Conference Call transcript

28 August 2019

H1 2019 RESULTS

Operator
Good day ladies and gentlemen and welcome to the Co-operative Bank of Kenya half year 2019 final results conference. All participants will be in listen-only mode. There will be an opportunity to ask questions when prompted. If you should need assistance during the call please signal an operator by pressing star and then zero. Please note that this conference is being recorded. I would now like to hand the conference over to Anthony Muli. Please go ahead.

Anthony Muli
Good day everyone. This is Anthony Muli. Welcome to the Co-operative Bank of Kenya half year 2019 financial results conference call. With me in the room is Patrick Nyaga, the CFO, and Anthony Mburu, our Credit Management Director. I also have Robert Aloo, who is our Treasurer. I will hand over this call to Patrick Nyaga who will take us through the presentation by way of highlights. Thereafter we can go into a session of questions. Thank you very much.

Patrick Nyaga
Thank you Anthony. Good day ladies and gentlemen. Again welcome to Co-operative Bank's half year results conference call. We sent a number of slides to you. I don't know whether you've got them. Those are the slides I intend to give highlights on. I will not go through line by line or slide by slide. So starting with the macroeconomic environment – that is slide number three all the way up to slide number seven – looking at economic growth of about 5.6% compared to 6.5% same period last year. There has been a bit of a slowdown in some sectors. In terms of short-term interest rates they remained relatively stable in the first half of 2019 compared to the same period last year. And we have given the numbers in terms of the yields on 91 day T-bills, 182 and 364, and nothing significant. Noting interbank fell to about 3.5% signifying high liquidity in the market over the first half of the year and the fact that the Monetary Policy Committee retained the CBR at 9%.

In terms of inflation it also remained relatively stable in the first half of 2019 at 5.2%, slightly higher than the same period last year at 4.2%. And this is mainly because of food inflation that rose from 2.4% to 4.5% mainly due to the delayed long rains in March. In terms of the exchange rate it remained fairly stable other than mid-July when there was a marginal depreciation against the USD. And as close of July the currency had weakened to about KSh 104. This is attributed to some extent to the demonetisation of currency and there was a rush to pick the KSh 1,000 note. From a private sector credit growth still at 5.2% but showing slight growth from 4.3% same period last year. And most of the lending was to households, manufacturing and trade.

We are looking at slide number eight, just some highlights on South Sudan, and we are noting that we are expecting improved prospects before the end of this year. We expect some significant growth in that market and also a reduction in inflation. I will go to the next couple of slides, number nine and number ten. Number 11 I will just do some highlights there. Co-op Bank has reduced slightly its shareholding in CIC Group from a net investment of about 26% at CIC Group level to about 24.83%. And this is mainly to help the bank be able to lend, otherwise the regulations do not allow us to lend to an institution where we own more than 25%.

I have a number of slides there which you can read and get to understand, but I will not go through them. That is number 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22, mainly more talking about our process of transformation. I think you can update yourselves. I will go straight to page 24 where we are looking at our regional business in South Sudan's performance, noting that though we had growth in total assets and deposits we had a slight drop in profit before tax from about KSh 115 million to KSh 93 million. However with the peace process gaining momentum there we expect that there will be growth before the end of the year and into 2020.

In terms of channel performance on slide 25 we are looking at our channels having grown quite significantly from MCo-op Cash, our mobile platform, agency banking and internet. There was a bit of growth in branch banking and this is mainly because of two items, customer growth and also demonetisation, a number of customers coming into the branches to pick the new currency. Overall about 88% of our transactions are going through the alternative channels.

Slide 26 is focussing on e-credit. That has been a growth area for the bank in the first half of the year. A total cumulative customer number of 2.982 million having disbursed about KSh 34.5 billion cumulatively. This is spread into three month loans, called 3 Month Flexi, about 66%, 1 Month Flexi, and business loans. In terms of mobile banking growth we have seen commissions grow quite significantly from KSh 782 million to KSh 1.8 billion, about 58% growth, driven by the transaction growth from 19 million to 24 million. And as we have said that's an area that we have targeted for growth this year. Agency banking also continued to grow. The number of agents now is 12,956, up from 10,871.

If I go to key financials on slide number 30 and number 31 we are still looking at growth of the total assets, the loan book, total deposits and shareholders' funds. And specifically on slide 31 our total assets grew by 7.8%, loan book grew by 2.86% year on year. Government securities grew by 18.4%, about KSh 15 billion. Borrowed funds by about 16.5% owing to some drawdown of IFC facility. And number of customers grew by 10.8% from 7.4 million customers to 8.2 million.

