

CO-OPERATIVE BANK OF KENYA HY25 EARNINGS UPDATE

Co-operative Bank released HY25 financial results posting an **8.3%** surge in PAT to KES 19.7Bn, attributable to a 23% increase in net interest income to KES 29.38Bn, which offset an 8% decline in non-funded income on lower forex trading revenues. **Earnings per share** increased to KES 2.41 from KES 2.21 recorded in the previous period.

Co-op Bank's subsidiaries showed strong financial contributions, with **Co-op Trust Investment** leading the way by delivering a PBT of KES 361Mn. **Co-op Bancassurance Intermediary Ltd** also contributed substantially with a profit of KES 791Mn. The Group's presence in South Sudan, through Co-op Bank of South Sudan Ltd, posted a restated profit of KES 57Mn after accounting for hyperinflation.

Co-operative's remarkable growth is in line with the group's strategic focus on sustainable growth, resilience and agility riding on the "soaring eagle" transformation agenda.

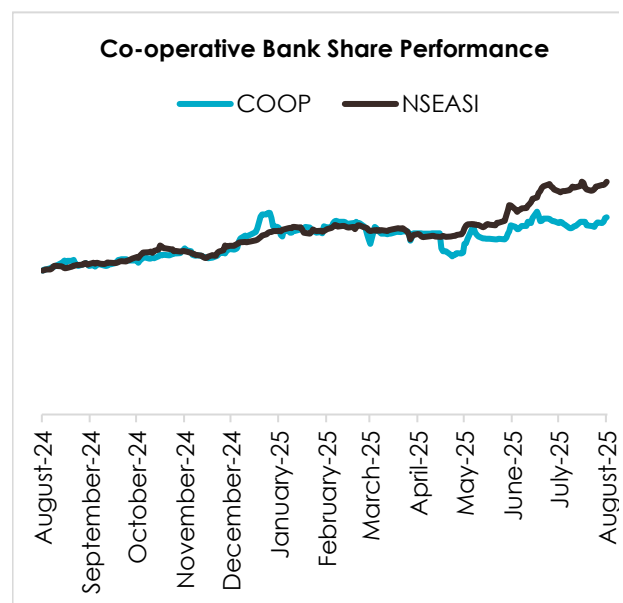
At the current market price of **KES 17.40**, the stock is trading below our target price of KES 19.76. Given the lender's strong topline and bottom-line growth, along with stable dividend payments, Co-operative represents a suitable long-term investment opportunity. We recommend a Neutral on the stock, with an upside potential of 14%.

HY 2025 Performance – % y/y performance

- **Earnings:** Operating income grew by 10.8% to **KES 43.5Bn** mainly driven by net-interest income which grew by 23% to KES 29Bn. Earnings from foreign exchange decreased by 42% to KES 1.5Bn driven by a stable currency and thinner margins.
- **Loan book:** Loans and advances grew by 4.2% to KES 391Bn slower than a 7.9% rise in deposits driven by increased lending to the SME and MSME market segments. The M-co-op cash mobile wallet disbursed KES 36Bn loans year to date. The MSME loan portfolio represents 17% of the bank's portfolio.
- **Customer deposits:** Grew by 8% to KES 548Bn supported by deposit mobilization through the opening of new branches to scale retail expansion. The branch network expanded to 212 outlets, with 15 new branches across Kenya. Co-op Bank of South Sudan added 5 branches respectively.

Share Data	Co-operative Bank
Ticker	COOP KN
RECOMMENDATION	Neutral
Current Price (KES)	17.40
Target Price (KES)	19.76
Upside	14.00%
52WK High (KES)	18.35
52WK Low (KES)	10.10
Market Cap (KES Bn)	102.08
EPS (Annualized)	KES 4.82
P/B	0.65x
P/E	3.60x
Current Price = as of 14 th August 2025	

Source: Bloomberg, NSE, NCBA IB Research



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- **Efficiency:** The bank's disciplined approach to cost control allowed operating income to outpace expense growth. The Group maintained its prudent cost management approach, with costs growing by 7% driven by variable costs and investments for future growth. Total expenses closed the period at KES 24Bn.
- **Asset Quality:** NPL ratio was up to **16.32%** from 15.62%, below the industry average of **17.0%**. The lender continues to implement multiple resolution strategies, including enhanced recoveries, loan rehabilitation, full and final settlements. Loan loss provisions increased by 50% to KES 3.00Bn driven by implementation of risk management initiatives.
- **Stable Balance Sheet:** Total assets grew by 13% to KES 812Bn, the balance sheet remains strong, highly liquid and well capitalized.

Key Financial Metrics

HY 25 Co-op Bank Kenya PLC	Key Metrics Y/Y	Co-op Bank Kenya	Key Ratios Y/Y
Loans and Advances	Up 4.2% to KES 391.3Bn	Loan Deposit ratio	Down to 71.43% from 74.03%
Customer Deposits	Up 7.9% to KES 547.7Bn	Net Interest Margin	Up 3.62% from 3.33%
Government Securities	Up 25.5% to KES 253.7Bn	Cost to Income	Up to 55.27% from 54.21%
Net Interest Income	Up 23.1% to KES 29.4Bn	NPL Ratio	Up to 16.32% from 15.62%
Non-Funded Income	Down 8.2% to KES 14.1Bn	Cost of risk	Up 1.16% from 0.80%
Forex trading income	Down 41.6% to KES 1.5Bn	ROE	Down to 0.91% from 10.25%
Loan Loss Provisions	Up 50.5% to KES 4.5Bn	Current Market Price	KES 17.35
PBT	Up 8.3% to KES 19.7Bn	P/E(Annualized)	3.60x
PAT	Up 8.4% to KES 14.1Bn	P/B	0.65x
EPS	Up 9.0% to KES 2.41	Dividend (H1)	None

Source: Company financials, NCBA IB Research

Outlook

We expect Co-operative to record steady growth boosted by:

1. **Revenue Diversification:** The bank is optimizing their digital capabilities such as MCo-op Cash mobile wallet among other digital strides that will allow for revenue diversification. The bank's program, Co-op Kwa Jirani Agency Banking, is expected to increase the trade flows.
2. **Loans growth:** The bank's main clients, co-operatives, will continue to provide a stable source of revenue. The bank's focus on digital lending through its M-Co-op Cash products will support NFI line growth. The bank's focus on co-creating solutions with customers to grow the loan book and increase product holding will contribute to loan growth.
3. **Digitalization and innovation:** Co-op Bank continues to record one of the highest digital migration rates in the market, with over 90% of transactions now executed through digital and alternative channels. These include web, mobile, and USSD platforms, 622 ATMs, cash deposit machines, and a network of over 16,000 Co-op kwa Jirani agents.

Investment recommendation:

The Bank continues to execute a proactive growth strategy anchored on a robust enterprise risk management framework and deepening of market dominance. Riding on its unique synergies, it is expected to continue in its pursuit for strategic initiatives that focus on resilience and sectoral

growth. The strong performance aligns with the Group's strategic focus on sustainable growth, resilience, and agility under the 'Soaring Eagle' Transformation Agenda.

Based on the target price of **KES 19.76** we believe that the stock provides an opportunity for long-term investors to earn **capital gains** and an **attractive dividend yield**.

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