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Co-op Bank Profits Jump 9.8% to KES 25.46Bn

The Co-operative Bank Group plc posted KES 34.78Bn profit before tax (PBT) for full year 2024 (FY2024) results, a 7.5% year on year rise from that of KES 32.36Bn reported in FY2023. The performance was strongly supported by stellar growths in the bank's interest income which recorded an annual growth of 24.9% or an additional KES 17.18Bn to KES 86.25Bn. The faster rise in interest incomes was however slowed down by higher cost of financing the bank's loan book on elevated cost of deposits witnessed in the period.

Profits after tax (PAT) jumped 9.8% year-on-year (y-y) to KES 25.46Bn from KES 23.19Bn benefitting from lower effective tax rate of 26.8% in 2024 compared to 28.4% of 2023.

Subsidiaries' profit before tax jumped 26.6% y-y from KES 2.74Bn to KES 3.48Bn. The non-banking subsidiaries contributed 71.2% of KES 2.48Bn in 2024, compared to KES 1.68Bn or 61.3% reported in 2023. This was as the Group's Kingdom Bank subsidiary PBT declined 5.8% from KES 1.06Bn to KES 1.00Bn. Subsidiaries PAT went up 43.9% y-y from KES 1.71Bn to KES 2.47Bn signaling of thriving businesses.

The Bank's Board of Directors recommended a KES 1.50 first and final dividend which if approved the book closure and payment dates are set for 28th April and 10th June 2025 respectively. This represents a 34.6% payout ratio from expanded earnings per share of Kes 4.33 and a dividend yield of 9.3%. We revise our recommendation from accumulation to HOLD with an implied fair value of KES 17.29 per share, a 7.4% upside from the current price of KES 16.10 per share as of 20th March 2025.

Income Statement

Co-op Bank Group's net interest income (NII) grew 13.2% y-y from KES 45.23Bn to KES 51.52Bn slowed down by high cost of funds which expanded from 4.8% in 2023 to 6.4% in 2024. The NII contribution to total income however further enlarged from 63.1% in FY2023 to 63.9% in FY2024.

Interest income from loans and advances accelerated 24.9% y-y up from KES 69.07Bn to KES 86.25Bn reaping off from the hiked interest rates that touched a high Central Bank base rate of 13.0%. This saw the yield on loans and advances improve from 12.4% in FY2023 to 14.9% in the period. This was also supported by increased disbursements that saw the loan book remain stable unlike other banks which recorded major declines.

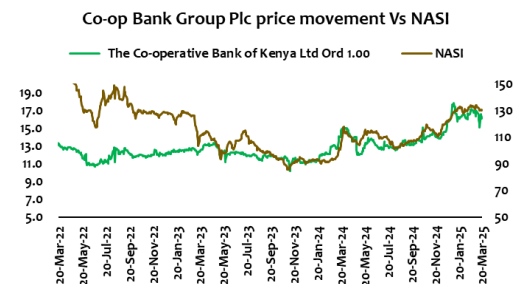
Income from government securities shoot up 16.2% y-y from KES 23.13Bn to KES 26.88Bn benefitting the elevated returns in the government securities space that touched a high of 18.46% for an infrastructure bond. Consequently, yield on government securities extended up from 11.6% in FY2023 to 13.1% in FY2024.

The bank's deposit placements with other banking institutions also surged up 225.9% to contribute KES 3.52Bn revenue compared to KES 1.08Bn on similar effect of elevated rates.

Co-op Bank Group Plc Earnings Update – FY2024

Recommendation:	HOLD
Bloomberg Ticker:	COOP KE
Share Statistics	
Valuation price	17.29
Upside/Downside	7.4%
Current Price	16.10
3-Month Av	16.47
6 Month Av	15.21
52 Week Av	14.23
52 Week High - Low	17.80 - 12.00
Issued shares Mn	5,867.17
Free float	35.40%
Market Cap (KES Mn)	95,048.23
Market Cap (USD Mn)	734.65
P/E	3.74
BVPS	24.78
PB	0.65
EPS	4.33
DPS	1.50
Dividend Payout	34.6%
Dividend Yield	9.3%

Return Performance		
Periods	Co-op	NASI
3-Months %Δ	27.7%	7.0%
6-Months %Δ	37.3%	21.6%
Y-T-D % Δ	31.6%	3.1%
Y-Y %Δ	47.9%	28.9%



NNI + 13.9% Y-Y
Provisions + 44.2% Y-Y
Opex. + 17.7% Y-Y
Opex. Excl Provisions + 13.0% Y-Y
PBT + 7.5% Y-Y
PAT + 9.8% Y-Y
Govt. Securities + 14.7% Y-Y
Loans + - 0.1% Y-Y
Deposits + 12.1% Y-Y
Shareholder's Funds + 28.0% Y-Y

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Interest expense climbed 45.9% y-y from KES 23.84Bn in FY2023 to KES 34.74Bn, an additional KES 10.89Bn, on impact from expensive customer deposits heightened by returns in the government securities space. To maintain the deposits and fund its loan book, the bank had to incur the higher rates as compensation.

