



Co-op Bank Q3 2025 Earnings Note

Analyst:

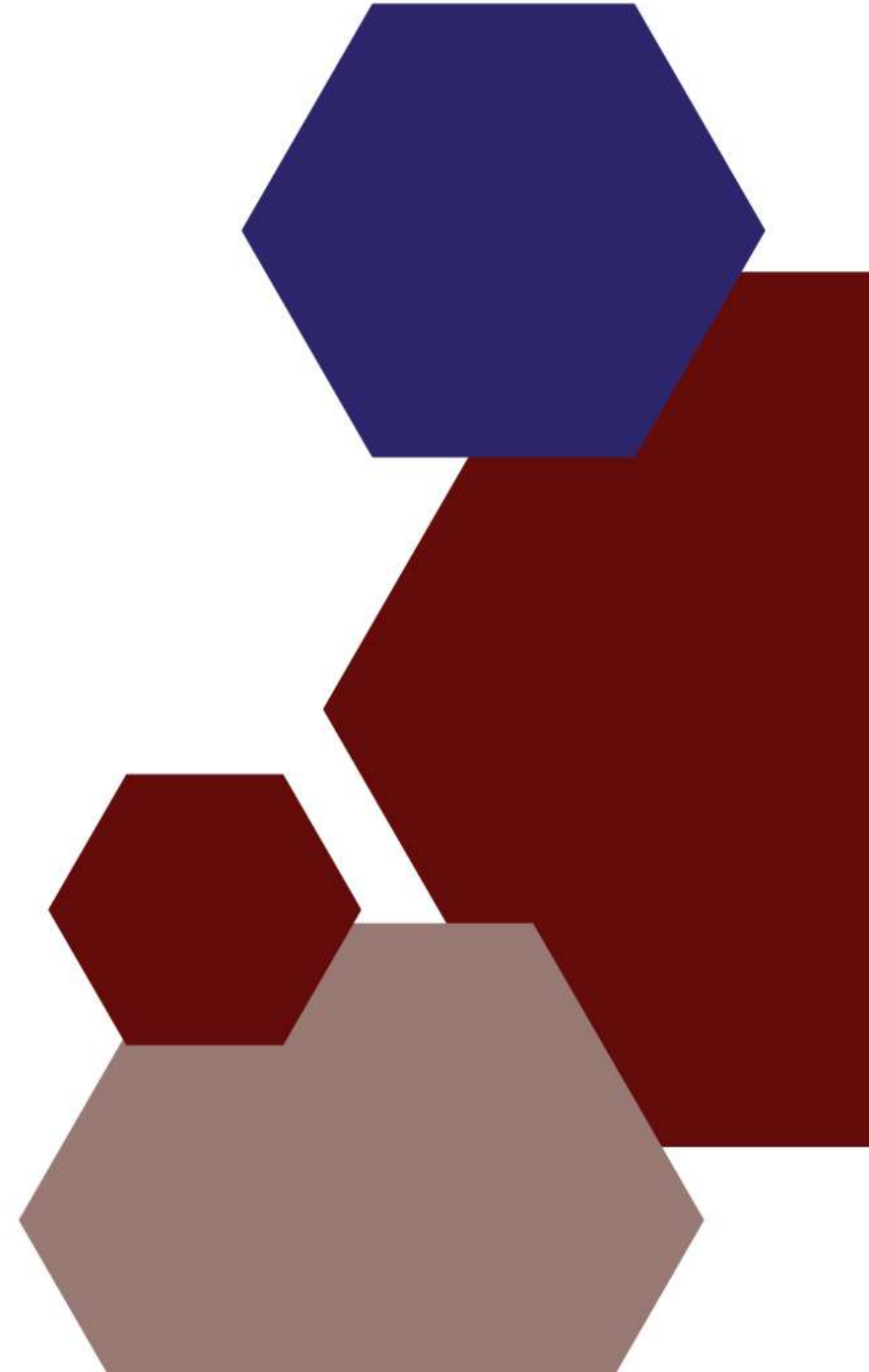
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Summary



Source: Bloomberg

Last Price – 20 th November 2025 in KES	24.45
Valuation Estimate in KES :	25.00
Upside	2.2%
Recommendation	HOLD
52-Week High	25.20
52-Week Low	13.50
52-Week Price Return	89.4%
Year-to-Date Price Return	61.2%
Price to Earnings Ratio (P/E)	6.64
Price to Book Ratio (P/B)	0.90

Source: Bloomberg and Faida Analysis

We recommend a **HOLD** on Co-op Bank with a fair value of KES 25.00 , representing an **upside of 2.2%** on the 20th November 2025 closing price of KES 24.45.

Co-op Bank is expected to maintain its earnings momentum, supported by robust net interest income, solid liquidity, and a strengthened capital base. Continued digital innovation and MSME lending are set to drive growth, while improved NPL coverage enhances resilience. However, macroeconomic headwinds and slower credit demand may moderate the pace of loan expansion.

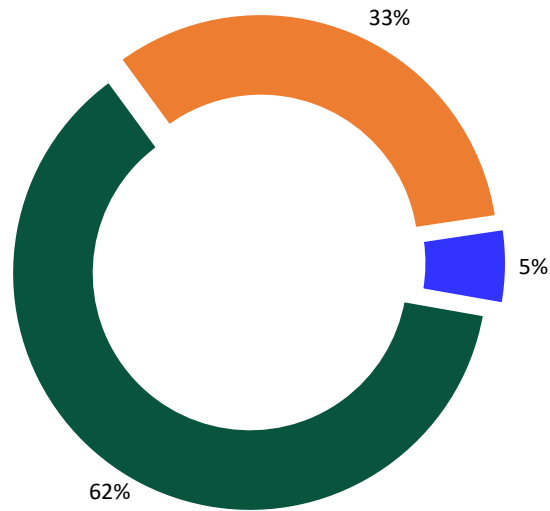
Interest Income

Interest income rose by 10.0% to KES 67.9 billion in Q3 2025 from KES 61.8 billion in Q3 2024. This was primarily driven by a significant 7.2% increase in loans and advances to KES 42.2 billion from KES 39.4 billion, reflecting a rise of KES 2.8 billion.

