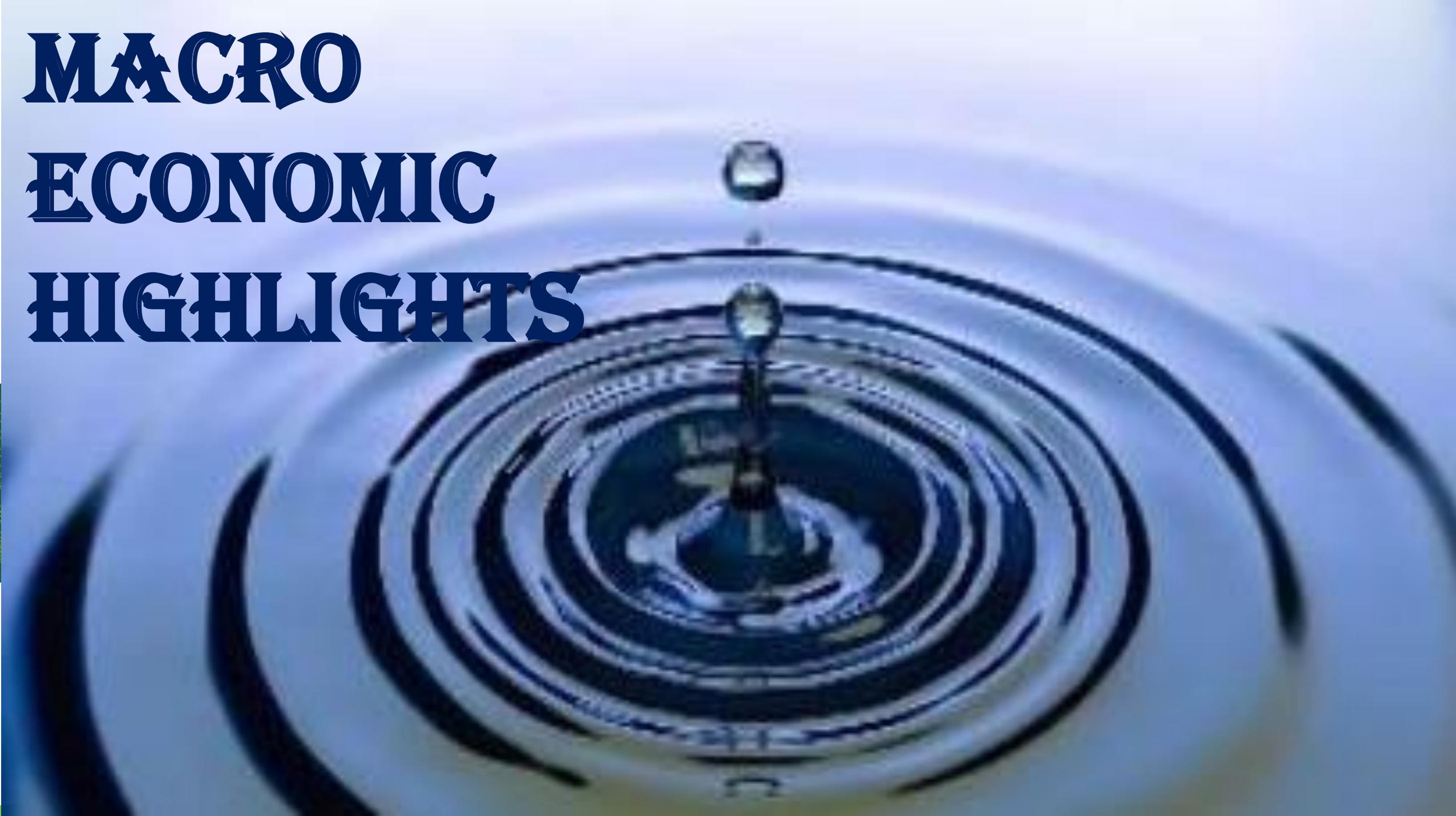




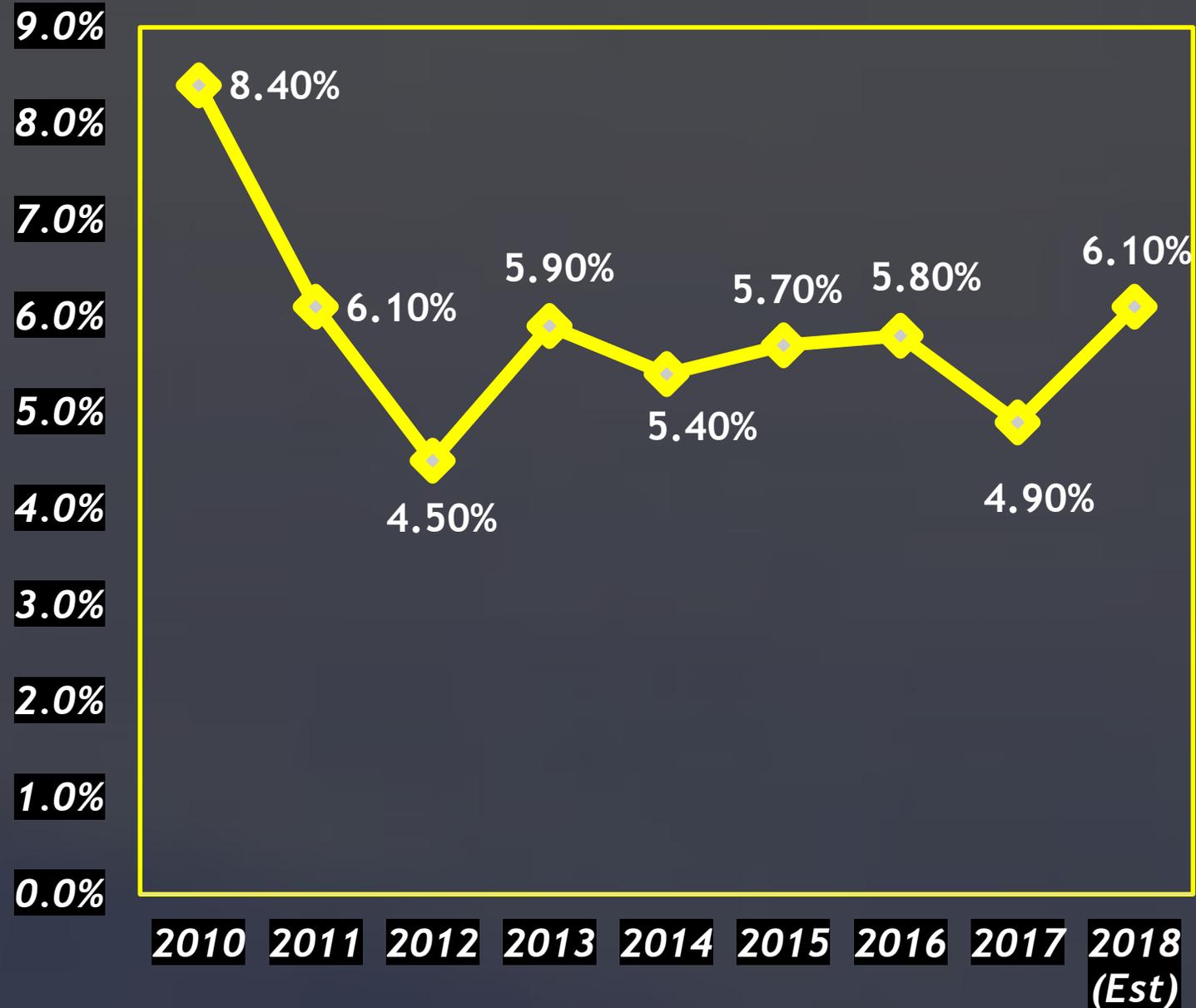
**GROUP FINANCIAL RESULTS  
ANALYST BRIEFING  
FY2018**

**21 MARCH 2019**

# MACRO ECONOMIC HIGHLIGHTS



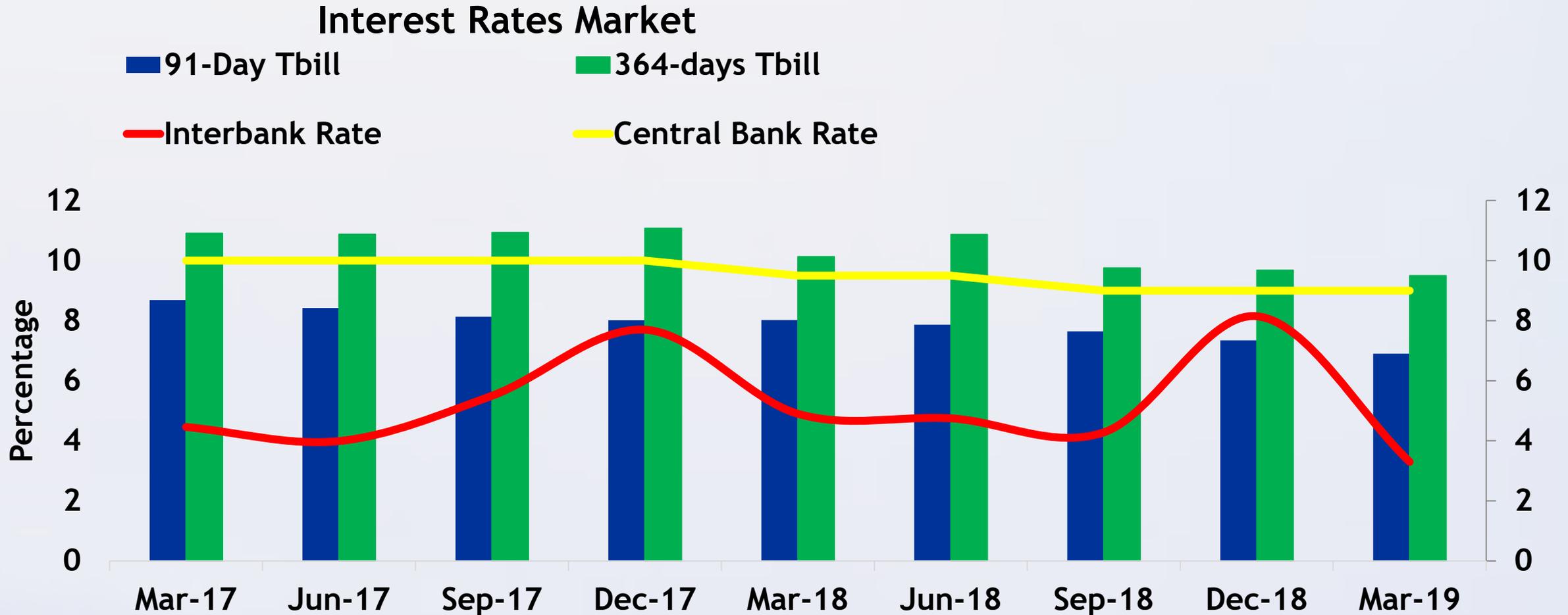
## Annual GDP Growth Rate, %



## Gross Domestic Product (GDP)

- ❖ The Kenyan economy was on a growth path in 2018 supported by good weather, eased political uncertainty and private consumption.
- ❖ In 2018, real GDP growth was also supported by pick up in tourism services.
- ❖ We project that if the weather pattern in 2019 is favorable, agricultural production and exports will grow.

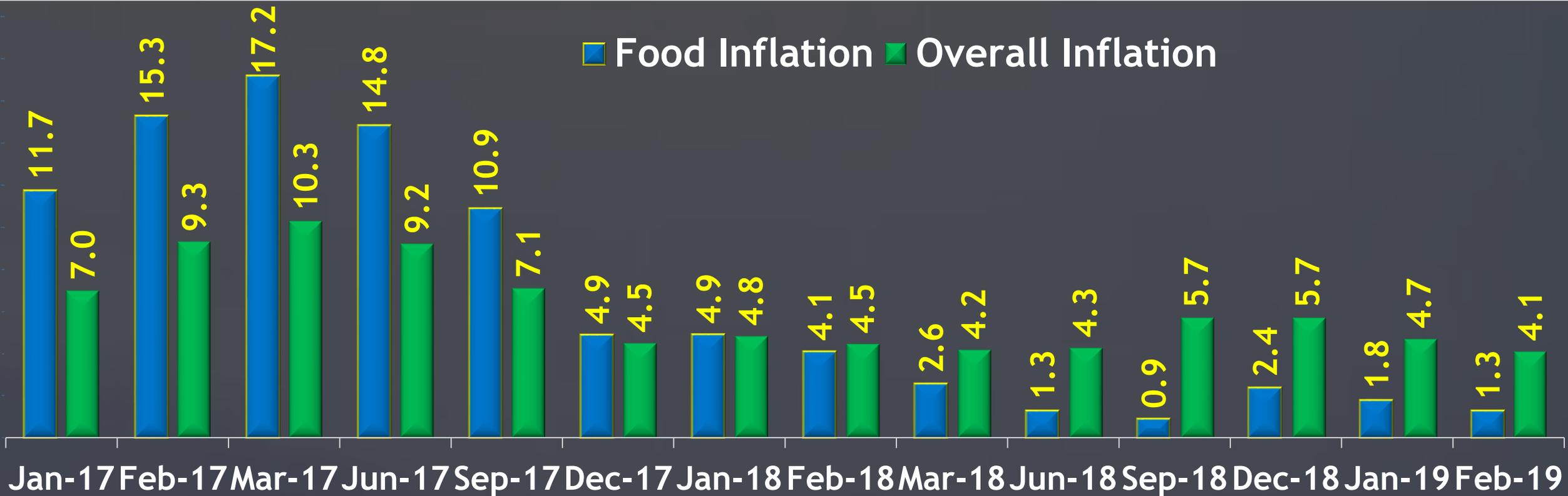
# Short Term Interest Rates



- ❖ CBR revised downwards from 10% to 9.5% in March 2018 and again to 9% in July 2018.
- ❖ Yields on Government securities have maintained a marginal downward fall.
- ❖ Inter-bank rate has remained fairly stable within single digit level.

# Inflation Rate

- ❖ Overall Overall inflation rate trended downwards in 2018 to average 4.7% compared to 8% in 2017.
- ❖ In February 2019, it stood at 4.1%
- ❖ The main driver of the fall in overall inflation rate was lower food prices in 2018.
- ❖ Food inflation rate fell to 2.4% in December 2018 and 1.3% in February 2019.



# Currency

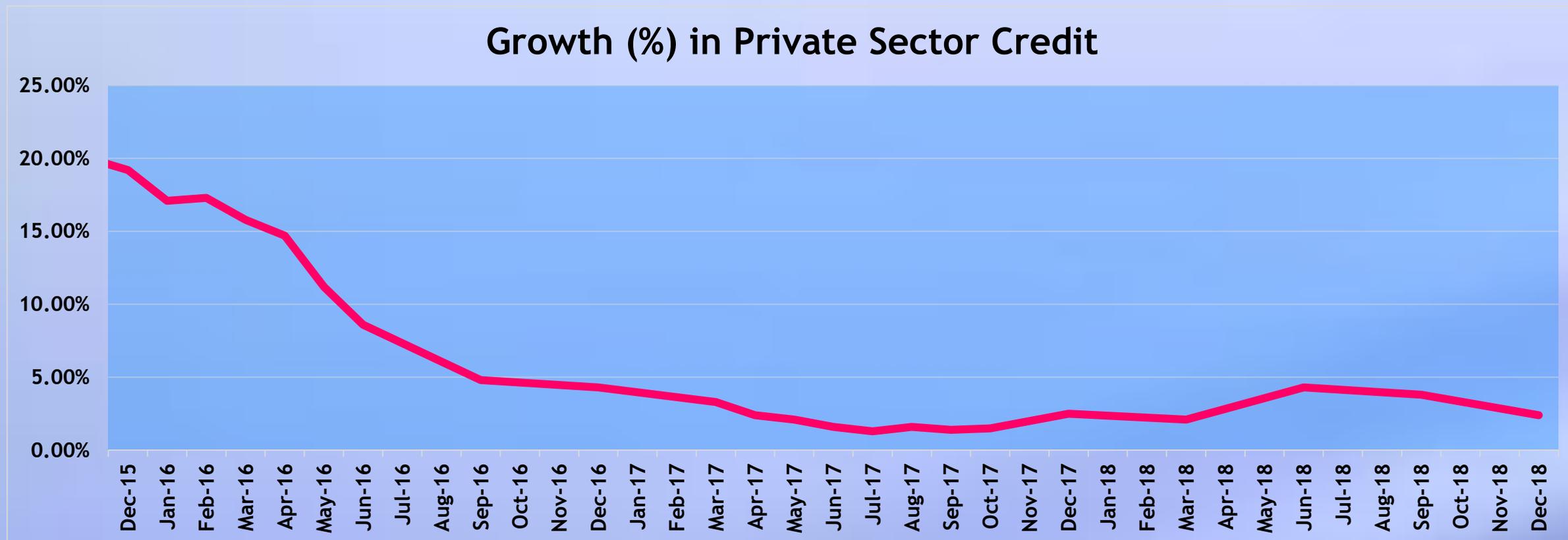
- ❖ The USD/KES exchange rate has been relatively stable in 2018.
- ❖ Driven by a rise in diaspora remittances and tourism receipts, higher tea and horticultural exports, slower growth in imports (due to lower food and SGR-related equipment imports) and the decline in international oil prices.