Looking at the book and how it diversified, we are noting that most of the bank's loan book is in personal banking at about 35.7%, followed by corporate at 25.7%, followed by mortgage at 14.1% and SME at 9.0%. Again noting that there hasn't been much significant change in the loan book other than probably personal loans that have grown from 32.7% of our book to about 35.7%, noting that mainly because of the e-credit loans that have also supported that growth.

In terms of diversified loan book in terms of sector personal and consumer accounting for 41%, trade about 15%, real estate about 12%, financial services about 10%. Those are the key areas of our book in terms of the quantum per sector. A well-diversified portfolio. We are noting that our liabilities book has not significantly changed from how it was in 2018 same quarter.

If I go to slides number 35 and 36 noting that total gross book grew from last year from KSh 264.8 billion to KSh 274.6 billion. However, when you look at growth on full year last year we grew by KSh 15 billion from KSh 260 billion to about KSh 274 billion. And you are aware provision for bad and doubtful debt comparing same period last year to this period we have a growth of about KSh 3 billion, some of which went through the results.

Portfolio strength in terms of NPL, we are noting that if you look at specific sectors and what percent of NPL that sector contributes we are noting that 48% of the manufacturing book is in NPL, followed by probably trade at about 24% and agriculture. However, the percentage of these books of total book is quite small. For instance, agriculture is only 3%, manufacturing is 14% and trade is about 33%. So again no significant change. And obviously the bank is working significantly on some of these areas of NPL to make sure that they are contained.

Going to slide number 39, adequate coverage. Cost of risk increased slightly as we continue cleaning up our book and ensuring that especially in credit whatever is not paying we provide for it. CBK coverage is now at 62%, IFRS coverage at 51.4%. Slide number 40, very adequate capital shown by the various graphs there. We have a good buffer in terms of capital adequacy. Looking at slide number 40, optimal asset and funding mix. No significant change at all in our book. Strong liquidity to support investment. I think we are on average at a liquidity of 45% in the first half of 2019. And if you look at loan to deposit ratio at 79% that gives the bank a bit of headroom to grow loans and advances once the demand starts to come in.

On slide 43 we are looking at the contribution of the various subsidiaries to the group. Some of the subsidiaries have done very well. Co-op Consultancy grew its profit by 36%, Co-op Trust Investment Services by 49%. We even expect a bigger growth given that the funds under management have increased from about KSh 40 billion at the end of 2018 to about KSh 100 billion at June 2018 and still growing. Kingdom Securities, a small growth there of KSh 1.4 million. Co-operative Bank of South Sudan, KSh 92 million, a slight drop from KSh 115 million same period last year. Share of profit from associates is mainly CIC. Quite a bit of a drop there from KSh 141 million last year to KSh 26 million this year.

So group profit before tax at KSh 10.4 billion compared to KSh 9.97 billion, a 5% growth. Looking at the profitability itself, net interest income a slight drop of about 4%. That's mainly because of the reduction in rates from a CBR of 9.5% last year to CBR of 9% from about June last year. A slight increase in interest expenses. Though we grew our book by about KSh 26 billion there was only a small growth of interest expense by about 3%. Fees and commissions grew significantly by 38%, and this is mainly because of the e-credit we have talked about. Income from those loans account for commissions and fees and not interest income. Foreign exchange a slight drop out of change in accounting of IFRS 9 and one or two customers, but this has changed significantly after the half year end. Other income, mainly a write-back from previously provided for loans, giving a total operating income of KSh 23 billion compared to KSh 21.8 billion, a 5% growth.

Loan loss provision increased slightly as we continued cleaning our book and owing to the growth of the loan book. Staff costs at about 7% again owing to annual reviews. Annual operating expenses only grew by about 3%. So total profit of KSh 10.4 billion compared to KSh 9.7 billion is a 5% growth. Basic earnings per share growing also by 5% from KSh 2.40 to KSh 2.50 per share. In terms of key ratios return on average assets and return on average equity remaining relatively the same comparing last year to this year. NIM, a slight drop from 9% to 7.8%. Cost to income ratio dropping to about 49.6%.

So in a nutshell and from the outlook going forward into 2019 for the next half year we project to grow our profit before tax about 11%, loan growth about 11%, deposit growth about 10%. This is basically assuming that the interest rate cap still remains. Cost of risk to increase slightly to about 1% as we continue growing the book and also because of IFRS 9 provisions. So that's the performance of the group and the bank for the first half year 2019, growing our balance sheet by about 8% and our profit before tax by about 5%. Thank you very much.