Income from government securities grew by 12.4% to KES 22.2 billion from KES 19.8 billion in Q3 2024.

Deposits and placements within banking institutions climbed 33.8% to KES 3.5 billion in Q3 2025 from KES 2.6 billion in Q3 2024.

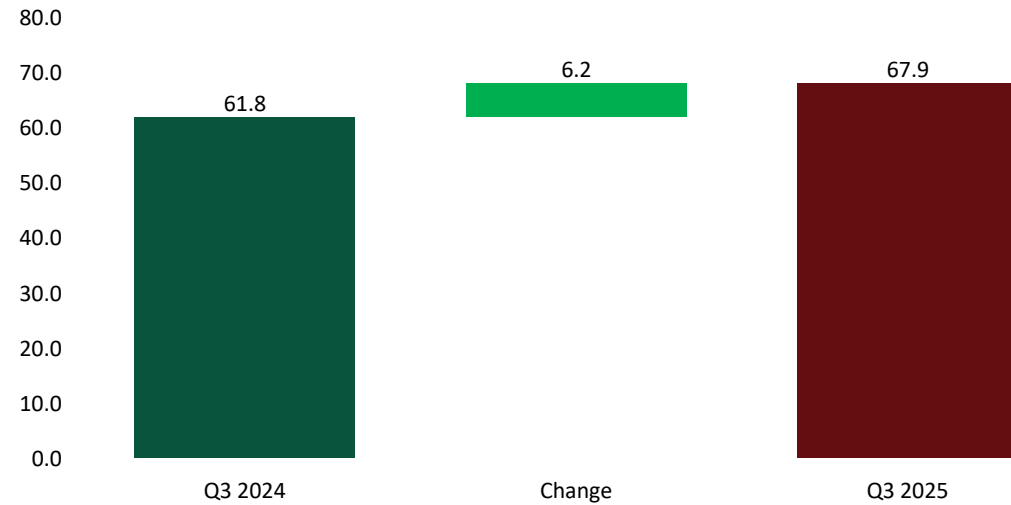
Interest income composition



Loans and advances Government securities Deposits and placements with banking institutions

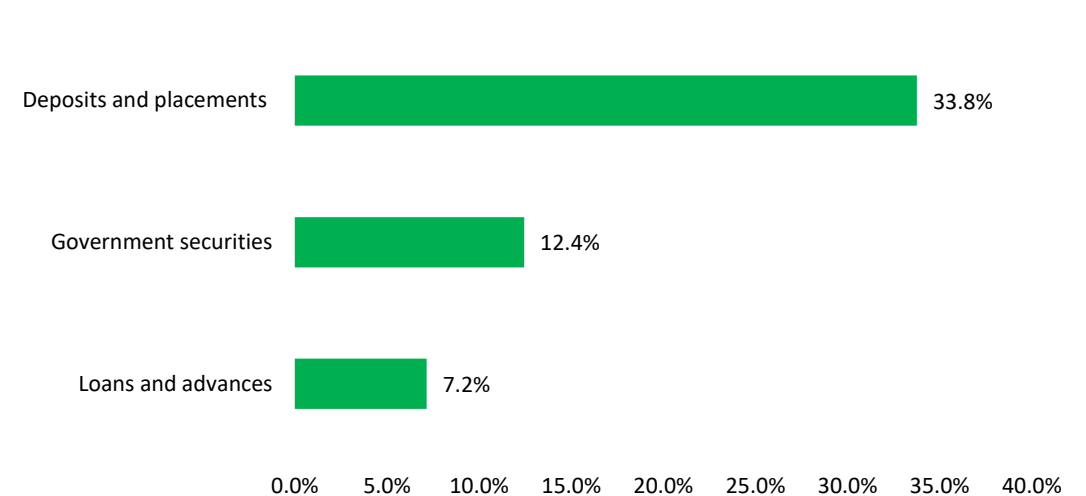
Source: Company Financials

Development in Interest income(KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

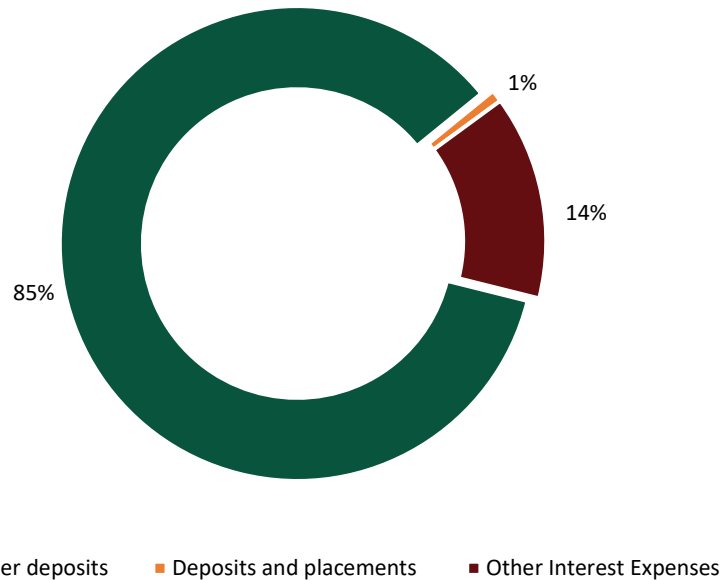
Interest Expense

Total interest expense declined by 9.0% to KES 22.6 billion in Q3 2025 from KES 24.9 billion in Q3 2024, reflecting a decrease of KES 2.2 billion. This was largely driven by a significant 9.9% drop in interest on customer deposits which fell to KES 19.3 billion from 21.4 billion, a decrease of KES 2.1 billion.

