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Co-operative Bank of Kenya
Earnings Update – Q3 2026

Co-op Bank Group Assets Cross Kes. 900Bn as Q3 PBT Grows 19.6%

The Q3 2026 banking earnings season is off to a strong start, with Co-op Bank setting the pace with a solid set of results. Against a backdrop of relatively lower interest rates, lenders are increasingly reliant on stronger loan-book growth and non-funded income to sustain earnings momentum. While easing rates can moderate asset yields, they also provide relief on funding costs. The real differentiator therefore remains the ability to grow interest-earning assets while maintaining funding discipline and improving credit quality.

For Q3 2026, Co-operative Bank Group delivered a strong set of results, with operating income growth comfortably outpacing the increase in operating costs. This supported a 19.6% y/y increase in PBT to Kes. 35.91Bn from Kes. 30.03Bn, while EPS improved by 27.2% to Kes. 4.68 from Kes. 3.68. The balance sheet also crossed a major milestone, with total assets increasing by 11.3% to Kes. 907.44Bn, supported by a 22.2% expansion in net loans and advances.

At the bourse, the counter remains one of our preferred long-term banking exposures, supported by resilient earnings, improving asset quality and stronger shareholder distributions. Notably, the Board increased the interim dividend by 50.0% to Kes. 1.50 per share from Kes. 1.00 in Q3 2025. We therefore maintain a long-term view on the counter, while encouraging disciplined accumulation around attractive entry levels rather than chasing short-term price movements.

Recommendation	LONG-TERM BUY
Share Statistics	
Current Price	37.05
3-Month Av	36.92
6 Month Av	35.28
12 Month Av	31.53
52 Week High	39.95
52 Week Low	13.80
Issued shares Bn	5.87
Market Cap (KES Mn)	217.37
Market Cap (USD Mn)	1.68
P/E based on 9M EPS	7.94x
PB	1.21
EPS (9M 2026)	4.68

Income Statement

Co-op Bank Group's **total operating income** increased by 11.6% y/y to Kes. 75.17Bn in Q3 2026, from Kes. 67.38Bn in Q3 2025, supported by growth in both net interest income (NII) and non-funded income (NFI). NII grew by 12.7% y/y to Kes. 51.03Bn from Kes. 45.28Bn, benefiting from higher interest income and lower funding costs.

Interest income grew by 7.0% y/y to Kes. 72.68Bn from Kes. 67.93Bn, supported by continued expansion in interest-earning assets, particularly the loan book. Net loans and advances increased by 22.2% y/y to Kes. 496.89Bn, providing a strong base for funded-income growth despite the relatively accommodative interest-rate environment.

Interest expense, on the other hand, declined by 4.4% y/y to Kes. 21.65Bn from Kes. 22.65Bn in Q3 2025, reflecting easing funding costs despite customer deposits expanding by 15.4% to Kes. 633.01Bn. The combination of higher interest income and lower interest expense consequently supported the stronger growth in NII during the period.

Non-Funded Income: NFI increased by 9.2% y/y to Kes. 24.14Bn from Kes. 22.11Bn, providing continued diversification to the Group's income streams alongside the stronger contribution from funded income.

Operating expenses increased by 5.3% y/y to Kes. 39.72Bn from Kes. 37.72Bn, significantly below the 11.6% growth in operating income and supporting improved operating leverage. Notably, loan loss provisions declined by 34.2% to Kes. 4.84Bn from Kes. 7.36Bn, reflecting the improvement in asset quality and lower credit-risk pressures. Excluding loan loss provisions, operating expenses increased by 14.9% y/y to Kes. 34.88Bn from Kes. 30.36Bn.