## Average USD/KES Exchange Rate



# Private Sector Credit Growth

- ❖ The 12-month growth in private sector credit has fallen to 2.4% in December 2018 from 22% in December 2014.
- ❖ This compares to 2.5% growth registered in December 2017.
- ❖ Commercial banks are still unable to price in some borrowers credit risk premium within the current loan pricing regulation of CBR+ 4%.



# South Sudan

- ❖ Mid march 2019 IMF team concludes a country assessment, the first mission since 2016
- ❖ In this initial report peace agreement has prospects for lasting peace and improved macro economic stability
- ❖ With improved peace so far oil production up 20% and inflation down 40%
- ❖ With increased oil revenue, Collection of non-oil revenue projected to increase
- ❖ Based on the above positive macro- economic outlook projected

# 2018 Key Highlights

- **IFRS 9**

- Impact on Loan Book & all other financial assets and future P&L effect

- **Banking Industry**

- Enhanced regulatory and Compliance with AML/CTF/POCAMLA/ Prudential guidelines
- Market ripe for mergers and acquisitions
- Increased E-lending / Digital Disruptions

- **Economic Drivers**

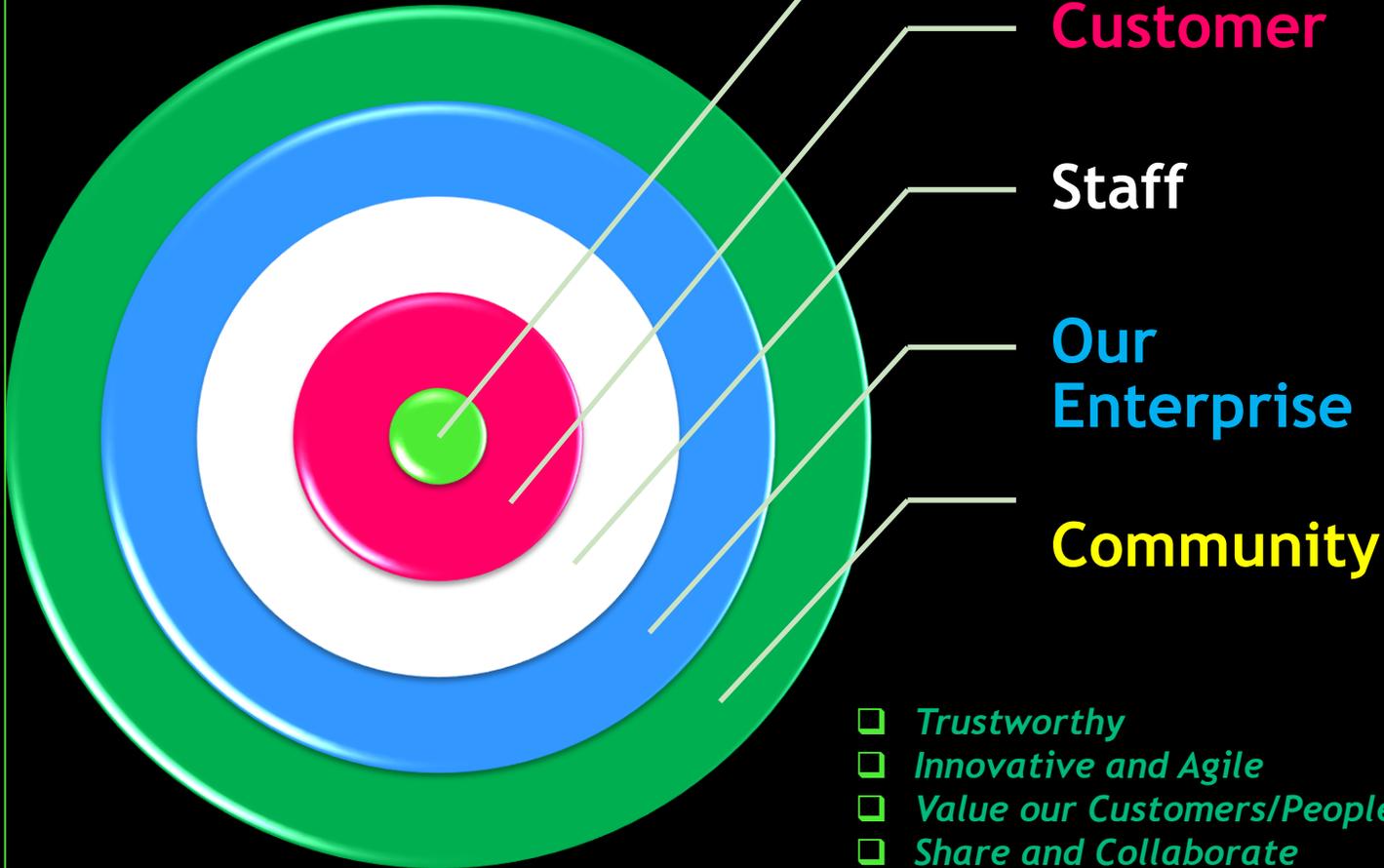
- Big 4 agenda- the opportunities (Housing, Health, Manufacturing & Food Security)

# STRATEGIC FOCUS



# Our Strategic Focus

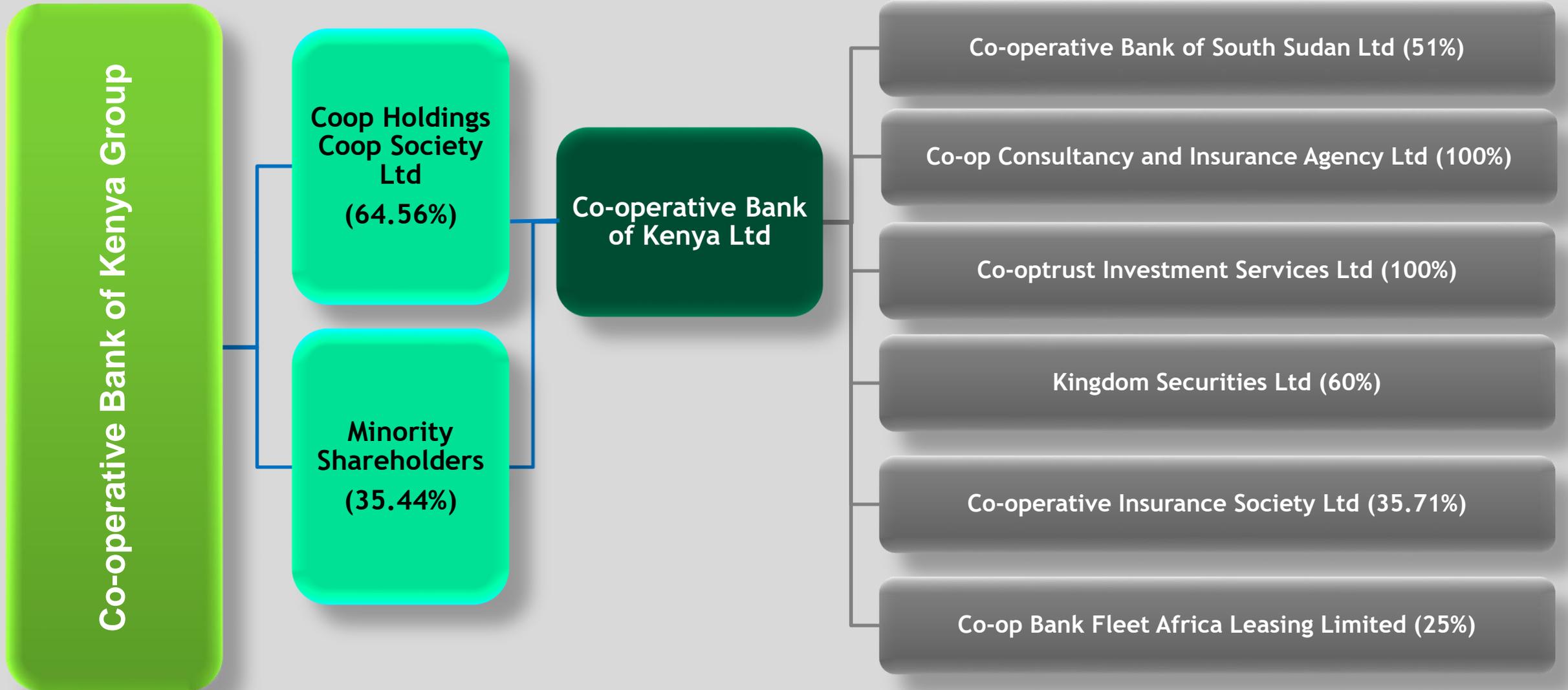
**OUR STRATEGY  
UNDERPINNED BY  
TRANSFORMATION**



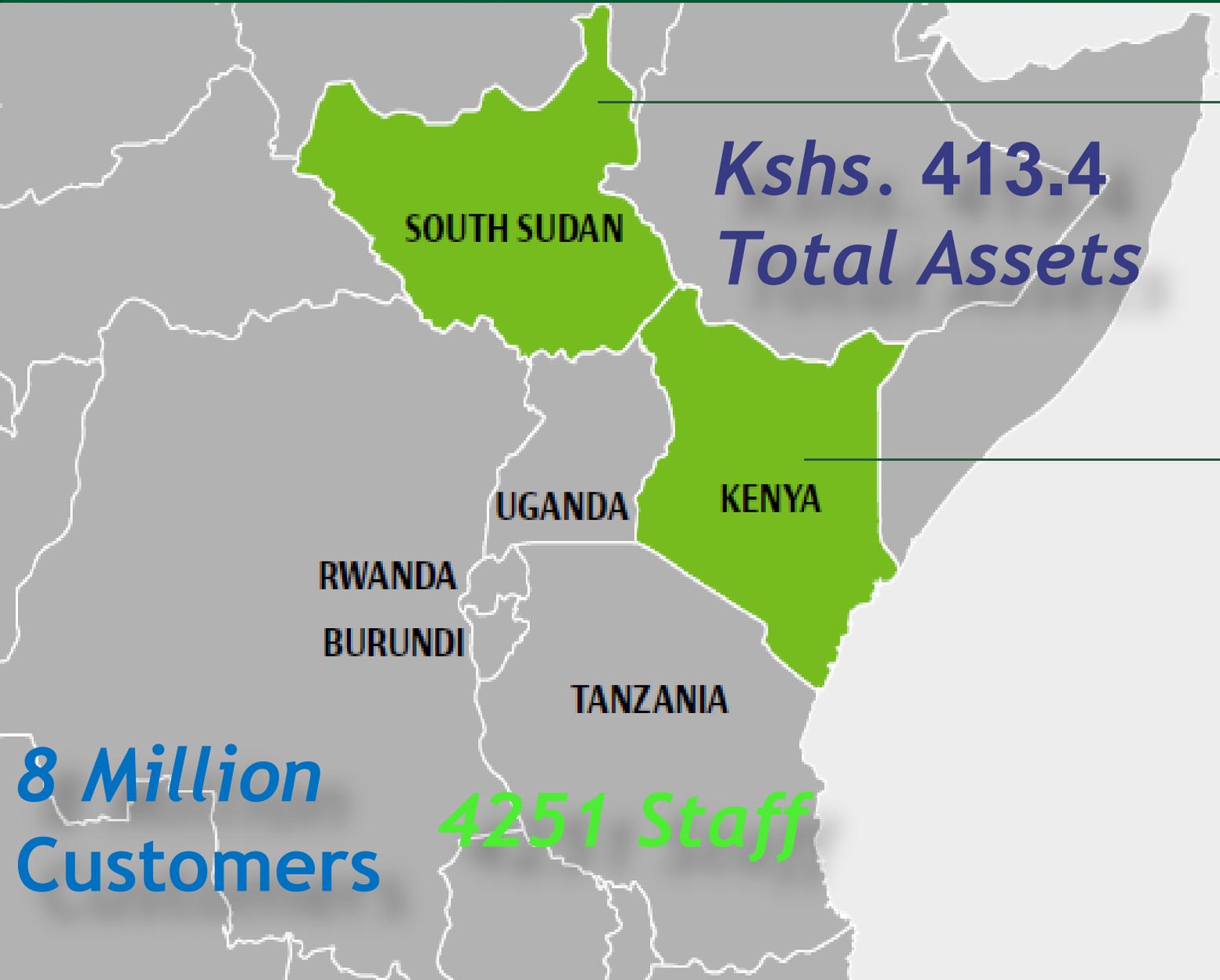
## *Key Drivers*

- **Optimal returns to our shareholders**
- **Sustainability/ Marketshare growth**
  
- **Customer centricity**
- **Digitized customer journeys**
  
- **Employer of choice**
- **Staff productivity**
- **Staff development**
  
- **Operational efficiency**
- **Proactive Risk management**
- **Optimal digital strategy**
  
- **Responsible Corporate Citizen**
- **Sustainable Economic, social & Environmental Impact**

# Co-operative Bank of Kenya Group Structure



# Our Presence



**155** Branches

**4Million+** Mcoop cash mobile banking

**12000+** Co-op Kwa Jirani Agents

**581** ATMs

**84K+** CoopNet- Internet Banking

**464** Sacco Front Offices Branch network

**14,596** Diaspora Banking Customers

# Our Business: A Successful Universal Banking Model

*We enable our customers to;*

Save

Borrow

Invest

Insure

- Retail and Business Banking (Over Kshs.133B)*
- Corporate, Government & Institutional Banking(Over Kshs.102B)*
- Co-operatives Banking (Over Kshs.25B)*
- Fund management (Over Kshs. 83.5B, FY2018 Kshs. 40.5B)*
- Consultancy and capacity building for the Co-operative movement*
- Insurance Brokerage 57% growth in Insurance Commission*
- Stock Brokerage*
- Leasing- Kshs.900 M drawdown (Huge Potential)*

## Key Pillars

1

Branch Transformation: Customer Experience & Retail SFE

2

MSME Transformation

3

Sales Force Effectiveness

4

Shared Services & Digitization ‘The Digital Bank’

5

NPL Management & Credit processes

6

Cost Management

7

Data Analytics

8

Staff Productivity

## Key Highlights:

### **MSME**

- 7792 mobile unsecured business loan.
- 65 Suppliers -Supply Chain Financing
- 11126 customers -New MSME packages.
- We have Availed KSh.15.2 billion for MSME lending

### **DIGITAL BANK**

- Ongoing Omnichannel Implementation
- Business Process Management System (BPMS)

# Championing Social Economic Empowerment

## Co-op Consultancy & Insurance Agency Ltd

- ❑ 2600 Consultancies
- ❑ 20 Dedicated Consultants
- ❑ 464 FOSA- Financial Inclusion Deepening

## Co-op Foundation

- ❑ 7002 students supported to date
- ❑ 2018 (2826) 2017 (2742)
- ❑ Over 1 Billion since inception (2018- Over 147Million)
- ❑ Other Programmes with;
  - ❑ Ford Foundation
  - ❑ Embassy of Finland

- ❑ 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)



# Award Winning Brand - 2018



- Best Retail Bank - Kenya
- Dr. Gideon Muriuki- Best Banking CEO Kenya



- Best Retail Bank - Kenya
- Best SME Bank - Kenya
- Best Investment Institution - Kenya



- Best Bank in Kenya
- Best product launch- MCo-op Cash v4.0 update



## KENYA BANKERS ASSOCIATION: CATALYST AWARDS

### Overall Winner

- 1<sup>ST</sup>- Client Case Study - Financing Commercial Clients
- 1<sup>ST</sup>- Bank Case Study - Bank Operations & Policy
- 2<sup>ND</sup> -Best Practice in Sustainable Finance
- 3<sup>RD</sup> - Sustainability Through Policy & Governance
- 3<sup>RD</sup>- Client Case Study - Financing Micro, Small & Medium-Sized Companies

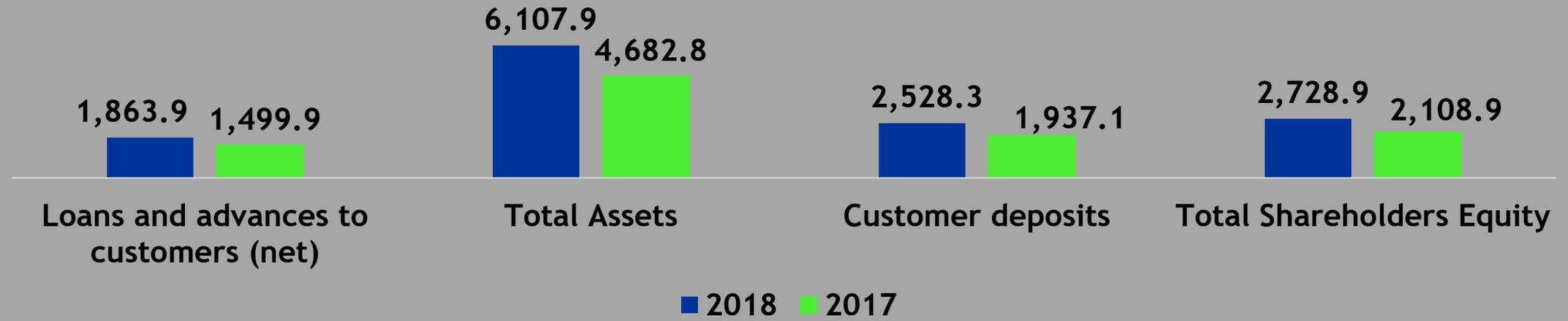


Recognition for being **Socially Devoted**  
By Social bakers  
(a social media marketing platform)