Operator
Thank you very much sir. Ladies and gentlemen, at this time if you would like to ask a question you're welcome to press star then one on your touchtone phone or the keypad on your screen, at which time you will hear a confirmation tone. Following this process will place you in the question queue. If you decide a question has been addressed and you wish to withdraw your question you're welcome to press star then two on your touchtone

phone to remove yourself from the question queue. Just a reminder, if you would like to ask a question you're welcome to press star and then one. The first question comes from Timothy Wambu of Barclays.

Timothy Wambu
Hi. Thank you for the call. Thank you for the presentation, Patrick and team. Just two questions from me. The first one is on your projected growth for full year. You're projecting a growth of about 11%. My question is where you see this growth coming from given that you've seen weakish growth so far. So maybe speak about which sectors you are targeting. And the next question is on your asset quality. So your NPL ratio remains quite high. I just want to understand what mechanisms you have in place to address that. Are you seeing any light at the end of the tunnel? Maybe you could tell us, the directive of the President for government contractors to honour payment, how does that change the outlook of your NPL book? Thank you.

Patrick Nyaga
Thank you very much, Timothy Wambu. Projected growth especially for loan growth at about 11%. I think the next question is about asset quality. I will request Anthony probably to address the growth in terms of loans and advances and also the quality.

Anthony Mburu
Timothy, thank you very much for your questions. In terms of projected growth last year we had a slow growth of loans, deliberately so because of the effects of the two years before in terms of drought and just coming out of an election period and even the state of the economy. So liquidity was a challenge and as a result we were a little bit worse on the NPL situation, and therefore we were not as aggressive as far as lending is concerned last year and to some extent the year before.

So this year we have gone back to modest levels of focus on growing the asset book and we are looking across all sectors, mostly around retail – which means the consumer loans – and the element of business loans and MSMEs. You will note from the press we have had an aggressive campaign around MSMEs. We have launched new products for them on the deposit side. We have launched new products for them on the asset side. We have had focus groups around them. And so as the MSME sector begins to benefit out of the various things that are going on in the economy at the national and county level we have positioned ourselves to work closely with the MSME sector. The other area of growth is in the retail or consumer loans where again we have aligned ourselves largely to government or parastatal sector employees. And so as more employees are hired or recruited in those sectors we have aligned ourselves to be able to support them in terms of not only their transactional account need but also their asset need. So that is the situation as far as the key sectors of growth.

A little bit of pockets of growth around agriculture, financing agri and agro processing. Growth in terms of our traditional SACCO lending, and finally growth around corporate entities, largely around leasing which has become an important area. And a bit of that lasing into government, but also now we are starting to spread outside of the traditional government and parastatals into corporate entities. And those are the key areas where we are hoping to see growth. A little bit around the affordable housing initiatives. Many of these things in the first half of the year we were able to look at transactions and begin to get the transactions on board. There is a gestation period before we start to see the numbers on the balance sheet. So we are hoping that then that 11% will happen because of that focus on the growth sector.

The second question was around asset quality. If you look at our book you will find that KSh 29 billion of non-performing. Growth in the last two years, 2017 and 2018, has been high but this year you will notice there has been a slowdown especially looking at the first half of the year. A lot of our issues were around the real estate sector. In manufacturing it was not the entire sector, it was just one subsector. And then an element of MSMEs that were affected by the issues of late payment by national government, county government and a little bit of the private sector. So what we are seeing is that as a result of some of the releases of money by government, by counties, by private sector we are beginning to see an improvement in the NPLs around MSMEs. We are beginning to see an improvement in some of the corporate entities. We still have a problem around the real estate sector. It has not yet completely resolved itself. And a little bit of an issue around the subsector that we were in in manufacturing. But there is light at the end of the tunnel. We are not seeing further significant deterioration, and in the meanwhile we are starting to see some turnaround. So we are hoping in the next six to nine months the book will begin to turn back upwards and require less of the specific provisions that we've had to put aside from an IFRS 9 and even from a CBK perspective. I think by and large that is it as far as those two questions are concerned.

Timothy Wambu
All right. Thank you.

Operator
Thank you. Ladies and gentlemen, just a reminder, if you care to ask a question you are welcome to press star and then one. The next question comes from Agnes Ondong of FirstRand Bank.