Return Performance		
Periods	**Co-op Bank**	**NASI**
3mtd PriceΔ(%ge)	0.41%	1.81%
6mtd PriceΔ(%ge)	23.50%	15.55%
YTD Δ(%ge)	54.70%	28.94%
Y/Y Δ(%ge)	62.50%	27.32%

NII	12.7%
Provisions	-34.2%
Opex	5.3%
Opex Excl. LLPs	14.9%
PBT	19.6%
PAT	27.2%
Loans	22.2%
Govt. Securities	6.1%
Deposits	15.4%
Shareholders' Funds	9.2%

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Balance Sheet

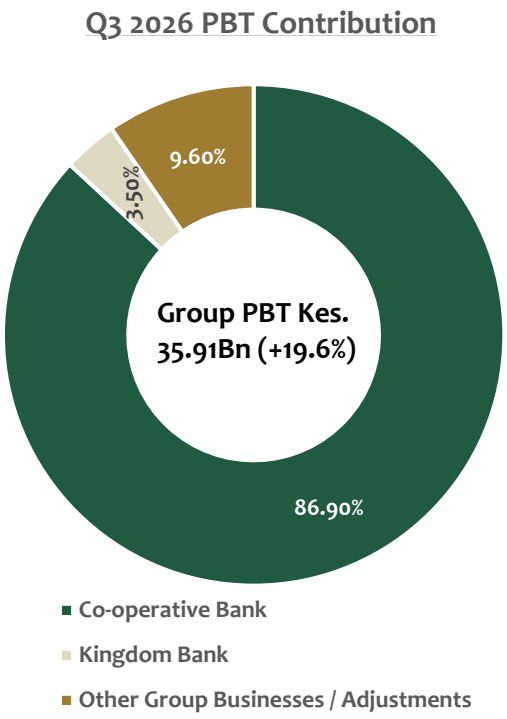
Co-op Bank Group's balance sheet maintained a strong growth trajectory, with **total assets** increasing by 11.3% y/y to Kes. 907.44Bn in Q3 2026, from Kes. 815.27Bn in Q3 2025, crossing the Kes. 900Bn mark for the first time. The expansion was largely supported by robust growth in the loan book, alongside continued investment in interest-earning assets.

Net Loans and Advances recorded strong growth of 22.2% y/y to Kes. 496.89Bn from Kes. 406.52Bn in Q3 2025, reflecting increased credit extension during the period. The loan book also expanded from Kes. 462.21Bn in H1 2026, pointing to continued lending momentum during the third quarter.

Investments increased by 6.1% y/y to Kes. 272.33Bn from Kes. 256.67Bn, although they remained broadly stable compared with Kes. 272.82Bn recorded in H1 2026. The moderate growth in investments, compared with the stronger expansion in loans, points to increased allocation towards customer lending.

Customer Deposits grew by 15.4% y/y to Kes. 633.01Bn from Kes. 548.58Bn in Q3 2025, providing continued support to the Group's funding base. Borrowings, on the other hand, declined by 13.2% y/y to Kes. 57.70Bn from Kes. 66.51Bn, reflecting reduced reliance on wholesale funding despite the strong expansion in the loan book.

Total Liabilities increased by 11.9% y/y to Kes. 728.15Bn from Kes. 650.75Bn in Q3 2025, largely reflecting the growth in customer deposits. Meanwhile, shareholders' funds expanded by 9.2% to Kes. 179.30Bn from Kes. 164.16Bn, supported by continued profitability and earnings retention during the period.