# Regional Business

(Kshs. Million)

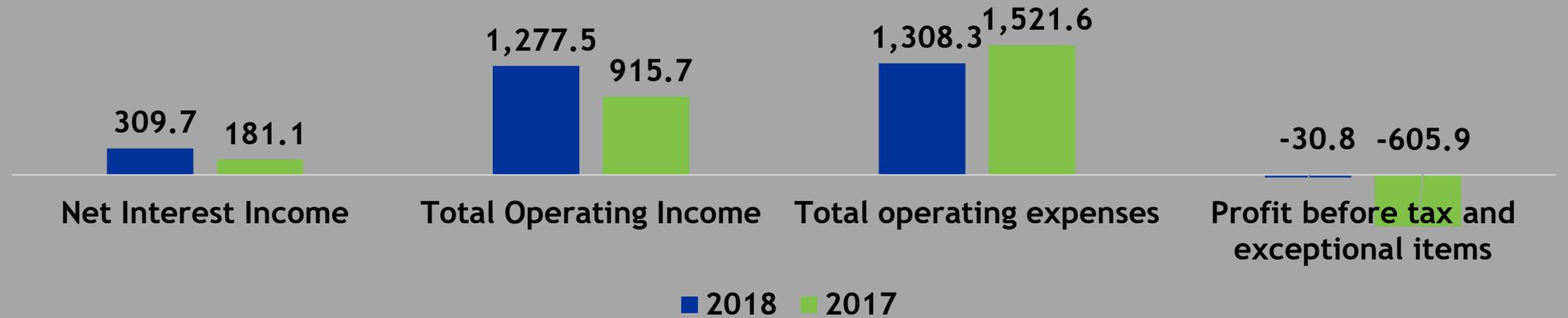


4 branches in Juba

5 Non-oil collection centers.

Owns 31% of CIC Africa Ltd- South Sudan

(Kshs. Million)



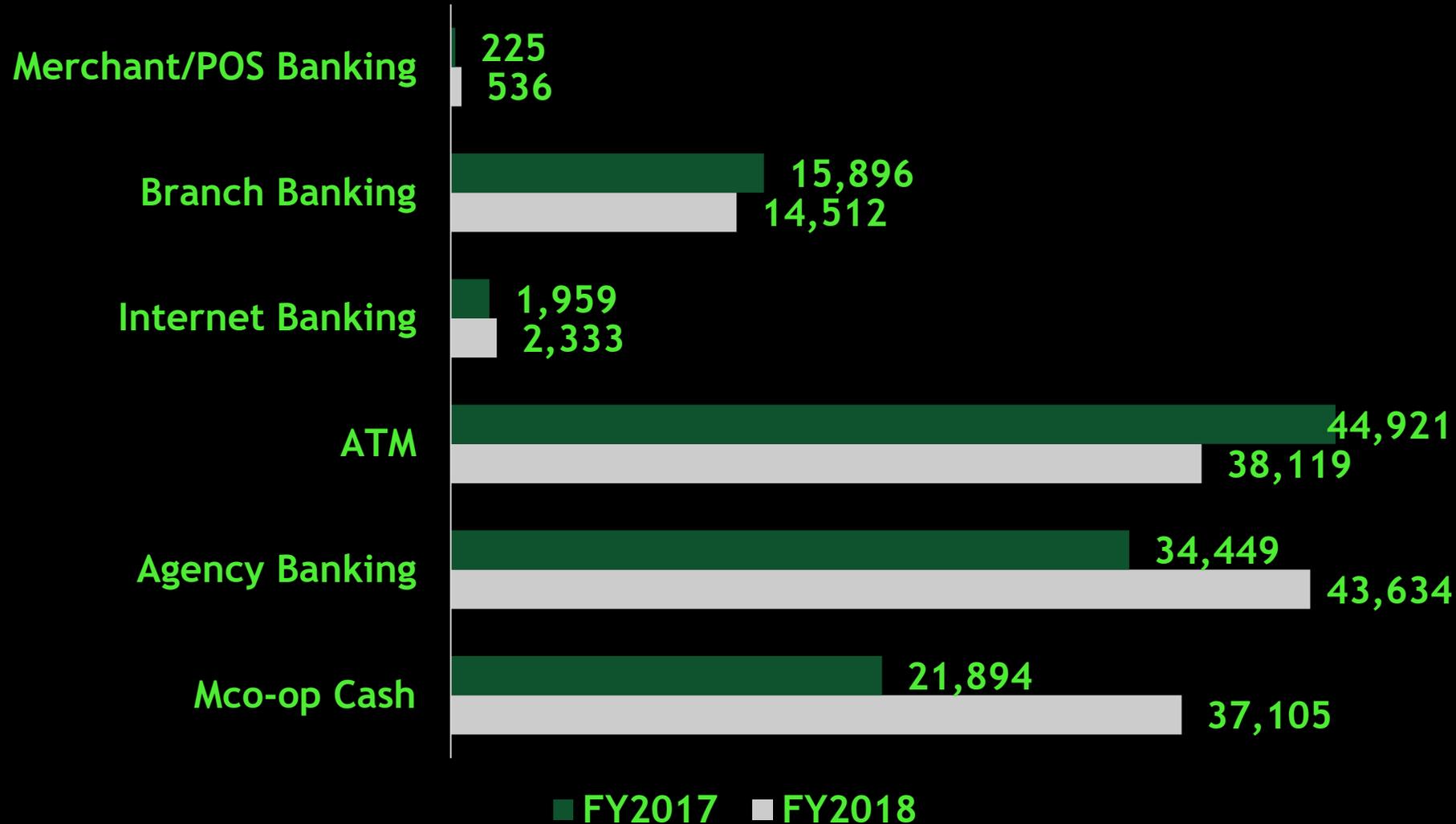
Continued focus on going to other countries in the region

# Our Channels



# Growing Digital Channels

## Channel Transactions '000'



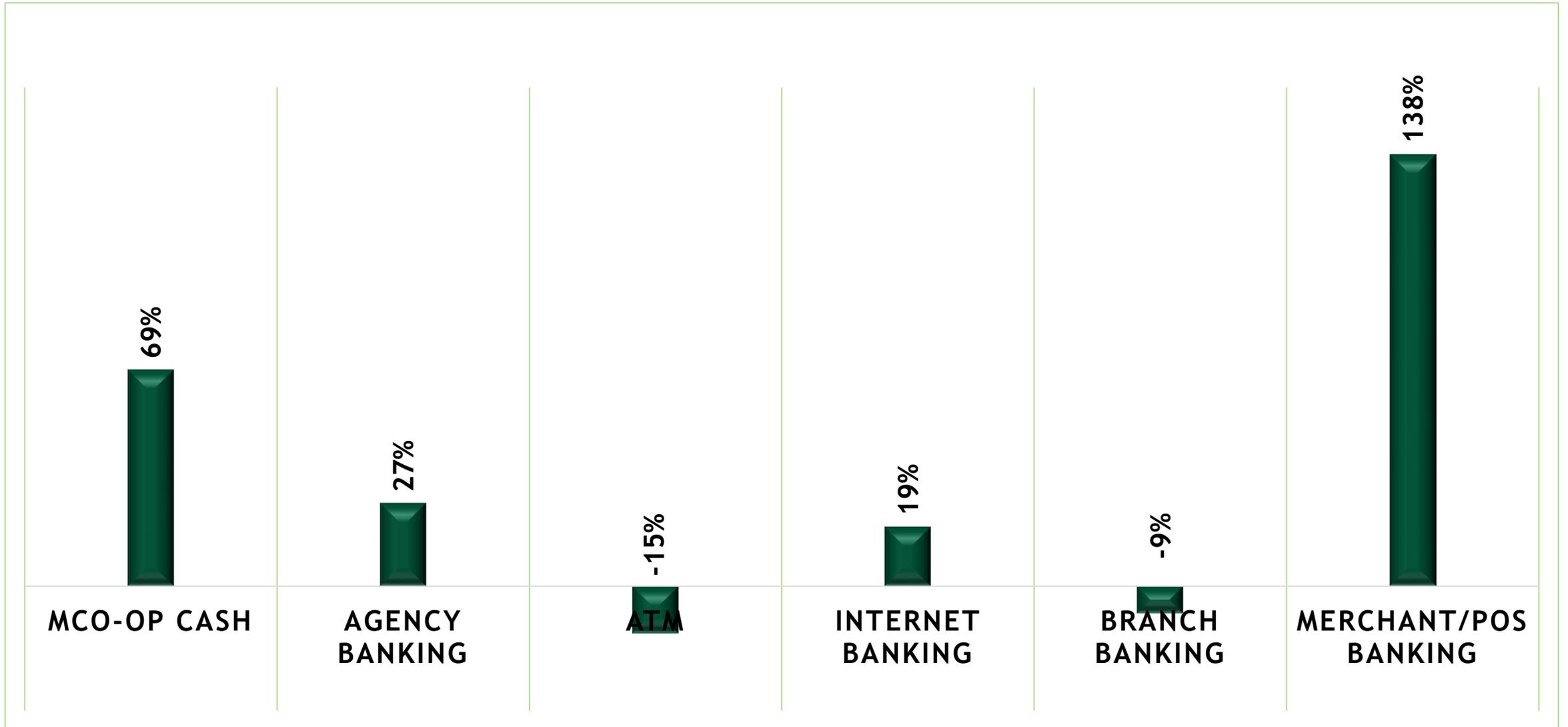
**89%** of our Transactions are on alternative Channels

**1.4** Million loans have been given through Mobile

**20** Billion has so far been disbursed

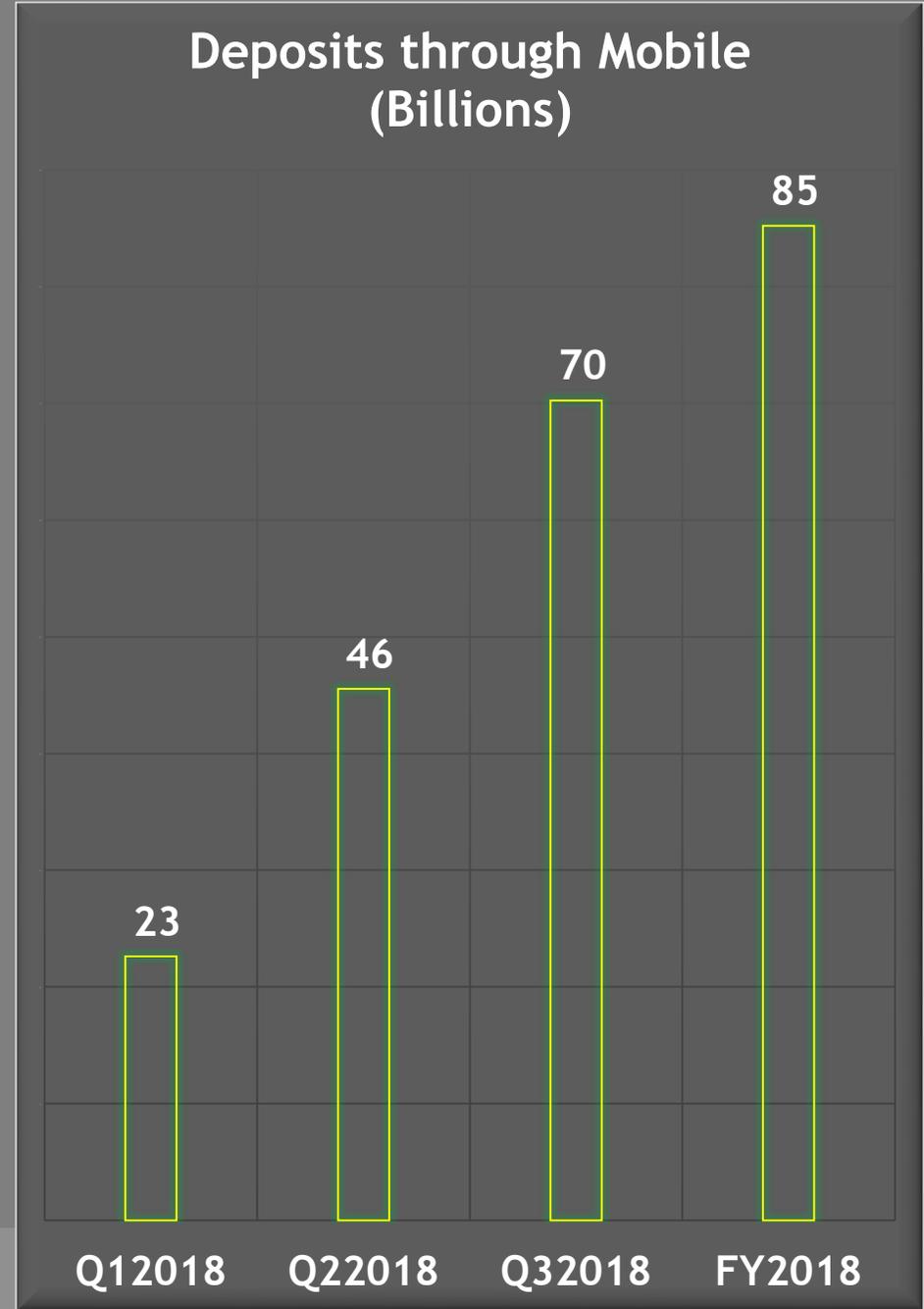
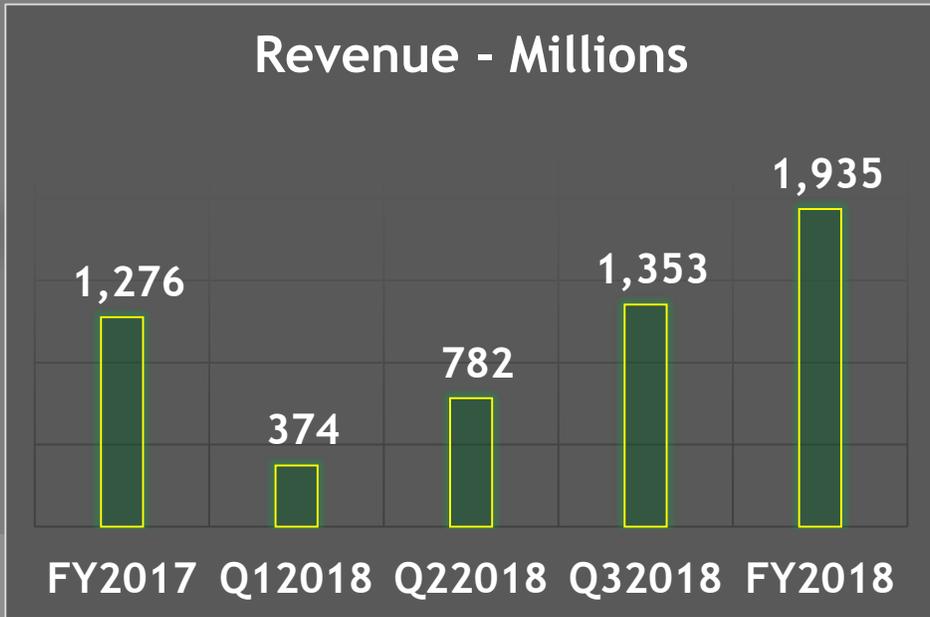
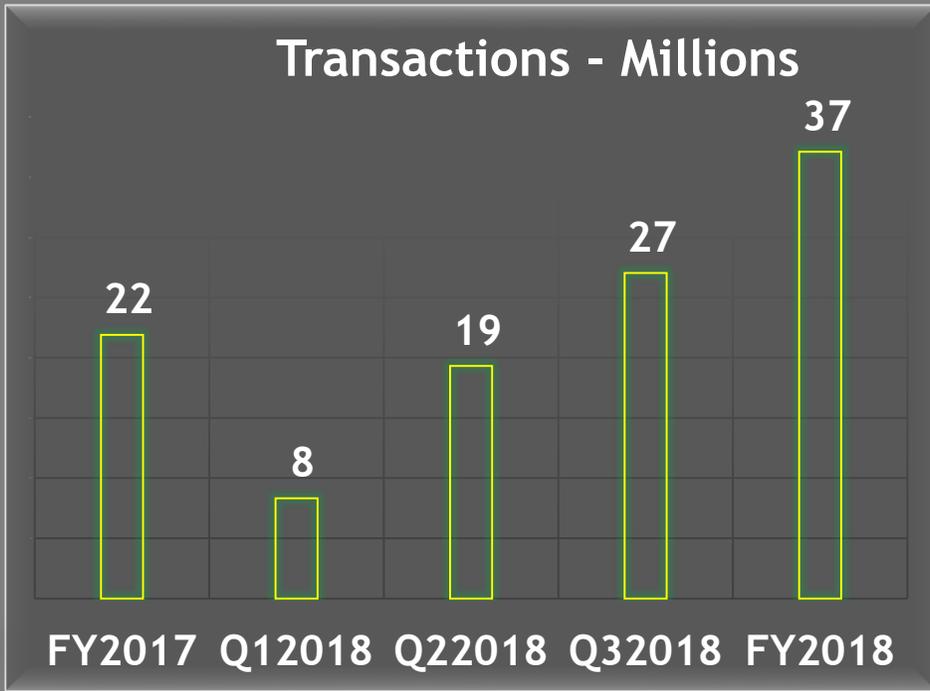
**E-Credit** lending key focus area in 2019.

