



CO-OPERATIVE BANK OF KENYA

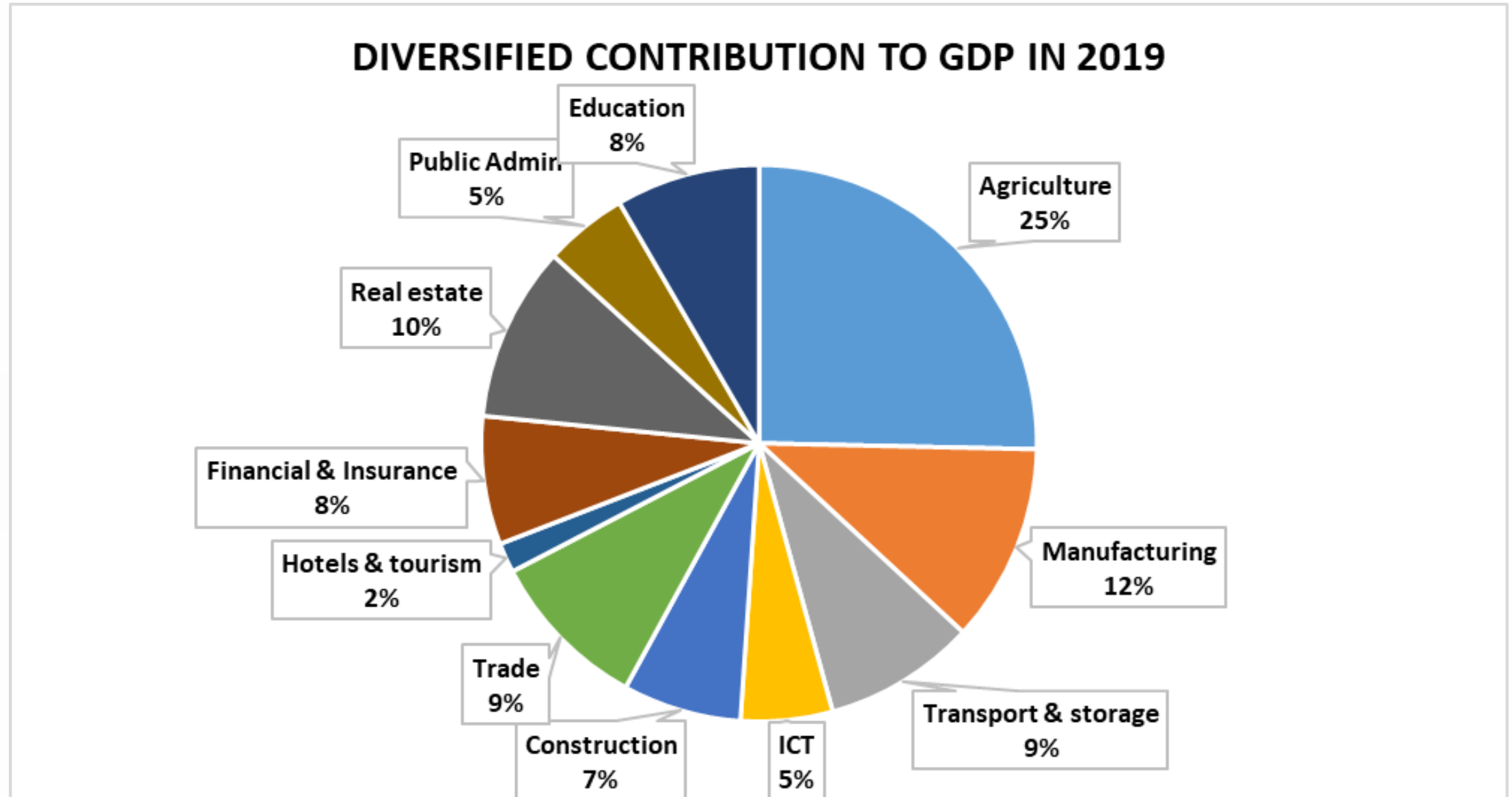
GROUP FINANCIAL RESULTS ANALYST BRIEFING Q12020

20 May 2020

Macro Economic Highlights

Kenya's Diversified Economy Critical In 2020

The economy expanded by 5.4% in 2019. This GDP was contributed by several sectors indicating vast diversification as shown below.



2020 Economic Growth Path Uncertain

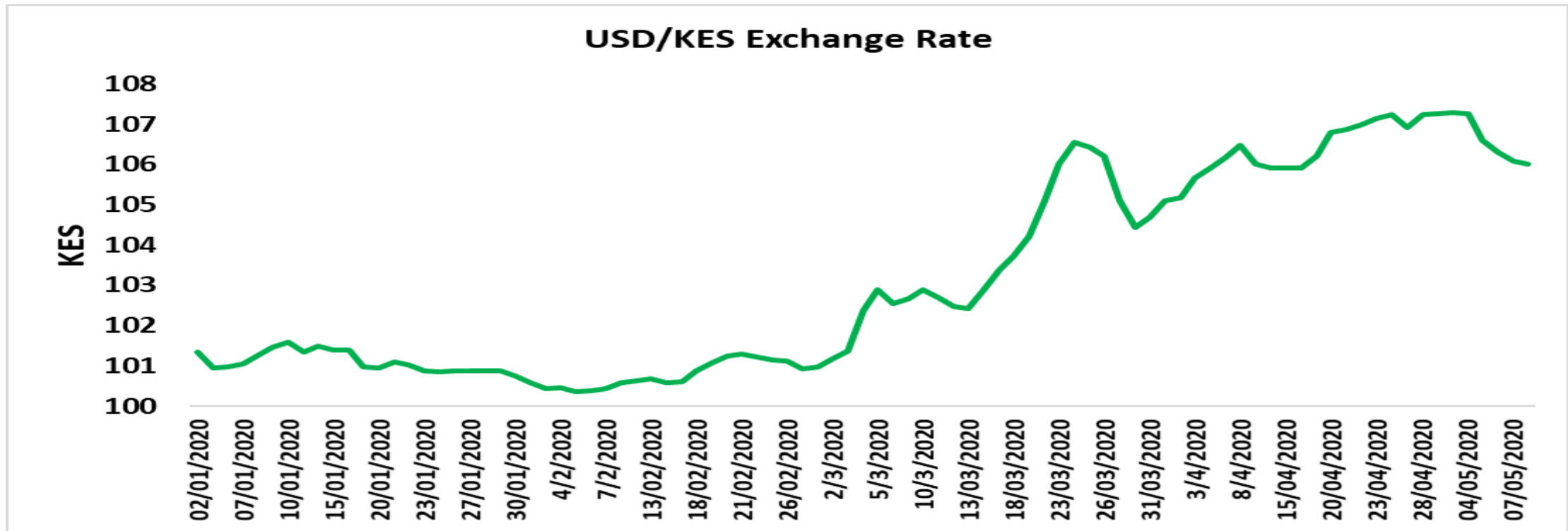
- ❖ In 2020, the economic growth path is still quite uncertain. This has meant that GDP forecasts by the CBK (2.3%), IMF (1%) and World Bank (1.5%) are significantly different.
- ❖ The growth forecasts for Kenya's economic growth in 2020 are as follows;

	2019 ACTUAL	CBK 2020 FORECAST	WORLD BANK FORECAST
Annual Real GDP Growth	5.4%	2.3%	1.5%
Agriculture	3.6%	3.6%	2.8%
Industry	4.7%	2.8%	1.1%
Services	6.7%	1.4%	1.1%

- ❖ All the forecasts assume that :
 - a) A favorable weather pattern in 2020.
 - b) Stable political and domestic security situation.
 - c) That the locust invasion will be well contained.
 - d) Pandemic is contained and ends in 2H2020
 - e) Crude oil prices remains low

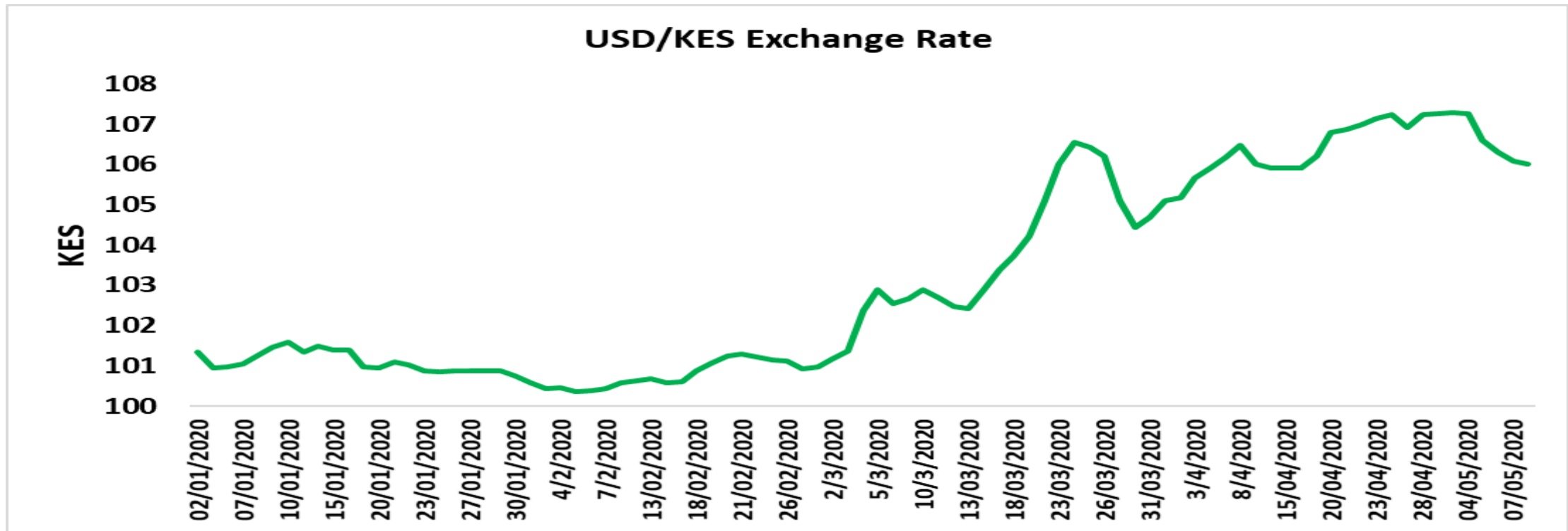
Kenya Shilling (KES) : Exchange Rate

- ❖ The USD has strengthened by 8.5% between the beginning of the year and early April.
- ❖ Locally, the weakness of the KES has been significantly due to low supply of dollars. The export flows, tourism and travel inflows have bottomed.
- ❖ FX inflows from expected foreign borrowings (from IMF and World Bank) will offer temporary relief in the next couple of weeks.



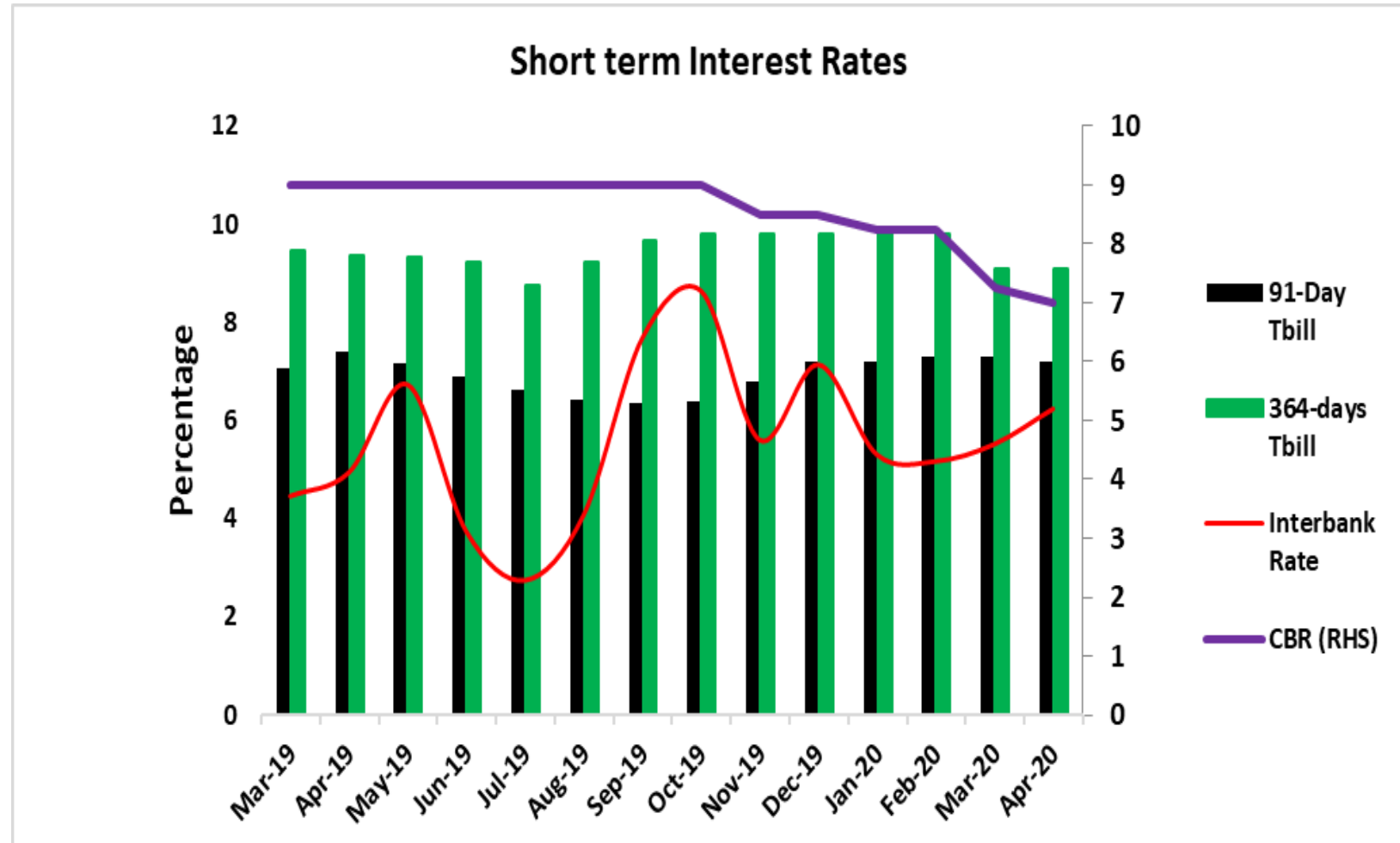
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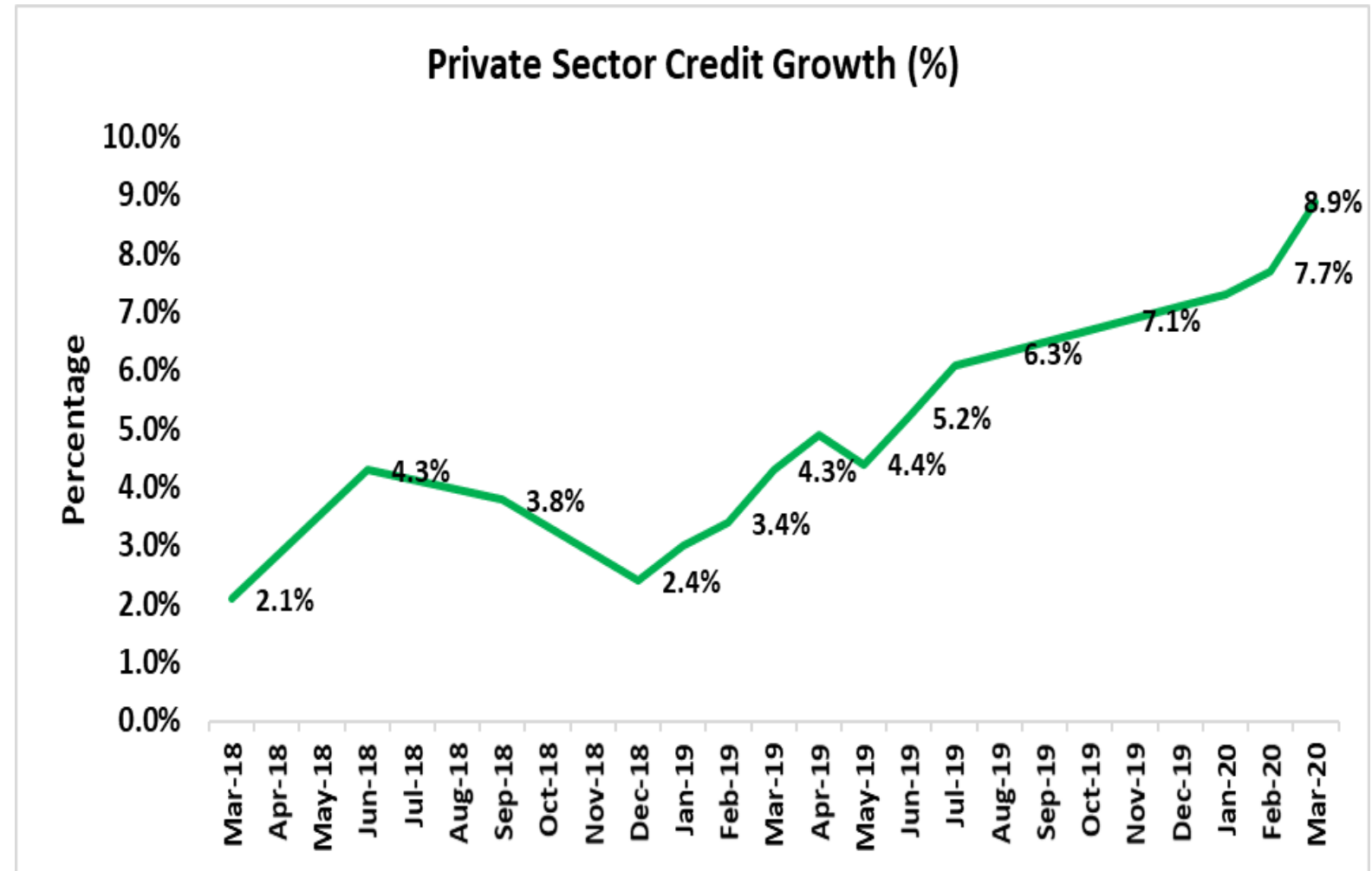
Short Term Interest Rates

- ❖ The money market remained fairly stable in 1Q 2020.
- ❖ Yields on short-term government securities have registered only marginal change.
- ❖ The average interbank rate fell to 4.8% at the end of 1Q2020 compared to 5.4% at the beginning of the year, indicating high liquidity.
- ❖ Between 1Q2019 and today, the benchmark CBR has fallen by 200 basis points from 9% in 1Q2019 to 7.25% in March 2020 and then 7% in April 2020.