Agnes Ondong
Afternoon. Thank you for the call. I have a couple of questions. For the personal consumer book what percentage is secured? And then number two, just to get a sense of what's driving the NPLs in the same personal consumer book. And then in terms of your mobile lending just to get a feel in terms of what the average loan size is that you disburse. So that's it.

Anthony Mburu
Agnes, thank you very much for your questions. The personal consumer book is non-secured largely. We separate between the mortgage book and the asset finance book under personal/consumer. What you see largely in our report is the unsecured personal consumer book. As I said, it's a check off book tied to largely government and parastatals. We don't do walk-ins. All these are based on MOU, deducted at source. Our NPL ratio there is relatively stable. It has not been growing year on year between 2018 and 2019. There was a period where it had gone up because of retrenchments in the private sector, but as you well know in terms of the government and quasi-government sector there haven't been massive retrenchments. In fact if anything there is recruitment going on. So we have seen a growth as far as that book is concerned without too much attrition as far as the NPL is concerned.

In terms of the mobile lending the question was on the average loan size. We are averaging around KSh 100,000 as far as the consumer loans are concerned and about KSh 180,000 as far as the business loans are concerned. We have two segments that we target on mobile lending, business customers, the micro, and then the consumer loans. Now, our consumer loans and on micro targeted what we used to call salary advance. We had this as a product already done manually, so all we did is migrate this onto the mobile platform. Obviously because of convenience and speed of service it has given us bigger volumes and higher numbers. But by and large the product already existed and was just migrated onto this platform. We target our own customers. We are not looking in terms of buying data off other sources.

In terms of the business loans again these were the micro customers who were borrowing less than KSh 500,000. We already had this segment that was borrowing from us unsecured based on turnovers and relationship management. And again what we did was migrate these customers onto the mobile platform. Again they are our customers, and the idea behind that was to reduce our operational cost and make it easier to do business with this segment. We are now able to do much more business at less operational cost to these two segments. So that is by and large the situation as far as our mobile lending is concerned.

Patrick Nyaga
Maybe just an additional comment on what is causing the NPLs in the consumer book. First of all, out of the consumer book itself only about 5% NPL. So a very small percentage of the personal book is in NPL. And number two, this could be because once in a while somebody will lose their job and therefore probably they are not a good payer after that. So nothing major in terms of NPLs on personal loans. Thank you.

Agnes Ondong
Thank you for the responses. Maybe just two follow-up questions. So for the mobile lending what is the NPL ratio if any? And then the last question on the personal and consumer loans, if you could just give us a breakdown in terms of what percentage is to government employees and what percentage is to the corporate employees.

Anthony Mburu
Agnes, let me start with the last question, the breakdown of the personal loans. I don't have the exact number, but almost 90% of our lending is to government and parastatals. We hardly do the private sector. So hardly 10% into the private sector. The second question was on NPL in mobile loans. The consumer side, the salary advance side, has at the moment an NPL of 6%. On the other side in terms of the business loans it currently has an NPL of 3%. So it's still early days. We don't want to get too excited by those numbers and we are watching the situation as it unfolds.

Agnes Ondong
Thank you very much.

Operator
The next question comes from Magreola Olawaseun of FNB Quest Asset Management Ltd.

Magreola Olawaseun
Good afternoon. Thank you for the presentation. I would just like to ask some very vital questions. On the peace pact being brokered in South Sudan I just want to know how the bank's performance has been in that space with respect to contribution to profitability of the bank. Also secondly, from a strategic outlook point of view are there plans for the bank to move into Uganda and Rwanda? Looking at the mobile banking space, the MCo-op Cash, I want to have a breakdown in terms of contribution to profitability and the market share of MCo-op in the mobile banking space. As a follow on to the last question asked, you said the personal consumer book is largely unsecured. In terms of recoveries how do you recover most loans in order to reduce the NPLs in that space? Thank you very much. Those are my questions for now.

Patrick Nyaga
Thank you Olawaseun. The question on the peace pact in South Sudan, just a quick history around that area. The bank started operations in 2013. Immediately after operations I think there were some skirmishes and since then to date there hasn't been much improvement on that. So the strategy we took was we had four branches within Juba. We have not expanded anywhere else other than one branch in the border between South Sudan and Uganda. And therefore no expansions at all for now until we see the peace accord being fully implemented,

upon which we can then move to expand the business. In terms of contribution not much contribution because the profit is about KSh 100 million in the first half of the year. So not much contribution. But again that is being driven by the fact that we have not really been expanding the business. We have been much more in a sustaining mode rather than expand.