# Growing Digital Channels



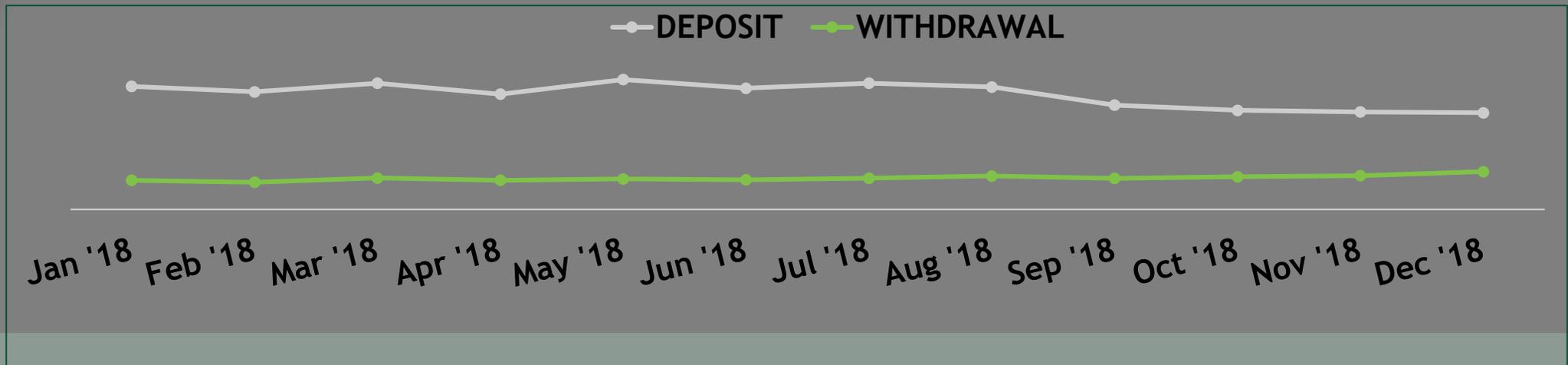
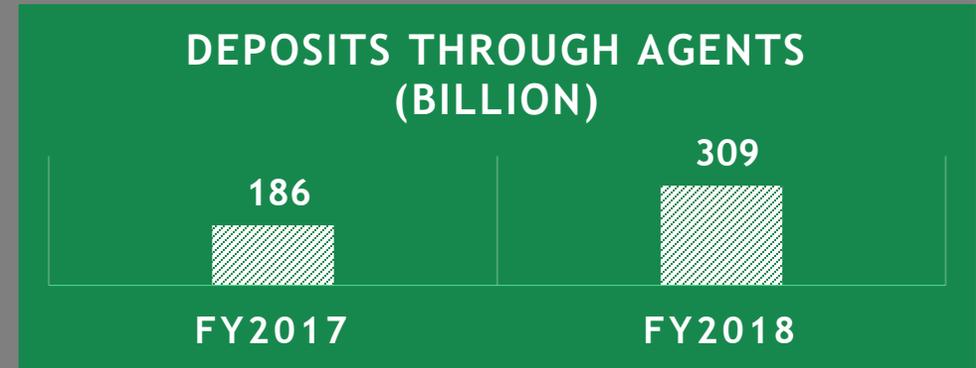
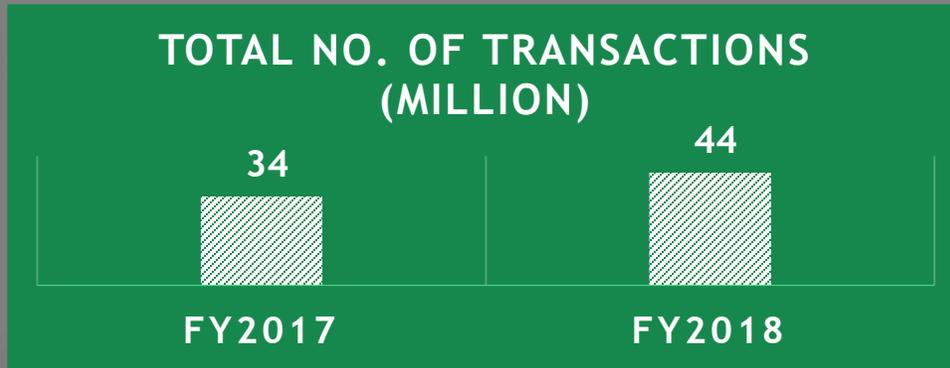
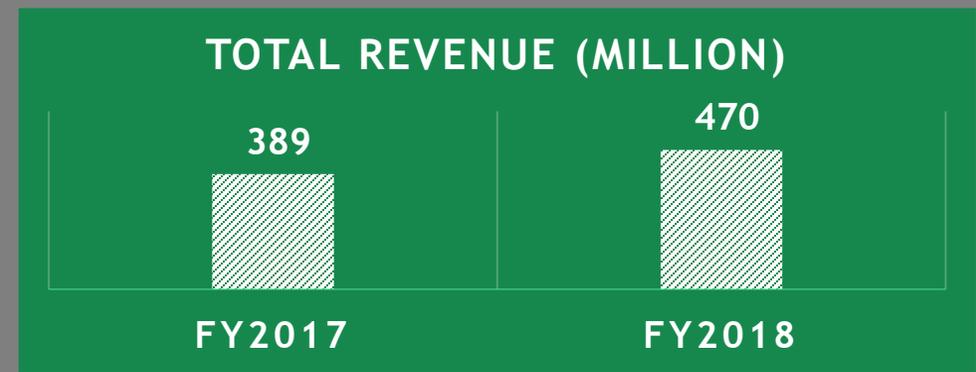
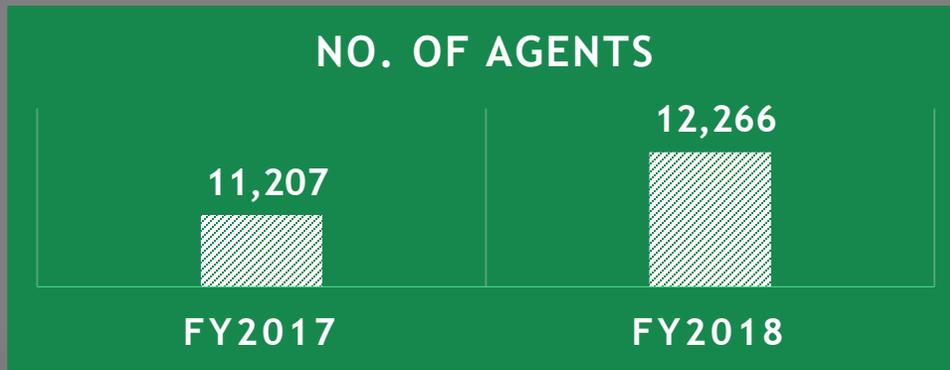
**MOBILE  
BANKING  
(MCOOP CASH)**

*Leveraging  
Mobile Banking  
for efficiency*



# AGENCY Banking

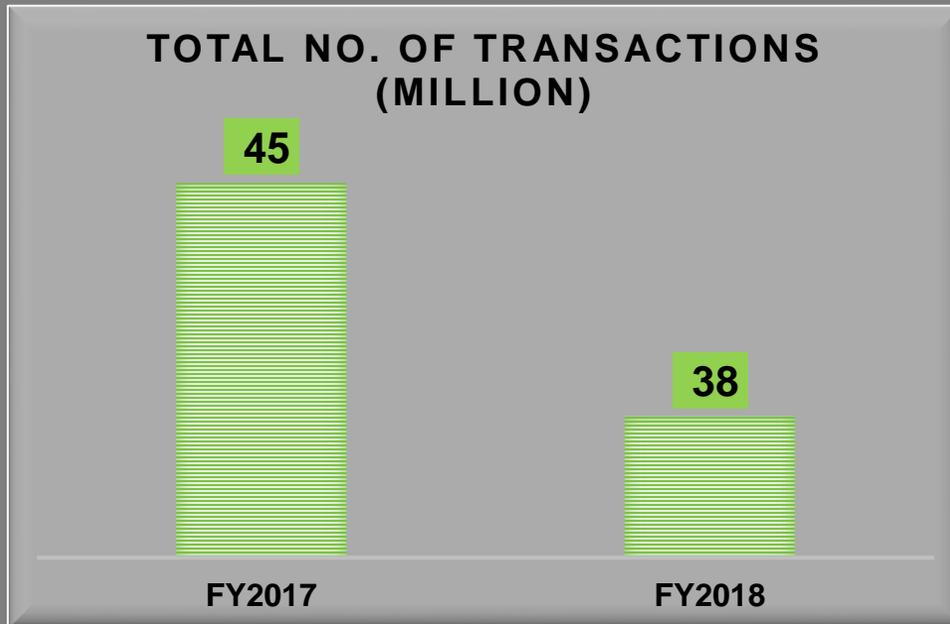
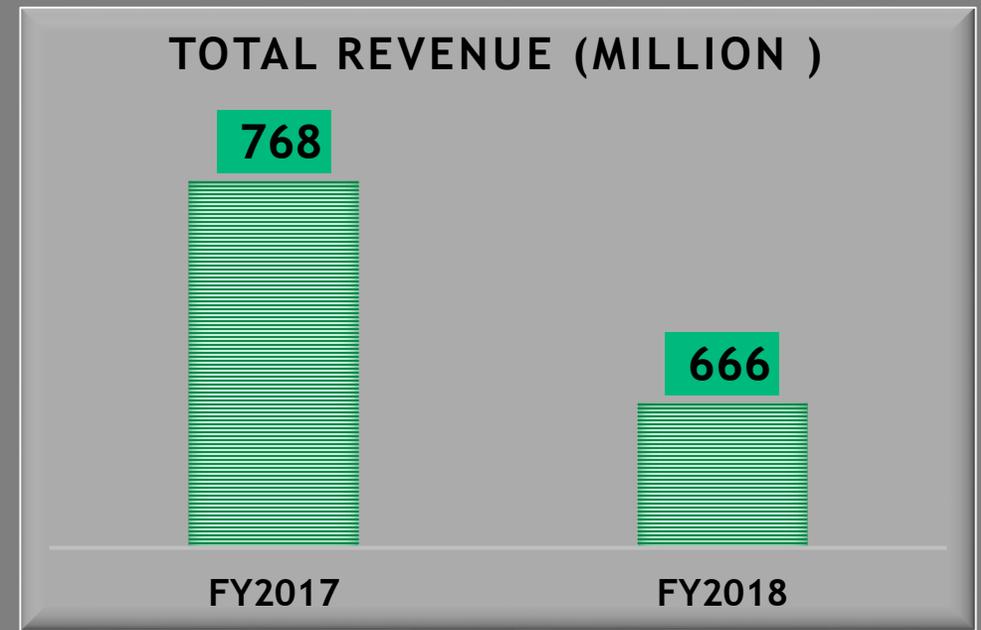
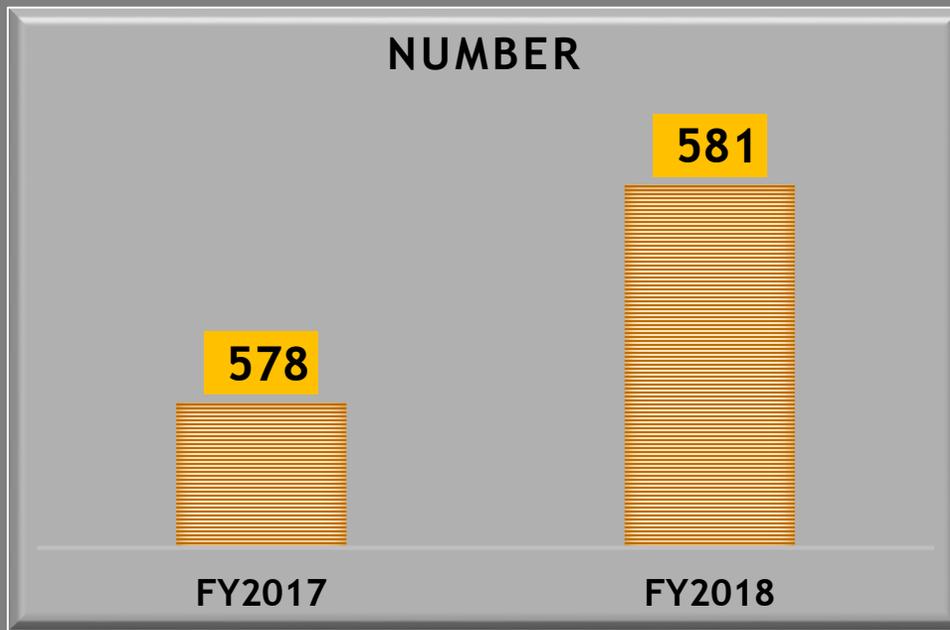
## Growing Co-op Kwa Jirani Agency Banking



**NB: More depositing than withdrawals**

# ATM

*Continues to be a key revenue driver*



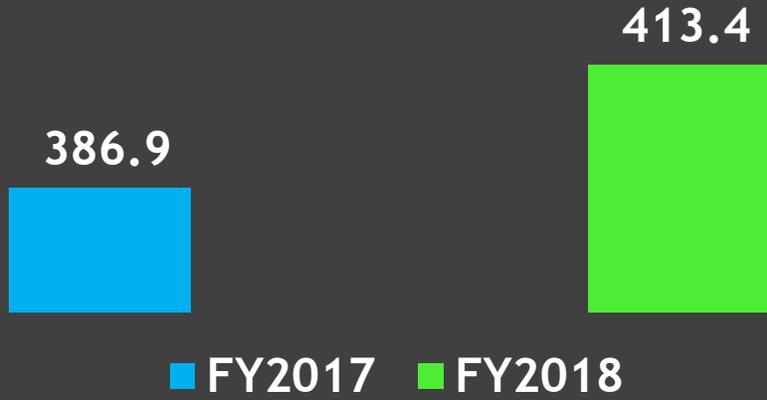
*Our Customers can now withdraw money from Mpesa using a Co-op Bank ATM*



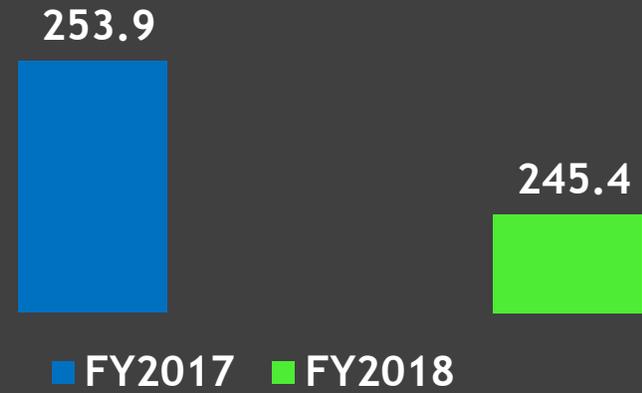
# Key Financial Highlights

# Strong Financial Position (Kshs. Billion)

Total Assets



Loan book (Net)