Trend In Private Sector Credit Growth

- ❖ The 12-month growth in private sector credit has improved to 8.9% in March 2020 from 4.3% in March 2019.
- ❖ Further analysis indicates that a significant proportion of the new lending went to personal loans, MSME, transport and manufacturing.
- ❖ However, we project that it will be difficult to maintain this growth trajectory in credit growth in Q2 of 2020.



COVID 19 RESPONSE



• **Regulatory interaction: legal perspective**

We are compliant with the laws, regulations and guidelines;

- Ministry of Health guidelines
- Government of Kenya directives
- Occupational Safety & Health Policy in line with the OSH Act. (OSHA)
- Central Bank of Kenya guidelines
- The Kenya Centre for Disease Control and Prevention (the “CDC”) guidelines
- World Health Organization guidelines

• **Co-ordination within the bank- Covid19 governance**

- Business Crisis Management Team
- Multidepartment emergency response team
- Pandemic preparedness strategy –reviewed and communicated constantly

• **Risk assessment**

- Proactively monitoring trends of the disease and impact on the Bank’s strategic objectives, business operations and work plans. We have robust monitoring and reporting tools capable of collecting, analyzing and reporting case-based information.

• **Policies, procedures and related controls**

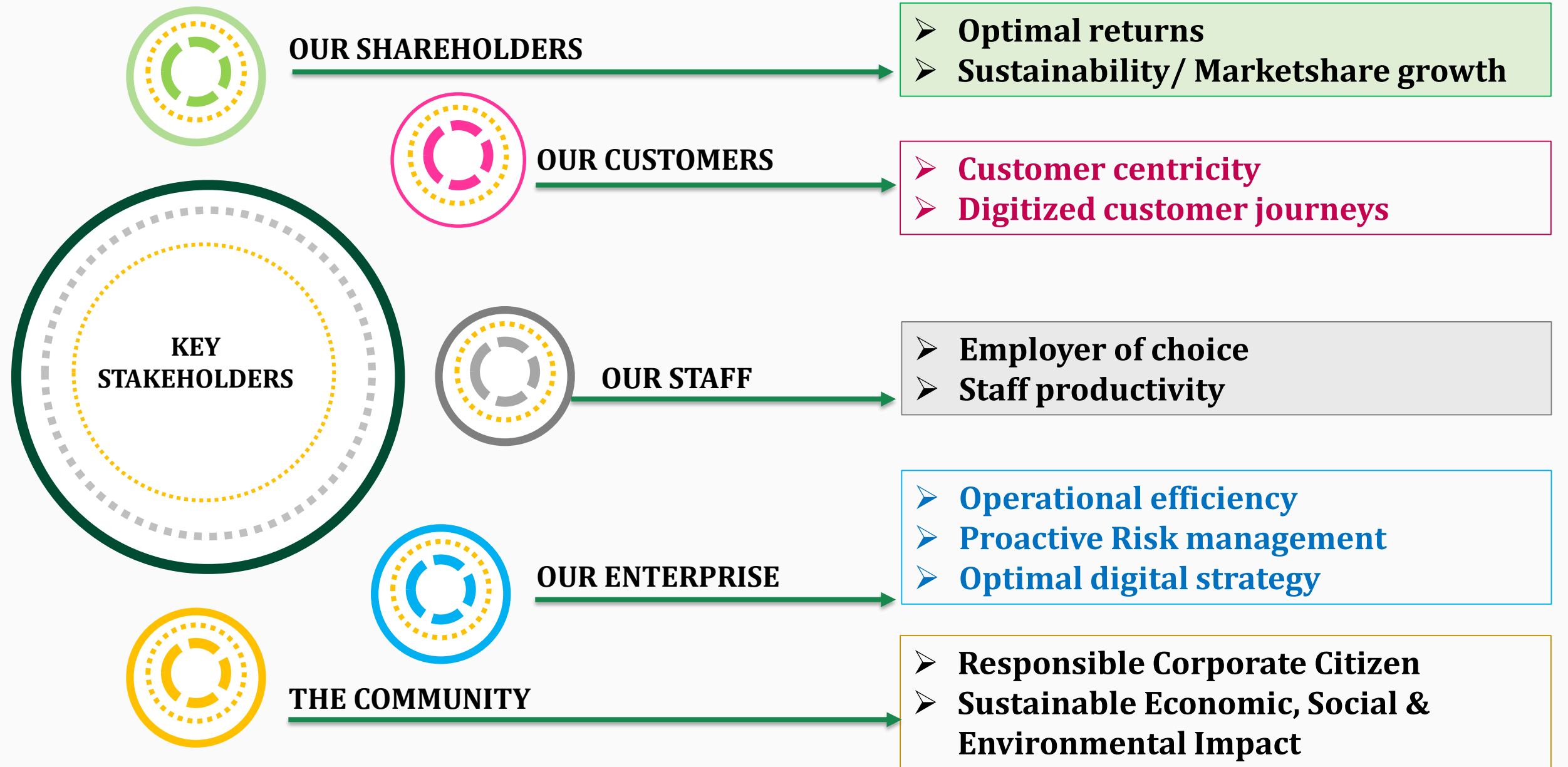
- These are promoting the use of technology, impact monitoring, response, reporting, communication, education, training and guidance.
- The Bank has put in place adequate business resilience arrangements for disaster recovery and business continuity.

• **Specific support to each stakeholder**

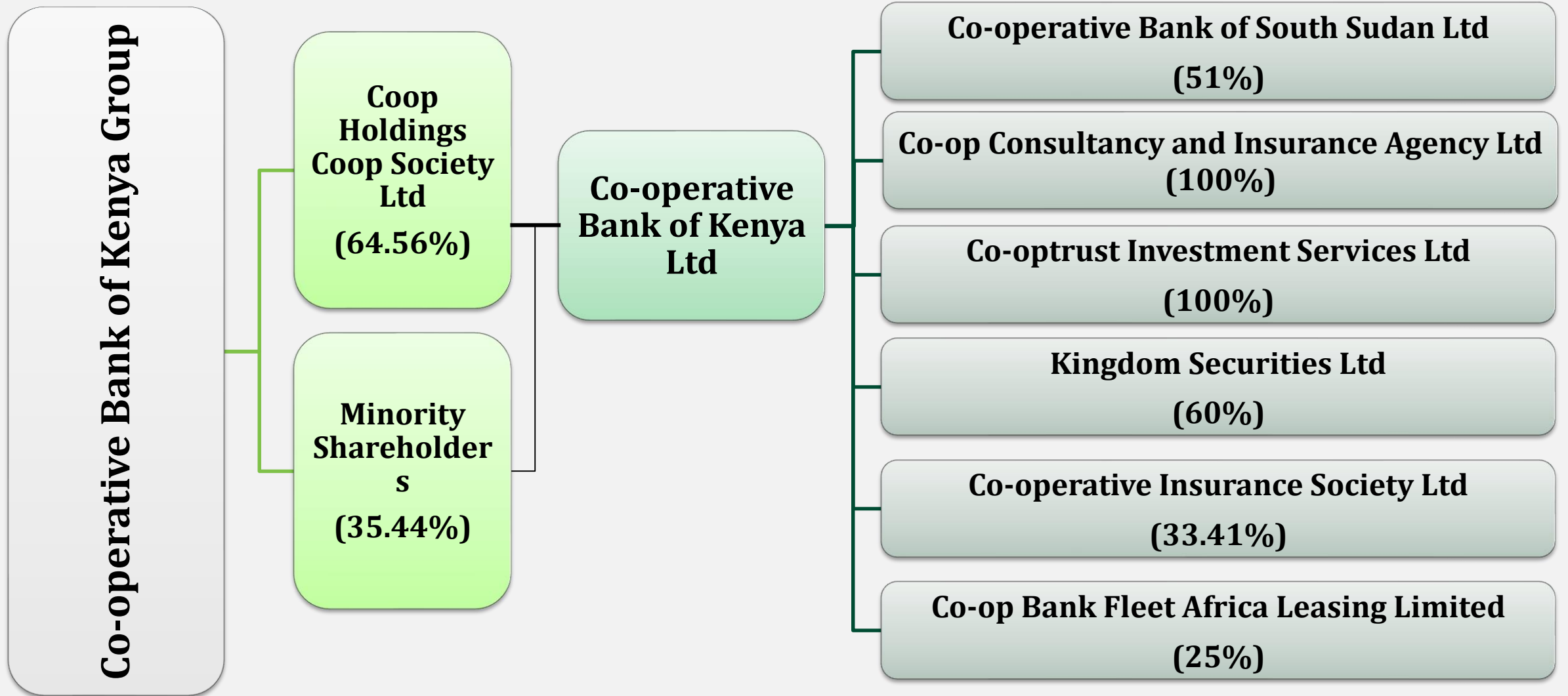
- We are providing specific support to our stakeholders. For our customers we have universal support but we also have targeted support for customers whose operations /revenues have been halted or materially impacted by the pandemic.
- In total, a portfolio of over Kshs 15.3 Billion has been re-aligned to offer our customers this needed support.

Strategic Focus

Our Strategic Focus



Co-operative Bank of Kenya Group Structure



A Successful Universal Banking Model



Our Presence

159

Branches

92K

Internet banking Customers

584

ATMs

464

Sacco Front Offices Branch network

8.8M

Account holders

16.5K

Diaspora Banking Customers

5.6M

Mcoop Cash Customers

**24
Hr.**

Contact Centre

16K +

Co-op Kwa Jirani Agents

4514 Staff

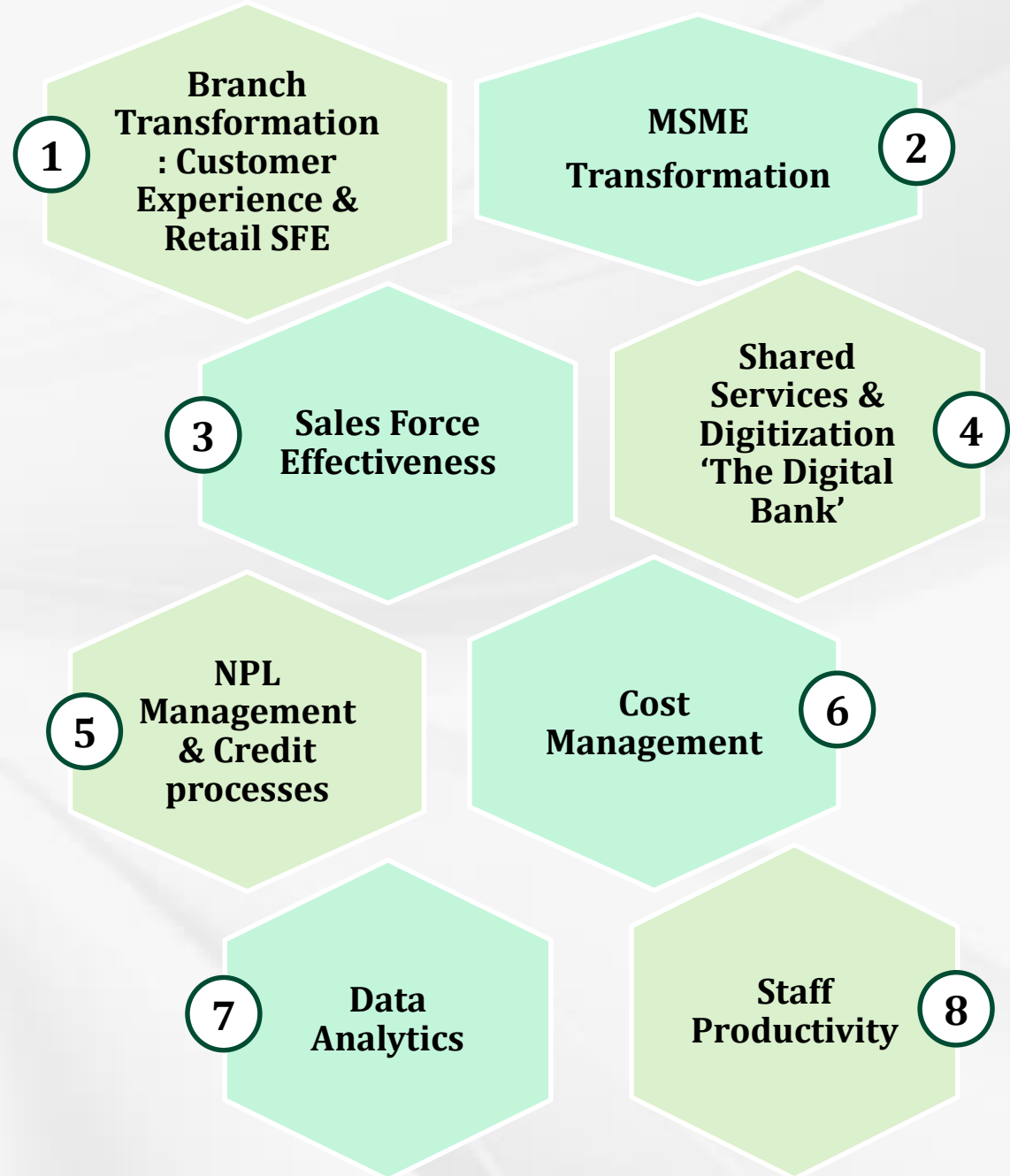
Proposed Acquisition of 100% Shares of Jamii Bora Bank Limited

- ✓ The Board of Directors of Co-operative Bank of Kenya Limited has approved the progression of discussions with Jamii Bora Bank Limited, which if successful, would lead to the Co-operative Bank of Kenya Limited acquiring 100% shareholding in Jamii Bora Bank Limited.
- ✓ Jamii Bora Bank is a Kenyan bank incorporated under the Companies Act with over 350,000 customers in 17 branches and asset base of KShs. 12.5 billion. The bank has a strategic niche in MSME banking, Microfinance, leasing and Insurance agency.
- ✓ In accordance with the standard process, the transaction is subject to successful completion of the following;
 - ✓ Due diligence by the relevant professionals.
 - ✓ Board of Directors and shareholders' approval by both Co-operative Bank of Kenya Ltd and Jamii Bora Bank.
 - ✓ Regulatory approvals. Notably: Central Bank of Kenya, Capital Markets Authority and Competition Authority of Kenya.
- ✓ Due diligence for the acquisition is ongoing.

“Soaring Eagle” Transformation Initiatives

- **Growth**
- **Efficiency**

**Key
Pillars;**



“Soaring Eagle” Transformation: Key achievements

- ❖ E-Credit Focus: Kshs. 79.8B Disbursed so far.
- ❖ 40% of our income is Non Funded.
- ❖ Average queue time of 10.6 Minutes.
- ❖ 89% transactions on alternative channels.
- ❖ MSME Transformation:
 - ❖ 5000 trained
 - ❖ 85252 onboarded on the new packages (Gold, Silver, Bronze)
 - ❖ Supply chain financing: 132 Anchors
 - ❖ Non-Financial Services (NFS):128 NFS clinics, 9 Networking forums,2 international business trips in 2019.
- ❖ Sales Force Effectiveness: Sector focus, Reorganized relationship models.
- ❖ Digitization: Core Banking System (ongoing), Omnichannel, Business Process Management System, Customer journeys among others.
- ❖ Sustained proactive credit management: 9.5% (9.98% Q12019), loan book grew by 9.8%
- ❖ Cost management initiatives continue.
- ❖ Predictive data analytics.
- ❖ Sustained staff productivity.

Co-op Consultancy & Insurance Agency Ltd

- ❑ 2825 Consultancies
- ❑ 20 Dedicated Consultants
- ❑ 464 FOSA- Financial Inclusion Deepening

Co-op Foundation

- ❑ 7657 students supported to date
- ❑ 2019 (2834) 2018 (2826)
- ❑ 1.18 Billion since inception (2019- Over 151Million)
- ❑ Other Programmes with;
 - ❑ Ford Foundation
 - ❑ Embassy of Finland
 - ❑ Energy De Portugal

- ❑ Financing the SME and MCU sector
- ❑ Sustainable financing towards;
 - ❑ Big 4 Agenda
 - ❑ Vision 2030 and MDGs
- ❑ Staff CSR Involvement
- ❑ Corporate Social Responsibility: First Lady's Beyond Zero Campaign 2019 (Kshs.20 Million)
- ❑ Private sector-led Covid-19 Emergency Response Fund. Donated **Kshs. 100** Million to support critical medical supplies and equipment such as ventilators.



