476)	(18,475)	(18,476)
Gain on disposal of property and equipment		(2,504)	(1,288)	(1,905)	–
Share of (loss)/ profit in associates	16	(345,725)	(416,141)	–	–
Interest on lease liability	20(ii)	377,494	200,154	339,308	182,839
Exchange difference on borrowings	24	4,040,861	2,657,117	4,408,784	2,090,286
Accrued interest on borrowings	24	361,305	139,674	314,611	139,674
Loss on net monetary position		–	116,090	–	–
Cash flows from operating activities before working capital changes		**42,840,010**	**40,516,709**	**43,780,573**	**36,819,196**
Advances to customers		(39,638,706)	(33,617,221)	(34,791,414)	(31,934,303)
Other assets		8,712,855	(9,115,451)	6,559,354	(7,981,326)
Deposits from customers		27,839,380	16,076,903	22,360,444	11,501,561
Deposits from banks		3,369,777	295,399	4,770,446	227,065
Other liabilities		6,632,080	307,279	4,527,583	1,193,236
Central Bank of Kenya cash reserve ratio		(1,341,383)	(804,754)	(1,140,925)	(343,931)
FVOCI Investments		1,098,138	(705,994)	(1,463,482)	(5,615,559)
Derivative financial instruments		1,602,828	(6,960)	1,602,828	(6,960)
Cash flows generated from operating activities		**51,114,979**	**12,945,910**	**46,205,407**	**3,858,979**
Cash and cash equivalents comprises of:-					
Cash on hand		10,372,273	9,011,686	8,709,925	7,802,190
Cash with Central Bank of Kenya		22,150,738	19,129,408	19,305,088	16,505,270
Deposits and balances due from banking institutions		27,316,305	9,987,563	21,731,801	6,834,566
Items in the course of collection from other banks		(650,637)	325,425	650,502	325,425
		59,188,679	38,454,082	50,397,316	31,467,450
Less: Central Banks restricted Cash		(19,129,464)	(17,788,081)	(18,197,025)	(17,056,100)
Cash and cash equivalents		**40,059,215**	**20,666,001**	**32,200,291**	**14,411,350**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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	
	2023	**2022**
	KShs'000	**KShs'000**
Directors	168,125	188,332
Employees	12,521,785	12,204,327
Associates	6,622,490	6,490,964
	19,312,400	**18,883,623**
Interest income earned	**876,367**	**767,363**
Weighted average interest rate	**6%**	**6%**

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 (2022-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.

Kingdom Securities Limited has an outstanding loan of KShs. 544 Million (2022: 45 Million) with the Bank 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	
	2023	**2022**
	KShs'000	**KShs'000**
Directors and Employees (Key personnel)	760,950	660,950
Subsidiaries and Associate companies	362,620	206,949
Interest expensed	58,649	29,621
Weighted average interest rate	7.7%	4.5%

(c) Inter-company balances and transactions: -

The financial statements include the following balances relating to transactions entered into with other group companies:

		Bank	
	Relationship	**2023**	**2022**
		KShs'000	**KShs'000**
Due from:-			
Co-opholdings Co-operative Society Limited	Parent	45,866	11,373
Co-operative Bank of South Sudan	Subsidiary	58,649	18,220
		104,515	**29,593**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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:

	Relationship	Bank 2023 KShs'000	Bank 2022 KShs'000
Due to:-			
Insurance premium:-			
Co-operative Insurance Company Limited	Associate	344,969	330,407

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 2023 KShs'000	Group 2022 KShs'000	Bank 2023 KShs'000	Bank 2022 KShs'000
Non-executive directors				
Directors' emoluments:				
-Fees	237,715	220,626	169,222	163,163
-Others	26,780	15,103	23,274	14,285
	264,495	**235,729**	**192,496**	**177,448**
Executive director				
-Short-term employee benefits	154,391	140,711	148,447	134,951
-Post-employment benefits/bonus	301,138	287,511	301,138	287,511
	455,529	**428,222**	**449,585**	**422,462**
Senior Managers:				
-Short-term employee benefits	1,896,020	1,584,486	1,649,457	1,391,816
-Post-employment pension	161,644	147,227	155,606	142,161
-Termination benefits	678	1,446	678	1,446
	2,058,342	**1,733,159**	**1,805,741**	**1,535,423**

(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 2023, KShs. 144,889,245 (2022-KShs. 134,980,164) was disbursed to the Foundation. At 31 December 2023, the Foundation held deposits of KShs. 44,779,861 (2022-KShs. 91,508,075) with the Bank. The Bank also gives donation in kind through payment of the Foundation operating expenses. The total costs covered as at 31 December 2023 amounted to KShs. 69,162,606 (2022 – KShs. 48,444,492).