Interest on deposits and placements from banking institutions edged down by 59.4% to KES 185.6 million from KES 457.6 million in Q3 2024.

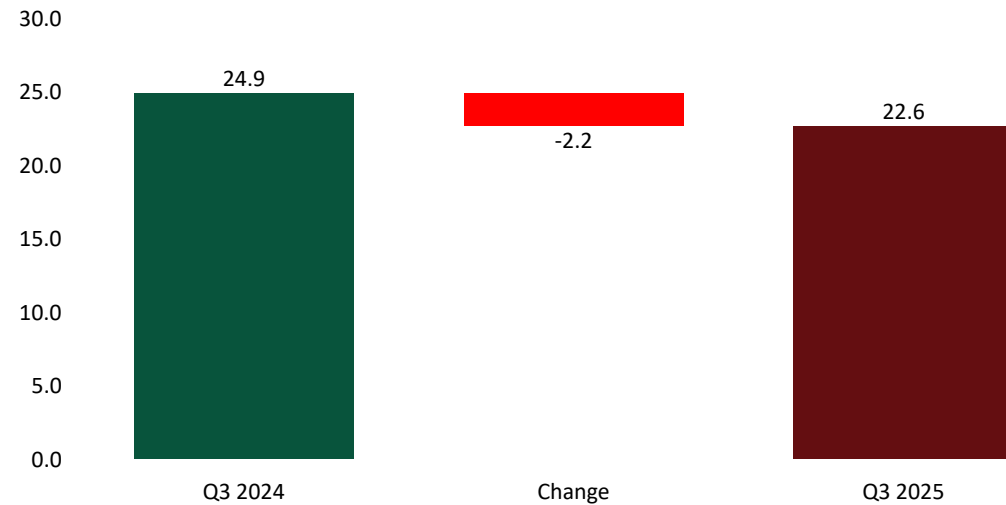
Other interest expenses expanded by 4.8% to KES 3.2 billion from KES 3.0 billion.

Interest expense composition



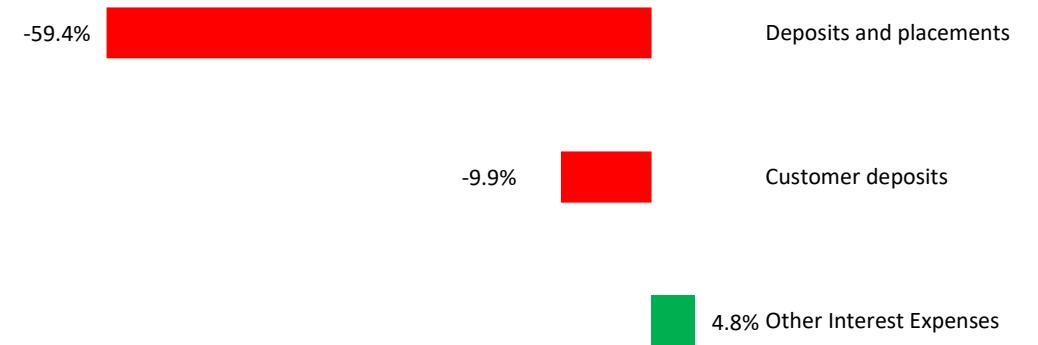
Source: Company Financials

Development in interest expense (KES billions)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

Net Interest Income & Non-funded income

Net interest income (NII) rose 22.8% to KES 45.3 billion in Q3 2025 from KES 36.9 billion in Q3 2024.

Non-funded income contracted by 0.8% to KES 22.1 billion in Q3 2025 from KES 22.3 billion, a decrease of KES 174.9 million. This was primarily driven by a significant 9.2% decline in other fees and income which fell to KES 9.6 billion from KES 8.8 billion.

Fees and commissions income on loans and advances edged down 5.7% to KES 8.6 billion from KES 9.1 billion.

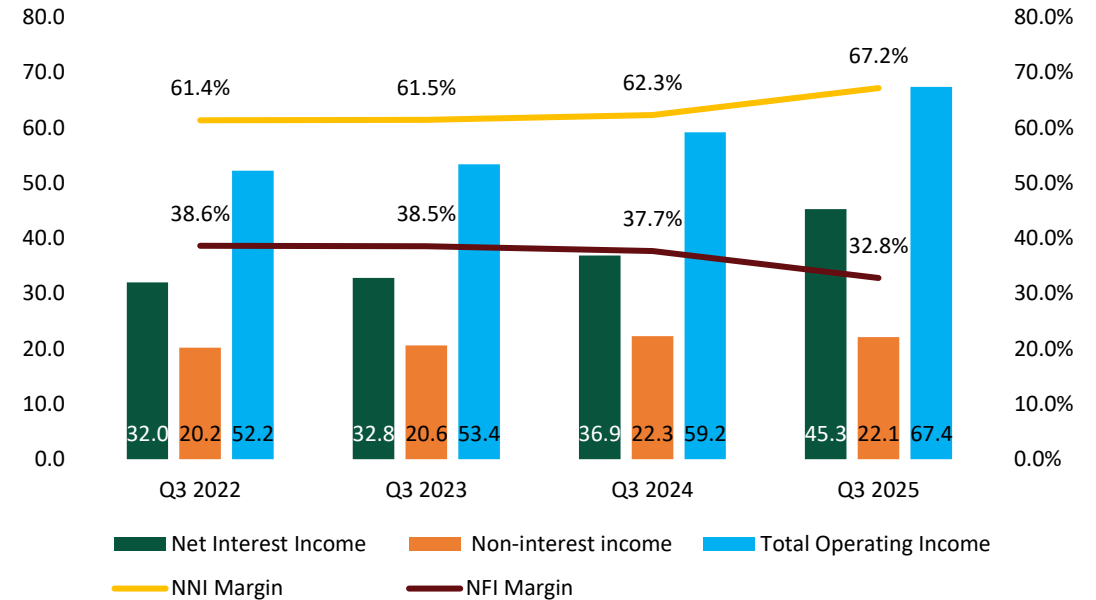
Foreign exchange trading income saw a significant 21.6% decline to KES 2.9 billion from KES 3.7 billion, a reduction of KES 806.9 million.