KENYA BANKERS ASSOCIATION: CATALYST AWARDS 2019

Overall Winner

- Winner: Client case study- Financing SME
- 2nd - Best in sustainable finance
- 3rd - Client Case study-Financing Commercial Clients
- 2nd - Bank case study-Bank Operations
- 2nd - Bank case study- Financing and supporting clients in the informal sector
- 3rd - Most Innovative Bank



GLOBAL SME FINANCE AWARDS 2019

- Product innovation of the year



FINANCIAL REPORTING AWARDS 2019

- Winner: Environmental Sustainability Reporting



KENYA ASSOCIATION OF MANUFACTURERS

- Best Bank in Sustainable Finance in Kenya - 2019



- Added in MSCI Index in May 2020 under Frontiers Index small Index, raising the Bank visibility in the International Market

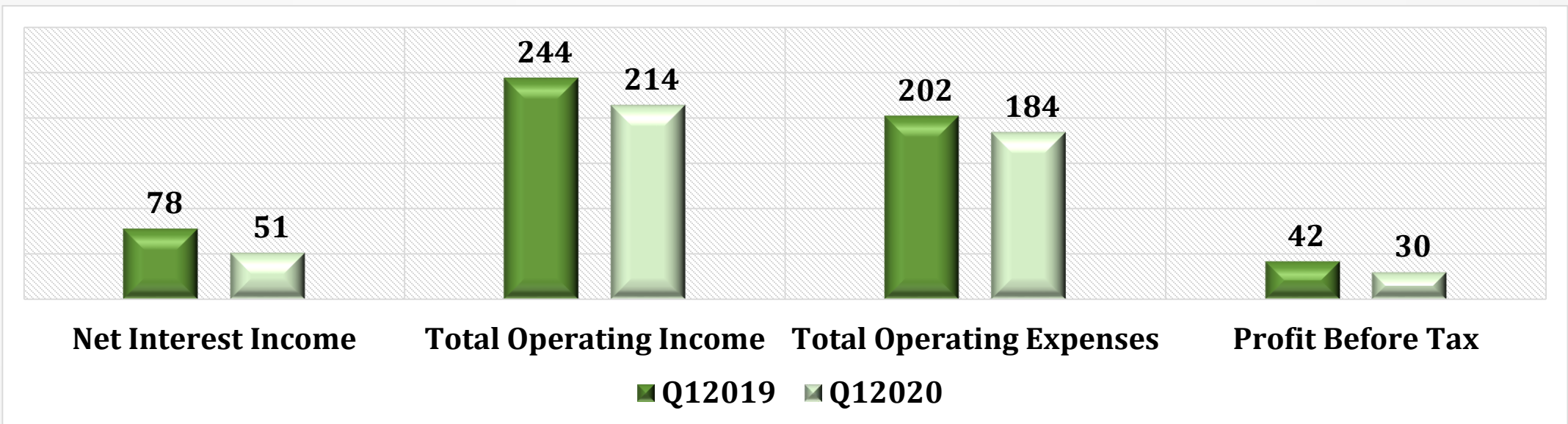
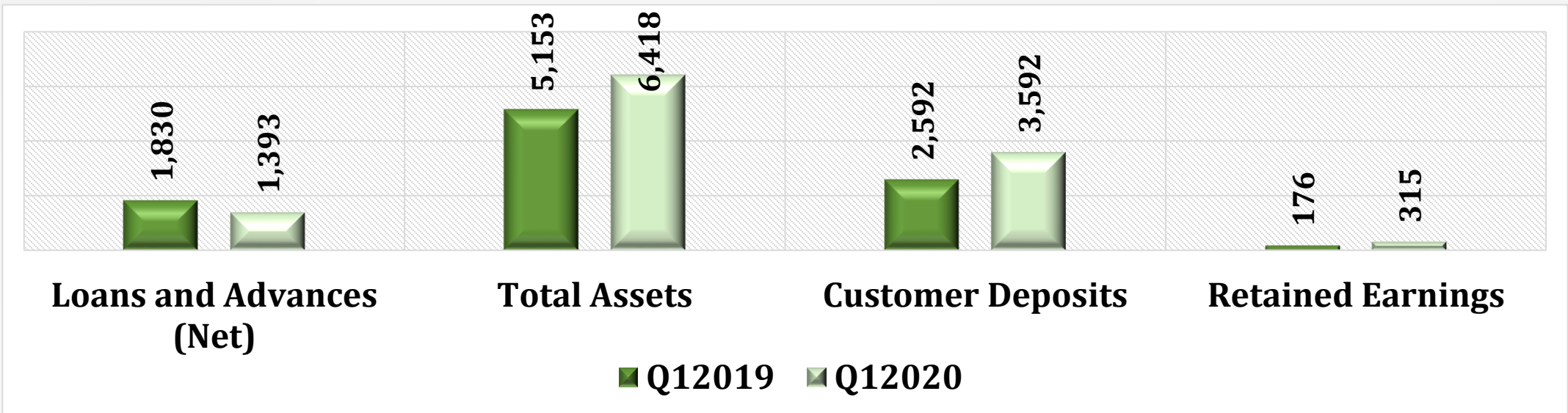


Regional Business (Kshs. Million)

4 branches in Juba

5 Non-oil collection centers.

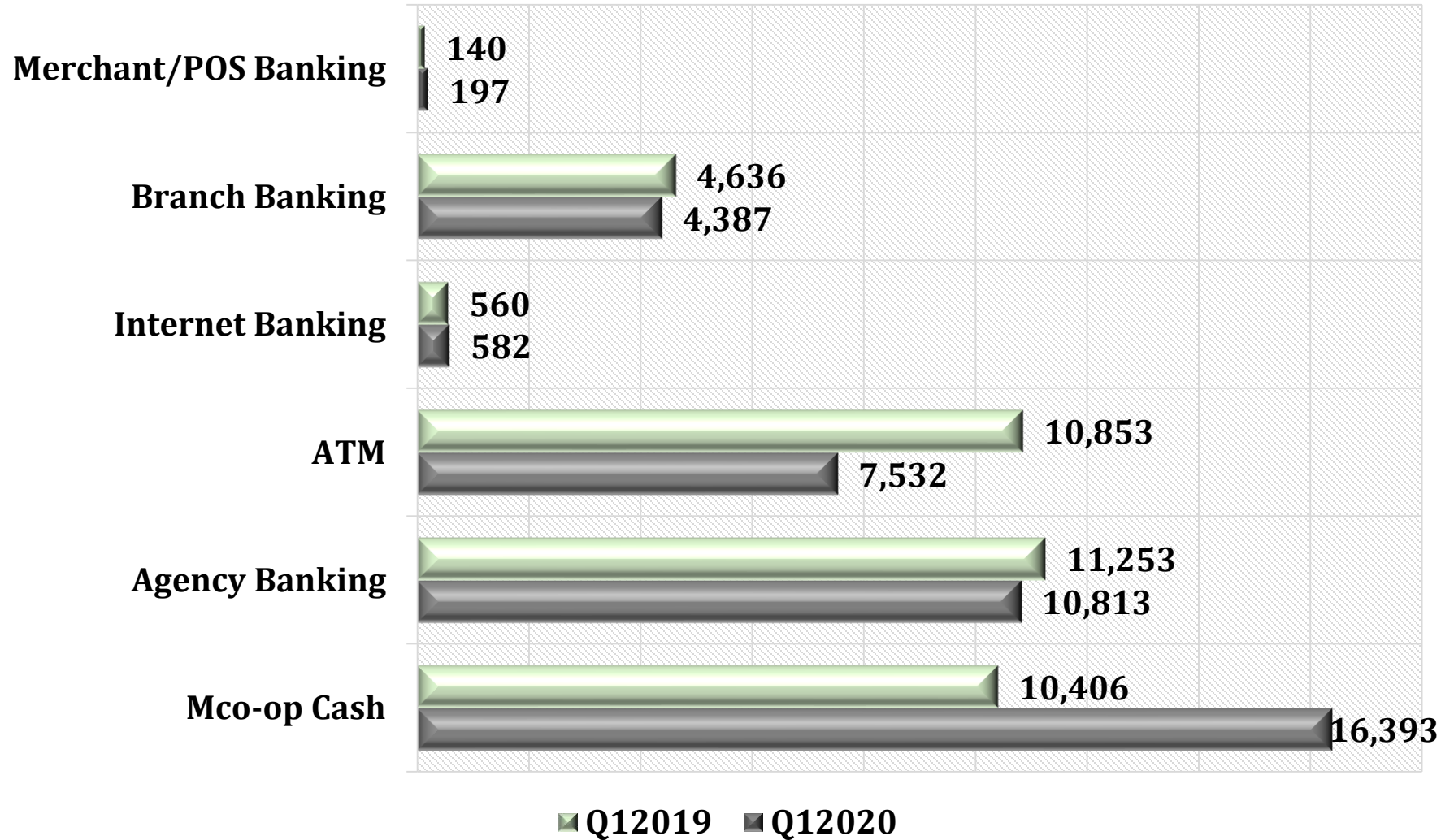
Owns 31% of CIC Africa Ltd- South Sudan



Channel Performance

Growing Digital Channels

Channel Transactions '000'

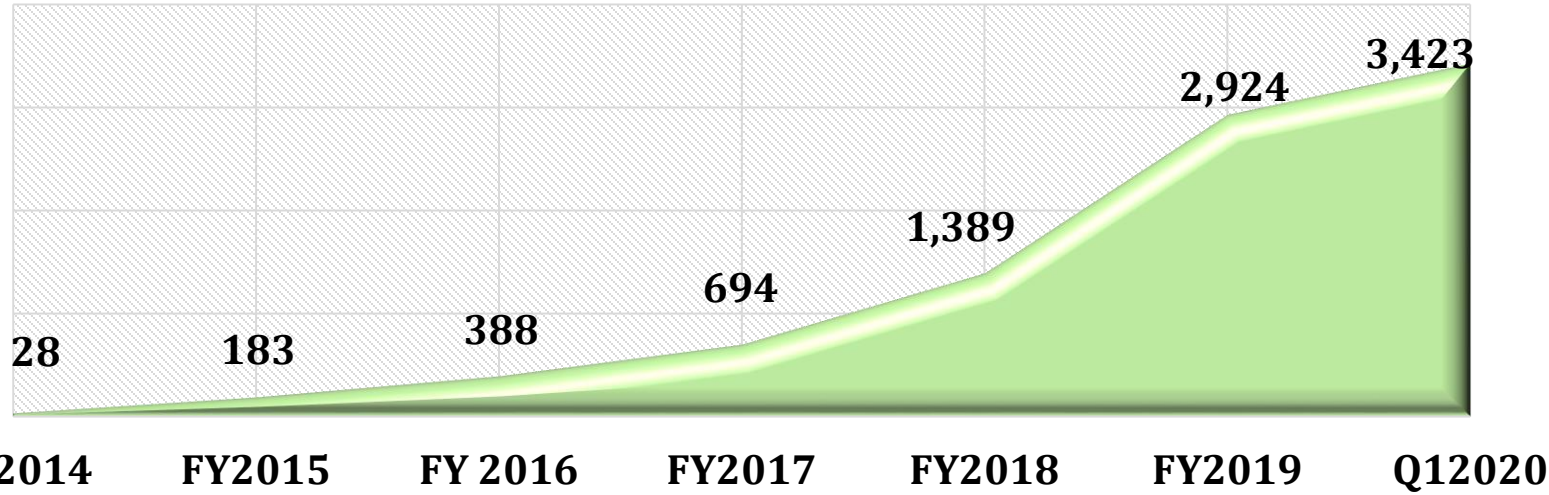


89% of our Transactions are on alternative Channels

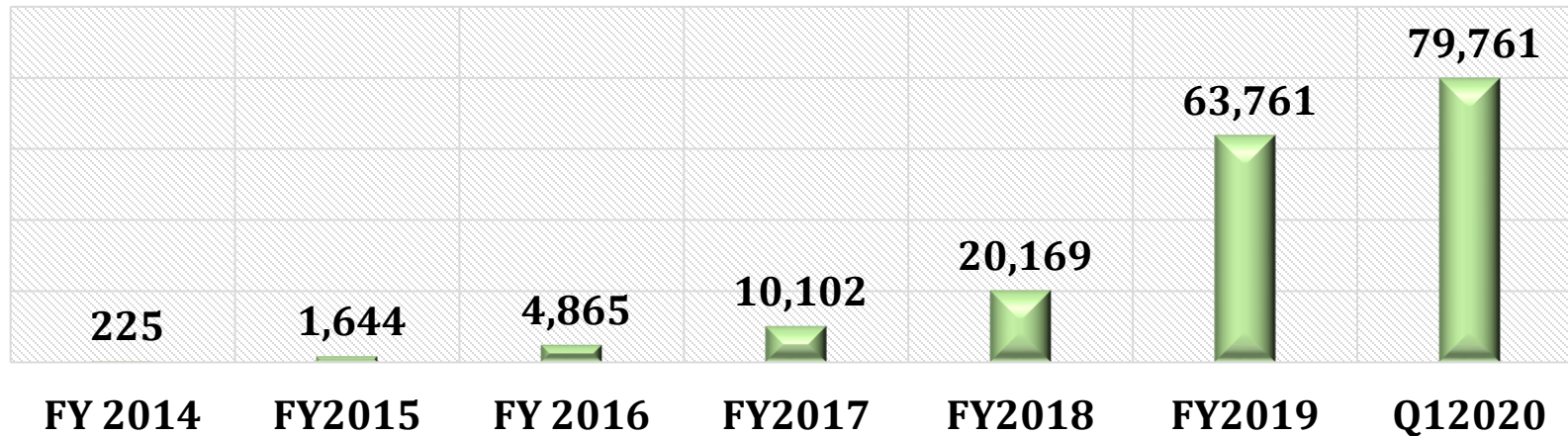
E-Credit is a key focus area, Kshs. 79.8B disbursed to Date.

E-Credit

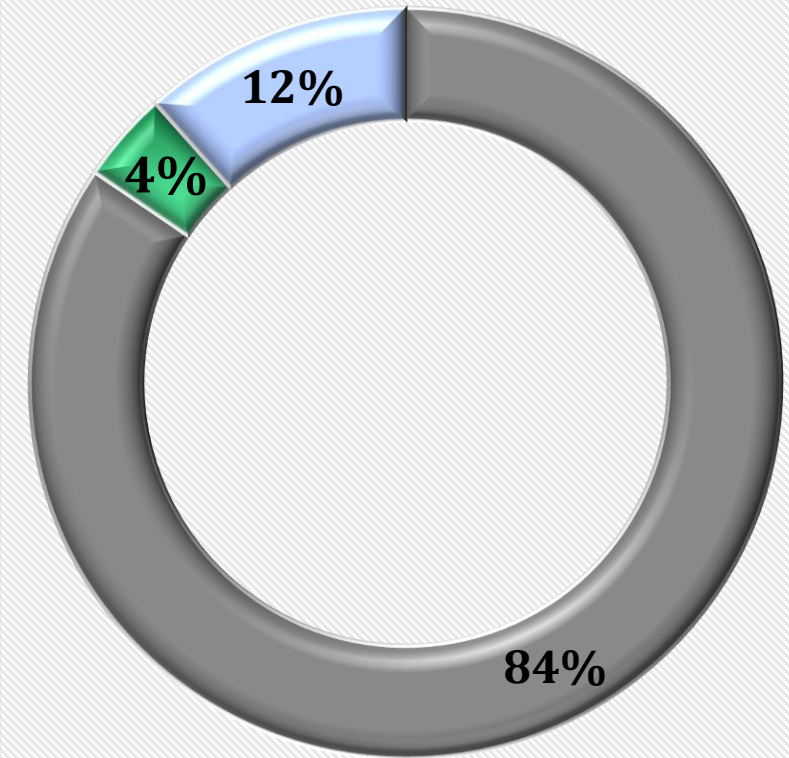
Cumulative Mcoop Cash Loan Customer Numbers (In '000')