In terms of the strategic outlook currently we are deepening our business in Kenya. We have no intentions whatsoever of going to Uganda, Rwanda, Tanzania or any other regional country for the time being. However, the longer term outlook still remains that at some point we will consider regional expansion. But not for now. The only consideration we are making currently is probably Ethiopia, probably with a regional office. We are already doing some small business there from Kenya. In terms of the MCo-op Cash percentage growth, I think from the perspective of the bank it contributes quite a lot in terms of commission income. If you look at the total commissions that the bank is driving in H1 2019 about KSh 2 billion out of the KSh 7 billion is actually mobile platform commissions. So that is almost about a third. So you can see the contribution is 25% to 30% of our commission income coming from the mobile platform. In terms of personal loans I think Anthony can give us a bit of a view on that.

Anthony Mburu
So in terms of the unsecured personal loans firstly we price the risk, so we do appreciate that there will be a risk in terms of lending unsecured. So we have covered ourselves in that structure in terms of the MOUs with the employers. And then in the case of where people lose their jobs or there is retrenchment we price that risk into the model. Then obviously we don't just provide for the cases. We also do efforts in terms of collection and remedial. We have a huge team of collectors and remedial team who follow up on the individual debtors. We also have external debt collectors, a team of external debt collectors who help us with following up. And then finally there is also the element of Credit Reference Bureau where we list these customers, so whenever they will get back into employment or into business we are able to then have them coming back to clear their names and clear their loans. Whatever we have provided for in the last two or three years we have about 10% who come back and repay their loans, so over a period of three to five years we are able to put write-backs into the P&L out of the collections from that segment.

Magreola Olawaseun
That will be all. Thank you very much.

Operator
Ladies and gentlemen, just a final reminder, if you care to ask a question you are welcome to press star then one on your touchtone phone to place yourself in the question queue. We have a follow-up question from Timothy Wambu of Barclays.

Timothy Wambu
Hi. Just a follow-up question on my earlier questions on asset quality. Looking at your coverage ratio we can see it is roughly at about 51%. Just to fully understand, are these NPLs almost fully provided for, because from that figure it appears you have hardly got to that level of provisioning which is close to adequate? So does that suggest that we should see more provisioning for those bad loans? I just want to get a sense of where we are with regards to the asset quality, the NPLs, and the level of provisioning. Thank you.

Patrick Nyaga
Thank you Timothy. Probably my response to that will be if you look at 51% that is IFRS 9 consideration. That has completely ignored any interest in suspense that the bank is holding for these customers. I think that is almost

about KSh 4 billion. That is why you will see the difference between that 51% and the 62% that is CBK, because in CBK it has considered interest in suspense. The other consideration there is that securities have not really been considered much. Especially if you go to the CBK side, any debt that is non-performing you start discounting the security from year one. And by the time you are into year five you are considering zero security regardless of how good that security is. So from that perspective we don't think we are lowly covered because of those considerations.

Number two, currently the average NPL in the market is about 13%. We are at about 11%. Looking at the various areas or the various accounts that are giving us the NPL we've worked quite a bit on most of them and we expect that probably we will close the year at about 9% in terms of provisions. Remember these are mainly in manufacturing as you have seen, one big customer in manufacturing who was probably not doing very well but now they have started operations. A few of the other customers are in real estate. The good thing with real estate is the property is there. It is just that probably the person had been given the loan to construct and then sell and pay off, and they were not able to sell because of the interest rate cap. That security is still there. We just need to restructure it, give it a bit of time, get the rent to service the interest expenses, and whenever the customer sells part of the property he comes and clears it. Again it may take a bit of time but ultimately you will not lose. And that's why we are very confident that the NPL ratio will start coming down to a level of 9% and probably even lower into 2020. Thanks.

Timothy Wambu
Just to follow up again, I noted that we have begun to see a build-up of your loan loss reserves. So as you mentioned CBK has been a bit more punitive. We were under the impression that under IFRS 9 we will not be seeing the loan loss reserve building up again given that IFRS 9 is deemed to be more punitive than IAS 39. So we have begun to see a build-up in your loan loss reserves. So that's why the query comes in, because now we have seen the coverage fall off from quite high earlier in 2018 to where it is currently. So how do we address the IFRS coverage ratio?