Other income surged 52.7% to KES 975.4 million in Q3 2025 from KES 638.7 million in Q3 2024.

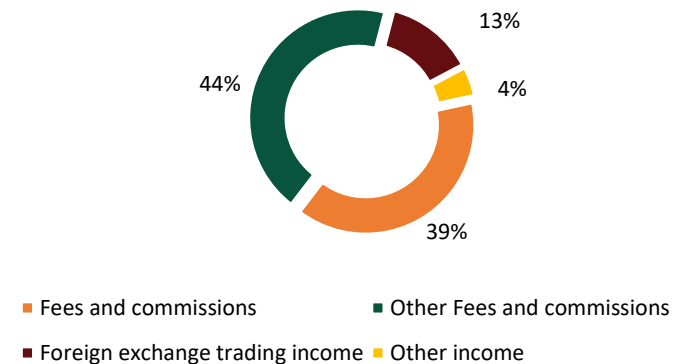
As a result, total operating income increased by 13.9% to KES 67.4 billion from KES 59.2 billion in Q3 2024.

The Net Interest Income (NII) Margin rose by 4.9 percentage points to 67.2% from 62.3%. In contrast, the Non-Funded Income (NFI) Margin eased to 32.8% from 37.7% in Q3 2024.

Net Interest Income, Non-funded Income & Operating Income (KES billions)



Non-funded income composition



Operating expenses

Total operating expenses rose by 15.4% to KES 37.7 billion in Q3 2025 from KES 32.7 billion in Q3 2024. This was largely driven by significant 31.9% surge in loan loss provisions to KES 7.5 billion from KES 5.6 billion, an increase of KES 1.8 billion.

Staff costs climbed 11.5% to KES 15.1 billion from KES 13.5 billion.

Director emoluments edged down by 0.2% to KES 254.1 million from KES 254.6 million.

Rental charges recorded an increase of 8.0% to KES 1.0 billion from KES 929.9 million.

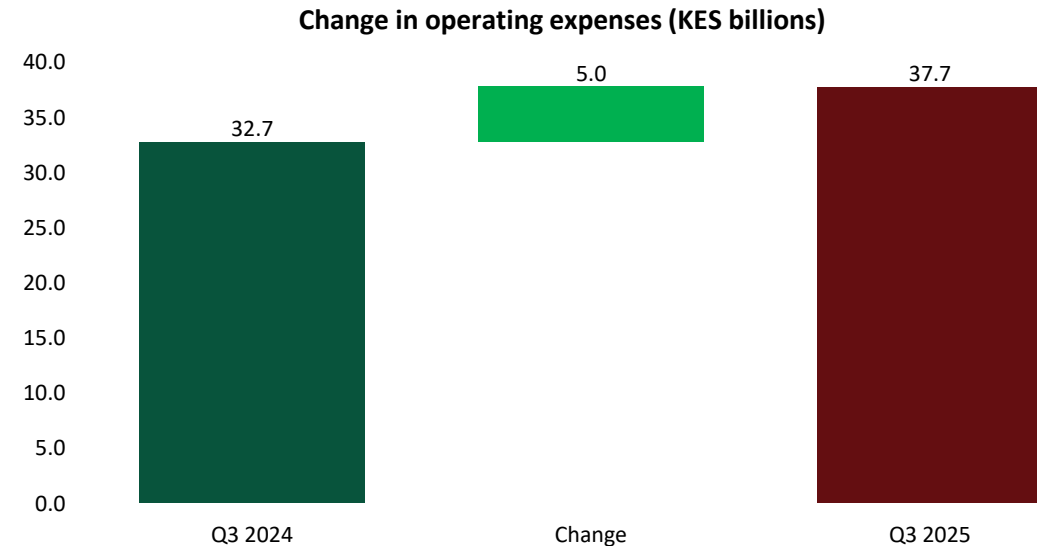
Depreciation on property and equipment expanded by 17.1% to KES 2.3 billion from KES 2.0 billion.

Amortization charges contracted by 7.9% reaching KES 682.7 million from KES 741.3 million.

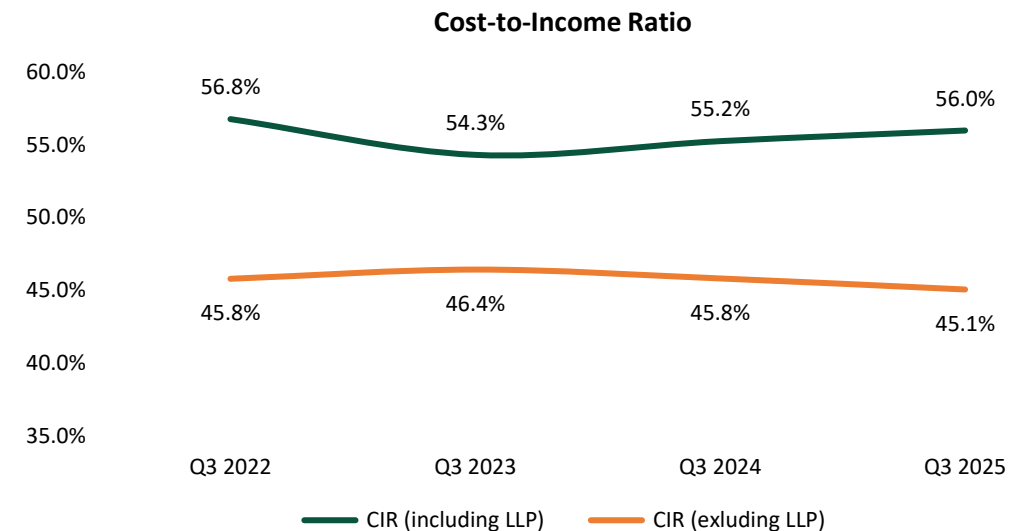
Other operating expenses rose 13.9% to KES 11.0 billion from KES 9.7 billion in Q3 2024.