Cummulative MCo-op Cash loan Book - In Millions



E-Credit – Key Growth Focus

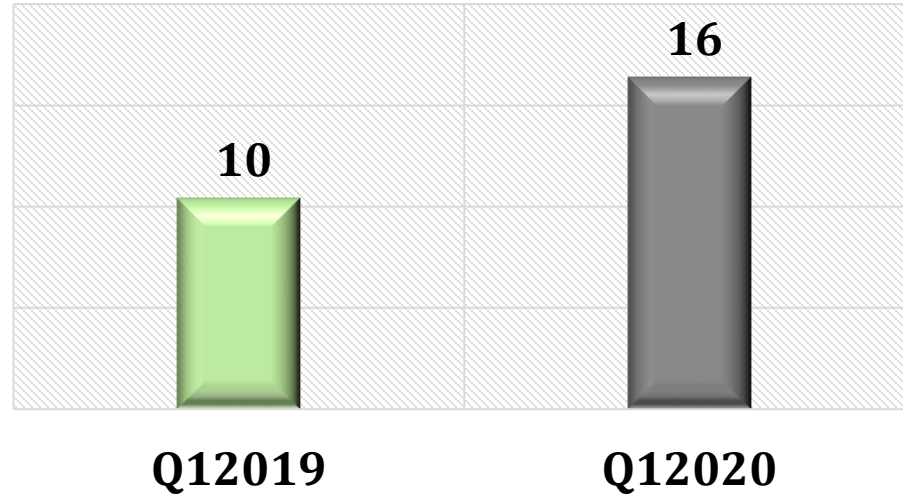


- E- Flexi (Salary advance)
- Business
- Unsecured Business Plus

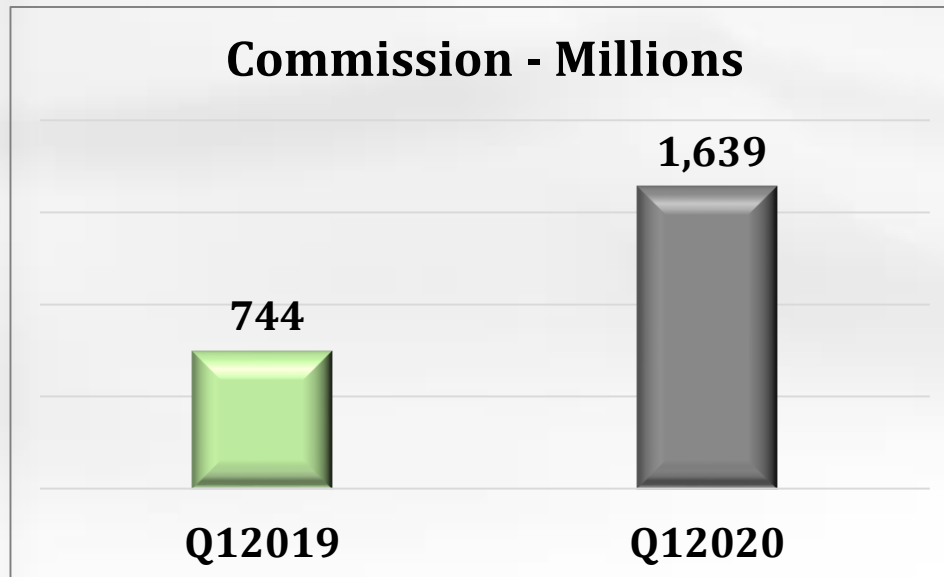
***MOBILE
BANKING
(MCOOP CASH)***

***Leveraging
Mobile Banking
to grow
commissions***

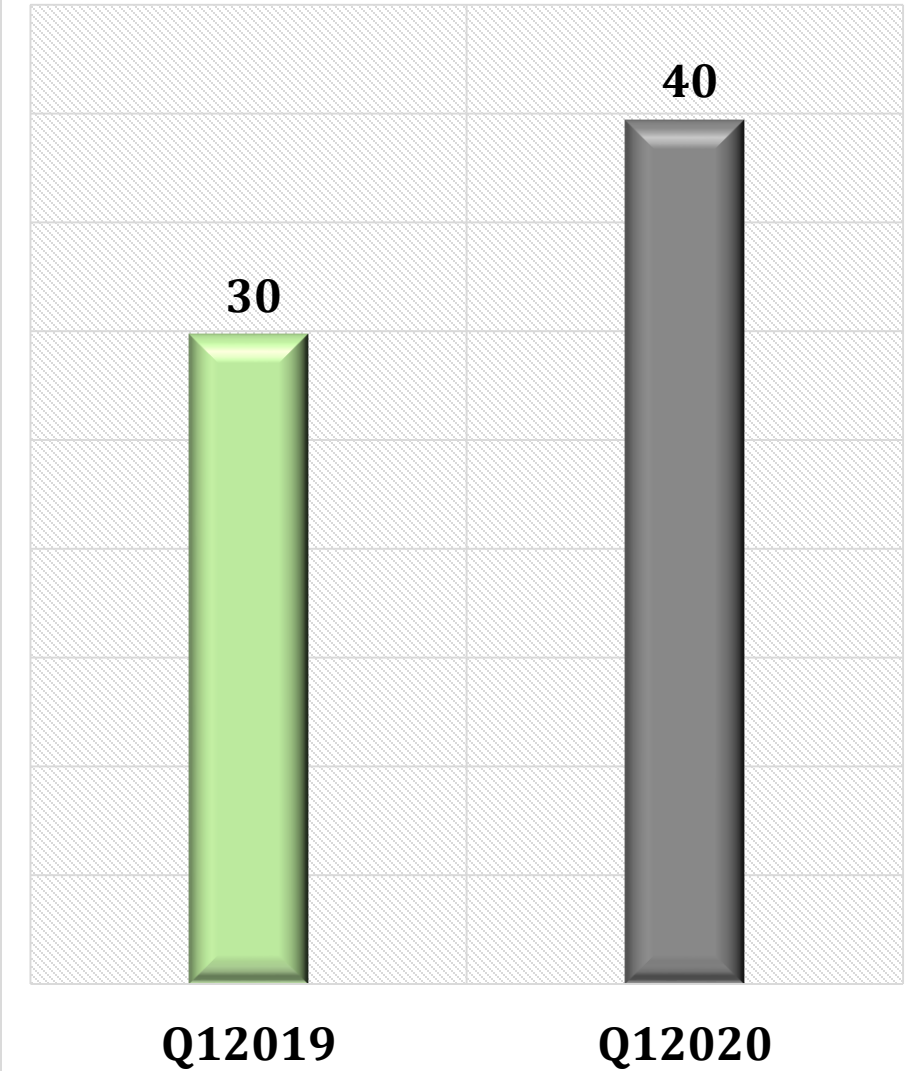
Transactions - Millions



Commission - Millions

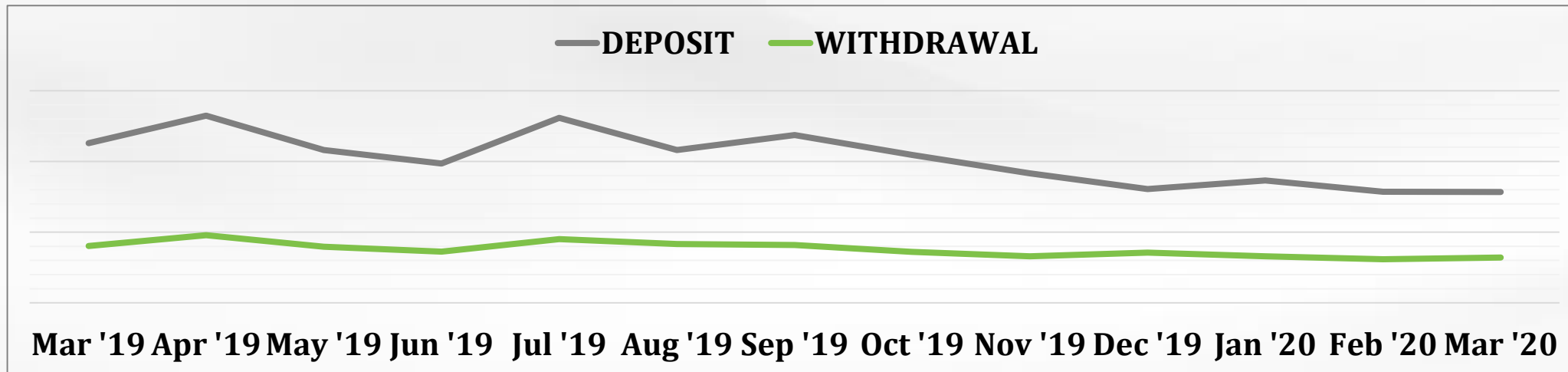
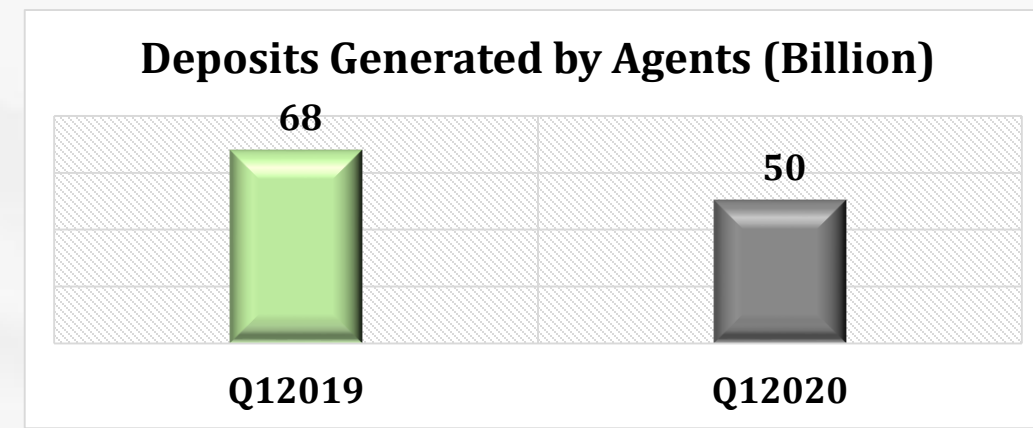
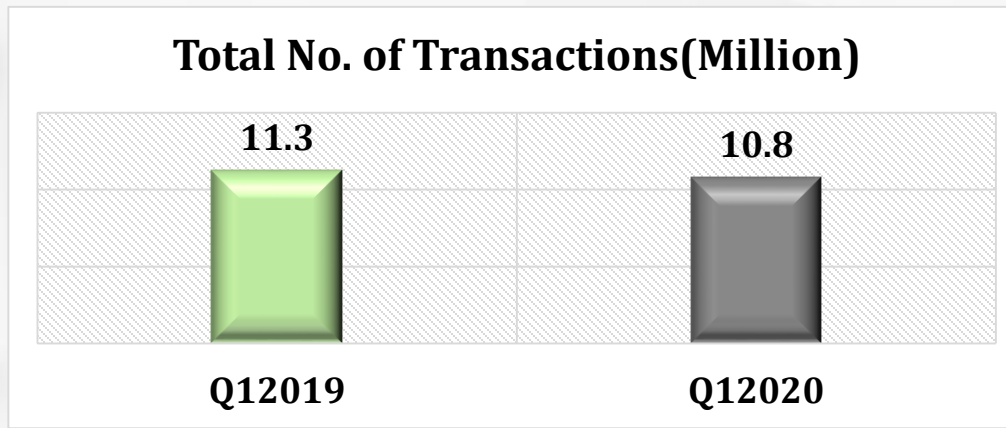
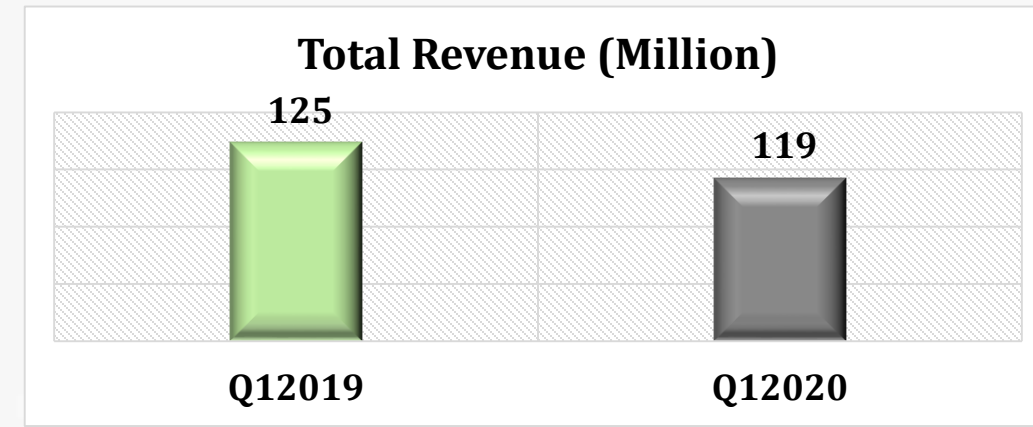
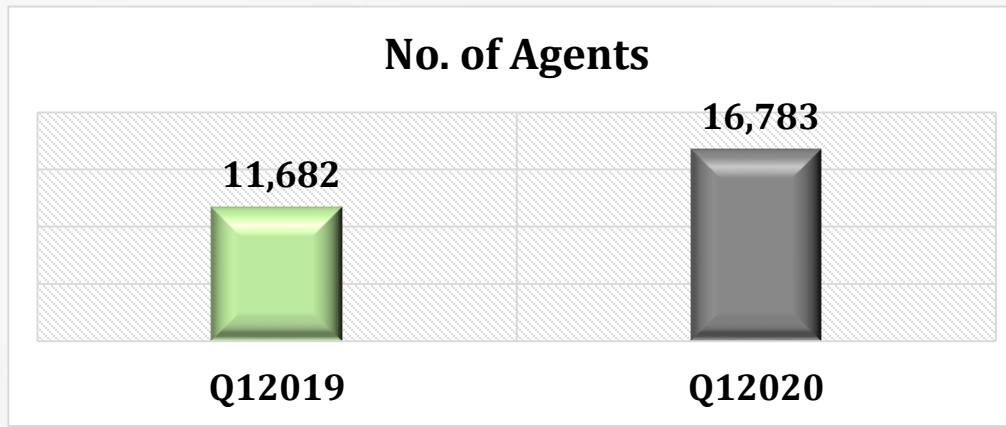


**Deposits through Mobile
(Billions)**



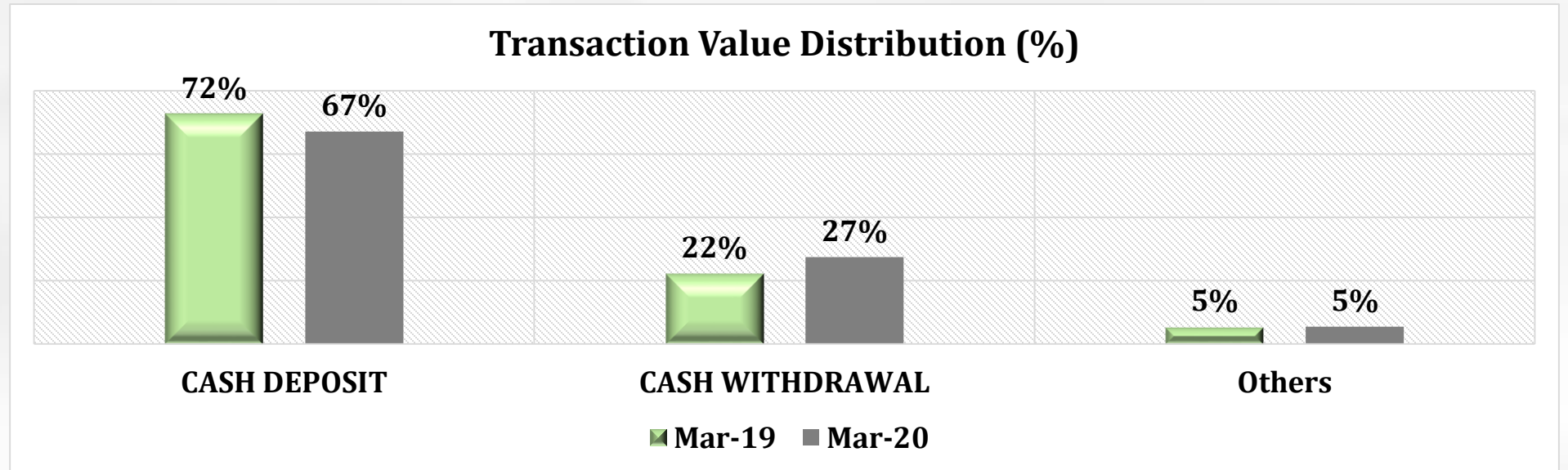
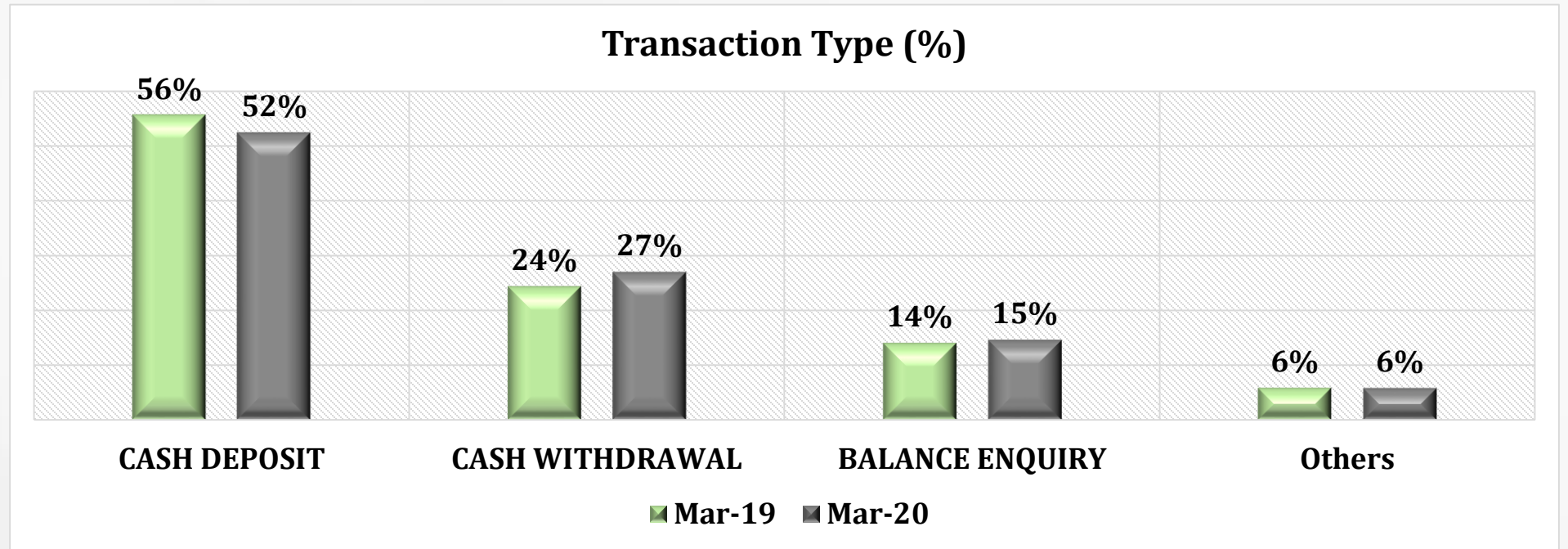
AGENCY Banking

Growing Co-op Kwa Jirani Agency Banking



AGENCY Banking

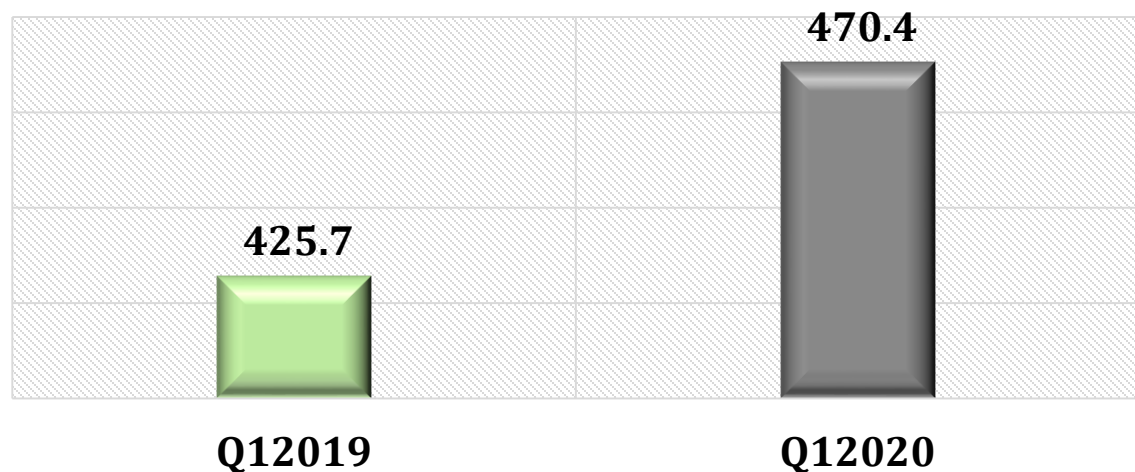
Growing Co-op Kwa Jirani Agency Banking



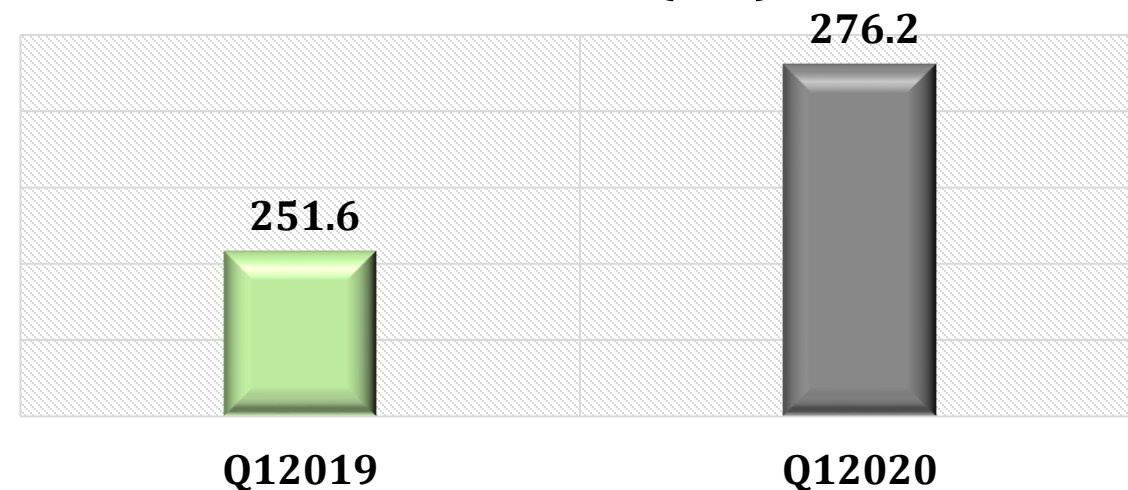
Financial Highlights

Strong Financial Position (Kshs. Billion)