Total Deposits



Shareholders Funds

**(IFRS 9 IMPACT)**



2017

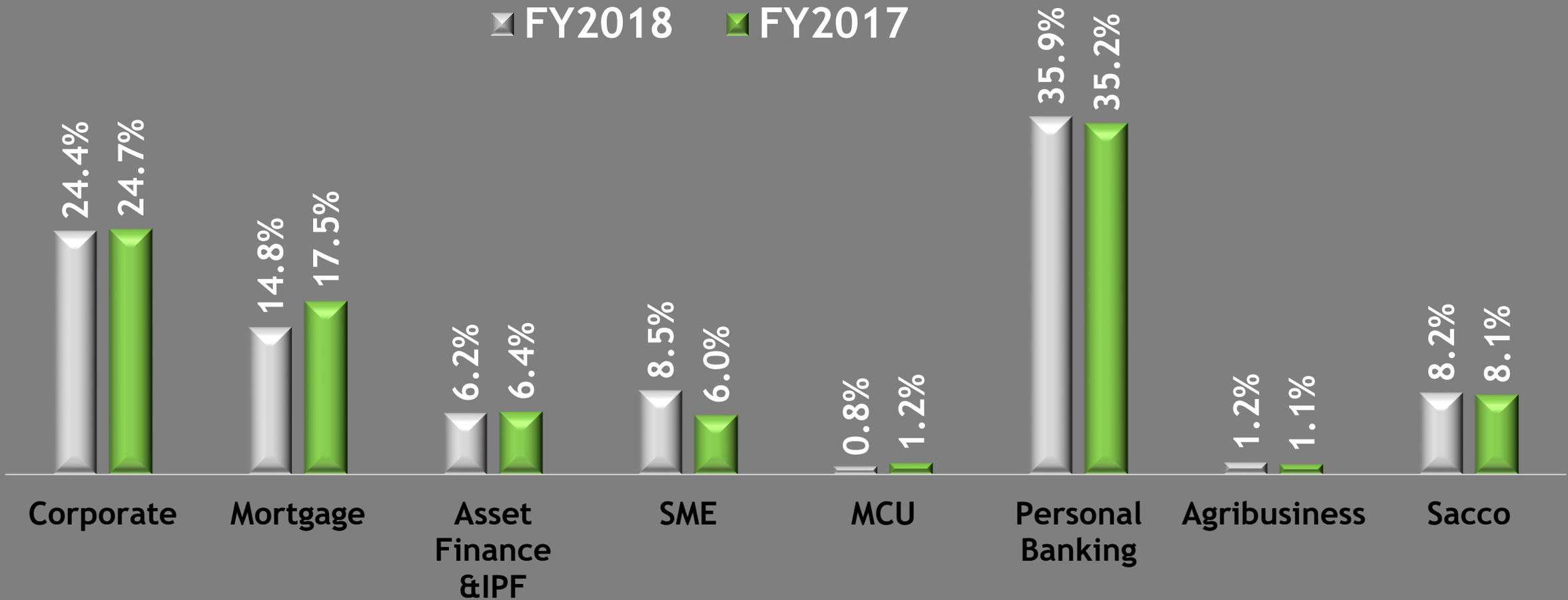
2018

**Kshs. 10.5 Billion Repaid late 2018/De-risking the Bank**

# A Strong Financial Position (Kshs. Billion)

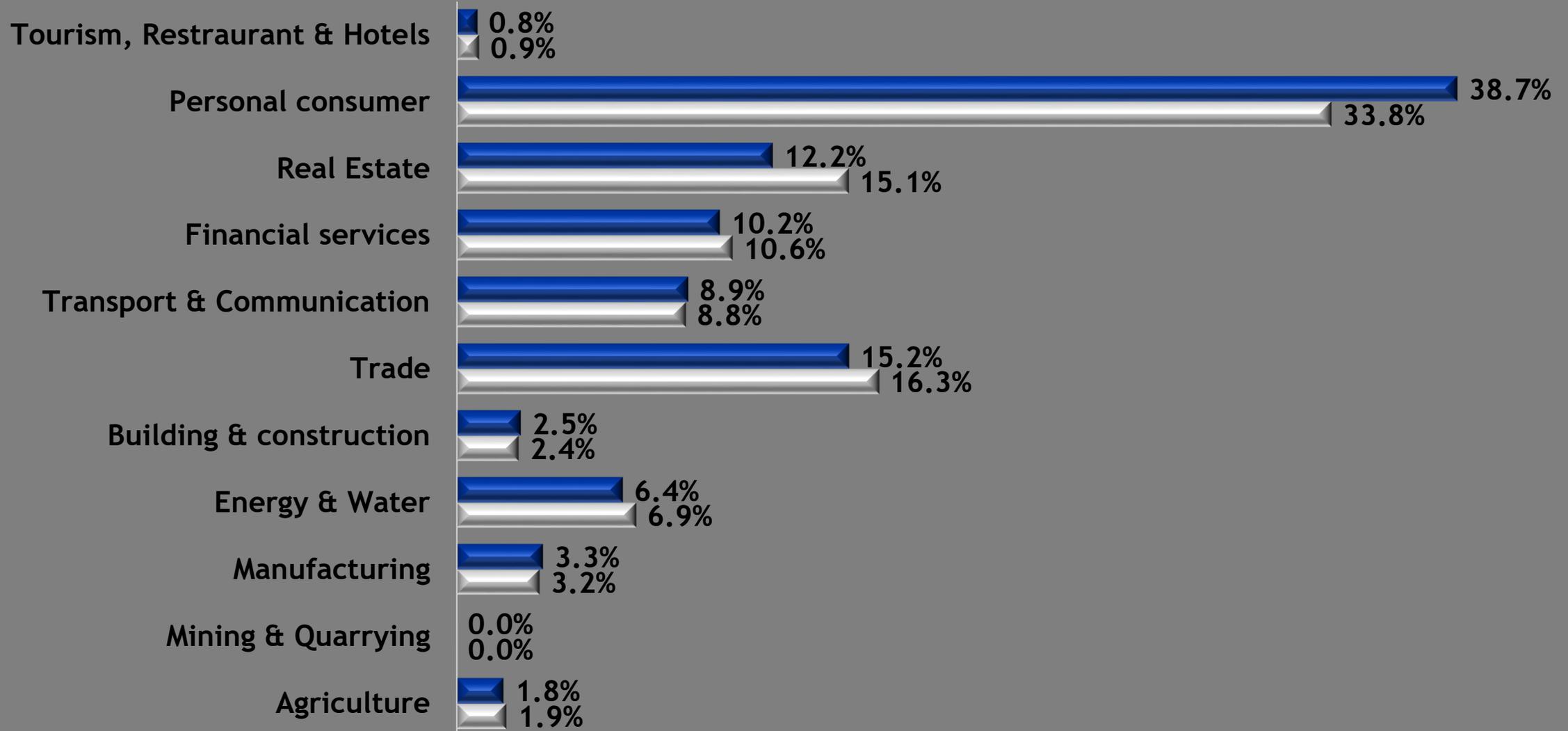
Kshs. Billions	FY 2018	FY2017	% Change (YoY)	
Total Assets	413.4	386.9	6.9%	↑
Loan book (Net)	245.4	253.9	-3.3%	↓
Government Securities	80.3	69.2	15.9%	↑
Total Deposits	306.6	287.7	6.5%	↑
Borrowed Funds	23.9	21.2	13.2%	↑
Shareholders Funds	69.9	69.6	0.4%	↑
No. of account holders (Millions)	8.0	7.1	12.7%	↑

# Diversified loan book



# Diversified loan book

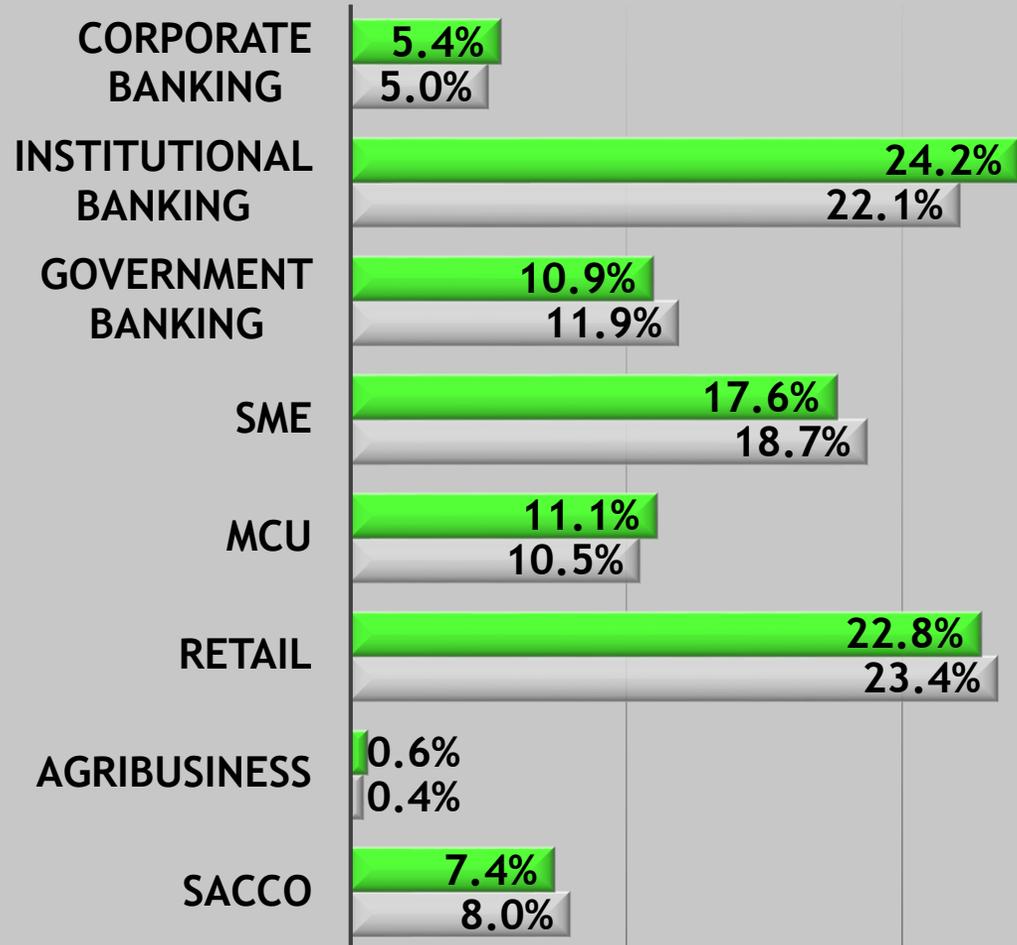
■ FY2018    ▣ FY2017



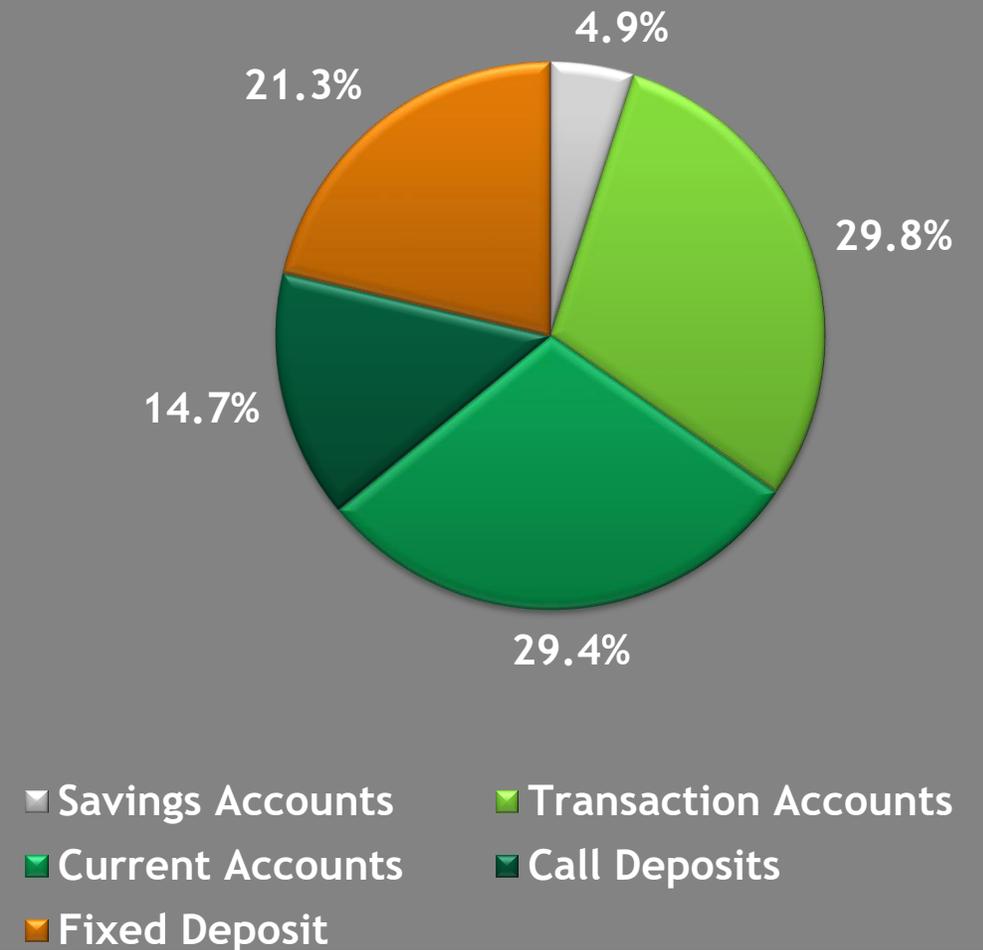
# Well-diversified Liability Portfolio

## Deposit Distribution

FY2017 FY2018

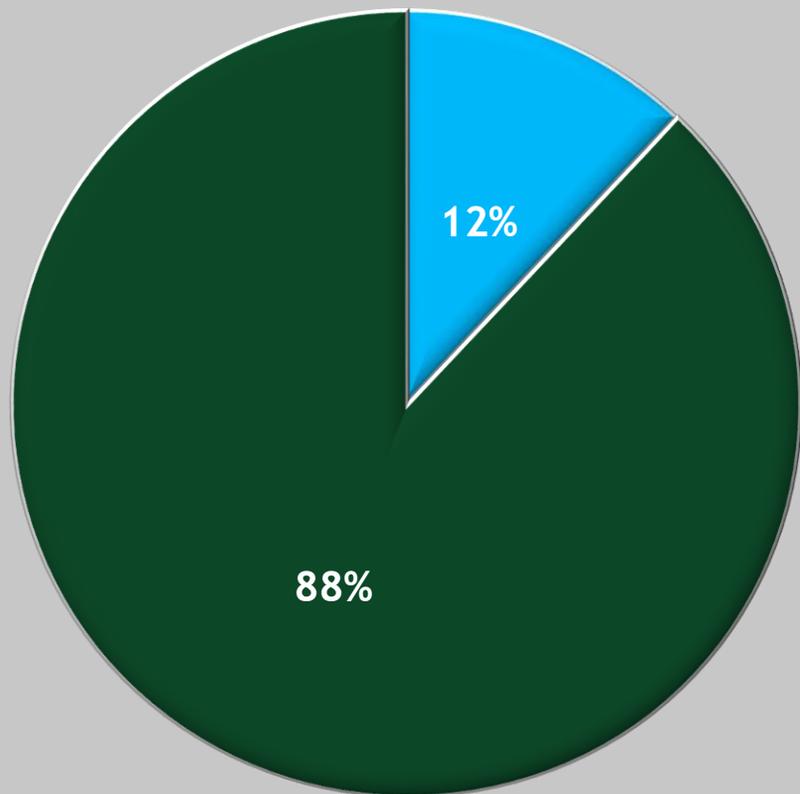


## Deposit Distribution- FY2018



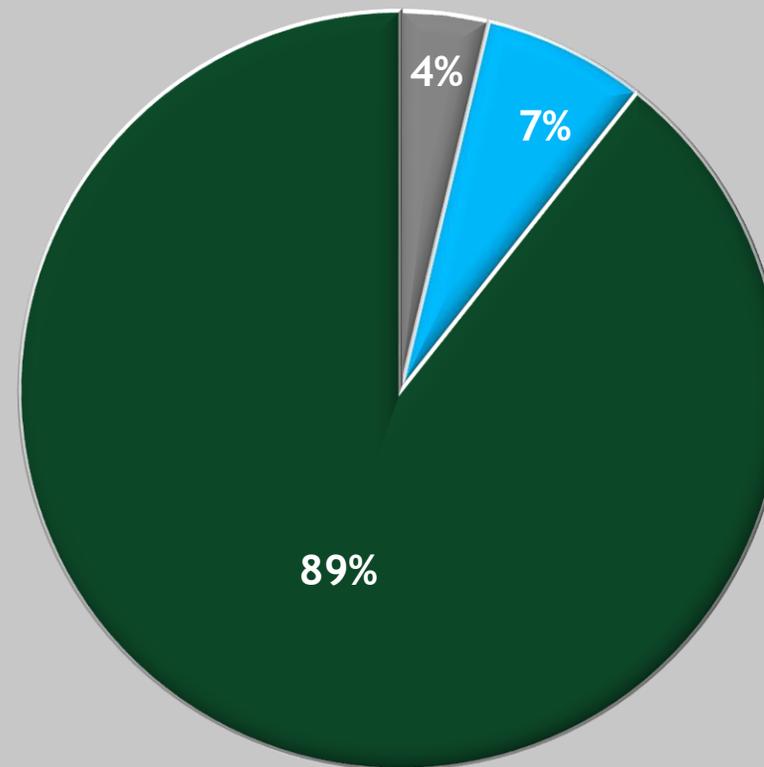
# Optimally balanced Kenya Shilling asset & funding book

Loan Book (Local Vs Foreign Currency) - FY2018



■ Foreign Currency ■ Local Currency

Funding (Local Vs Foreign Currency) - FY2018



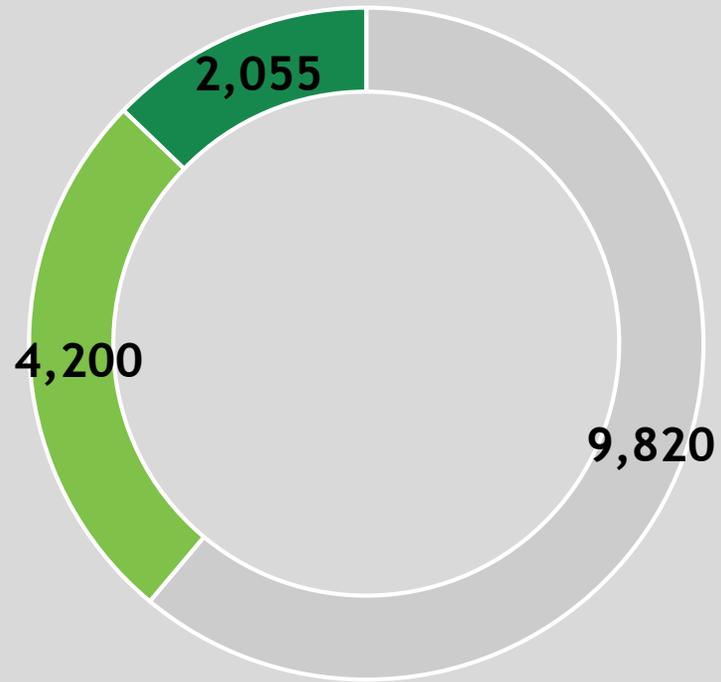
■ Foreign Currency Deposits  
■ Foreign Currency Borrowed Funds