The cost-to-income ratio (including loan loss provisions) edged up to 56.0% in Q3 2025 from 55.2% in Q3 2024, reflecting the impact of higher provisioning. However, excluding provisions, the ratio improved to 45.1% from 45.8%, underscoring enhanced operational efficiency and disciplined expense management.

**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*



Source: Company Financials



Source: Company Financials

Profitability

Profit before tax rose by 12.1% to KES 30.0 billion in Q3 2025 from KES 26.8 billion in Q3 2024.

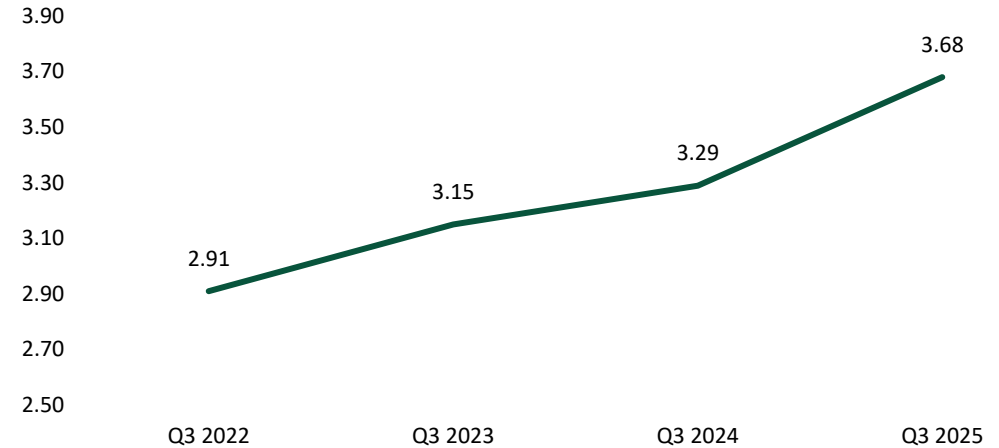
Profit after tax increased by 12.3% to KES 21.6 billion from KES 19.2 billion, reflecting a rise of KES 2.4 billion.

Total comprehensive income expanded by 4.5% to KES 27.3 billion from KES 26.1 billion.

Basic earnings per share improved by 11.9% to KES 3.68 from KES 3.29, reflecting enhanced shareholder returns.

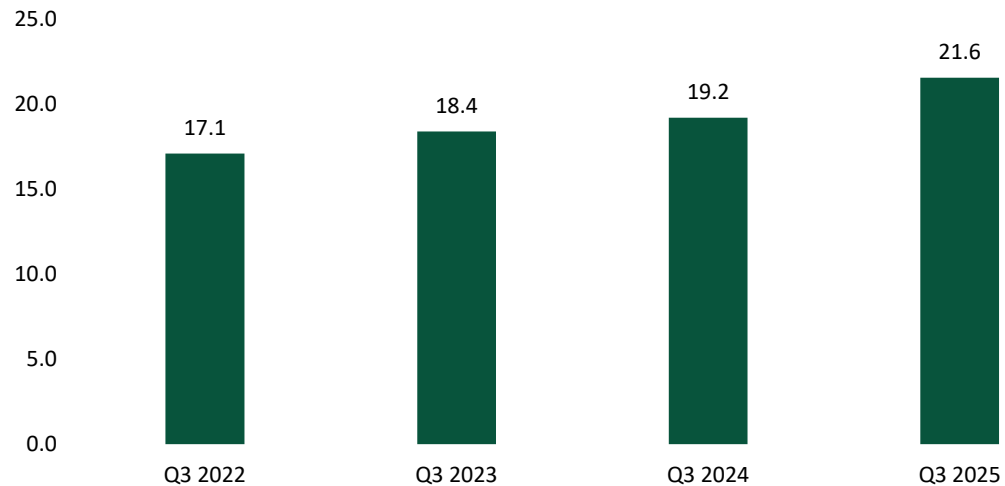
The board of directors declared an interim dividend of KES 1.00 per share for shareholders on book by 26th November 2025 to be paid on or about 4th December 2025.

Earning per share (KES)



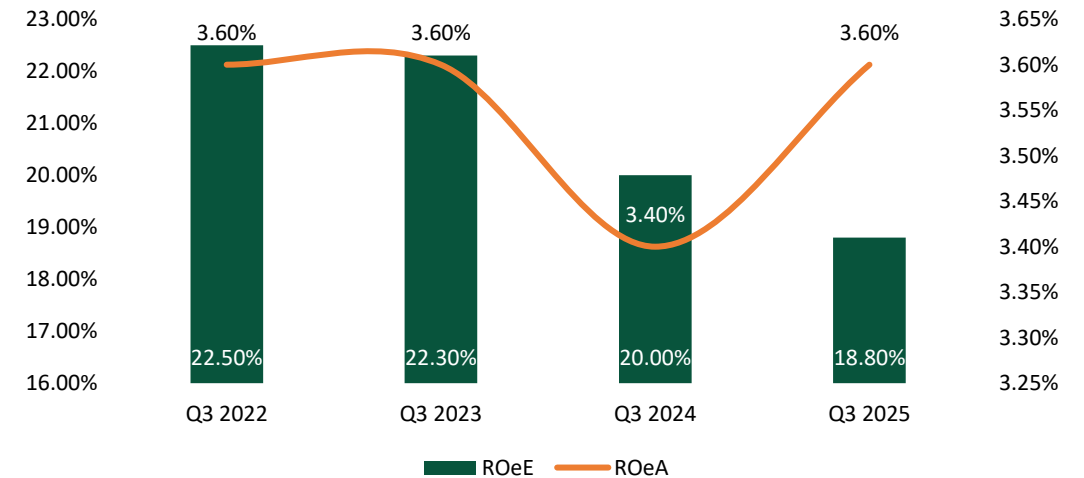
Source: Company Financials

Profit after tax (KES billions)



Source: Company Financials

Profitability Ratios



Source: Company Financials

Balance Sheet Rundown

Total assets grew 8.6% to KES 815.3 billion in Q3 2025 from KES 750.8 billion in Q3 2024, reflecting an increase of KES 64.5 billion. Other assets contracted by 20.1% to KES 29.5 from KES 36.9 billion.