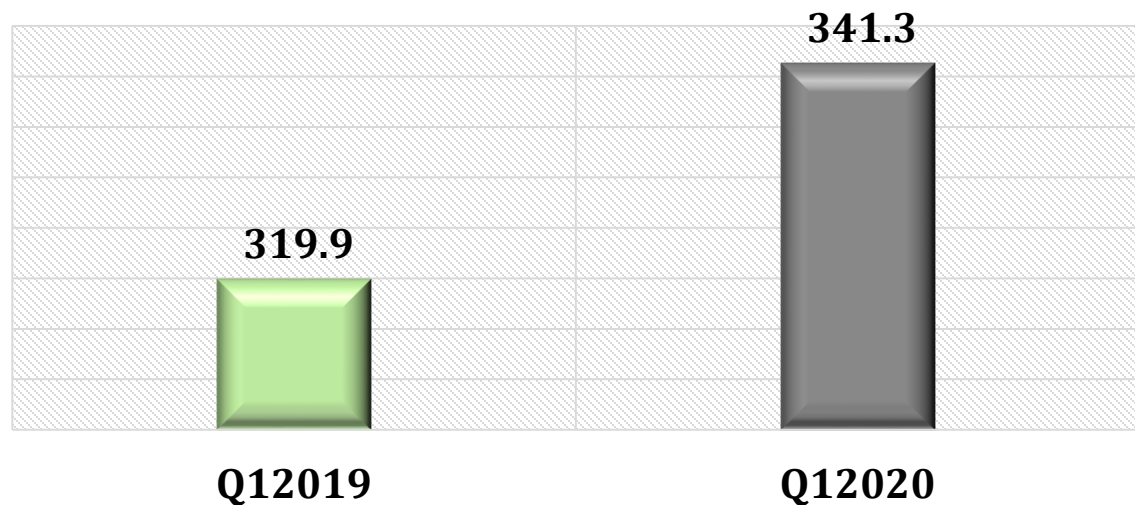
Total Assets



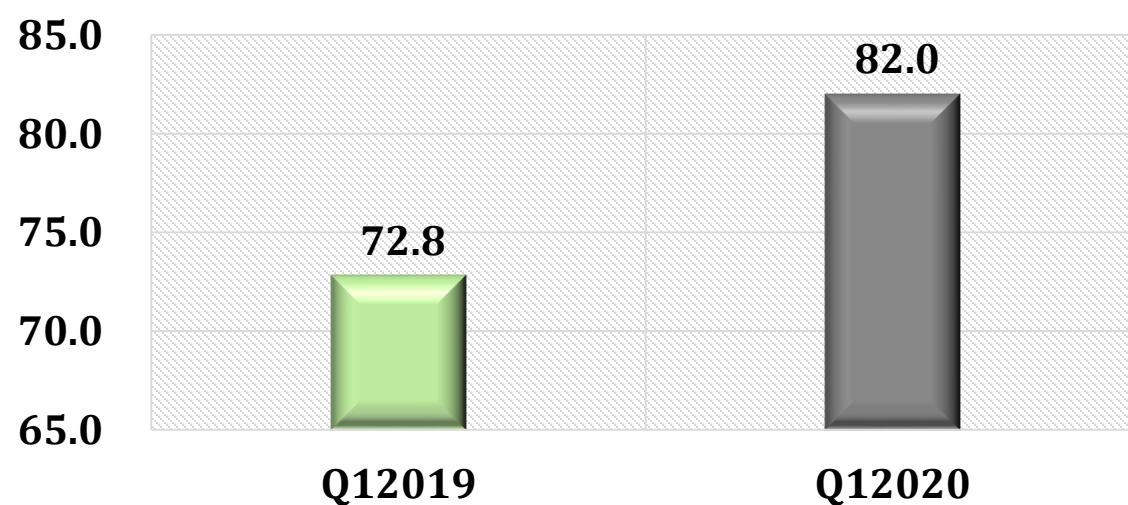
Loan book (Net)



Total Deposits



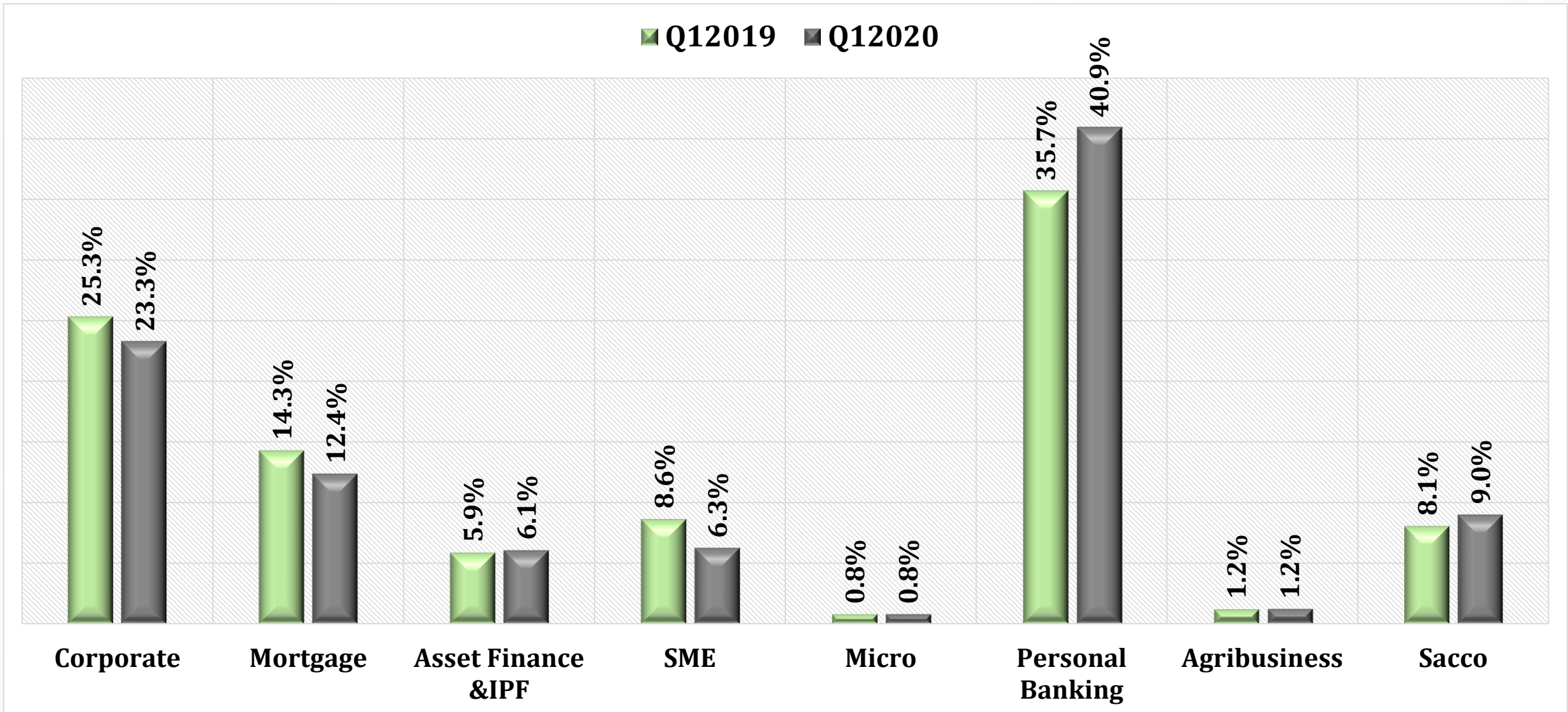
Shareholders Funds



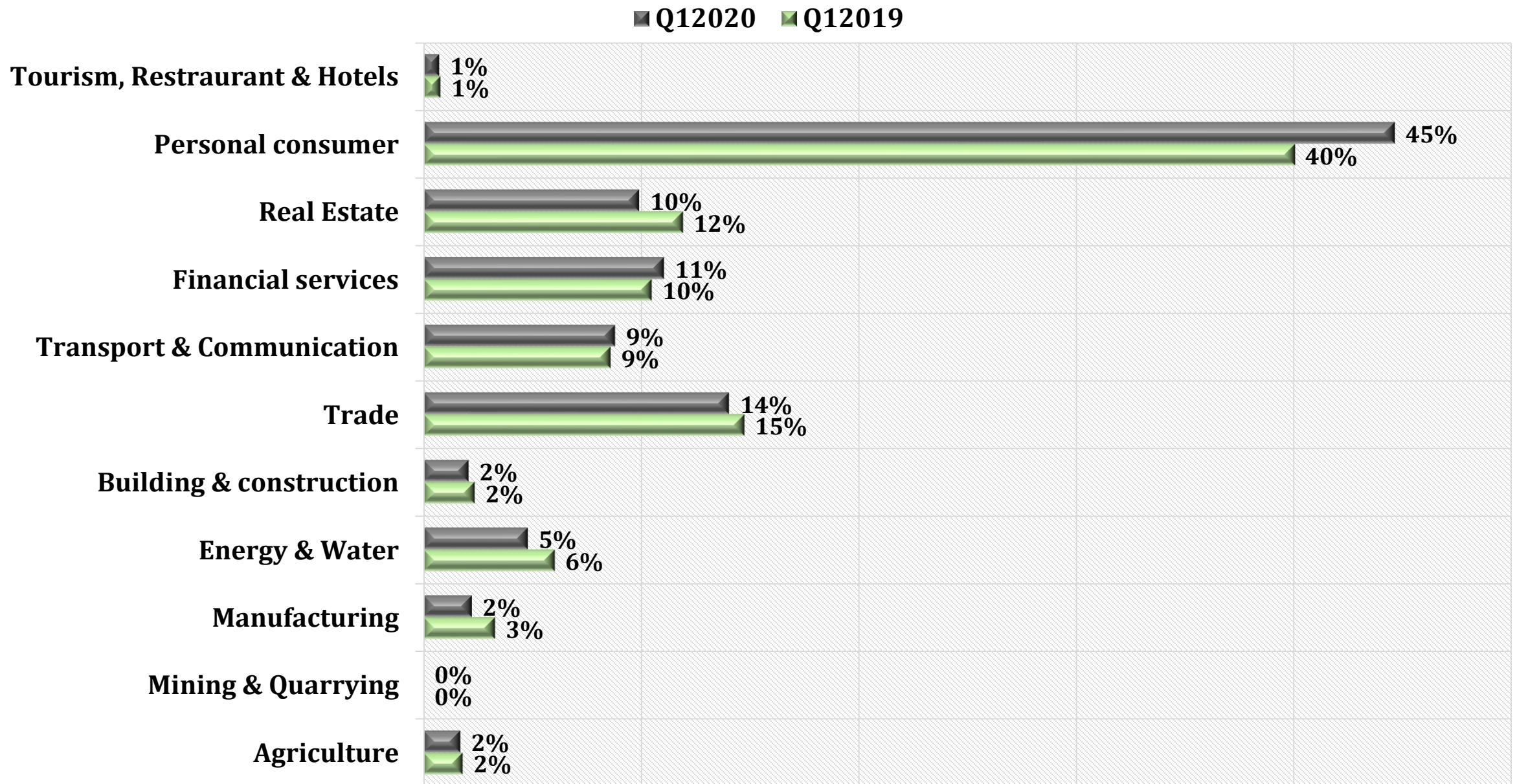
Strong Financial Position (Kshs. Billion)

Kshs. Billions	Q12020	Q12019	% Change (YoY)		FY2019
Total Assets	470.4	425.7	10.5%		457.0
Loan book (Net)	276.2	251.6	9.8%		266.7
Government Securities	115.9	103.9	11.5%		117.8
Total Deposits	341.3	319.9	6.7%		333.0
Borrowed Funds	27.4	23.7	15.5%		26.4
Shareholders Funds	82.0	72.8	12.6%		79.3
No. of account holders (Millions)	8.8	8.1	8.6%		8.76

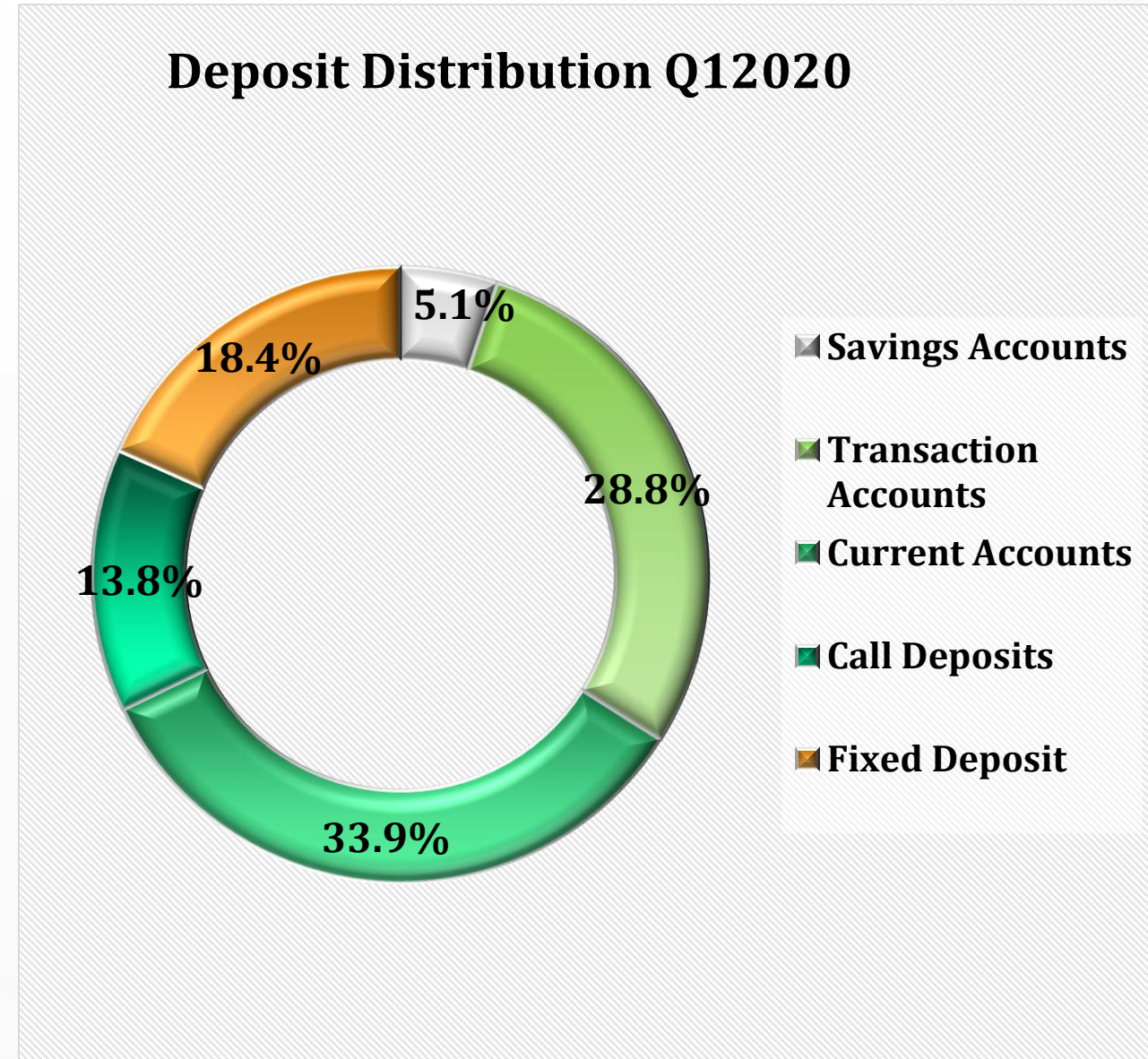
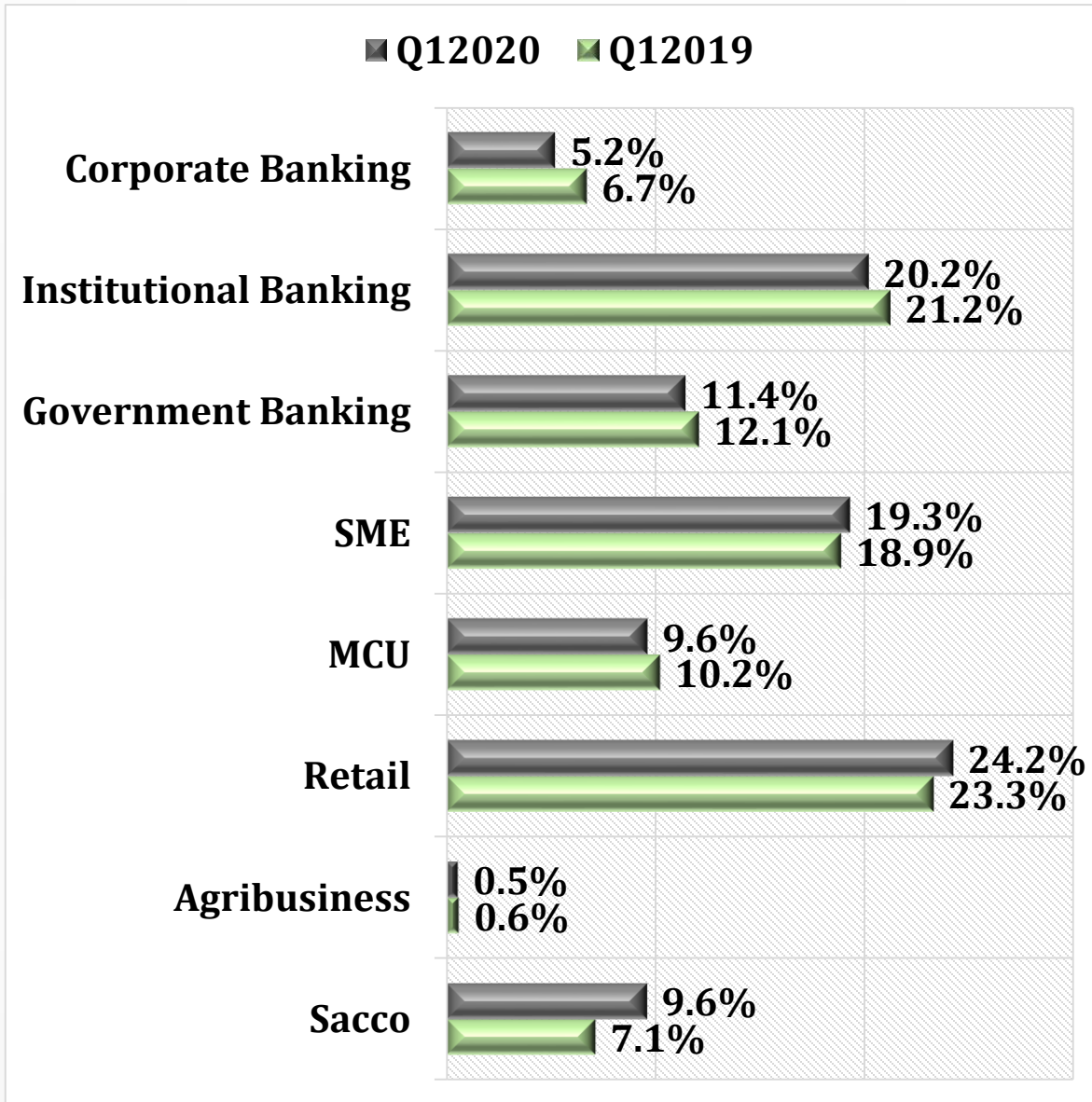
Diversified loan book