# Prudent Management of Credit Losses

	<i>FY2018</i>	<i>%</i>	<i>FY2017</i>	<i>%</i>
<i>Normal</i>	<i>200,946</i>	<i>77%</i>	<i>209,393</i>	<i>79.8%</i>
<i>Watch</i>	<i>29,723</i>	<i>11%</i>	<i>34,446</i>	<i>13.1%</i>
<i>Substandard</i>	<i>10,434</i>	<i>4%</i>	<i>9,934</i>	<i>3.8%</i>
<i>Doubtful</i>	<i>17,977</i>	<i>7%</i>	<i>8,273</i>	<i>3.2%</i>
<i>Loss</i>	<i>542</i>	<i>0%</i>	<i>506</i>	<i>0.2%</i>
<b><i>TOTAL (GROSS)</i></b>	<b><i>259,621</i></b>	<b><i>100%</i></b>	<b><i>262,553</i></b>	<b><i>100.0%</i></b>
<i>Provisions</i>	<i>16,075</i>		<i>10,191</i>	
<i>Bad and Doubtful Debt</i>	<i>28,953</i>		<i>18,714</i>	
<b><i>NET LOAN BOOK</i></b>	<b><i>243,546</i></b>		<b><i>252,362</i></b>	

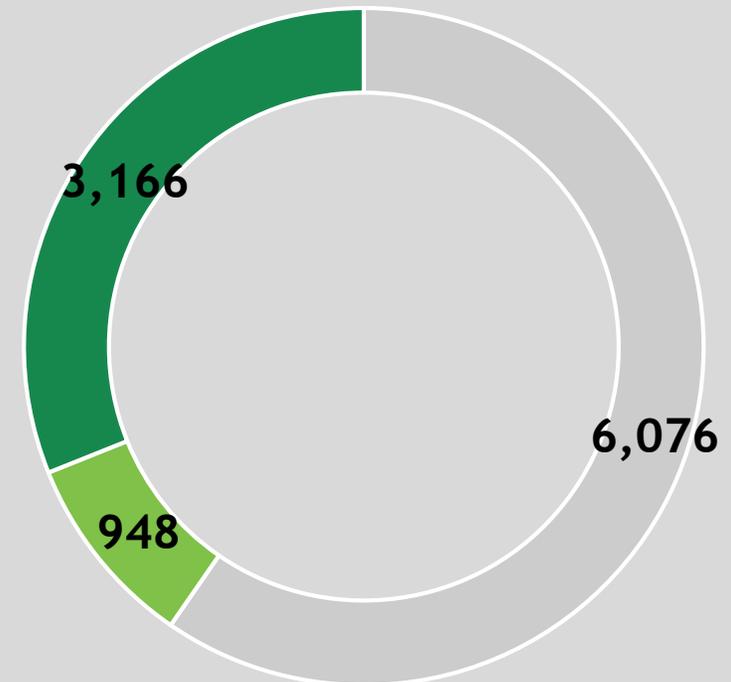
# Adequate Loan Loss Provisions (Ksh. Millions)

FY2018



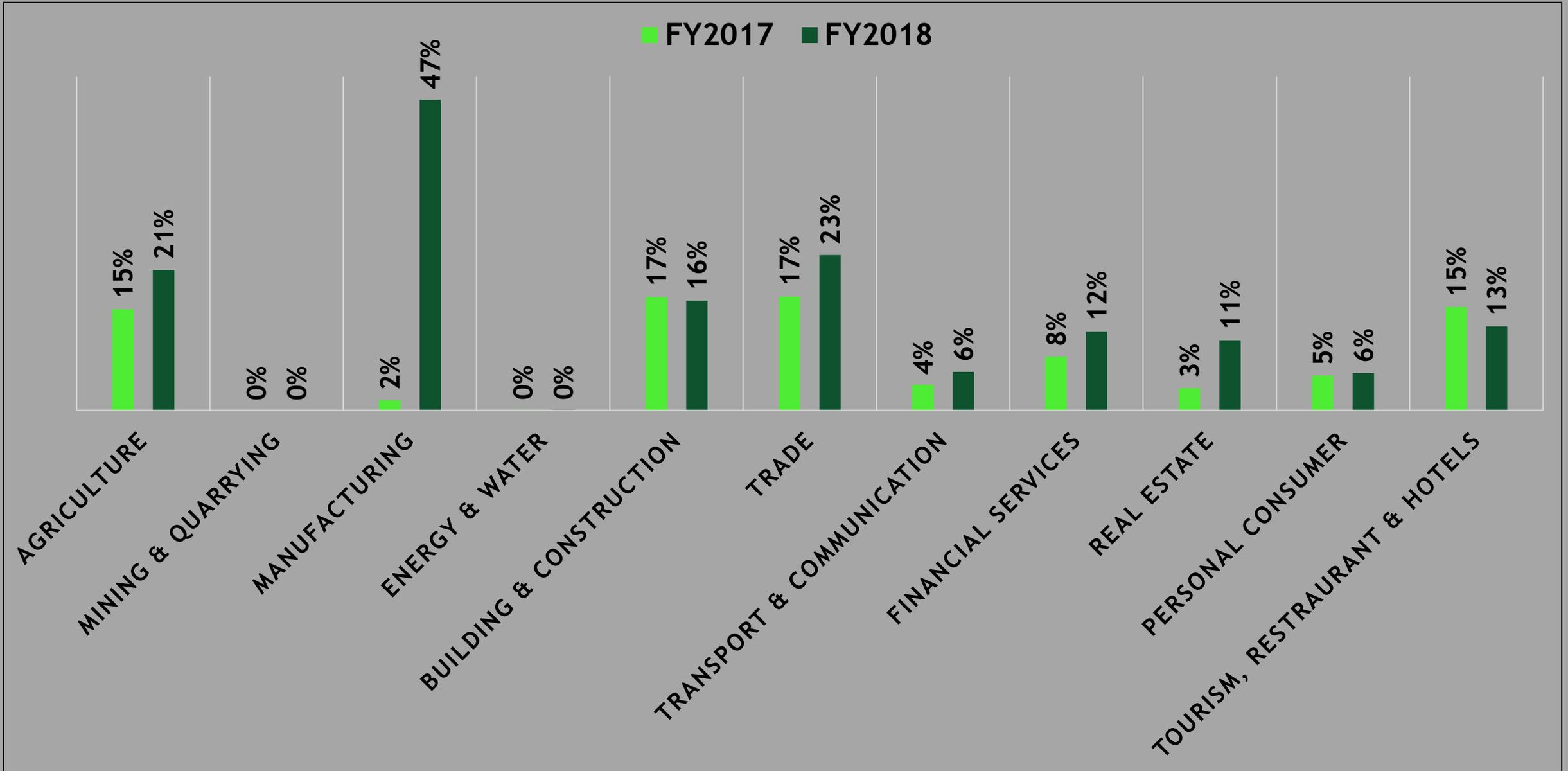
- Provision for specific Bad & D Debts
- Provision for Interest on Bad & D Debts
- General Provision for B & D debts

FY2017



- Provision for specific Bad & D Debts
- Provision for Interest on Bad & D Debts
- General Provision for B & D debts

# Portfolio Trends - Specific Sector NPL By Sector Book

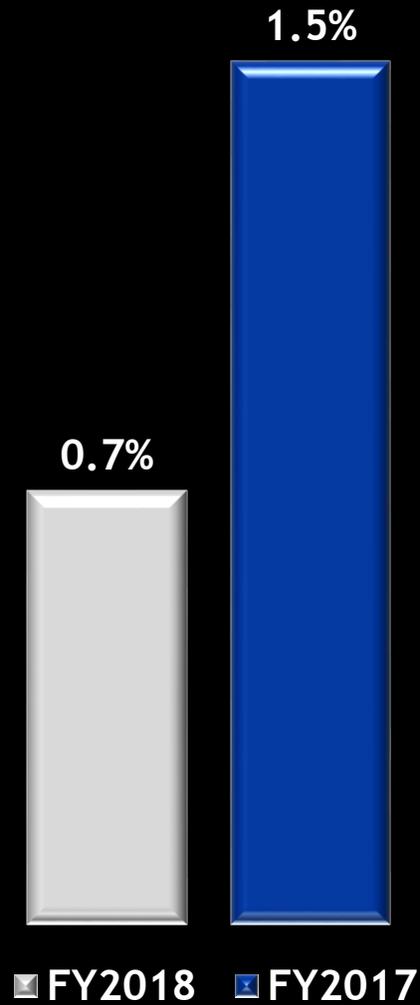


# Portfolio Trends - Sector NPL By Total NPL Book

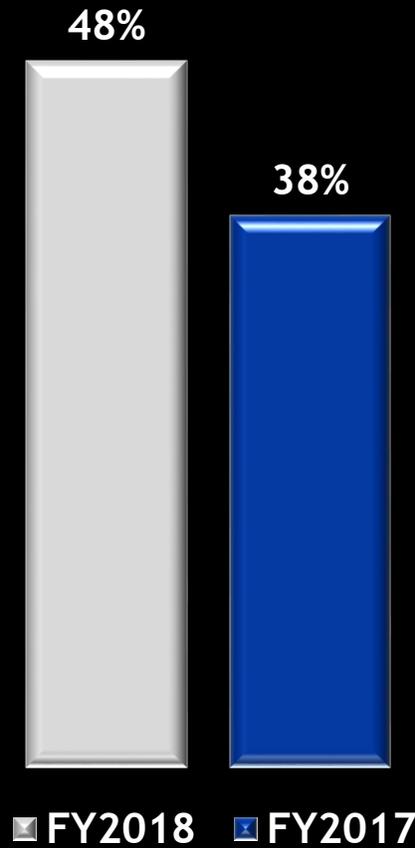


# Adequate Coverage

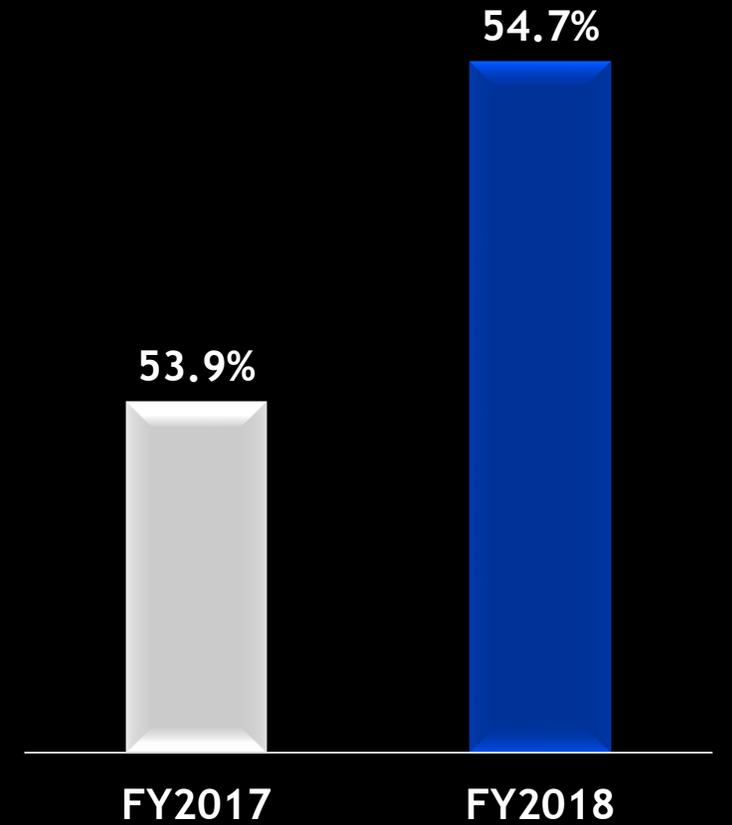
## Cost of Risk



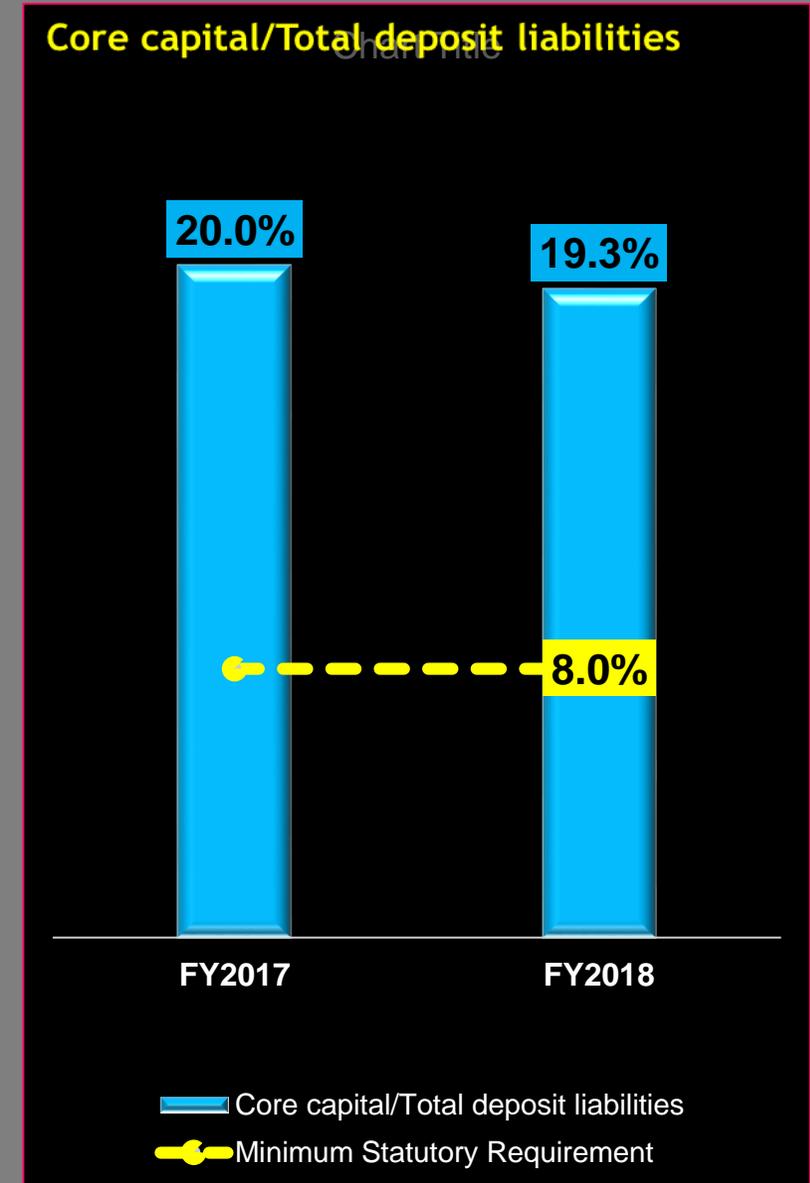
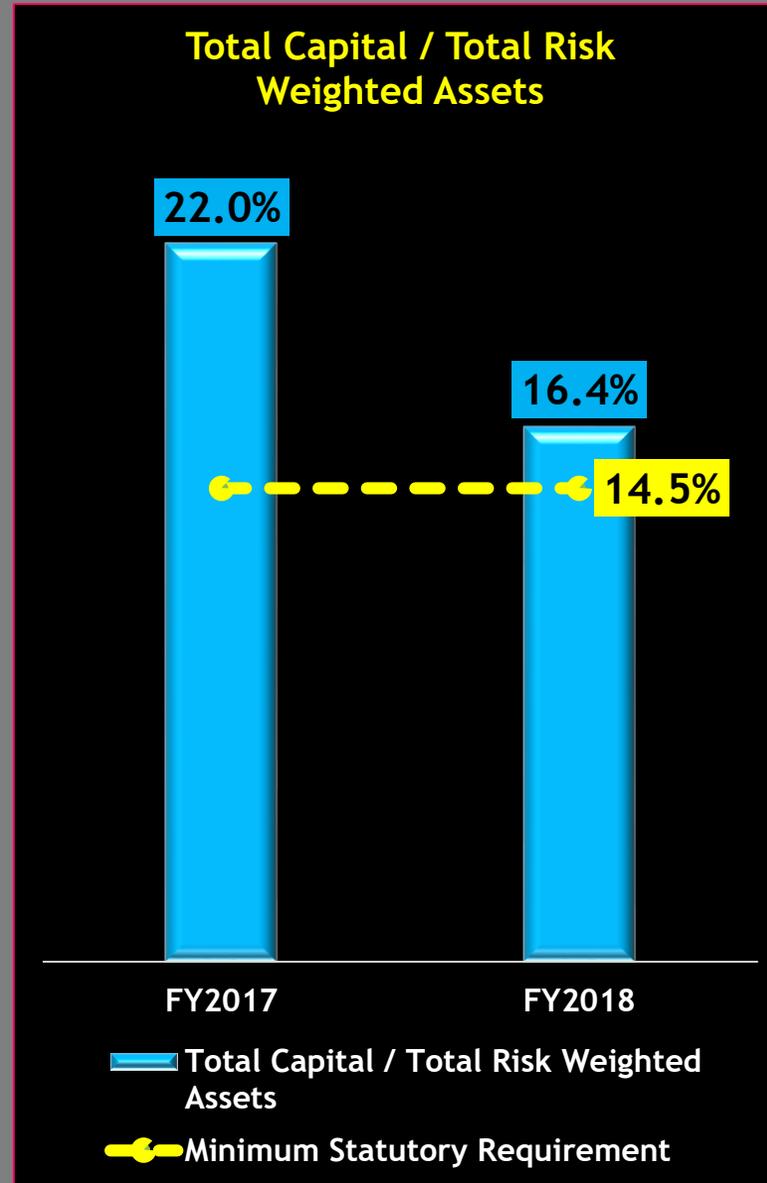
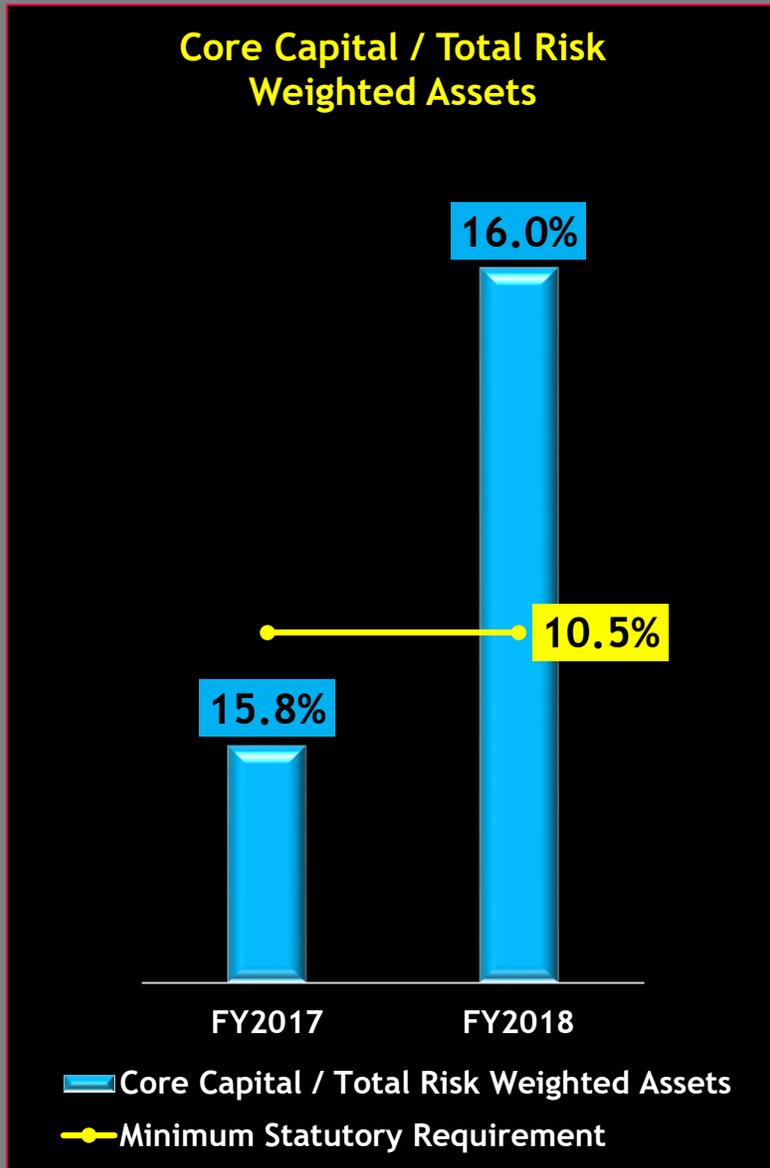
## Coverage- IFRS (Excludes Gen. Prov.)



