

CO-OPERATIVE BANK OF KENYA Q325 EARNINGS UPDATE

Co-operative Bank released Q3 financial results posting an **10% surge in PAT** to KES 19.3Bn, attributable to an 8% increase in net interest income to KES 62.5Bn, which offset an 5% decline in non-funded income on lower forex trading revenues. **Earnings per share** increased to KES 3.29 from KES 2.99 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 145Mn. **Co-op Bancassurance Intermediary Ltd** also contributed substantially with a profit of KES 1.15Bn. The Group's presence in South Sudan, through Co-op Bank of South Sudan Ltd, posted a restated profit of KES 94Mn 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.

The lender announced a **surprise first-ever interim dividend of KES 1/share**, a move that was **well received in the market**. The lender, which has historically paid dividends only once annually will pay the interim dividend on or about December 4 to shareholders on the register as of November 26, 2025. According to **Managing Director Gideon Muriuki**, the KES 1/share interim payout for the nine months to September 2025 marks a **significant milestone** and underscores management's **confidence in the bank's strong performance and outlook**.

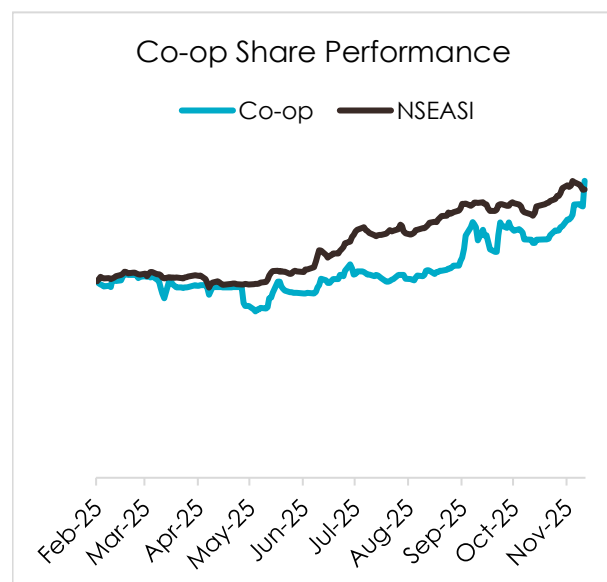
At the current market price of **KES 24.90**, the stock is trading below our target price of KES 26.03. Given the lender's strong topline and bottom-line growth, along with stable dividend payments, Co-operative represents a suitable long-term investment opportunity. We recommend a Neutral on the stock, with an upside potential of 5%.

Q3 2025 Performance – % y/y performance

- **Earnings:** Operating income grew by 14% to **KES 67Bn** mainly driven by net-interest income which grew by 23% to KES 42Bn. Earnings from foreign exchange decreased by 21% to KES 2.6Bn driven by a stable currency and thinner margins.
- **Loan book:** Loans and advances grew by 4% to KES 382Bn driven by increased lending to the SME and MSME market segments. The lender disbursed KES 54.2Bn in E-credit mobile loans of which KES 8bn was to MSMEs. The MSME loan portfolio represents 17% of the bank's portfolio with over 255,000 customers benefitting from tailored products.

Share Data	Co-operative Bank
Ticker	COOP KN
RECOMMENDATION	Neutral
Current Price (KES)	24.09
Target Price (KES)	26.03
Upside	5%
52WK High (KES)	23.50
52WK Low (KES)	10.10
Market Cap (KES Bn)	146Bn
Q3 Dividend	KES 1.00
P/B	0.97x
P/E	7.56x
Current Price = as of November 2025	

Source: Bloomberg, NSE, NCBA IB Research



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- **Customer deposits:** Grew by 5% to KES 511Bn supported by deposit mobilization through the opening of new branches to scale retail expansion. The branch network expanded to 2117 outlets, with 15 new branches across Kenya. Co-op Bank of South Sudan added 6 branches respectively.
- **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 15% driven by variable costs and investments for future growth. Total expenses closed the period at KES 34Bn.
- **Asset Quality:** NPL ratio was up to **16.37%** from 15.23%, 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 30% to KES 7.00Bn driven by implementation of risk management initiatives.
- **Stable Balance Sheet:** Total assets grew by 7% to KES 747Bn, the balance sheet remains strong, highly liquid and well capitalized.

Key Financial Metrics

Q3 25 Co-op Bank Kenya PLC	Key Metrics Y/Y
Loans and Advances	Up 4% to KES 382Bn
Customer Deposits	Up 5% to KES 511Bn
Government Securities	Up 22% to KES 234Bn
Net Interest Income	Up 23% to KES 42Bn
Non-Funded Income	Down 5% to KES 19Bn
Forex trading income	Down 21% to KES 3Bn
Loan Loss Provisions	Up 30% to KES 7Bn
PBT	Up 10% to KES 27Bn
PAT	Up 10% to KES 19Bn
EPS	Up 10% to KES 3.29

Co-op Bank	Key Ratios Y/Y
Loan Deposit ratio	Stable at 75%
Net Interest Margin	Up to 6% from 5%
Cost to Income	Down to 43% from 45%
NPL Ratio	Up to 16.37% from 15.23%
Cost of Risk	Up to 1.85% from 1.48%
Current Market Price as at 13/11/25	KES 24.90
P/E	7.56x
P/B	0.97x
Dividend (Q3)	KES 1.00
Dividend Yield (Q3)	24.0%

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 26.03** 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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