(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. 966 million as at 31 December 2023 (2022- KShs. 912 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:

	2023 KShs'000	2022 KShs'000
Rent paid to the scheme on leased property	10,955	8,584
Dividends paid on the Bank's ordinary shares	53,167	53,167

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023						
ASSETS						
Cash and balances with Central Banks	32,492,671	–	**32,492,671**	28,015,013	–	**28,015,013**
Deposits and balances due from banks	27,275,130	–	**27,275,130**	21,729,052	–	**21,729,052**
Investment in Financial Instruments	28,282,460	162,540,589	**190,823,049**	28,282,460	141,181,471	**169,463,931**
Loans and advances	79,582,540	294,644,881	**374,227,421**	74,117,236	286,270,150	**360,387,386**
Income tax recoverable	–	654,776	**654,776**	–	790,836	**790,836**
Deferred tax asset	–	6,338,746	**6,338,746**	–	6,163,371	**6,163,371**
Other assets	1,884,076	18,996,403	**20,880,479**	–	21,145,427	**21,145,427**
Investment in subsidiaries	–	–	**–**	–	3,884,925	**3,884,925**
Investment in associates	–	2,711,086	**2,711,086**	–	706,444	**706,444**
Property and equipment	–	7,048,168	**7,048,168**	–	5,732,438	**5,732,438**
Right-of-use assets	1,525	4,077,550	**4,079,075**	–	3,608,049	**3,608,049**
Intangible assets	–	2,670,704	**2,670,704**	–	2,595,668	**2,595,668**
Goodwill	–	3,294,000	**3,294,000**	–	–	**–**
Total assets	**169,518,402**	**502,976,903**	**672,495,305**	**152,143,761**	**472,078,779**	**624,222,540**
LIABILITIES						
Customer Deposits	406,813,222	44,828,826	**451,642,048**	399,865,520	32,682,778	**432,548,298**
Deposits and balances due to banks	4,457,278	–	**4,457,278**	5,752,083	–	**5,752,083**
Provisions	3,935	280,444	**284,379**	–	274,687	**274,687**
Other Liabilities	33,734,161	–	**33,734,161**	30,637,174	–	**30,637,174**
Government grants	–	369,513	**369,513**	–	369,513	**369,513**
Loans and borrowings	4,358,406	62,975,910	**67,334,316**	2,572,274	44,513,733	**47,086,007**
Deferred tax liability	–	–	**–**	–	–	**–**
Total liabilities	**449,367,002**	**108,454,693**	**557,821,695**	**438,827,051**	**77,840,711**	**516,667,762**
Net	**(279,848,600)**	**394,522,210**	**114,673,610**	**(286,683,290)**	**394,238,068**	**107,554,778**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 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**
Income 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**
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**	**499,330,820**	**606,958,301**	**94,791,242**	**467,051,833**	**561,843,075**
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**
Deferred tax liability	–	–	**–**	–	–	**–**
Total liabilities	**424,419,485**	**75,219,039**	**499,638,524**	**414,028,921**	**47,181,200**	**461,210,121**
Net	**(316,792,004)**	**424,111,781**	**107,319,777**	**(319,237,679)**	**419,870,933**	**100,632,954**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

47. OPERATING LEASE COMMITMENTS

As lessor:

The total future minimum lease receivables due from tenants are as follows:

	Group and Bank	
	2023 KShs'000	2022 KShs'000
Within One year	138,245	189,218
Between 2 and 5 years	645,510	756,873
Over 5 years	–	–
	783,755	**946,091**

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	
	2023 KShs'000	2022 KShs'000
Within one year	1,183,065	999,571
Between 2 and 5 years	2,474,952	2,190,115
Over 5 years	97,633	131,407
	3,755,650	**3,321,093**

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	
	2023 KShs'000	2022 KShs'000
(i) Capital: Authorised and contracted for	183,173	314,168
(ii) Capital: Authorised and not contracted for	3,865,023	3,944,261
(iii) Loans committed but not disbursed at year end	3,440,144	5,939,138

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

49. CONTINGENT LIABILITIES

(a) Financial guarantees, Letters of credit and other undrawn commitments

	Group		Bank	
	2023	2022	2023	2022
	KShs'000	KShs'000	KShs'000	KShs'000
Letters of credit	11,741,114	19,594,888	11,741,114	19,594,888
Guarantees	9,329,240	23,197,253	8,763,526	21,629,283
	21,070,354	**42,792,141**	**20,504,640**	**41,224,171**
Unutilised overdraft	7,478,877	4,185,425	7,478,877	4,185,425
Unutilised Credit Card	468,333	444,364	468,333	444,364
	7,947,210	**4,629,789**	**7,947,210**	**4,629,789**
Gross Carrying Amount	**29,017,564**	**47,421,930**	**28,451,850**	**45,853,960**
Allowance for credit losses	**(850,266)**	**(1,267,266)**	**(822,456)**	**(1,255,963)**
Net Carrying Amount	**28,167,298**	**46,154,664**	**27,629,394**	**44,597,997**

