

## Co-op Bank Posts 16.9% EPS Jump, 2025 DPS jumps 66.7% to Kes 2.5

2025 was particularly a debut year for Co-operative bank on matters interim 2025 marked a notable debut for Co-operative Bank of Kenya on interim dividends. The bank declared and paid a Kes 1.0 interim dividend in 4Q24, signaling a shift in its capital return approach. In our 3Q25 earnings update, we projected a total dividend per share (DPS) of Kes 2.5, anchored on the bank's established pattern of stepping up shareholder returns every three years. That call proved accurate.

All in, the bank's earnings story remains both resilient and compelling. Earnings per share rose 16.9% to Kes 5.07 (from Kes 4.34 in 2024), underpinned by stronger growth in total income relative to operating expenses. Profit before tax crossed a new milestone of Kes 40Bn.

Co-operative Bank of Kenya is also one of the few banks to have increased loan loss provisions among those that have released full-year earnings, signaling a more cautious stance on asset quality. The icing on the cake, however, is the 66.7% jump in DPS to Kes 2.5 (from Kes 1.5 in 2024), inclusive of a Kes 1.0 interim dividend. We remain keen to see whether an interim dividend is the new norm.

### Recommendation SPECULATIVE BUY

Share Statistics	
Current Price	29.95
3-Month Av	27.80
6 Month Av	24.82
12 Month Av	20.71
52 Week High - High	31.00
52 Week High - Low	13.95
Issued shares Mn	5.87
Market Cap (KES Mn)	175.72
Market Cap (USD Mn)	1.36
P/E	4.72
PB	0.85
EPS (Annualized)	5.07

## Income Statement

**Total Income:** Co-op Bank Group's operating income rose by 13.9% to Kes. 91.89Bn, from Kes. 80.65Bn on higher net interest income (NII) despite a marginal decline in non-funded income. NII rose by 22.0% y/y to KES 62.85Bn in from KES 51.52Bn in 2024, driven by growth in interest income and a concurrent reduction in interest expense.

**Interest income** increased by 8.0% to KES 93.14Bn from KES 86.25Bn, supported by growth in returns from interest earning assets. Interest income from loans and advances rose by 7.5% to KES 60.07Bn from KES 55.85Bn, while interest from government securities rose by 8.3% to KES 29.11Bn from KES 26.88Bn, in 2024.

**Interest expense** on the other hand, fell by 12.8% to KES 30.29Bn from KES 34.73Bn, driven by a 14.8% decline in interest on deposits to Kes 25.00Bn, from Kes 29.33Bn in 2024.

**Non-Funded Income:** NFI recorded a marginal 0.3% y/y decline to KES 29.03Bn from KES 29.13Bn, resulting to an increase in the contribution of NII to total income to 68.4% from 63.9% in 2024. This was in line with the broader macroeconomic stability especially on the currency front.

**Operating expenses** rose by 11.4% to Kes. 51.99Bn, from KES 46.69Bn, in 2024, fueled by a 9.2% and a 13.6% jump in loan loss provisions and staff costs, respectively. Loan loss provisions rose to KES 9.46Bn from KES 8.66Bn, even as credit risk gradually dissipates.

**Excluding loan loss provisions**, operating expenses grew at a faster 11.8%y/y to as growth in in staff and other costs outpaced the growth in provisions.

### Return Performance

Periods	Co-op Bank	NASI
3mtd PriceΔ(%ge)	28.82%	13.45%
6mtd PriceΔ(%ge)	56.23%	19.65%
YTD Δ(%ge)	25.05%	12.24%
Y/Y Δ(%ge)	84.88%	60.78%

NII	22.0%
Provisions	9.2%
Opex	11.4%
Opex Excl. LLPs	15.8%
PBT	15.8%
PAT	16.9%
Loans	12.6%
Govt. Securities	10.3%
Deposits	13.4%
Shareholders' Funds	14.0%

# KINGDOM SECURITIES

## Balance Sheet

**Assets:** Co-op Bank's total assets expanded by 11.3% y/y to KES 827.35Bn from KES 743.19Bn, driven by a 12.6% each growth in the loan book and investment portfolio.

Investment in government securities rose to KES 244.94Bn from KES 217.57Bn in 2024, while loans and advances increased to KES 421.00Bn from KES 373.73Bn in 2024, with explaining the increase in provisions despite dissipated risks in the business environment.

**Customer Deposits:** The group's liabilities rose by 10.7% to Kes 661.31Bn as customer deposits nudged upwards by 13.4% to Kes. 574.17Bn, from Kes. 506.11Bn over the same period.

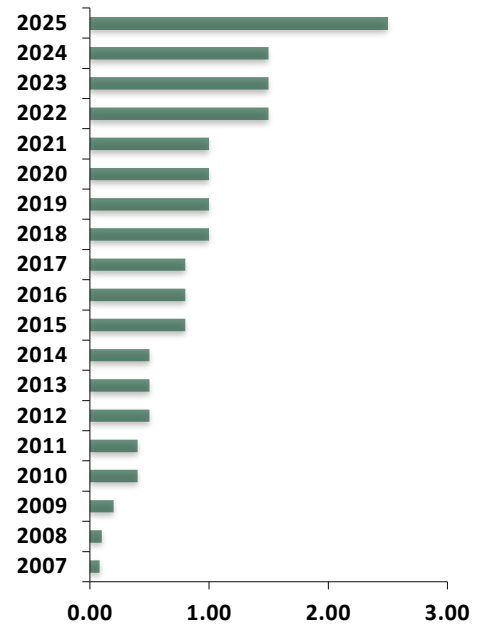
Higher disbursements, saw the Group's borrowings close higher, posting an 11.4% y/y increase to KES 61.70Bn from KES 55.41Bn as in 2024.

