

KINGDOM SECURITIES

Co-op Bank Posts 12.3% EPS Jump, Declares First Interim Dividend Since Listing

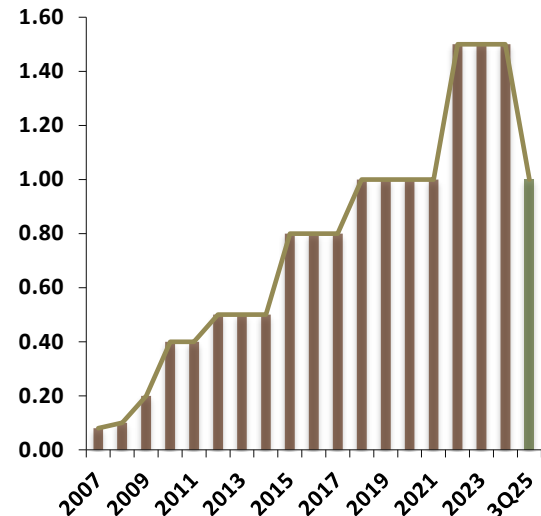
For the first time in more than two decades, Co-operative Bank has **broken tradition**, declaring an **interim dividend of Kes 1.00** in a quarter where banks rarely make such moves.

The bank's earnings story for the first three quarters of 2025 is equally compelling. **Earnings per share** rose 12.3% to Kes 3.68, up from Kes 3.27 as of Q3 2024, powered by a surge in profit after tax to Kes 21.56Bn from Kes 19.21Bn. **Profit before tax** climbed 12.1% to Kes 30.03Bn, riding on a 13.9% expansion in total operating income. **Net interest income**, the engine of the story, jumped 22.8% to Kes 45.28Bn, from Kes 36.87Bn.

Markets took notice. On the day the results dropped, the **share price** rallied to an **all-time high**, underscoring renewed investor optimism. And if the bank holds to its long-standing dividend rhythm, the year could close with a **total payout** of roughly Kes 2.50; consistent with its pattern of stepping up returns every three years.

Co-operative Bank of Kenya Earnings Update – as of 30th Sep 2025

CO-OP Bank DPS History (KES.)



Income Statement

Co-op Bank Group's **net interest income (NII)** rose by 22.8% y/y to KES 45.28Bn in September 2025 from KES 36.87Bn over the same period in 2024, driven by growth in interest income and a concurrent reduction in interest expense.

Total interest income increased by 10.0% to KES 67.93Bn from KES 61.77Bn, supported by a 7.2% and 12.4% growth in returns from both loans and government securities, respectively. On the other hand, **interest expense** fell by 9.0% to KES 22.65Bn from KES 24.89Bn, in line with the interest rate environment.

The **contribution of NII** to total income improved to 67.2% from 62.3% in September 2024. Meanwhile, non-funded income (NFI) recorded a marginal 0.8% y/y decline to KES 22.11Bn from KES 22.28Bn, underscoring the shifting macroeconomic factors that end up affecting the income segment.

Interest income from loans and advances rose to KES 42.23Bn from KES 39.41Bn, despite signaling either increased collections or higher rates on average (policy actions transmits slowly). Similarly, interest income from **government securities** rose by 12.4% to KES 22.22Bn from KES 19.76Bn, signaling alignment with the current interest rate environment.

As a result, the average **yield on interest-earning assets** remained relatively stable, nudging up slightly to 13.2% from 13.1% in Q3 2024, mirroring a stable and repeatable ability to generate income.

Overall, **total operating income** rose by 13.9% to Kes. 67.38Bn, from Kes. 59.15Bn.

Interest expense decreased by 9.0% y/y to KES 22.65Bn from KES 24.89Bn, largely driven by a 9.9% reduction in the cost of customer deposits, reflecting the prevailing lower interest rate environment.

Consequently, the cost of funds declined to 5.4% from 5.9% in Q3 2024.

Return Performance		
Periods	Co-op Bank	NASI
3mtd PriceΔ(%ge)	43.52%	15.00%
6mtd PriceΔ(%ge)	49.10%	27.00%
YTD Δ(%ge)	51.37%	52.00%
Y/Y Δ(%ge)	71.72%	62.00%

NII	22.8%
Provisions	31.9%
Opex	15.4%
Opex Excl. LLPs	12.1%
PBT	12.1%
PAT	12.3%
Loans	6.6%
Govt. Securities	10.3%
Deposits	3.8%
Shareholders' Funds	25.8%

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Operating expenses rose by 15.4% to Kes. 37.72Bn, from KES 32.68Bn, in Q3 2024, fueled by an 11.5% and a 31.9% jump in staff costs and loan loss provisions, respectively.

Loan loss provisions rose to KES 7.36Bn from KES 5.58Bn, even as credit risk gradually dissipates.

Excluding loan loss provisions, operating expenses grew at a slower 12.0%y/y to KES 30.36Bn from KES 27.10Bn, as growth in provisions outpaced the growth in staff and other costs.