Diversified loan book

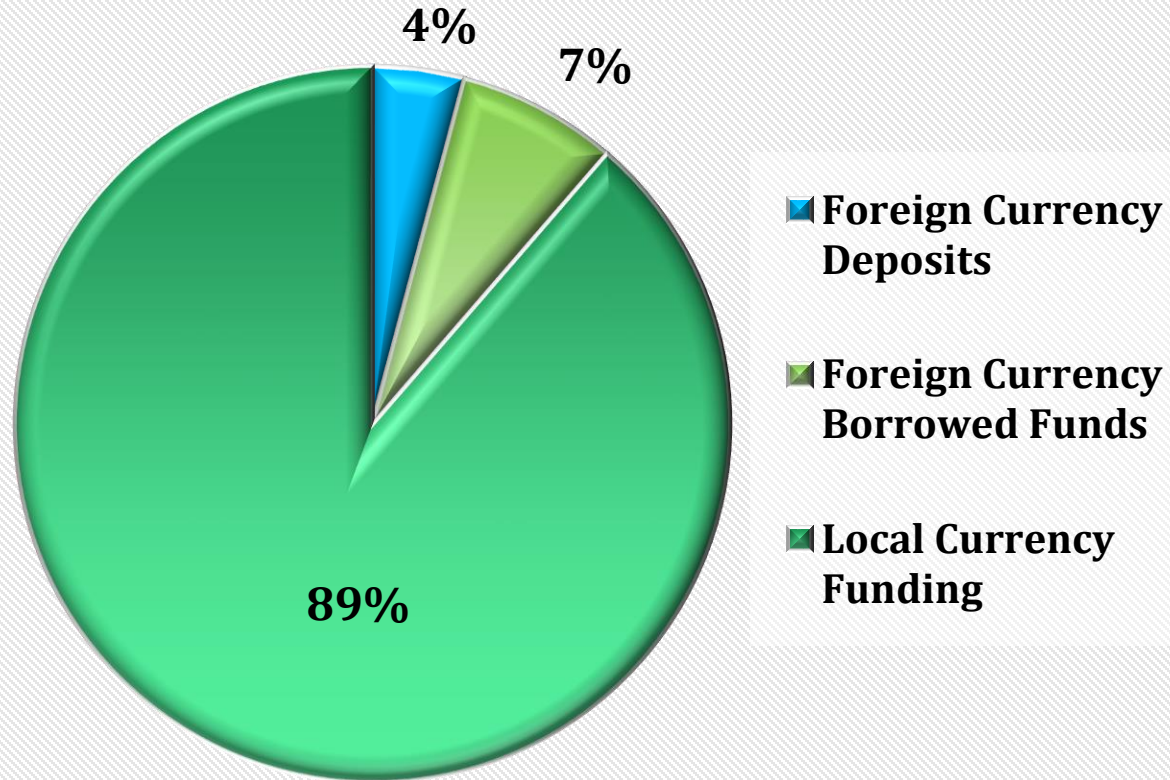


Well-diversified Liability Portfolio

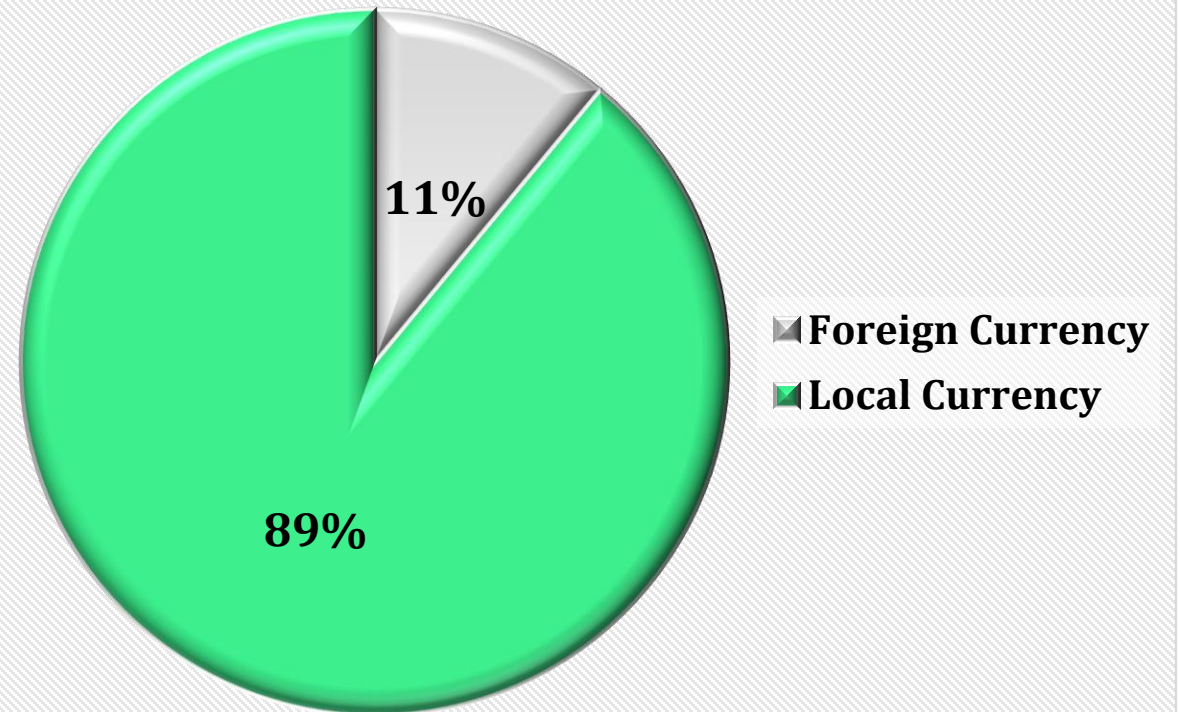


Optimally balanced Kenya Shilling asset & funding book

Funding (Local Vs Foreign Currency) Q12020



Loan Book (Local Vs Foreign Currency) Q12020



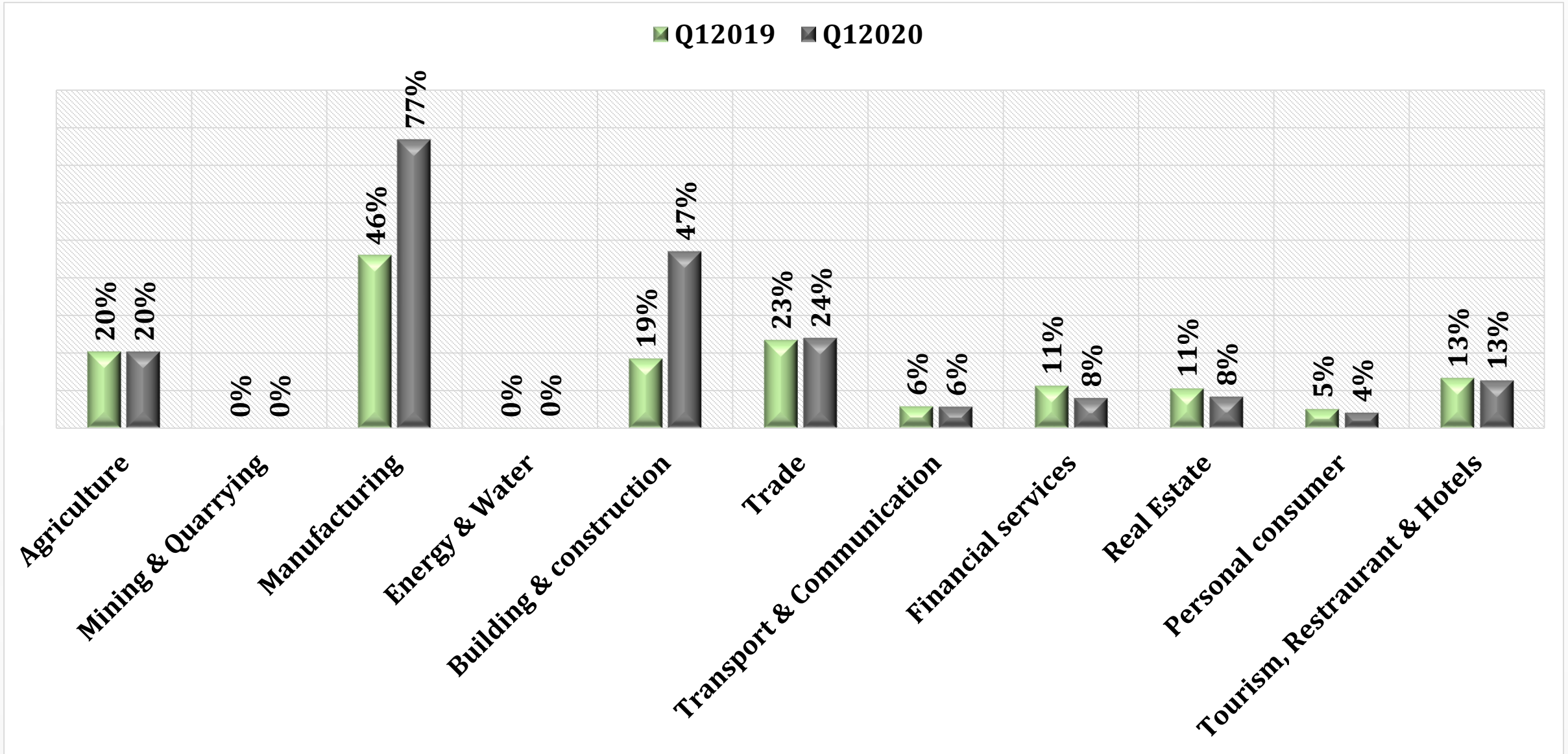
Quality Loan Book - Bank

	Q12020	%	Q12019	%	FY2019	%
Normal	236,889	81%	209,144	78%	226,283	80%
Watch	26,054	9%	29,867	11%	26,260	9%
Substandard	13,095	4%	10,472	4%	13,257	5%
Doubtful	17,657	6%	18,206	7%	17,328	6%
Loss	565	0.2%	557	0.2%	570	0.2%
TOTAL (GROSS)	294,260	100%	268,247	100%	283,698	100%
Provisions (IFRS)	19,480		18,448		18,365	
NET LOAN BOOK	274,780		249,799		265,333	
Gross Non-performing loans	31,317		29,235		31,156	

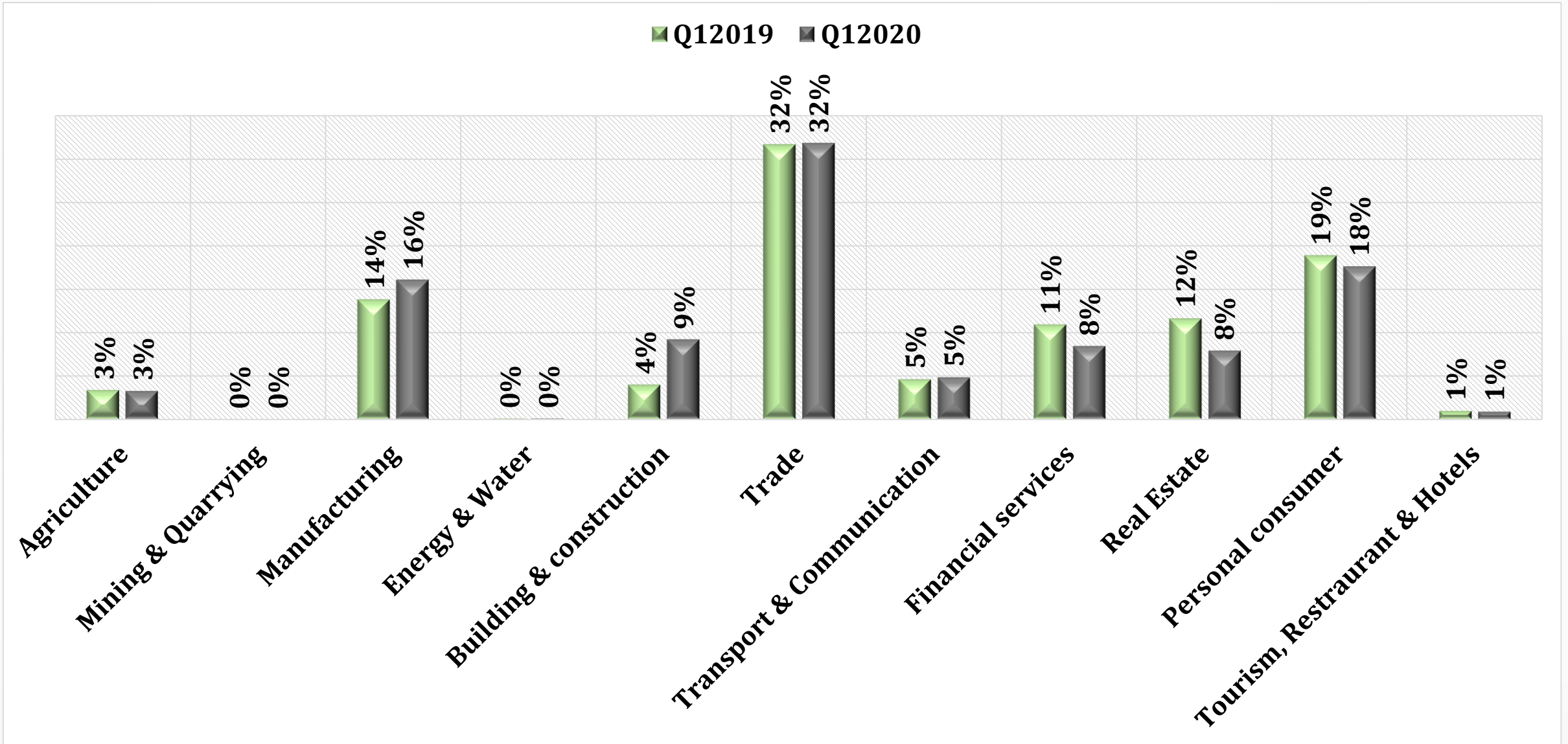
Quality Loan Book – Bank (IFRS 9)

Stage/Grade	Exposure (Kshs. B)	Provision (Kshs. B)
Stage 1	236.89	4.58
Stage 2	26.05	1.68
Stage 3	31.32	13.22
Grand Total	294.26	19.48

Portfolio Trends – Specific Sector NPL By Sector Book

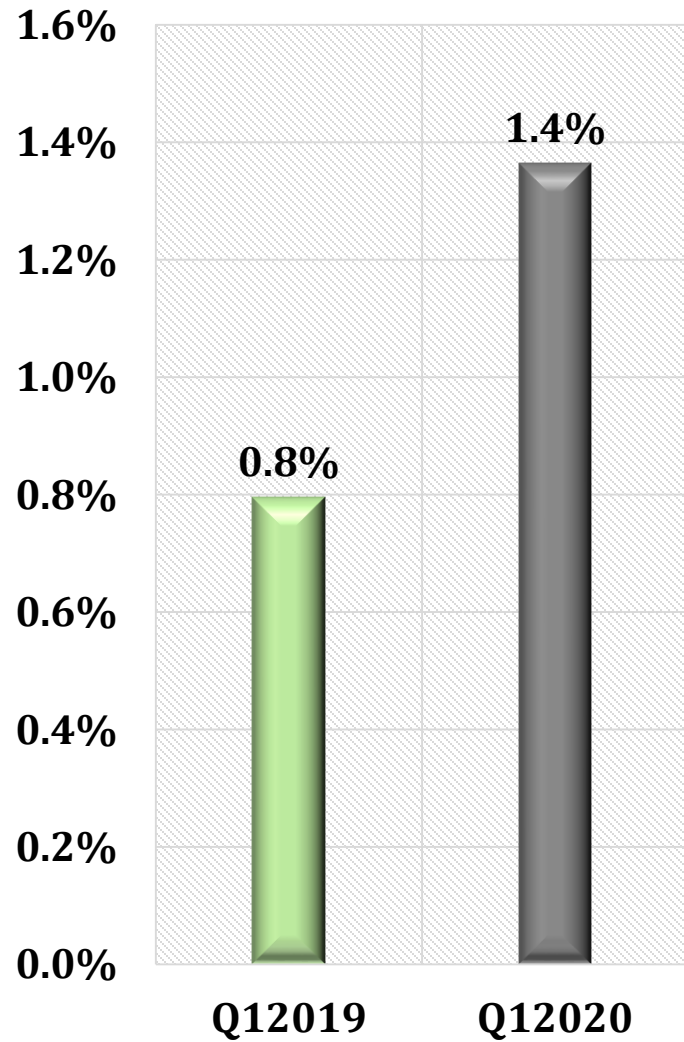


Portfolio Trends – Sector NPL By Total Bank NPL Book

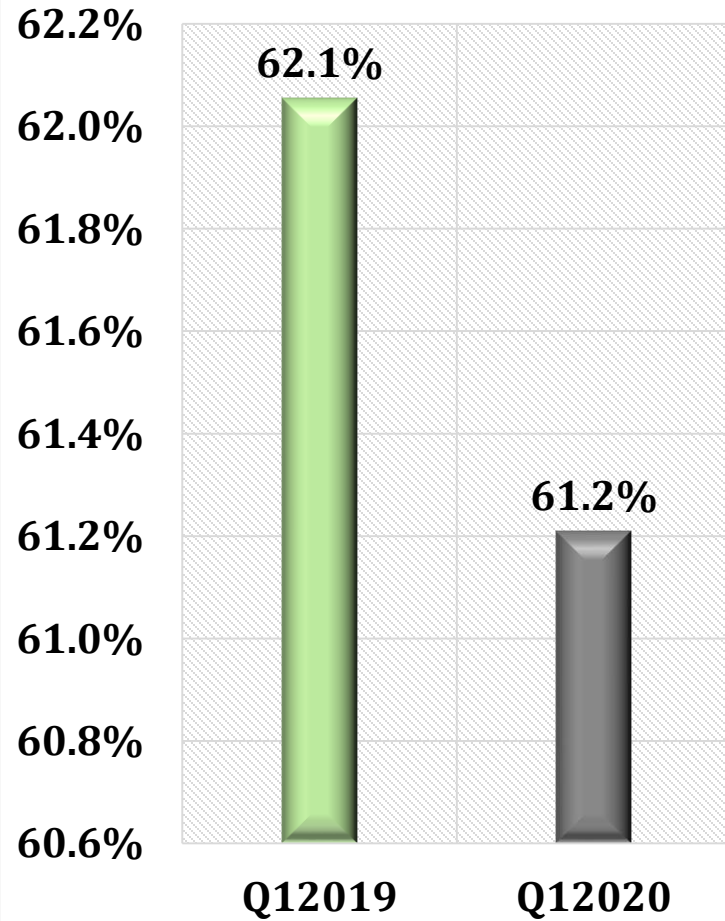


Adequate Coverage

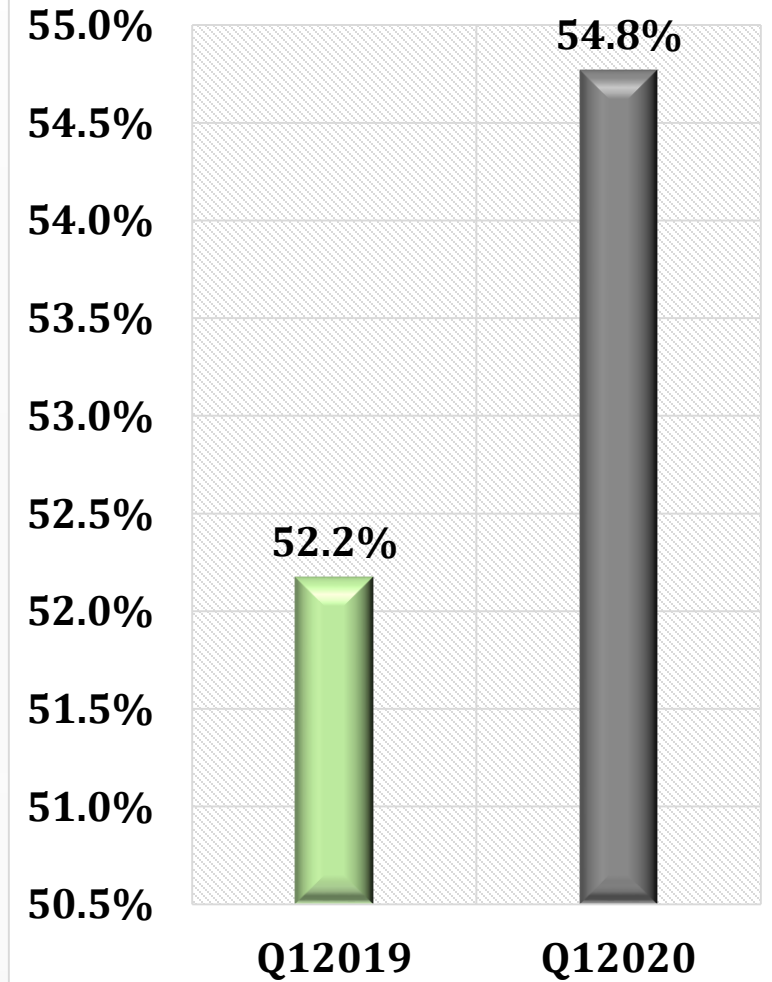
Cost of Risk



Coverage CBK (Includes Gen. Prov.)