**Shareholders' funds** recorded a 14.0% y/y increase to KES 166.04Bn from KES 145.60Bn, supported by higher retained earnings, which increased by 11.8% to KES 143.71Bn from KES 128.58Bn as of 2024.

## Key Ratios

- The average **yield on interest-earning assets** remained relatively stable, nudging down slightly to 13.6% from 14.0% in 2024, mirroring the stable interest rate environment over the period.
- The Group's **net interest margin (NIM)** improved to 9.2% in 2025 from 8.4% in 2024, reflecting stronger growth in NII relative to average interest-earning assets.
- **Return on average equity (ROaE)** edged down to 19.1% from 19.7%, while return on average assets (**ROaA**) improved to 3.8% from 3.6%, underscoring enhanced asset profitability.
- The **cost of risk** slightly eased to 10.3%, down from 10.7%, reflecting a deliberate build-up of loan loss provisions as the loan book expands.
- On the upside, **asset quality** improved significantly to 15.7% from 17.0% as growth in gross non-performing loans rose 3.4% y/y to Kes 73.52Bn, from Kes 71.0Bn, lagging the growth in gross loans.

## CO-OP Bank DPS History (KES.)



# KINGDOM SECURITIES

P&L (Kes. Bn)	FY'2024	FY 2025	%Δ Y/Y
Interest Income	86.25	93.14	8.0%
Interest Expense	34.73	30.29	(12.8%)
<b>NII</b>	<b>51.52</b>	<b>62.85</b>	<b>22.0%</b>
NFI	29.13	29.03	(0.3%)
<b>Total Operating income</b>	<b>80.65</b>	<b>91.89</b>	<b>13.9%</b>
Loan Loss provision (LLP)	(8.66)	(9.46)	9.2%
Total Operating expenses	(46.69)	(51.99)	11.4%
Opex excl Provision	(38.03)	(42.53)	11.8%
<b>PBT</b>	<b>34.78</b>	<b>40.29</b>	<b>15.8%</b>
<b>PAT</b>	<b>25.46</b>	<b>29.75</b>	<b>16.9%</b>
<b>EPS</b>	<b>4.34</b>	<b>5.07</b>	<b>16.9%</b>
<b>DPS</b>	<b>1.50</b>	<b>2.50</b>	<b>66.7%</b>

Balance Sheet (Kes. Bn)	FY'2024	FY 2025	%Δ Y/Y
Investments	218.87	246.43	12.6%
Net Loans and Advances	373.73	421.00	12.6%
<b>Total Assets</b>	<b>743.19</b>	<b>827.35</b>	<b>11.3%</b>
Customer Deposits	506.11	574.17	13.4%
Borrowing	55.41	61.70	11.4%
<b>Total Liabilities</b>	<b>597.59</b>	<b>661.31</b>	<b>10.7%</b>
<b>Shareholders' Funds</b>	<b>145.60</b>	<b>166.04</b>	<b>14.0%</b>

Key Ratios	FY'2024	FY 2025	%Δ Y/Y
Yield from interest-earning assets	14.0%	13.6%	(0.4%)
<b>Cost of funds</b>	<b>6.4%</b>	<b>5.1%</b>	<b>(1.3%)</b>
Net Interest Margin	8.4%	9.2%	0.8%
Net Interest Income as % of operating income	63.9%	68.4%	4.5%
Non-Funded Income as a % of operating income	36.1%	31.6%	(4.5%)
<b>Cost to Income Ratio (CIR)</b>	<b>57.9%</b>	<b>56.6%</b>	<b>(1.3%)</b>
CIR without LLP	47.2%	46.3%	(0.9%)
Cost to Assets	5.1%	5.1%	0.0%
<b>NPL Ratio</b>	<b>17.0%</b>	<b>15.7%</b>	<b>(1.3%)</b>
Loan to Deposit Ratio	73.8%	73.3%	(0.5%)
Return on average equity	19.7%	19.1%	(0.5%)
Return on average assets	3.6%	3.8%	0.2%
Cost of Risk	10.7%	10.3%	(0.4%)

# KINGDOM SECURITIES

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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.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049039

Email: [kingdomresearch@co-opbank.co.ke](mailto:kingdomresearch@co-opbank.co.ke)

Research Department

Equities Trading

Stellah Swakei [sswakei@co-opbank.co.ke](mailto:sswakei@co-opbank.co.ke)

Chrisanthus Lunani [clunani@co-opbank.co.ke](mailto:clunani@co-opbank.co.ke)

Asena Moffat [amoffat@co-opbank.co.ke](mailto:amoffat@co-opbank.co.ke)