Patrick Nyaga
So in actual fact if you look at the coverage that has improved from 2018. We were at about 55% in CBK, now at 62%. In IFRS we were at 31%. It is now 51%. So we are actually improving it. However, there are still some elements of IFRS that need clarity. For instance, IFRS does not recognise interest in suspense. And it actually argues for a write-back of the whole interest in suspense back to P&L. So some of those are not very clear. And probably by the end of this year you will see probably more clarity coming in on that and therefore streamlining some of those numbers like the reserve. But in a nutshell we have been increasing our coverage and we expect that to continue. Thanks.

Timothy Wambu
All right. Thank you. And maybe just to ask one more question with regards to the yields on government securities. I can see when I compare Co-op to Equity and KCB, to your competitors, what I see is that you have a slightly higher yield on your government securities book. So I want to understand on what part of the curve you are playing at.

Robert Aloo
Thanks Timothy. I think our yield on our book is slightly higher given maybe the book composition. Of course our total book its time to maturity is about three years. So its duration is about three years. So we have of course paper from T-bills all the way up to about ten year paper. That's where we actually play comfortably in. but also you will notice from our book holding more of it leans towards the held to maturity. So if you look at the

percentage holding it's about 45/55 leaning. So some of the paper that we bought pre-cap of course we are still gaining in terms of the yields that we have. So we still have paper that is yielding upwards of 14%. That's why you might see our book yield slightly more. Our competitors might have gained from maybe selling some of their bigger book into the market and maybe earning a bit more in capital gain. But now we are gaining more in the form of the yields that we are getting in terms of at least interest yield on our book. But directly to your question, we play between T-bills and ten year we are comfortable.

Timothy Wambu
And do you see yourselves looking to ramp up your accumulation of government securities? It was very clear that there was a bit of an acceleration at half year. By my estimates it only grew by about 19%. Given that you are able to get clearly some good yields on the long end of the curve would that be something you would be looking at to boost your interest income?

Patrick Nyaga
I think, Wambu, on that particular perspective we are looking at growth of deposits from about KSh 26 billion in half year, a loan growth of about KSh 15 billion. So probably the balance going to sustaining our liquidity. But again depending on what happens we are very keen on that. For instance if the interest rate cap lifted we would expect a slightly higher growth of loans and advances, and therefore we will probably be taking some of the maturities which are short term and taking that cash into higher yielding loan book. So depending on exactly what happens we will play different strategies. If the rate cap stays we will continue earning a bit of that money which is in good yields. If the rate cap goes we would probably liquidate a bit of that money and therefore not build up a treasury book and get it into loans which are probably much more high-yielding. Thank you.

Timothy Wambu
Thank you.

Operator
We have a follow-up question from Agnes Ondong of FirstRand Bank.

Agnes Ondong
So just one more question. I just want to get a sense in terms of what sectors take up the bulk of the loans that are in the substandard and the doubtful category.

Patrick Nyaga
Thank you Agnes. If you look at our NPL by sector probably you will see the biggest contributor being trade. And trade is distributed into wholesalers, small traders, distributors and stuff. So those account about 33% of our book. And normally these are guys who will be affected when the economy is not doing very well. These are also guys probably who are affected by lack of payments by both national and county governments. Even though we don't have a lot of customers who have supplied directly to the government you would still expect that those customers who supply to the government also have other people who supply them, and probably that's where a bit of that trade is. And therefore as the economy continues to improve we are seeing that probably coming down. The other area as we said is personal consumer. Remember we have a very big book in personal consumer. Therefore part of that NPL, about 19% of it, is personal consumer. From there it's real estate. So in a nutshell, trade, personal, real estate and manufacturing probably would account for the biggest portion of the NPLs.

Agnes Ondong

Okay. What I wanted maybe some bit of clarification on was what sectors are more geared towards the doubtful and substandard category. Is it safe to say that it's the trade book?

Patrick Nyaga
Yes. If you look at our staging actually you will notice that the doubtful is about 10%, slightly more than 10% of our book. And the sectors are the same sectors where we have NPL book because they're the same sectors that are impacted by the same factors. So you will probably still go trade, manufacturing and real estate.

Agnes Ondong
Okay. Thank you.

Operator
Ladies and gentlemen, one final reminder, if you care to ask a question you're welcome to press star and then one. Gentlemen, we have no further questions in the queue. Do you have any closing comments?

Patrick Nyaga
Thank you very much everybody for listening to us and taking the questions which are quite enlightening. We will expect probably if there are more questions you can email us, you can have meetings with us, otherwise we will see you in Q3. Thank you very much.

Operator
Thank you. Ladies and gentlemen, that concludes this afternoon's conference. Thank you for joining us. You may now disconnect your lines.

END OF TRANSCRIPT