KINGDOM SECURITIES

Co-operative Bank of Kenya
Earnings Update – Q1 2026

Co-op Bank Group Delivers Resilient Q1 2026 Earnings, EPS up 21.1% to Kes 1.43

The Q1 2026 earnings season is heating up nicely. Before we dive in, it is important to remember that in periods of declining or stable interest rates, lenders can only sustain profitability growth through stronger loan disbursements or expansion in non-funded income streams. However, lower interest rates are often a double-edged sword; while they compress interest income, they also reduce funding costs. The real magic lies in ensuring that interest income growth outpaces the decline in interest expenses.

For Q1 2026, Co-operative Bank Group delivered a strong set of results, with revenue growth comfortably outpacing the increase in operating costs. This supported an 18.0% y/y increase in profit before tax (PBT) to Kes. 11.37Bn from Kes. 9.64Bn in Q1 2025. Profit after tax (PAT) grew even faster by 21.1% y/y to Kes. 8.41Bn from Kes. 6.94Bn, while earnings per share (EPS) improved to Kes. 1.43 from Kes. 1.18.

At the bourse, the counter has remained an outperformer, delivering superior returns even to investors who entered as recently as the beginning of the year. The stock remains a good speculative buy in the short term, not due to any underlying fundamental weakness, but largely because of the elevated state of the broader market.

Recommendation	SPECULATIVE BUY
Share Statistics	
Current Price	31.60
3-Month Av	30.09
6 Month Av	27.58
12 Month Av	22.79
52 Week High - High	32.90
52 Week High - Low	14.30
Issued shares Mn	5.87
Market Cap (KES Mn)	185.40
Market Cap (USD Mn)	1.43
P/E	18.85
PB	0.91
EPS (Annualized)	1.43

Income Statement

Total Income: Co-op Bank Group's operating income rose by 13.5% y/y to Kes. 24.05Bn in Q1 2026, from Kes. 21.19Bn in Q1 2025, supported by strong growth in both net interest income (NII) and non-funded income (NFI). NII increased by 12.2% y/y to Kes. 15.98Bn from Kes. 14.24Bn in Q1 2025, driven by higher interest income alongside a decline in funding costs.

Interest income grew by 4.8% y/y to Kes. 23.28Bn from Kes. 22.21Bn, largely supported by growth across all key interest earning assets. Interest income from loans and advances rose by 4.6% to Kes. 14.60Bn from Kes. 13.96Bn, while income from government securities increased by 3.3% to Kes. 7.26Bn from Kes. 7.03Bn. Income from deposits and placements with banking institutions also recorded strong growth of 16.1% to Kes. 1.42Bn from Kes. 1.22Bn in Q1 2025.

Interest expense on the other hand declined by 8.3% y/y to Kes. 7.30Bn from Kes. 7.97Bn, primarily driven by a 13.1% reduction in interest expense on customer deposits to Kes. 6.05Bn from Kes. 6.95Bn in Q1 2025, reflecting easing funding costs amid the relatively accommodative interest rate environment.

Non-Funded Income: NFI recorded a strong 16.2% y/y growth to Kes. 8.07Bn from Kes. 6.95Bn, pointing to improved diversification of earnings beyond traditional funded income streams.

Operating expenses rose by 8.4% y/y to Kes. 12.74Bn from Kes. 11.75Bn, mainly driven by growth in staff costs and other operating expenses. Staff costs increased by 11.3% y/y to Kes. 5.47Bn from Kes. 4.92Bn in Q1 2025. Despite the rise in operating costs, loan loss provisions declined marginally by 1.5% to Kes. 2.08Bn from Kes. 2.11Bn, reflecting improving asset quality and lower credit risk pressures. Excluding loan loss provisions, operating expenses rose by 18.0% y/y.

Return Performance		
Periods	Co-op Bank	NASI
3mtd PriceΔ(%ge)	6.76%	-4.16%
6mtd PriceΔ(%ge)	64.84%	18.66%
YTD Δ(%ge)	31.94%	11.31%
Y/Y Δ(%ge)	120.98%	61.22%

NII	12.2%
Provisions	-1.5%
Opex	8.4%
Opex Excl. LLPs	18.0%
PBT	18.0%
PAT	21.1%
Loans	13.6%
Govt. Securities	10.3%
Deposits	16.6%
Shareholders' Funds	11.5%

Balance Sheet

Assets: Co-op Bank Group's total assets expanded by 14.3% y/y to Kes. 884.57Bn from Kes. 774.07Bn in Q1 2025, driven by strong growth in both the loan book and investment portfolio. Investments increased by 12.6% to Kes. 274.14Bn from Kes. 243.36Bn, while net loans and advances rose by 13.6% to Kes. 436.76Bn from Kes. 384.55Bn, reflecting sustained credit expansion during the period.