Balance Sheet

Co-op Bank's **total assets** increased by 8.6% y/y to KES 815.27Bn from KES 750.78Bn, driven by a 6.6% and 10.0% growth in the loan book and investment portfolio, respectively.

Investment in **government securities** rose by 10.3% to KES 255.43Bn from KES 231.65Bn in September 2024, with a higher portion held to maturity. However, the available for sale portfolio grew at a faster rate over the review period.

The **loans and advances** expanded by 6.6% to KES 406.52Bn from KES 381.34Bn in Q3 2024, with Co-op Bank contributing 94.0% of the book.

Higher disbursements, especially within the Kenyan market, saw the Group's **borrowings** jump by 14.6% y/y to KES 66.51Bn from KES 58.02Bn as of September 2024. Similarly, **customer deposits** nudged upwards by 3.8% to Kes. 423.03Bn, from Kes. 407.69Bn over the same period.

Shareholders' funds rose sharply by 25.8% y/y to KES 164.52Bn from KES 130.76Bn, supported by higher retained earnings, which increased by 9.4% to KES 144.62Bn from KES 132.17Bn as of Q3 2024.

Key Ratios

The Group's **net interest margin (NIM)** improved to 8.6% in Q3 2025 from 7.9% in Q3 2024, reflecting stronger growth in NII relative to average interest-earning assets.

Return on average equity (ROaE) edged down to 18.8% from 20.0%, while return on average assets (**ROaA**) improved to 3.6% from 3.4%, underscoring enhanced asset profitability.

The **cost of risk** tightened to 10.9%, up from 9.4%, reflecting a deliberate build-up of loan loss provisions even as operating income improved. However, **asset quality** pressures remain evident—Gross non-performing loans rose 12.7% y/y to Kes 78.93Bn, from Kes 70.01Bn, pushing the **NPL ratio** to 17.3% compared to 16.5% in Q3 2024, as the expansion in gross loans continued to lag.

	Co-op Bank	Kingdom Bank
NII	92.1%	4.2%
PBT	89.8%	2.5%
PAT	89.6%	2.4%
Deposits	93.2%	5.4%
Loans	94.0%	4.9%
Assets	91.6%	6.0%

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P&L (Kes. Bn)	Q3 2024	H1 2025	Q3 2025	%Δ Q/Q	%Δ Y/Y
Interest Income	61.77	44.80	67.93	51.6%	10.0%
Interest Expense	24.89	15.42	22.65	46.9%	(9.0%)
NII	36.87	29.38	45.28	54.1%	22.8%
NFI	22.28	14.11	22.11	56.6%	(0.8%)
Total Operating income	59.15	43.49	67.38	54.9%	13.9%
Loan Loss provision (LLP)	(5.58)	(4.52)	(7.36)	62.8%	31.9%
Total Operating expenses	(32.68)	(24.04)	(37.72)	56.9%	15.4%
Opex excl Provision	(27.10)	(19.52)	(30.36)	55.5%	12.0%
PBT	26.78	19.66	30.03	52.7%	12.1%
PAT	19.21	14.08	21.56	53.2%	12.3%
EPS	3.27	2.40	3.68	53.2%	12.3%

Balance Sheet (KES Mn)	Q3 2024	H1 2025	Q3 2025	%Δ Q/Q	%Δ Y/Y
Investments	233.4	255.0	256.7	0.7%	10.0%
Loans and Advances	381.3	391.3	406.5	3.9%	6.6%
Total Asset	750.8	811.9	815.3	0.4%	8.6%
Customer Deposit	407.7	410.8	423.0	3.0%	3.8%
Borrowing	58.0	65.7	66.5	1.3%	14.6%
Total Liabilities	620.0	655.6	650.7	-0.7%	5.0%
Shareholders' Fund	130.8	156.3	164.5	5.3%	25.8%

Key Ratios	Q3 2024	H1 2025	Q3 2025	%Δ Q/Q	%Δ Y/Y
Yield from interest-earning assets	13.1%	13.8%	13.2%	(0.5%)	0.2%
Cost of funds	5.9%	5.8%	5.4%	(0.4%)	(0.5%)
Net Interest Margin	7.9%	8.6%	8.6%	(0.0%)	0.7%
NII as % of operating income	62.3%	67.5%	67.2%	(0.4%)	4.9%
NFI as a % of operating income	37.7%	32.5%	32.8%	0.4%	(4.9%)
Cost to Income Ratio (CIR)	55.2%	55.3%	56.0%	0.7%	0.7%
CIR without LLP	45.8%	44.9%	45.1%	0.2%	(0.8%)
Cost to Assets	3.6%	2.4%	3.7%	1.3%	0.1%
NPL Ratio	16.5%	17.3%	17.3%	(0.0%)	0.8%
Loan to Deposit Ratio	74.2%	71.4%	74.1%	2.7%	(0.1%)
Return on average equity	20.0%	18.8%	18.8%	0.0%	(1.2%)
Return on average assets	3.4%	3.5%	3.6%	0.1%	0.2%
Cost of Risk	9.4%	10.4%	10.9%	0.5%	1.5%

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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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