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 2023	**19,463,117**	**–**	**–**	**19,463,117**
Disbursement	18,785,782	–	–	18,785,782
Repayment (excluding write-off)	(26,507,785)	–	–	(26,507,785)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**11,741,114**	**–**	**–**	**11,741,114**
ECL allowance as at 1 January 2023	**395,173**	**–**	**–**	**395,173**
ECL on disbursements	98,760	–	–	98,760
ECL on Repayment (excluding write-off)	(423,390)	–	–	(423,390)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**70,543**	**–**	**–**	**70,543**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023	**23,197,253**	**–**	**–**	**23,197,253**
Disbursements	16,792,632	–	–	16,792,632
Repayment (excluding write-off)	(30,660,645)	–	–	(30,660,645)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**9,329,240**	**–**	**–**	**9,329,240**
ECL allowance as at 1 January 2023	**650,339**	**–**	**–**	**650,339**
ECL on disbursements	207,661	–	–	207,661
ECL on Repayment (excluding write-off)	(716,431)	–	–	(716,431)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**141,266**	**–**	**–**	**141,266**
	Bank			
Gross carrying amount as at 1 January 2023	**21,629,283**	**–**	**–**	**21,629,283**
Disbursements	15,774,347	–	–	15,774,347
Repayment (excluding write-off)	(28,640,104)	–	–	(28,640,104)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**8,763,526**	**–**	**–**	**8,763,526**
ECL allowance as at 1 January 2023	**639,036**	**–**	**–**	**639,036**
ECL on disbursements	166,780	–	–	166,780
ECL on Repayment (excluding write-off)	(692,360)	–	–	(692,360)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**113,456**	**–**	**–**	**113,456**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023	**4,629,789**	**–**	**–**	**4,629,789**
Disbursements	15,099,699	–	–	15,099,699
Repayment (excluding write-off)	(11,782,278)	–	–	(11,782,278)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**7,947,210**	**–**	**–**	**7,947,210**
ECL allowance as at 1 January 2023	**215,822**	**–**	**–**	**215,822**
ECL on disbursements	1,021,531	–	–	1,021,531
ECL on Repayment (excluding write-off)	(598,896)	–	–	(598,896)
Movement to Stage 1	–	–	–	–
Movement to Stage 2	–	–	–	–
Movement to Stage 3	–	–	–	–
At 31 December 2023	**638,457**	**–**	**–**	**638,457**

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 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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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**

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

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**

(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:-

(i) 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. Parties are to file their respective audit reports with the Arbitrator by 5th April 2024 and the matter will then be mentioned on 24th April 2024 for further directions.

(ii) 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 On 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.

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

49. CONTINGENT LIABILITIES (Continued)

c) Pending legal suits (Continued)

(ii) Alice Anyona Mumo & Others vs. RBA & Co-operative Bank of Kenya Limited Retirement Benefit Scheme, 2007 RBA Tribunal appeal no. 8 of 2013 (NBI) (Continued)

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 and they lodged an appeal in July 2023. The Court of Appeal is yet to give a date for the hearing of the appeal. Based on advice received from the Scheme Administrators and the Actuaries and also noting that the appellants lost the case at the RBA, the RBA Tribunal and at the High Court, 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 challenged the ruling at the High Court of Kenya and a ruling was made in favour of KRA in November 2022, therefore setting aside the ruling by the Tax Appeals Tribunal. Following this unfavourable ruling to the bank, the Bank challenged the High Court Ruling at the Court of Appeal. As at 31 December 2023, the Court of Appeal is yet to hear and render its ruling on the case.

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. 233.0 billion (2022 – KShs. 185.2 billion). The income for the period for custodial services was KShs. 355.9 million (2022- KShs. 301.3 million) while the expenses amounted to KShs. 63.4 million (2022- KShs. 62.8 million).

The Group, through Co-op Trust Investment Services Limited manages securities with a value of KShs. 218.38 billion (2022- KShs. 196.47 billion) on behalf of customers. The total income for the period from fund management was KShs. 392.05 million (2022- KShs. 343.08 million), with total expenses amounting to KShs. 209.06 million (2022- KShs. 182.51 million).

Notes to the Consolidated Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2023

51. ASSETS PLEDGED AS SECURITY

As at 31 December 2023, 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.