Loans and advances to customers expanded by 6.6% to KES 406.5 billion in 2025 from KES 381.3 billion, reflecting an increase of KES 25.2 billion.

Deposits and balances due from local banking institutions recorded a sharp decline of 48.6% to KES 12.4 billion from KES 24.2 billion.

Contrary, balances due from foreign banking institutions surged by 40.1% to KES 49.3 billion from KES 35.2 billion, an increase of KES 14.1 billion.

Total liabilities edged up by 5.0% to KES 650.7 billion while other liabilities recorded a sharp drop of 34.9% to KES 24.2 billion from KES 37.2 billion.

Customer deposits grew by 6.7% to KES 548.6 billion in Q3 2025 from KES 514.0 billion in Q3 2024, representing a significant growth of KES 34.6 billion.

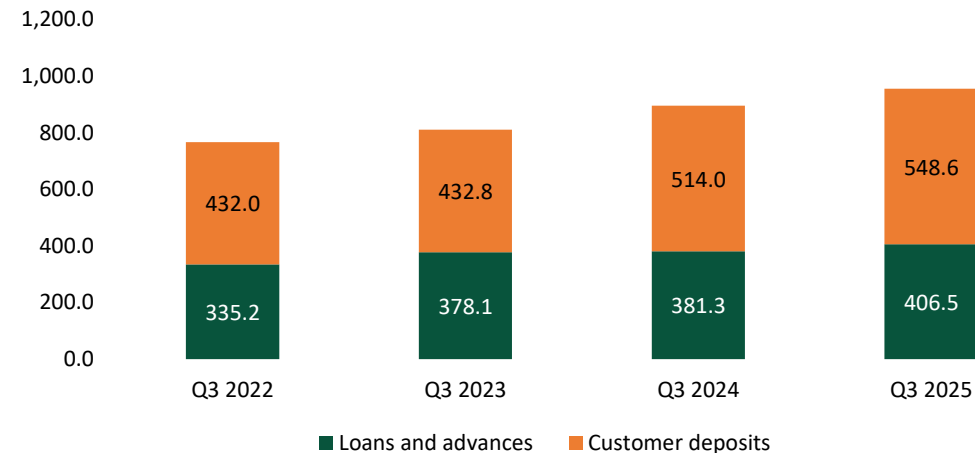
Borrowed funds increased by 14.6% to KES 66.5 billion from KES 58.0 billion.

As a result, the loan –to-deposit ratio dropped from 74.2% in Q3 2024 to 74.1% in Q3 2025, indicating that customer deposits have been growing at a faster pace than loan disbursements.

Total shareholders’ funds advanced by 24.5% to KES 164.2 billion from KES 131.8 billion in Q3 2024. This was driven by a significant 9.4% increase in retained earnings to KES 144.6 billion from KES 132.2 billion.

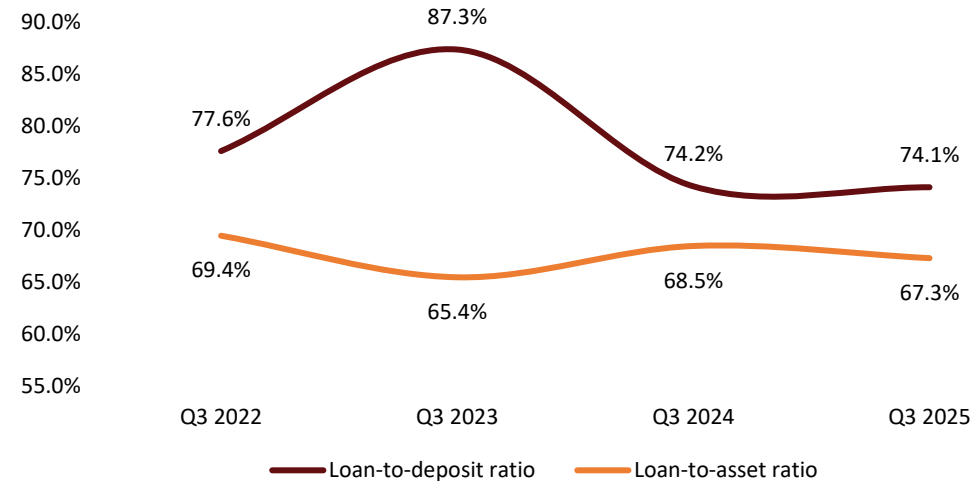
Notably, statutory loan loss reserve improved from a KES 36.7 million to KES 192.7 million in Q3 2025, representing an increase of 424.6%.