Customer Deposits: The Group's liabilities grew by 14.9% y/y to Kes. 710.47Bn from Kes. 618.37Bn, supported by a strong 16.6% growth in customer deposits to Kes. 612.22Bn from Kes. 525.17Bn in Q1 2025. The growth in deposits continued to support the Group's liquidity position and lending activities.

Higher lending activities also saw borrowings increase by 13.5% y/y to Kes. 62.17Bn from Kes. 54.77Bn in Q1 2025.

Shareholders' funds rose by 11.5% y/y to Kes. 174.10Bn from Kes. 156.11Bn, supported by retained earnings growth following the strong improvement in profitability. Retained earnings rose by 11.9% to Kes 152.29Bn, from Kes 136.11Bn, in Q1 2025.

Interest Income	Q1 2026	Q1'2025
Loans	14.60	13.96
Government securities	7.26	7.03
Placements	1.42	1.22

Interest Income	Q1 2026	Q1'2025
Deposits	6.045	6.95
Placements	0.08	0.03
Others	1.18	0.99

Key Ratios

- The average yield on interest-earning assets declined to 13.0% from 13.8% in Q1'2025, reflecting the relatively lower interest rate environment during the period.
- The Group's cost of funds improved significantly to 4.7% from 6.1%, supporting expansion in the net interest margin (NIM) to 8.9% from 8.4%.
- NII contribution to operating income eased slightly to 66.4% from 67.2%, while the contribution of non-funded income improved to 33.6% from 32.8%, indicating improving revenue diversification.
- The cost-to-income ratio (CIR) improved to 53.0% from 55.4%, while CIR excluding loan loss provisions improved to 44.3% from 45.5%, reflecting improved operational efficiency despite rising operating costs.
- The cost of risk declined to 8.6% from 10.0%, supported by lower loan loss provisions and improving credit quality.
- Asset quality improved significantly, with the NPL ratio declining to 14.7% from 17.1% in Q1'2025, reflecting improving credit performance and better risk management.
- Return on average equity (ROaE) improved to 18.9% from 18.2%, while return on average assets (ROaA) increased to 3.8% from 3.5%, underscoring stronger profitability and improved asset utilization.
- The loan-to-deposit ratio declined to 71.3% from 73.2%, indicating improved funding buffers and liquidity positioning amid strong deposit mobilization.

KINGDOM SECURITIES

P&L (Kes. Bn)	Q1 2025	Q1 2026	%Δ Y/Y
Interest Income	22.21	23.28	4.8%
Interest Expense	7.97	7.30	(8.3%)
NII	**14.24**	**15.98**	**12.2%**
NFI	6.95	8.07	16.2%
Total Operating income	**21.19**	**24.05**	**13.5%**
Loan Loss provision (LLP)	(2.11)	(2.08)	(1.5%)
Total Operating expenses	(11.75)	(12.74)	8.4%
Opex excl Provision	(9.64)	(10.66)	10.6%
PBT	**9.64**	**11.37**	**18.0%**
PAT	**6.94**	**8.41**	**21.1%**
EPS	**1.18**	**1.43**	**21.1%**

Balance Sheet (Kes. Bn)	Q1 2025	Q1 2026	%Δ Y/Y
Investments	243.36	274.14	12.6%
Net Loans and Advances	384.55	436.76	13.6%
Total Assets	**774.07**	**884.57**	**14.3%**
Customer Deposits	525.17	612.22	16.6%
Borrowing	54.77	62.17	13.5%
Total Liabilities	**618.37**	**710.47**	**14.9%**
Shareholders' Funds	**156.11**	**174.10**	**11.5%**

Key Ratios	Q1 2025	Q1 2026	%Δ Y/Y
Yield from interest-earning assets	13.8%	13.0%	(0.8%)
Cost of funds	**6.1%**	**4.7%**	**(1.4%)**
Net Interest Margin	8.4%	8.9%	0.6%
Net Interest Income as % of operating income	67.2%	66.4%	(0.8%)
Non-Funded Income as a % of operating income	32.8%	33.6%	0.8%
Cost to Income Ratio (CIR)	**55.4%**	**53.0%**	**(2.5%)**
CIR without LLP	45.5%	44.3%	(1.2%)
Cost to Assets	1.2%	1.2%	(0.0%)
NPL Ratio	**17.1%**	**14.7%**	(2.4%)
Loan to Deposit Ratio	73.2%	71.3%	(1.9%)
Return on average equity	18.2%	18.9%	0.7%
Return on average assets	3.5%	3.8%	0.3%
Cost of Risk	10.0%	8.6%	(1.3%)

KINGDOM SECURITIES

Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of use – Disclaimer:

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.

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

Research Department		Equities Trading	
Stellah Swakei	sswakei@co-opbank.co.ke		
Chrisanthus Lunani	clunani@co-opbank.co.ke	**Asena Moffat**	amoffat@co-opbank.co.ke