Non-funded income grew by 10.0% in FY2024 to KES 29.13Bn supported foreign exchange revenues which went up by over half from KES 3.18Bn to KES 4.97Bn. Unlike other banks, the Group performed better in this line emanating from the local currency strengthening.

Operating expenses widened 17.7% from KES 39.67Bn in FY2023 to KES 46.69Bn, largely on account of higher loan loss provisions which escalated 44.2% up to KES 8.66Bn, to cushion potentials risks of loan defaults. This was as the net non-performing loan exposure grew by KES 4.16Bn.

Staff costs were contained at a 9.8% rise from KES 16.69Bn to KES 18.32Bn largely on normal annual wage increment.

Balance Sheet

Total assets recorded a 10.7% growth from KES 671.13Bn to KES 743.19Bn mainly on focus increased investments in government securities and other assets. Government securities holdings saw an additional KES 28.05Bn or 14.7% y-y growth to KES 218.88Bn by end of 2024.

Total loan book remained relatively stable with a 0.1% y-y drop from KES 374.27Bn to KES 373.73Bn which we view was supported by increased disbursements to offset repayments. This is despite the banking sector loan shrinking by 2.4% y-y from KES 4.20 trillion in 2023 to KES 4.10 trillion in 2024.

The Bank cut its borrowings by 17.7% as it went for somehow less expensive customer deposits to finance its loan book. Customer deposits edged up 12.1% to KES 506.11Bn signaling client confidence.

Shareholders' funds expanded 28.0% y-y to KES 145.38Bn pushed by the rising revenues which saw retained earnings soar 14.9% y-y to KES 128.58Bn.

Key Ratios

The Lender's net interest margins stabilized at 7.6% y-y held down by higher cost of funds which cut on the overall asset yield. This was as the cost of deposits expanded from 5.4% to 7.3% while the cost of total funds escalated from 4.8% to 6.4%.

Cost of risk also increased from 1.7% to 2.3% on overall rise in the loan loss provisions that overweighed the rise in the interest earning book.

Return on average equity (ROaE) fell from 20.9% in FY2023 to 19.6% in FY2024 on a faster rise in the shareholders' funds in relation to that on the overall profits. Return on average assets (RoAa) however stabilized at 3.6% on nearly a similar growth in both assets and net revenues.

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Gross non-performing ratio (NPL) moved up from 14.5% in 2023 to 15.2% in 2024 while remaining below the industry NPL ratio of 16.4% by end of 2024.

P&L (KES Mn)	FY2022	FY2023	FY2024	%Δ y-y
Interest Income	61,746	69,066	86,250	24.9%
Interest Expense	16,221	23,835	34,728	45.7%
NII	45,525	45,231	51,522	13.9%
NFI	25,730	26,462	29,126	10.1%
Total Income	71,255	71,693	80,647	12.5%
Loan Loss Provisions	8,677	6,008	8,663	44.2%
Operating Expense	42,244	39,675	46,689	17.7%
Opex excl Provision	33,567	33,666	38,026	13.0%
PBT	29,427	32,364	34,780	7.5%
PAT	22,038	23,188	25,456	9.8%
EPS	3.72	3.92	4.33	10.5%
EPS	1.50	1.50	1.50	0.0%

Balance Sheet (KES Mn)	FY2022	FY2023	FY2024	%Δ Y-Y
Investments	175,153	190,823	218,878	14.7%
Loans and Advances	339,390	374,227	373,733	-0.1%
Total Asset	607,198	671,131	743,190	10.7%
Customer Deposit	423,803	451,642	506,112	12.1%
Borrowing	48,102	67,334	55,406	-17.7%
Shareholders' Fund	107,678	113,559	145,380	28.0%

Ratios	FY2022	FY2023	FY2024
NII % of Total Income	63.9%	63.1%	63.9%
NFI % of Total Income	36.1%	36.9%	36.1%
CTI Ratio	59.3%	55.3%	57.9%
CTI exc Provision	47.1%	47.0%	47.2%
Advances to Deposit Ratio	80.1%	82.9%	73.8%
Investment Securities to Assets	28.8%	28.4%	29.5%
Advances to Assets	55.9%	55.8%	50.3%
Debt to Equity	44.7%	59.3%	38.1%
Cost of Funds	3.5%	4.8%	6.4%
cost of deposits	3.9%	5.4%	7.3%
Net Interest Margins	8.5%	7.6%	7.6%
Yield on Advances	12.4%	12.6%	14.9%
Yield on Govt Securities	11.6%	12.6%	13.1%
ROaA	3.7%	3.6%	3.6%
ROaE	21.2%	20.9%	19.6%
Cost of Risk	2.7%	1.7%	2.3%
NPL Ratio	12.1%	14.5%	15.2%

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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