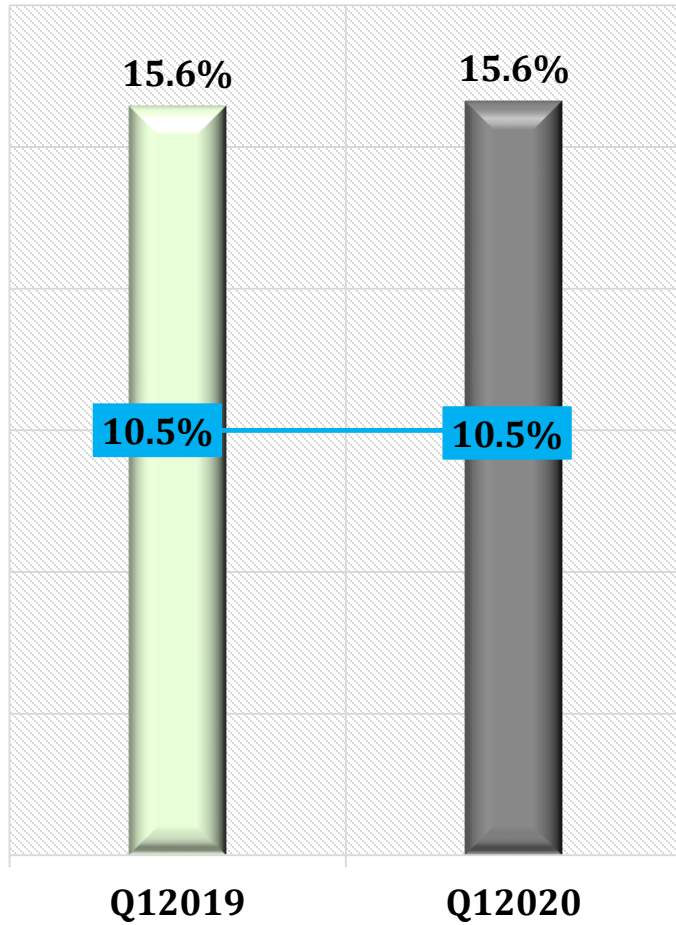


Coverage (IFRS) Excludes General Provisions

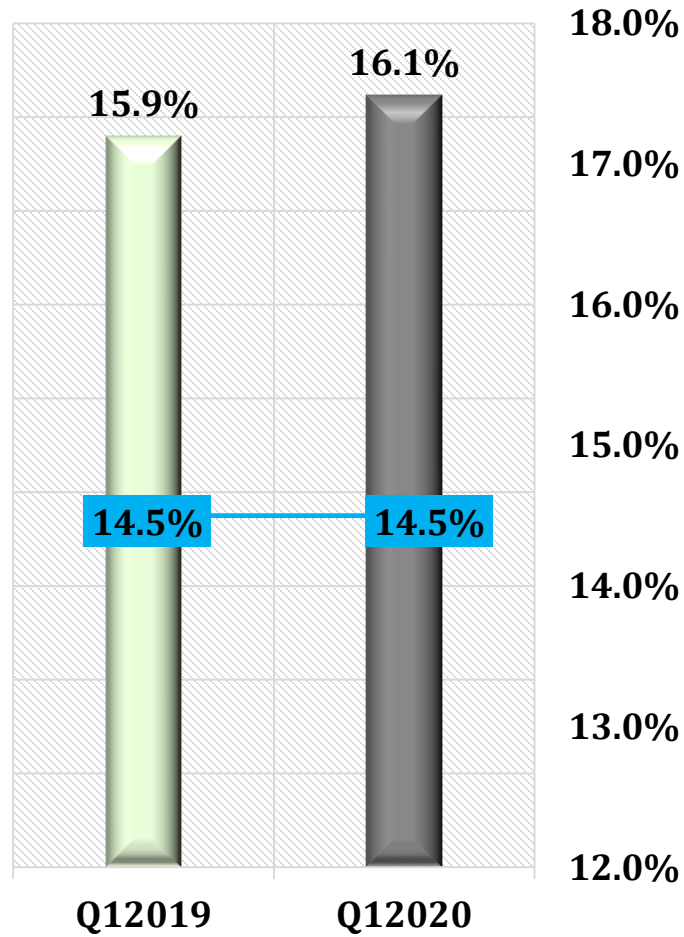


Strong capital to support future growth

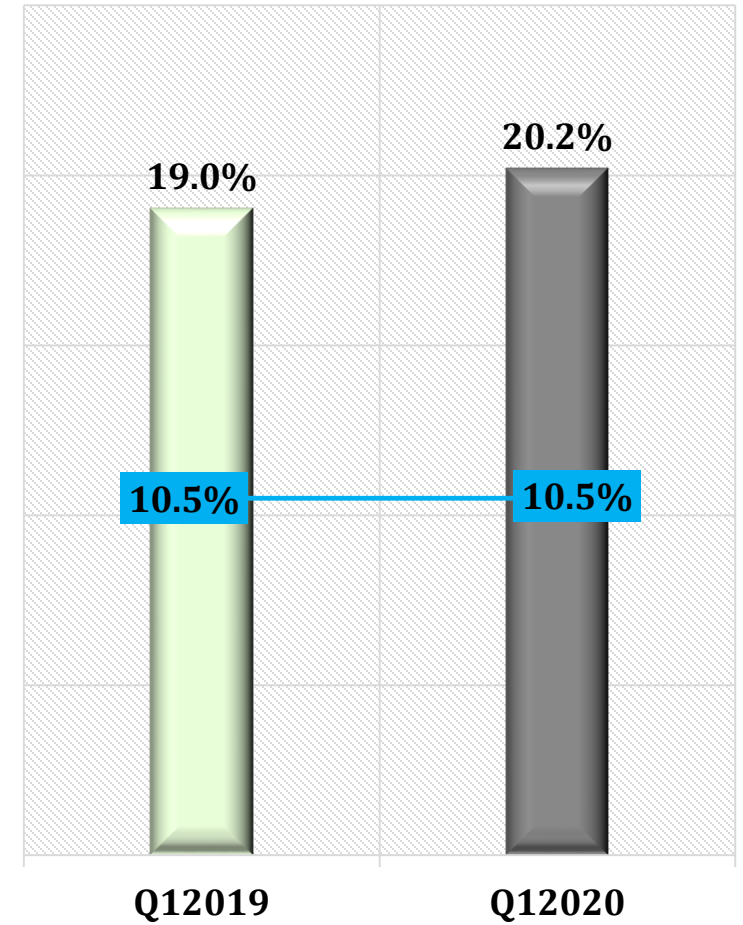
■ Core Capital / Total Risk Weighted Assets
— Minimum Statutory Requirement



■ Total Capital / Total Risk Weighted Assets
— Minimum Statutory Requirement

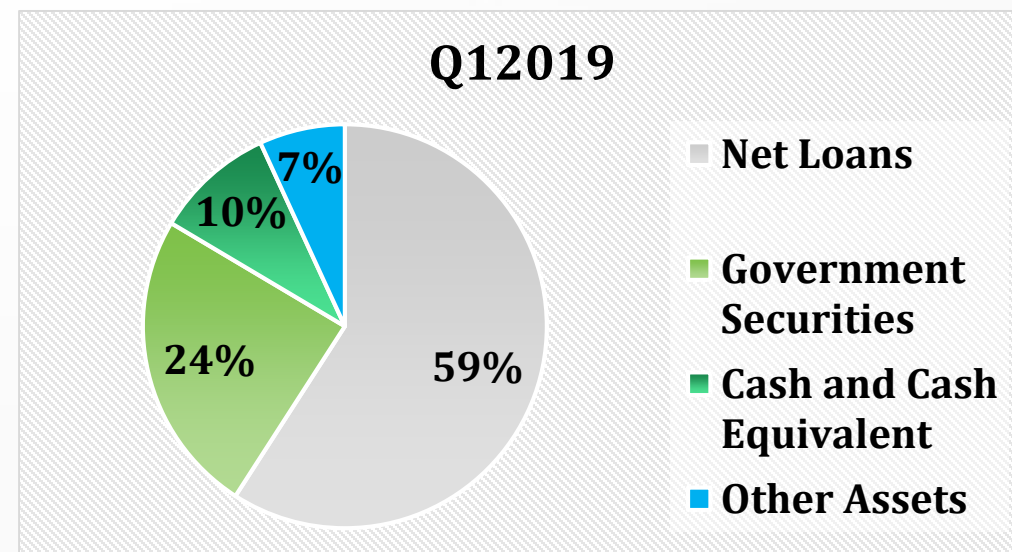
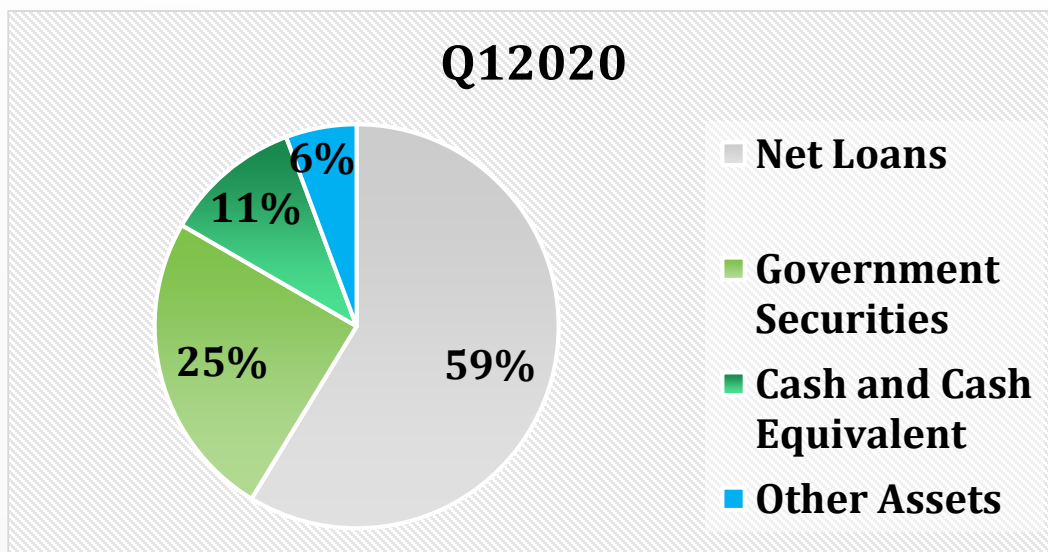


■ Core Capital / Total deposit Liabilities
— Minimum Statutory Requirement

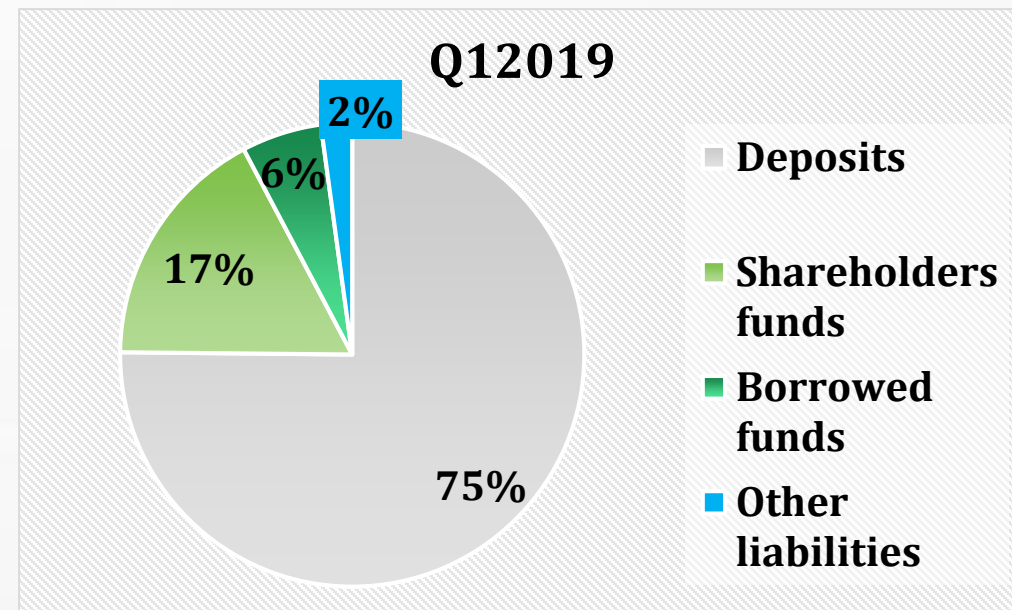
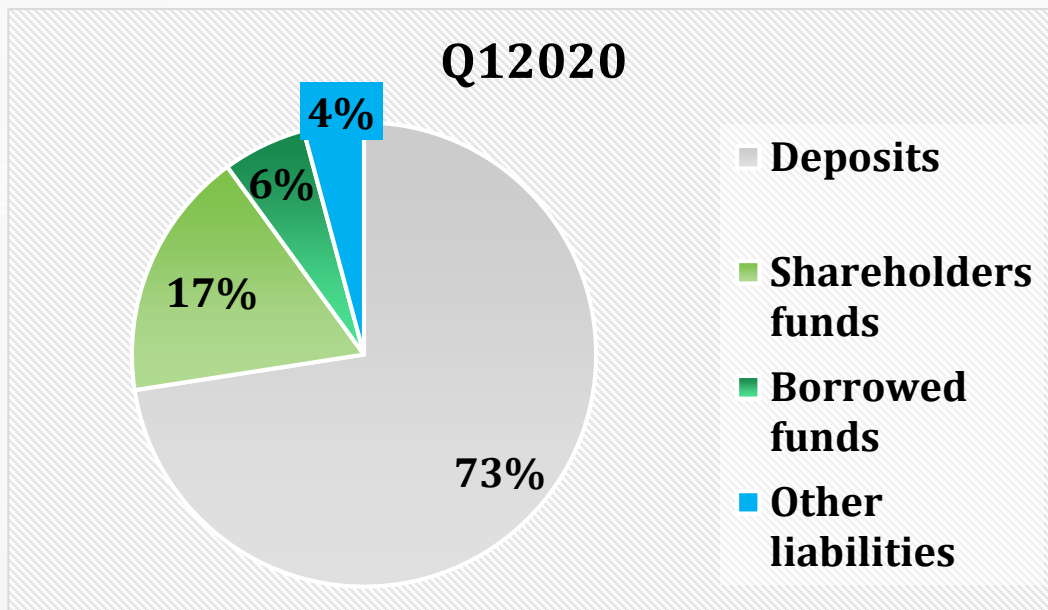