Key Ratios

- The average **yield on interest-earning assets** moderated to 12.8% from 13.2% in Q3 2025, reflecting the relatively lower interest-rate environment during the period.
- The Group's **cost of funds** improved to 4.4% from 5.4%, supporting an expansion in the net interest margin (NIM) to 9.0% from 8.6%, as lower funding costs more than offset the moderation in asset yields.
- **NII** contribution to operating income increased to 67.9% from 67.2%, while the contribution of non-funded income eased to 32.1% from 32.8%, reflecting a stronger contribution from funded income during the period.
- The **cost-to-income ratio (CIR)** improved significantly to 52.8% from 56.0%, reflecting improved operating efficiency as income growth outpaced the increase in operating costs. However, CIR excluding loan loss provisions increased to 46.4% from 45.1%, reflecting higher underlying operating expenses.
- The **cost of risk** declined sharply to 6.4% from 10.9%, supported by the 34.2% reduction in loan loss provisions and improving credit quality.
- Asset quality recorded a remarkable improvement, with the **NPL ratio** declining by 4.2 percentage points to 13.1% from 17.3% in Q3 2025. This was supported by a decline in gross non-performing loans despite strong loan-book growth, pointing to improving credit performance and stronger risk management.

- **Return on average equity (ROaE)** improved to 20.7% from 18.8%, while **return on average assets (ROaA)** increased to 4.1% from 3.6%, underscoring stronger profitability and more efficient utilization of the Group's capital and asset base.
- The **loan-to-deposit ratio** increased to 78.5% from 74.1%, reflecting the faster 22.2% growth in **net loans** relative to the 15.4% increase in **customer deposits.** While this points to stronger deployment of deposits into lending, the higher ratio warrants continued monitoring of funding and liquidity buffers.

P&L (Kes. Bn)	Q3 2025	H1 2026	Q3 2026	%Δ Y/Y
Interest Income	67.93	47.61	72.68	7.0%
Interest Expense	22.65	14.42	21.65	(4.4%)
NII	**45.28**	**33.19**	**51.03**	**12.7%**
NFI	22.11	15.75	24.14	9.2%
Total Operating income	**67.38**	**48.94**	**75.17**	**11.6%**
Loan Loss provision (LLP)	(7.36)	(3.73)	(4.84)	(34.2%)
Total Operating expenses	(37.72)	(26.26)	(39.72)	5.3%
Opex excl Provision	(30.36)	(22.53)	(34.88)	14.9%
PBT	**30.03**	**23.06**	**35.91**	**19.6%**
PAT	**21.56**	**18.02**	**27.43**	**27.2%**
EPS	**3.68**	**3.07**	**4.68**	**27.2%**

Balance Sheet (Kes. Bn)	Q3 2025	H1 2026	Q3 2026	%Δ Y/Y
Investments	256.67	272.82	272.33	6.1%
Net Loans and Advances	406.52	462.21	496.89	22.2%
Total Assets	**815.27**	**869.47**	**907.44**	**11.3%**
Customer Deposits	548.58	621.27	633.01	15.4%
Borrowing	66.51	58.16	57.70	(13.2%)
Total Liabilities	**650.75**	**698.18**	**728.15**	**11.9%**
Shareholders' Funds	**164.16**	**171.01**	**179.30**	**9.2%**

Key Ratios	Q3 2025	H1 2026	Q3 2026	Δ Y/Y ppts
Yield from interest-earning assets	13.2%	12.9%	12.8%	(0.5%)
Cost of funds	**5.4%**	**4.5%**	**4.4%**	**(0.9%)**
Net Interest Margin	8.6%	9.0%	9.0%	0.4%
Net Interest Income as % of operating income	67.2%	67.8%	67.9%	0.7%
Non-Funded Income as a % of operating income	32.8%	32.2%	32.1%	(0.7%)
Cost to Income Ratio (CIR)	**56.0%**	**53.7%**	**52.8%**	**(3.1%)**
CIR without LLP	45.1%	46.0%	46.4%	1.3%
Cost to Assets	3.7%	2.6%	3.8%	0.1%
NPL Ratio	**17.3%**	**14.2%**	**13.1%**	(4.2%)
Loan to Deposit Ratio	74.1%	74.4%	78.5%	4.4%
Return on average equity	18.8%	20.6%	20.7%	1.9%
Return on average assets	3.6%	4.0%	4.1%	0.6%
Cost of Risk	10.9%	7.6%	6.4%	(4.5%)

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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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