## Coverage CBK (Includes Gen. Prov.)

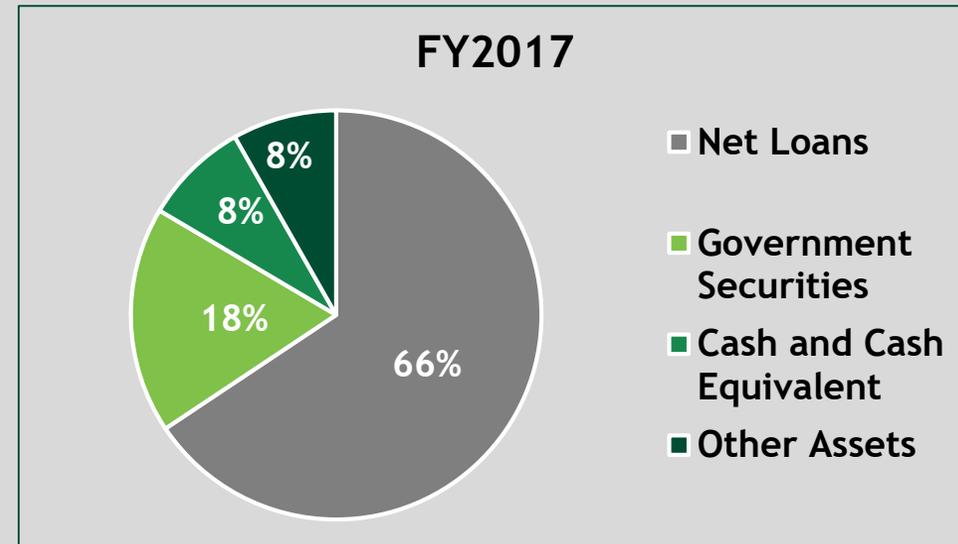
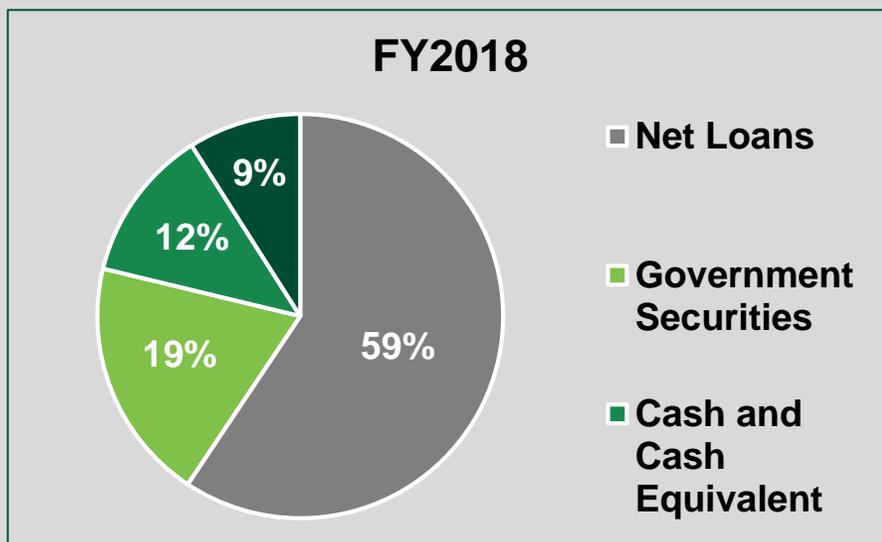


# Strong capital to support future growth

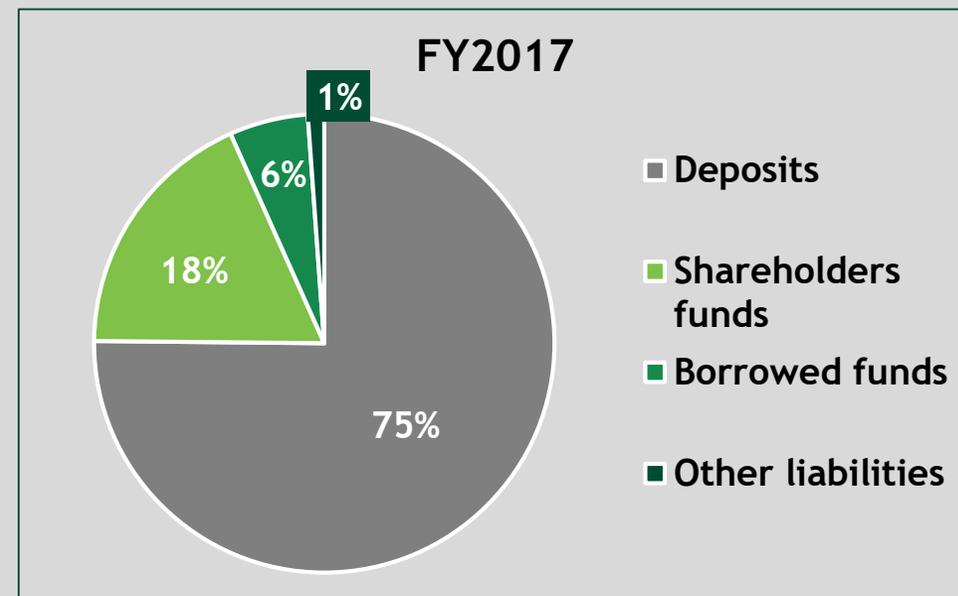
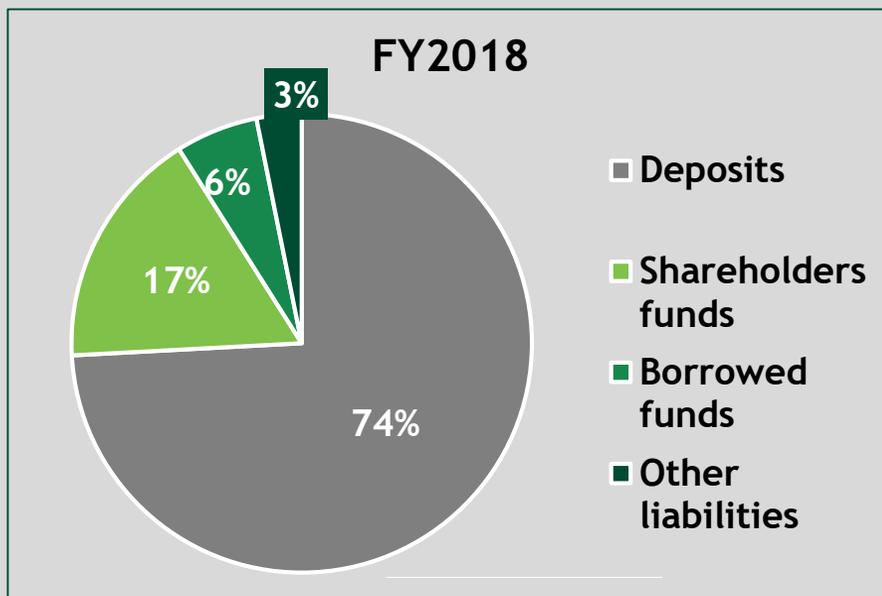


# Optimal Asset and Funding Mix

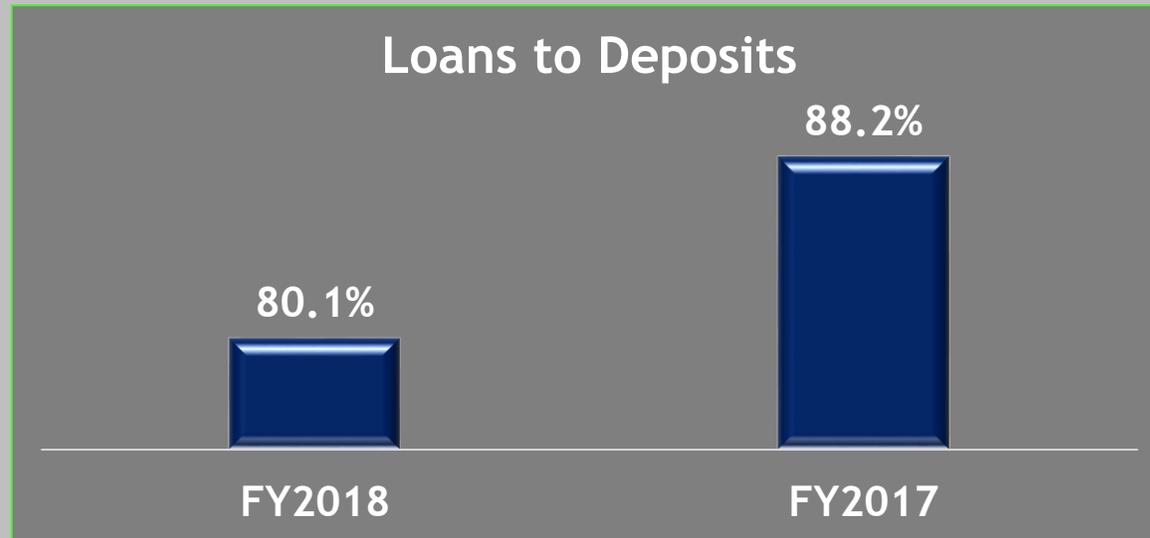
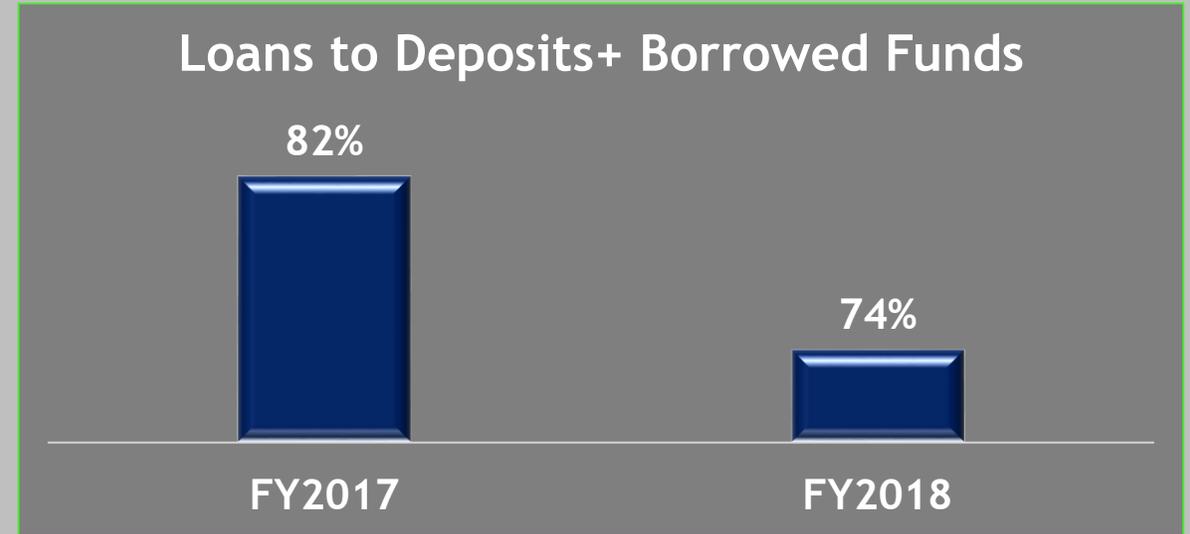
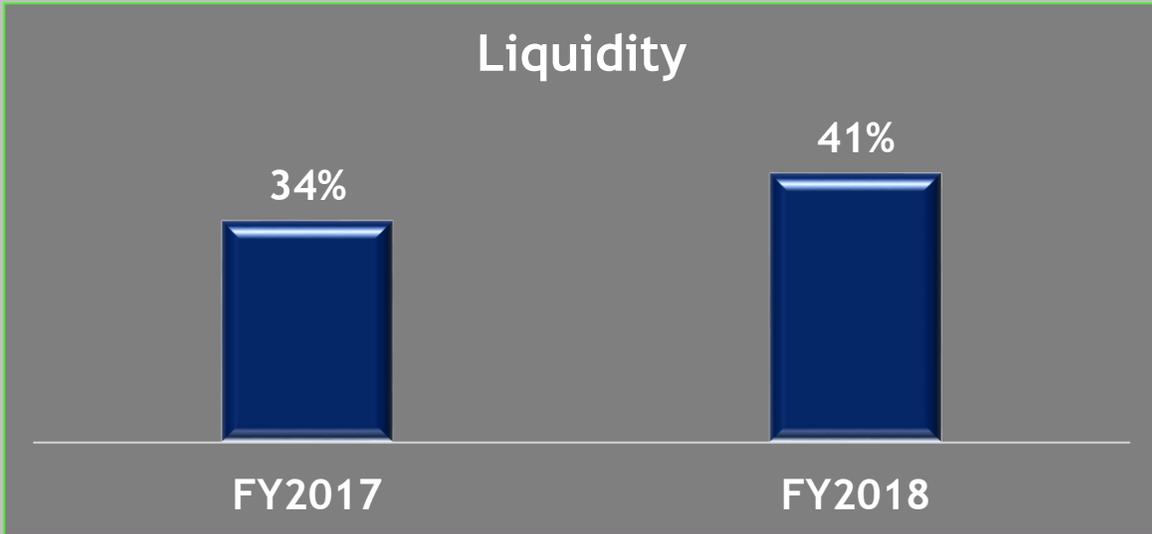
## Asset Categories