Loan book and customer deposits (KES billions)



Source: Company Financials

Loan-to-deposit & Loan-to-asset ratio



Source: Company Financials

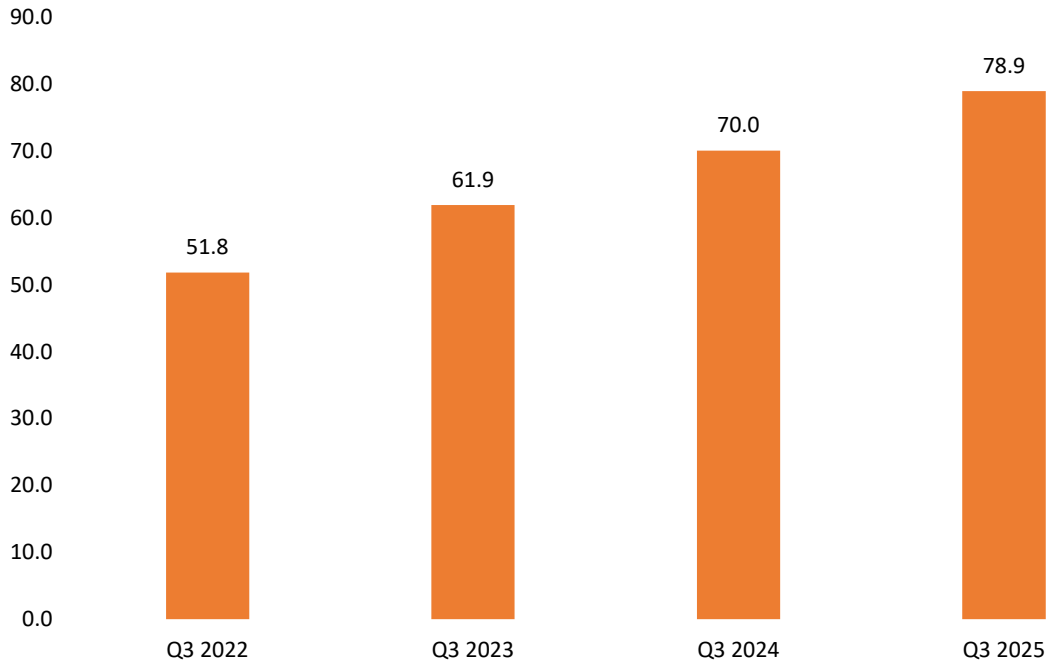
Asset Quality

Gross non-performing loans (NPLs) increased by 12.7% to KES 78.9 billion in Q3 2025 from KES 70.0 billion in Q3 2024, reflecting a rise of KES 8.9 billion.

Consequently, the NPL ratio climbed from 16.5% in Q3 2024 to 17.3% in Q3 2025, though still below the industry average of 17.6%.

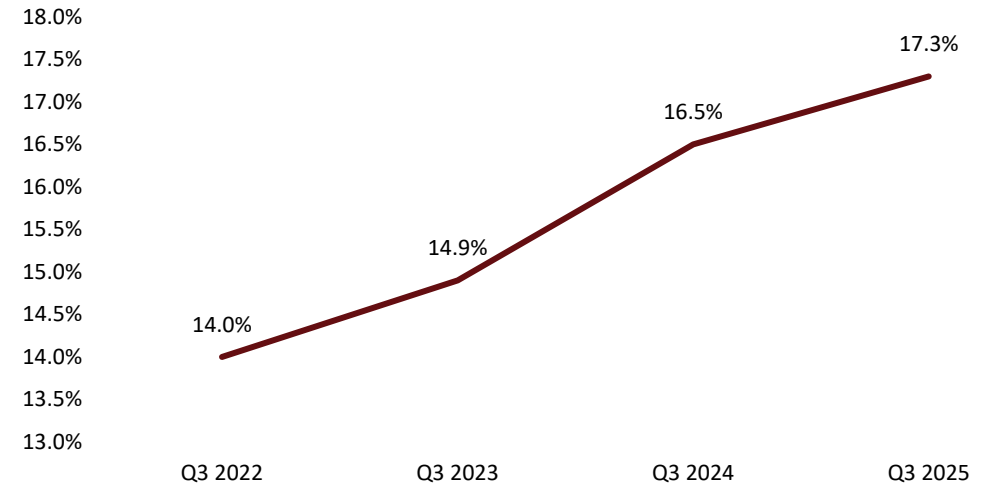
The NPL coverage ratio increased to 63.7% from 60.5%, showing that the bank is strengthening its buffer against potential loan losses.

Gross non-performing loans and advances (KES billions)



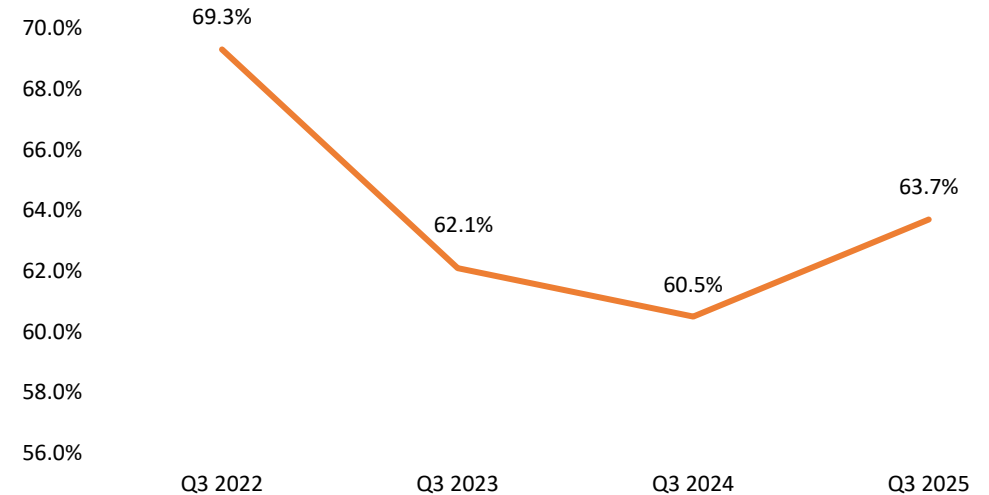
Source: Company Financials

NPL Ratio (%)



Source: Company Financials

NPL Coverage Ratio (%)