Optimal Asset and Funding Mix

Asset Categories

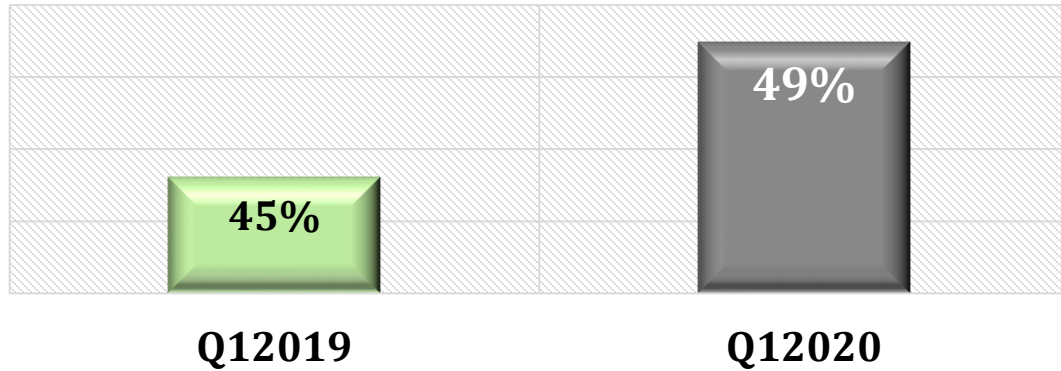


Funding Categories

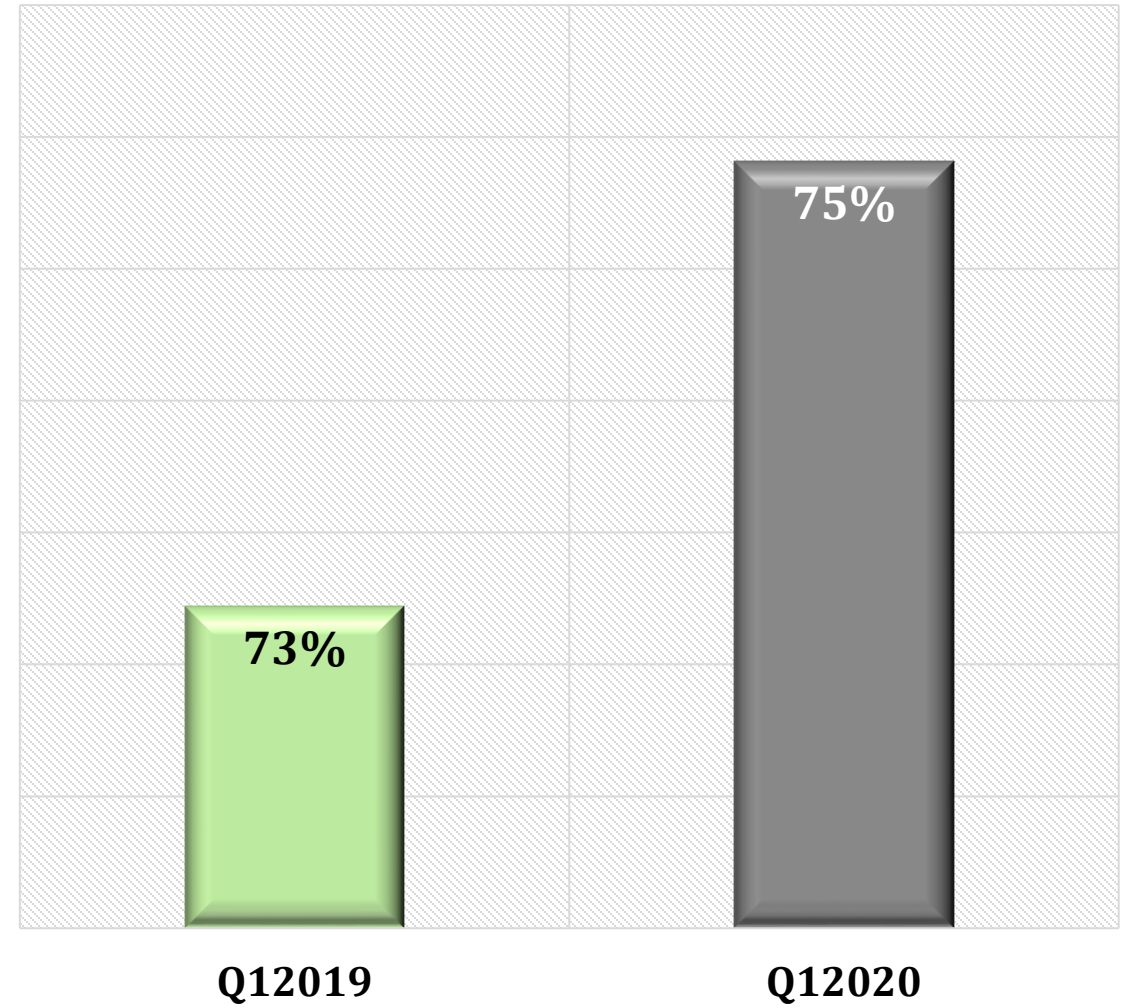


Strong liquidity to support investments

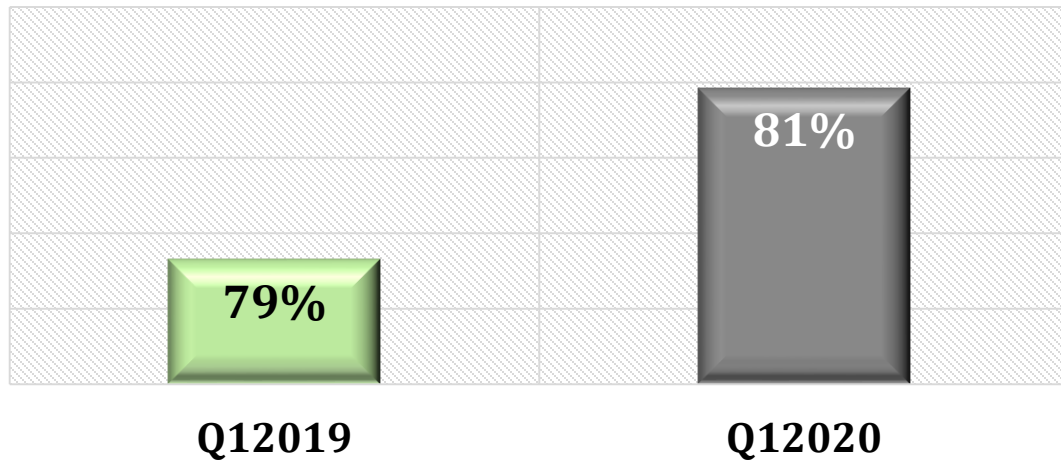
Liquidity



Loans to Deposits+ Borrowed Funds



Loans to Deposit



Improved Subsidiary Contribution

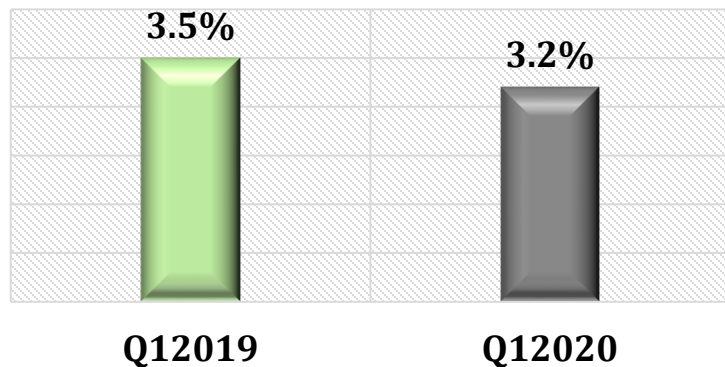
COMPANY	Profit Before Tax Q12020 KShs'000	Profit Before Tax Q12019 KShs'000	Variance	%
The Co-operative Bank of Kenya Limited	4,945,246	4,808,705	136,541	3%
Co-op Consultancy & Ins Agency Limited	250,457	216,000	34,457	16%
Co-op trust Investments Limited	20,527	20,107	420	2%
Kingdom Securities Limited	(6,635)	6,032	(12,667)	-210%
Co-operative Bank of South Sudan	29,724	41,744	(12,020)	-29%
Total PBT before eliminations	5,239,319	5,092,588	146,731	3%
Add: Share of profit from associates	(121,645)	19,981	(141,626)	-709%
Group profit before tax	5,117,673	5,112,569	5,104	0.1%
Income tax expense	1,528,934	1,513,460	15,474	1%
Group profit after tax	3,588,739	3,599,109	(10,370)	0.1%

Sustainable Profitability Growth

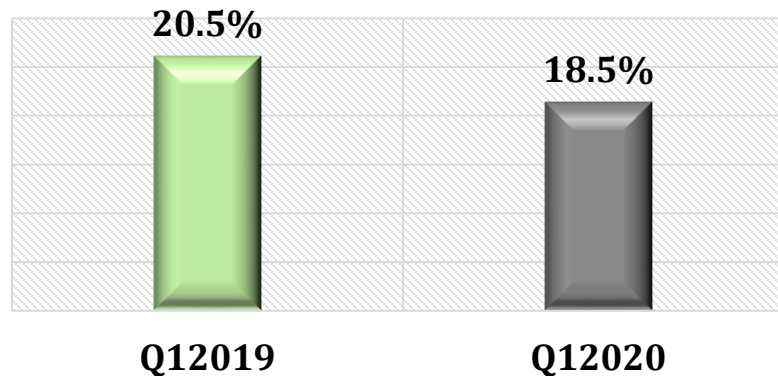
Kshs. Billions (except for EPS)	Q12020	Q12019	% Change (Y/Y)	
Interest Income	10.54	10.09	4.5%	↑
Interest Expense	3.02	3.16	-4.4%	↓
Net Interest Income	7.52	6.93	8.5%	↑
Fees & Commissions	4.39	3.42	28.3%	↑
Forex Income	0.50	0.64	-21.0%	↓
Other Income	0.09	0.13	-29.1%	↓
Total Operating Income	12.50	11.12	12.5%	↑
Loan Loss Provision	0.90	0.50	79.5%	↑
Staff Costs	3.48	2.78	25.0%	↑
Other Operating Expenses	2.88	2.74	5.2%	↑
Profit Before Tax and Exceptional Items	5.24	5.09	2.9%	↑
Share of profit of associate	(0.12)	0.02	-708.8%	↓
Profit Before Tax	5.12	5.11	0.1%	↑
Tax	1.53	1.51	1.0%	↑
Profit After Tax	3.59	3.60	-0.3%	↓
Basic Annualized EPS	2.45	2.45	-0.3%	↓

Key Ratio's

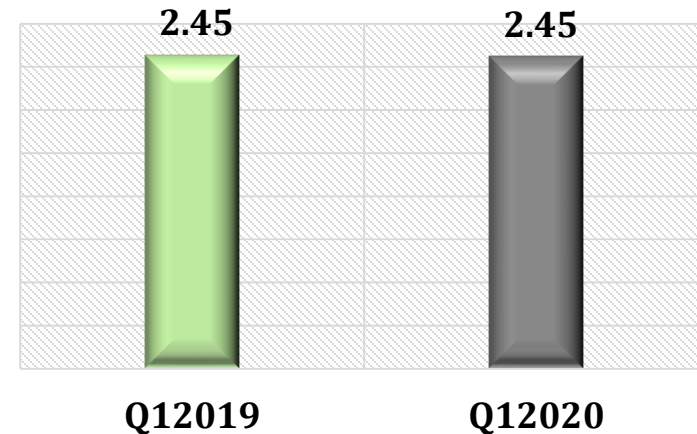
Return On Average Assets (ROAA)



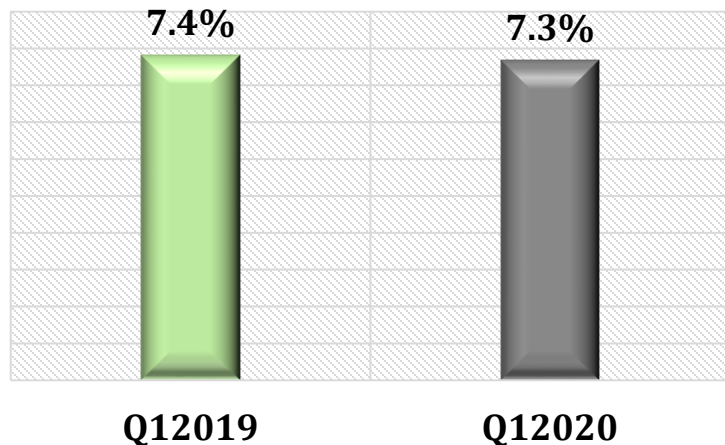
Return On Average Equity (ROAE)



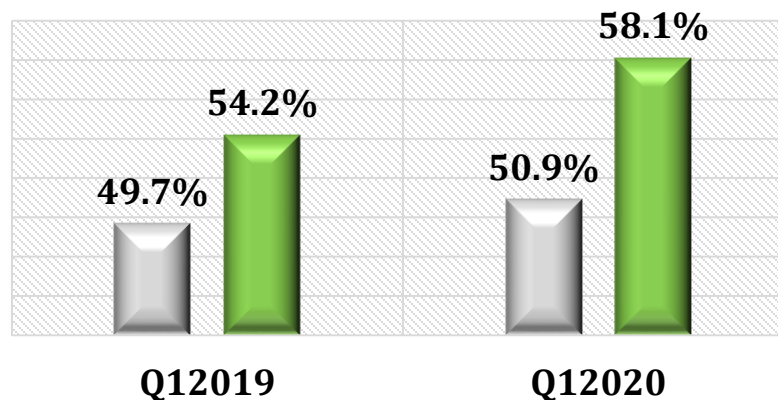
Earnings Per Share (EPS)



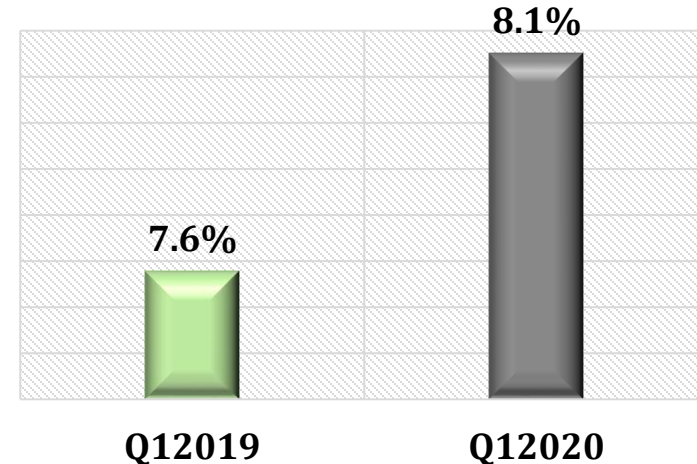
NIM on Earning Assets



■ CIR without provisions
■ CIR with provisions

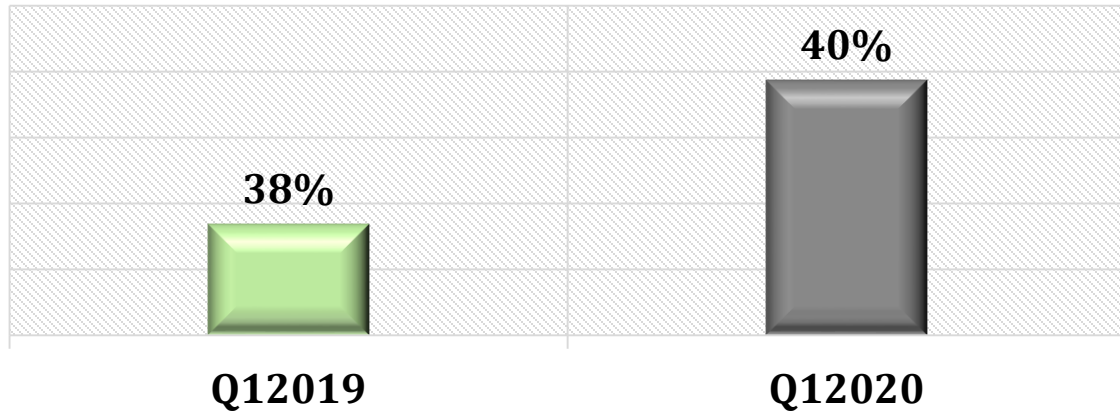


NIM on Loans

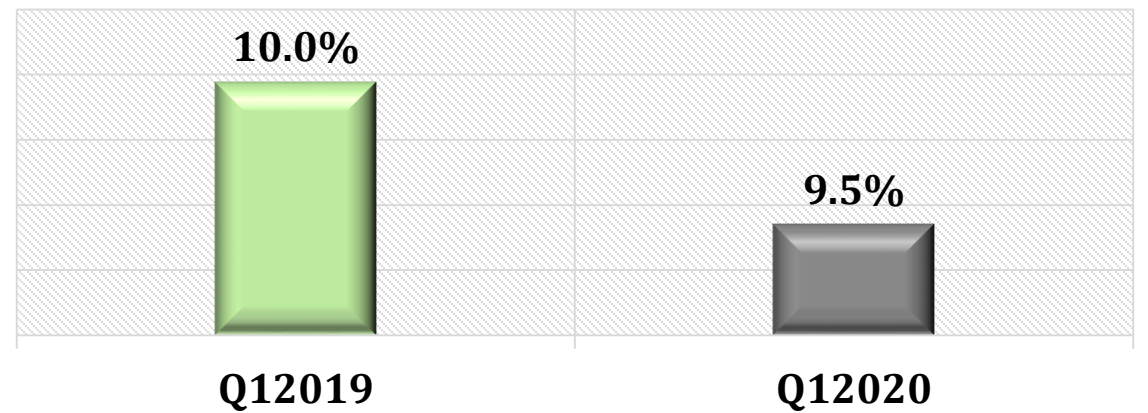


Key Ratio's

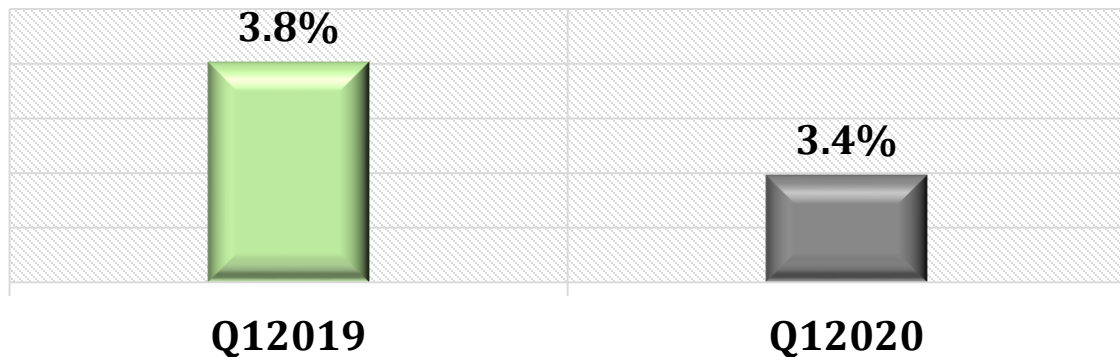
Non Funded to Total Income



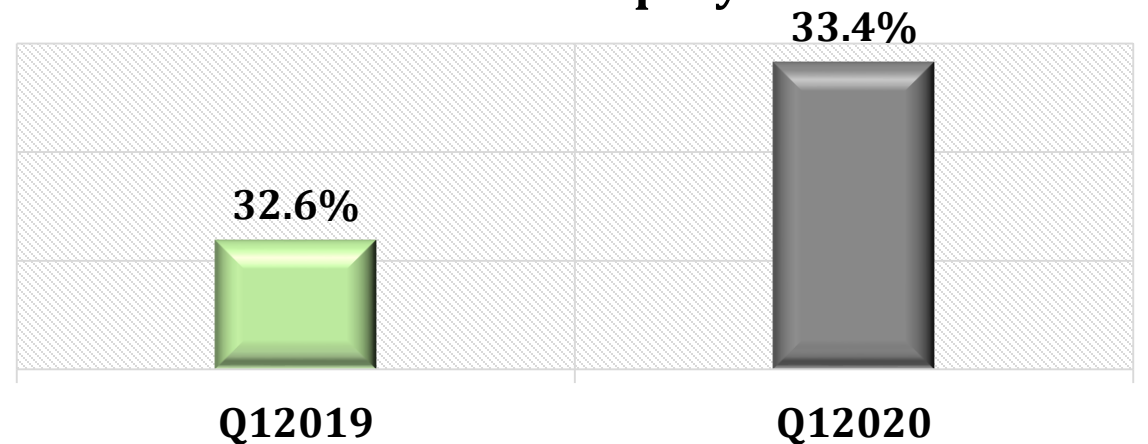
Non Performing Loans (NPL)



Cost of average funds including borrowed funds



Debt to Equity



**Thank
You**