## Funding Categories



# Strong liquidity to support investments



# Improved Subsidiary Contribution

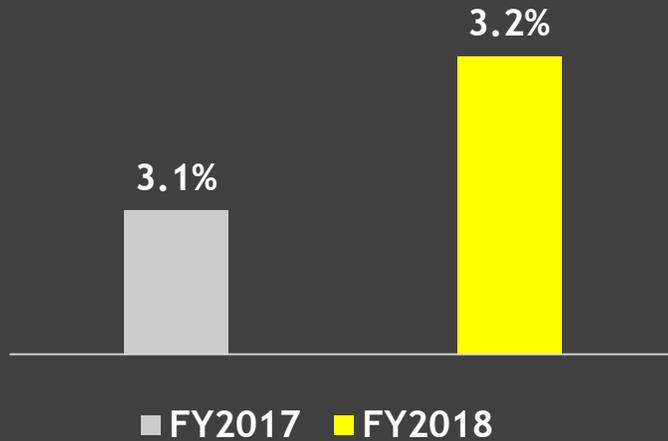
<b>COMPANY</b>	<b>Profit Before Tax FY2018 KShs'000</b>	<b>Profit Before Tax FY2017 KShs'000</b>	<b>Variance</b>	<b>%</b>
<b>The Co-operative Bank of Kenya Limited</b>	<b>17,586,756</b>	<b>16,502,181</b>	<b>1,084,575</b>	<b>7%</b>
<b>Co-op Consultancy &amp; Ins Agency Limited</b>	<b>475,256</b>	<b>415,853</b>	<b>59,403</b>	<b>14%</b>
<b>Co-op trust Investments Limited</b>	<b>45,003</b>	<b>28,533</b>	<b>16,470</b>	<b>58%</b>
<b>Kingdom Securities Limited</b>	<b>(7,234)</b>	<b>968</b>	<b>-8,202</b>	<b>-847%</b>
<b>Co-operative Bank of South Sudan</b>	<b>(30,778)</b>	<b>(605,925)</b>	<b>575,147</b>	<b>95%</b>
<b>Total PBT before eliminations</b>	<b>18,069,003</b>	<b>16,341,610</b>	<b>1,727,393</b>	<b>11%</b>
<b>Add: Share of profit from associates</b>	<b>171,416</b>	<b>129,904</b>	<b>41,512</b>	<b>32%</b>
<b>Less: Dividends Received from CIC</b>	<b>(83,288)</b>	<b>(72,876)</b>	<b>-10,412</b>	<b>14%</b>
<b>Group profit before tax</b>	<b>18,157,131</b>	<b>16,398,638</b>	<b>1,758,493</b>	<b>11%</b>
<b>Income tax expense</b>	<b>5,424,645</b>	<b>4,993,573</b>	<b>431,072</b>	<b>9%</b>
<b>Group profit after tax</b>	<b>12,732,487</b>	<b>11,405,065</b>	<b>1,327,422</b>	<b>12%</b>

# Sustainable Profitability Growth

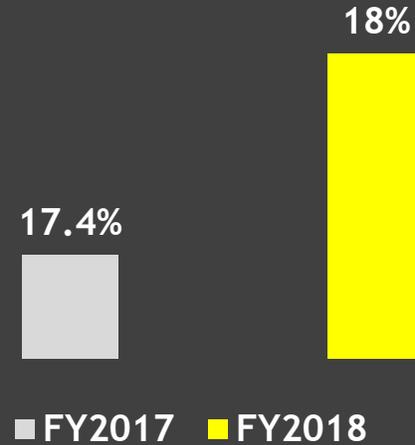
Kshs. Billions (except for EPS)	FY2018	FY2017	% Change (Y/Y)	
Interest Income	43.02	40.37	6.6%	↑
Interest Expense	12.24	12.27	-0.2%	↓
<b>Net Interest Income</b>	<b>30.78</b>	<b>28.10</b>	<b>9.5%</b>	↑
Fees & Commissions	9.52	9.82	-3.0%	↓
Forex Income	2.28	2.23	2.4%	↑
Other Income	1.09	1.45	-24.5%	↓
<b>Total Operating Income</b>	<b>43.68</b>	<b>41.60</b>	<b>5.0%</b>	↑
Loan Loss Provision	1.84	3.60	-48.9%	↓
Staff Costs	11.45	10.10	13.4%	↑
Other Operating Expenses	12.40	11.63	6.7%	↑
<b>Profit Before Tax and Exceptional Items</b>	<b>17.99</b>	<b>16.27</b>	<b>10.6%</b>	↑
Share of profit of associate	0.17	0.13	32.0%	↑
<b>Profit Before Tax</b>	<b>18.16</b>	<b>16.40</b>	<b>10.7%</b>	↑
Tax	5.42	4.99	8.6%	↑
<b>Profit After Tax</b>	<b>12.73</b>	<b>11.41</b>	<b>11.6%</b>	↑
Basic Annualized EPS	2.17	1.94	11.6%	↑

# Sustainable Profitability Growth

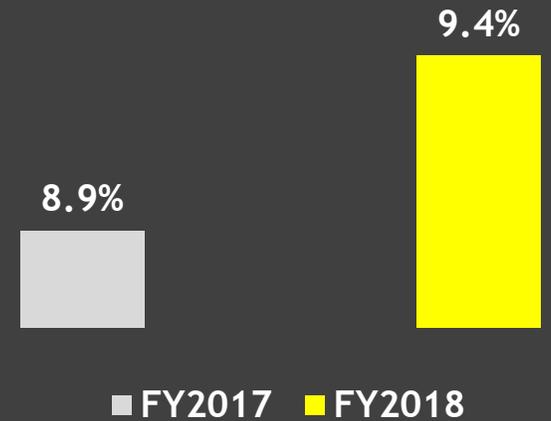
### Return On Average Assets (ROAA)



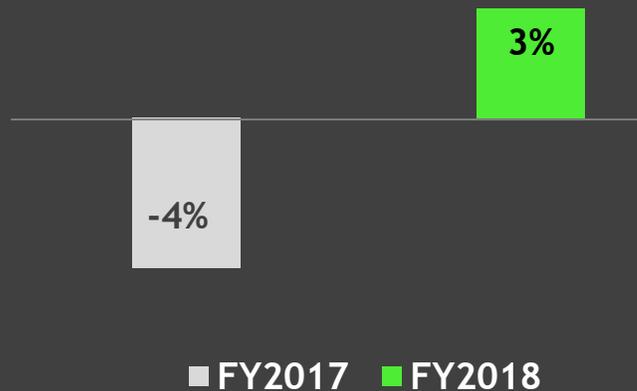
### Return On Average Equity (ROAE)



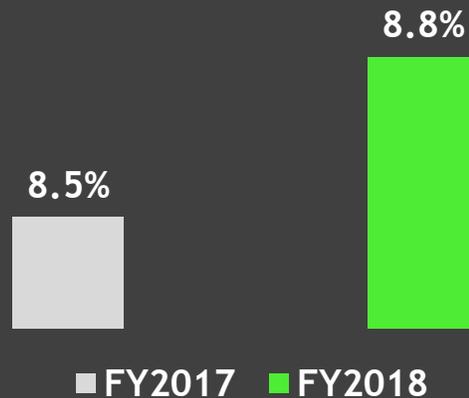
### Net Interest Margin on Loans (NIM)



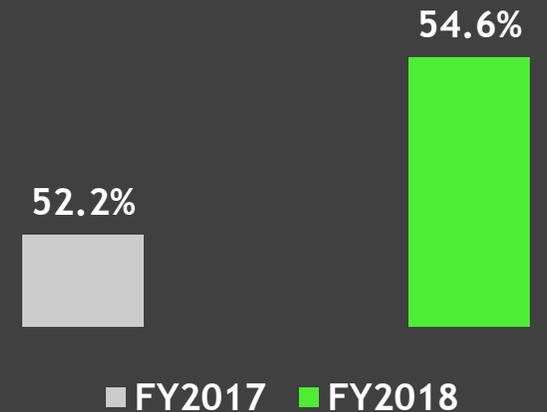
### Loan Interest growth( yoy)



### NIM on earning assets

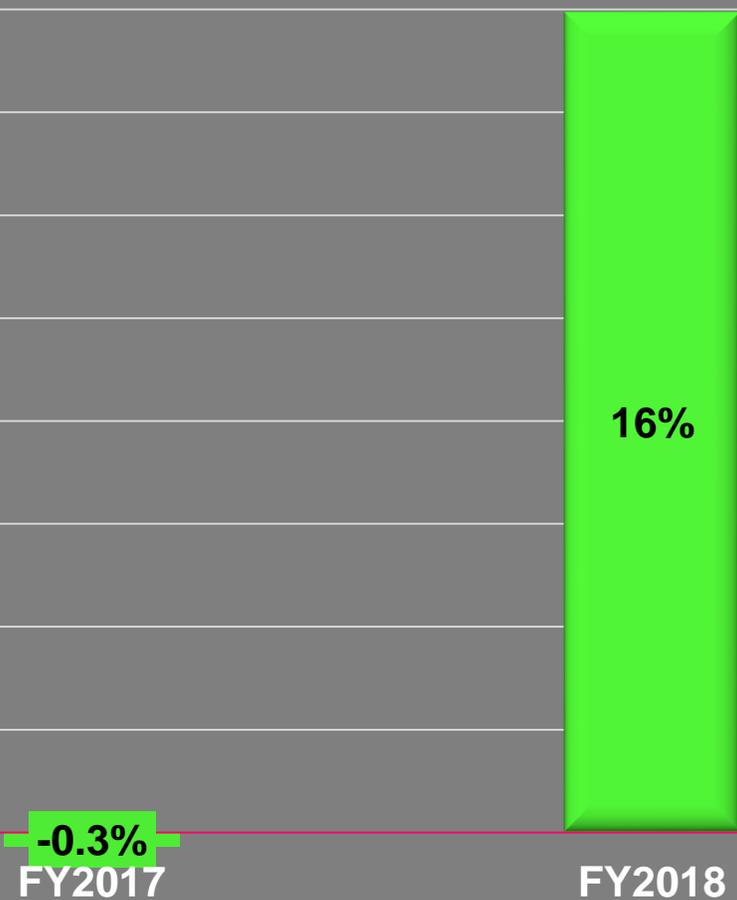


### Cost to Income Ratio

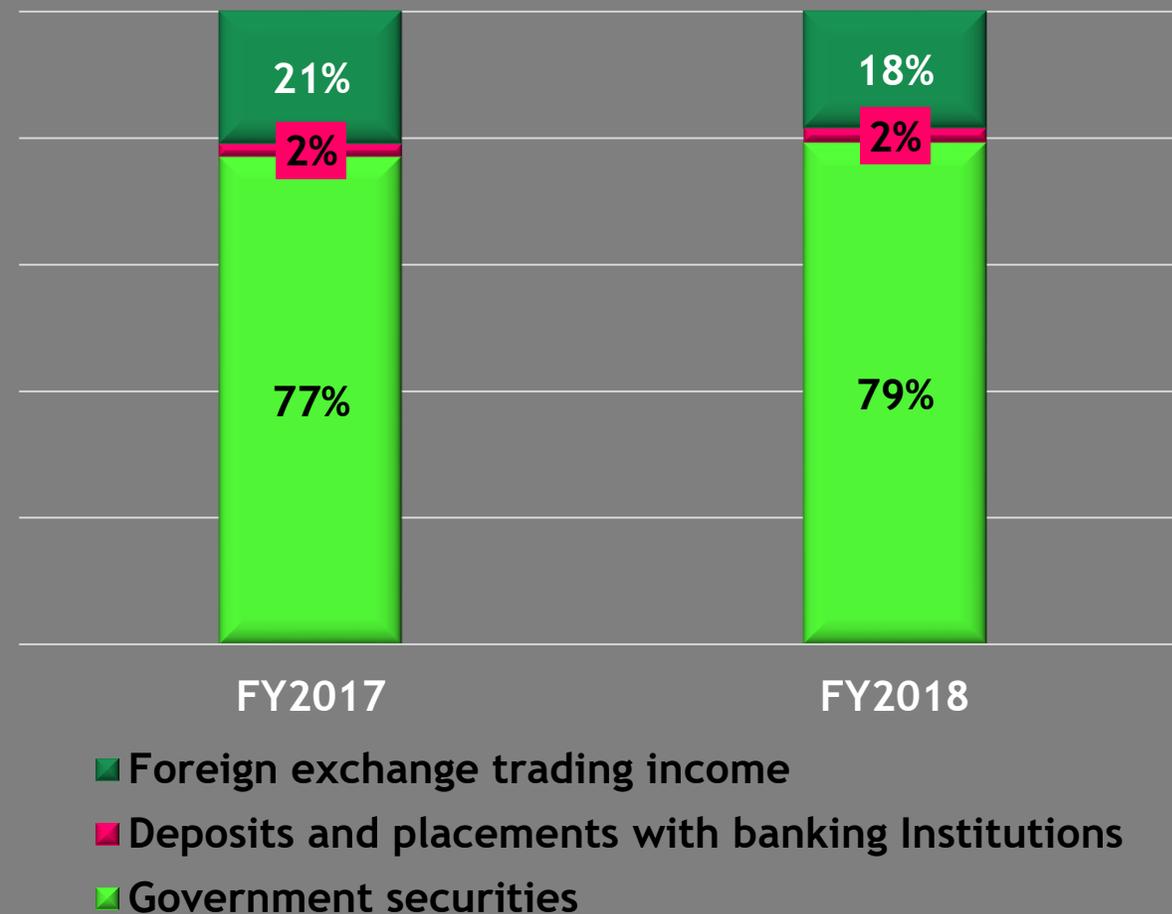


# Improved Treasury Performance

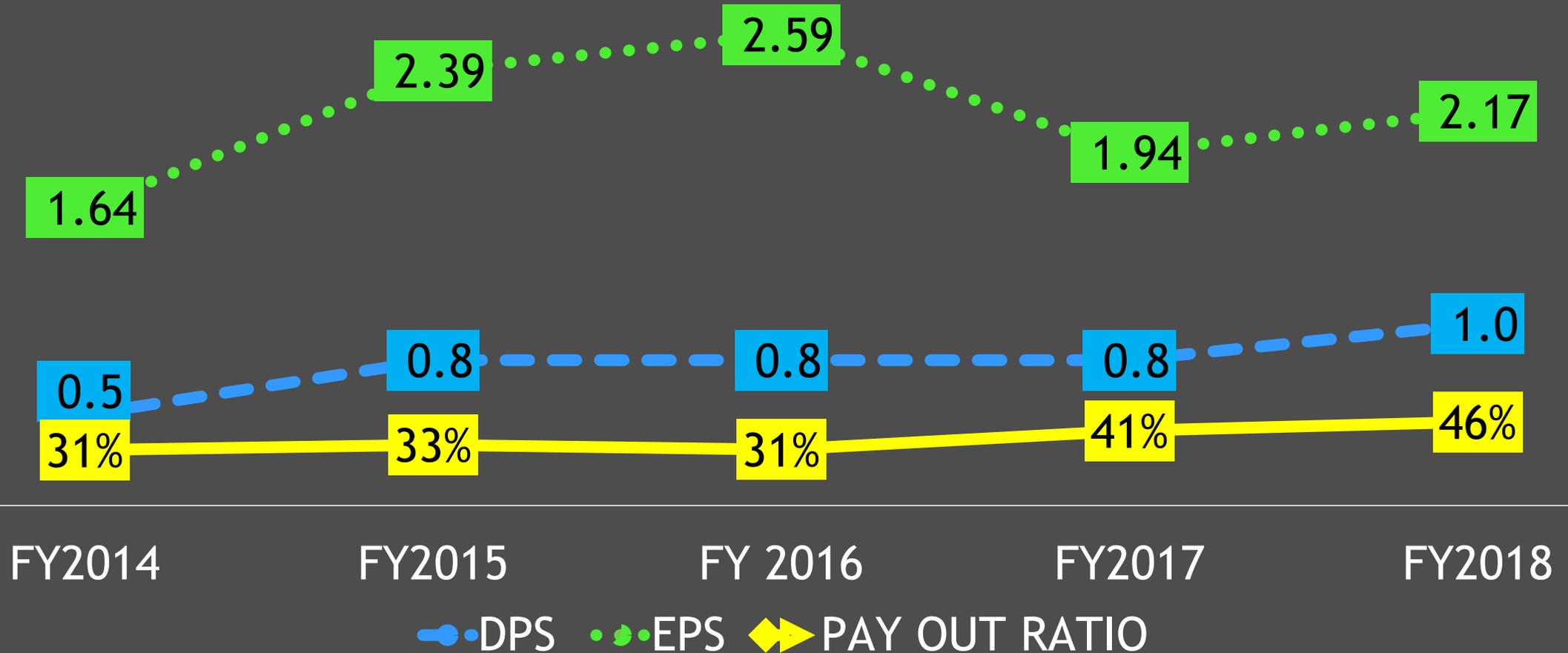
## Treasury Income Growth (YoY)



## Treasury Income Mix



# Sustainable Returns to our shareholders



# 2019 Financial Outlook

	<u>Actual FY2018</u>	<u>Projections FY 2019</u>
Profit Before Tax Growth	10.7%	11.6%
Loans & Advances Growth	-3.3%	10.9%
Deposits Growth	6.5%	13.9%
Cost to Income Ratio	54.6%	50%
Non Funded to Total Income	29.5%	32%
Return On Average Equity (ROAE)	18.3%	19.5%
Return On Average Assets (ROAA)	3.2%	3.3%
Non Performing Loans (NPL)	11.20%	9%
Cost of average funds	3.8%	3.65%
Net Interest Margin (NIM)	9.4%	9.4%
Cost of risk	0.7%	1%



## Dividend Growth

- ✓ Recommended for Approval Kshs. 1 Per Share
- ✓ 25% Growth from Kshs. 0.8

*Thank You*