Source: Company Financials

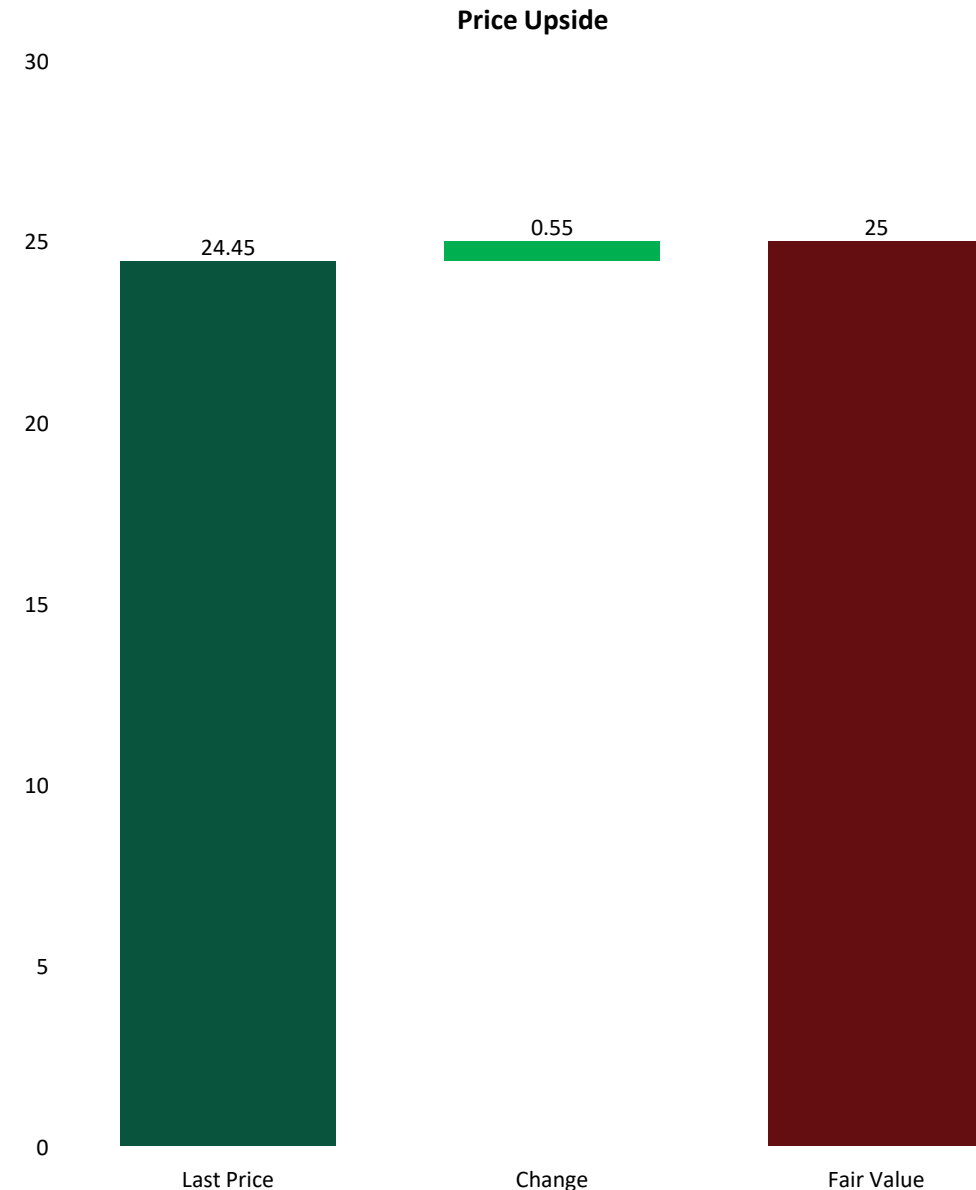
Outlook and Recommendation

Co-op Bank delivered a solid performance in Q3 2025, supported by solid balance-sheet expansion and strong customer funding. Profit after tax increased by 12.3% to KES 21.6 billion while total assets increased to KES 815.3 billion. Customer deposits rose to KES 548.6 billion, signalling continued trust and strong funding stability. The loan book expanded by 6.6% to KES 406.5 billion, showing a recovery in credit growth compared to the muted lending seen in 2024. Earnings per share improved to KES 3.68, supported by stronger operating performance, and the bank declared an interim dividend of KES 1.00 per share, underscoring confidence in its capital position.

However, asset quality remains a key concern, with the gross NPL ratio rising to 17.3% from 16.5%, highlighting persistent credit stress that could pressure provisioning and margins. Overall, Co-op Bank enters 2026 with solid momentum, but sustaining performance will depend on managing credit risks, containing cost pressures, and maintaining loan quality in a challenging macroeconomic environment.

Looking ahead, Co-op Bank is expected to maintain its earnings trajectory, supported by robust net interest income, strong liquidity, and a strengthened capital base. Continued digital innovation, agency banking growth, and increased MSME lending are set to underpin performance, while improved NPL coverage provides additional resilience against credit shocks. However, macroeconomic headwinds and softer private-sector credit demand may moderate the pace of loan book expansion.

As of November 20, 2025, Co-op Bank's share price closed at KES 24.45, reflecting a modest 2.2% upside relative to our target price of KES 25.00. The stock remains fairly valued, supported by strong fundamentals and a resilient earnings profile.



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Glossary of Terms

Target Price – Analyst estimate of the fair value or intrinsic value of the company.

Cost of Funds - This is the effective average interest rate paid on interest-earning liabilities. It is calculated as $\text{Total Interest Expense} / \text{Average Interest Earning Liabilities}$.

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as $\text{Interest on Loans and Advances} / \text{Average Loans and Advances}$.

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as $\text{Net Impairment Provisions} / \text{Average Gross Loans}$ in the period.

Non-Performing Loans -These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful, and Loss depending on the performance of the loan. The last three i.e. sub-standard, doubtful, and loss are referred to as non-performing loans. Under IFRS, these are classified as stage 3 loans.

Non-Performing Loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as $\text{Gross NPLs} / \text{Gross Loans}$.

Non-Funded/Non-Interest Income– This represents income that is not classified as interest income.

Recommendation

BUY – Minimal risks to catalysts.

SELL- Risks outweigh the catalysts.

NEUTRAL – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term