



# Co-op Bank FY 2025 Earnings Note

**Analyst:**

Catherine Muriuki  
[catherine.muriuki@fib.co.ke](mailto:catherine.muriuki@fib.co.ke)

**Team Email:**

[research@fib.co.ke](mailto:research@fib.co.ke)

Crawford Business Park  
Ground Floor  
State House Road

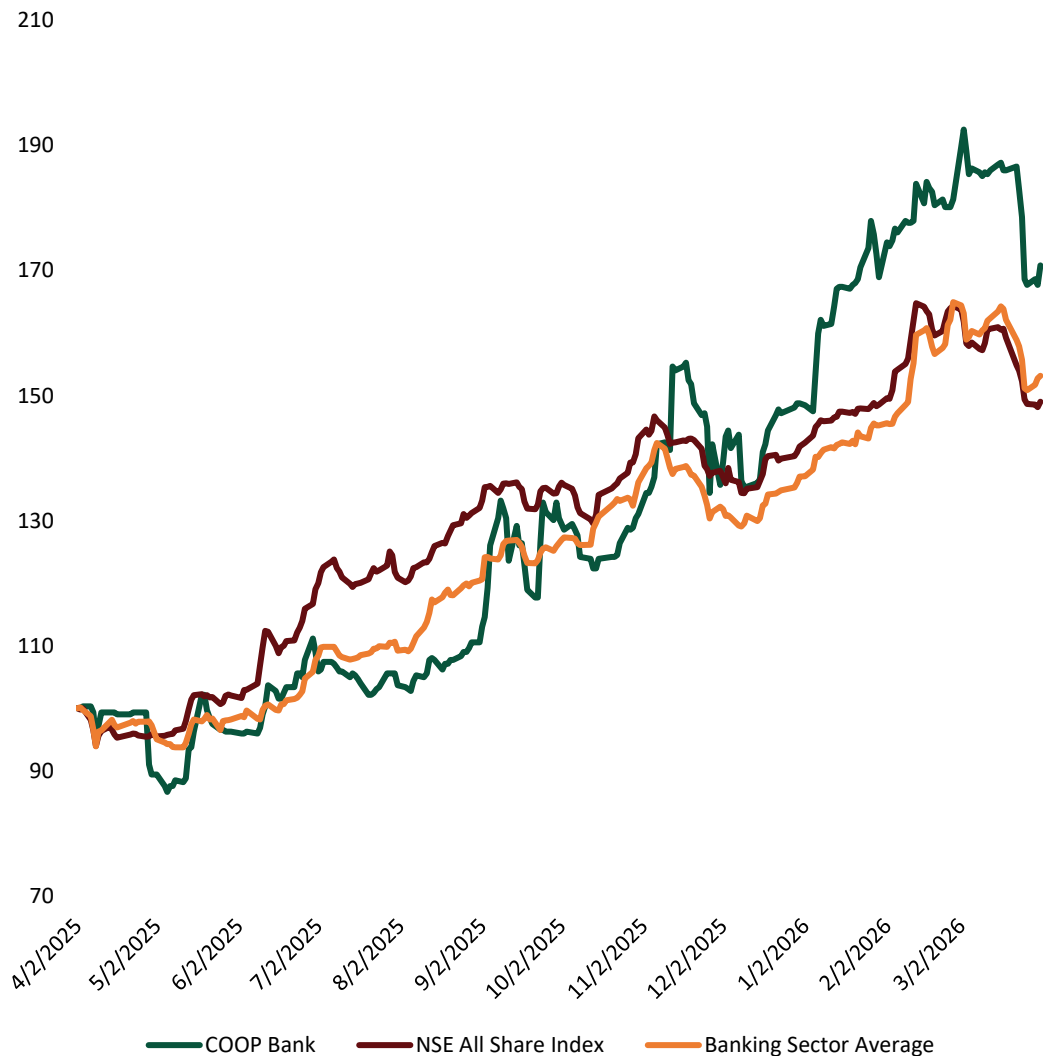
Tel: 0207606026-37  
P.O. Box 45236-00100 Nairobi  
Website: [www.fib.co.ke](http://www.fib.co.ke)



# Summary



Normalised share price movement of Coop Bank vs bank peers and the market



Source: Bloomberg

Last Price – 1 <sup>st</sup> April 2026 in KES	27.50
Valuation Estimate in KES :	35.00
<b>Upside</b>	<b>27.3%</b>
<b>Recommendation</b>	<b>BUY</b>
52-Week High	31.50
52-Week Low	13.80
52-Week Price Return	107.7%
<b>Year-to-Date Price Return</b>	<b>21.1%</b>
Price to Earnings Ratio (P/E)	5.46
Price to Book Ratio (P/B)	1.04

Source: Bloomberg and Faida Analysis

We recommend a **BUY** on Co-op Bank with a fair value of KES 35.00, representing an **upside of 27.3%** on the 1<sup>st</sup> April 2026 closing price of KES 27.50.

This recommendation is supported by its resilient FY2026 outlook. Earnings growth is underpinned by a 16.9% increase in profit after tax, with net profit margins improving to 32.4%, driven by steady loan growth, robust interest income, and enhanced cost discipline, reflected in a cost-to-income ratio of 56.6%. Asset quality is strengthening, with the NPL ratio declining to 15.7% and coverage rising to 66.0%, providing a solid buffer against credit risks. Strong capital buffers, stable core income streams, and a growing retail and SME franchise position the bank to sustain earnings growth despite macroeconomic volatility, making it an attractive long-term investment.

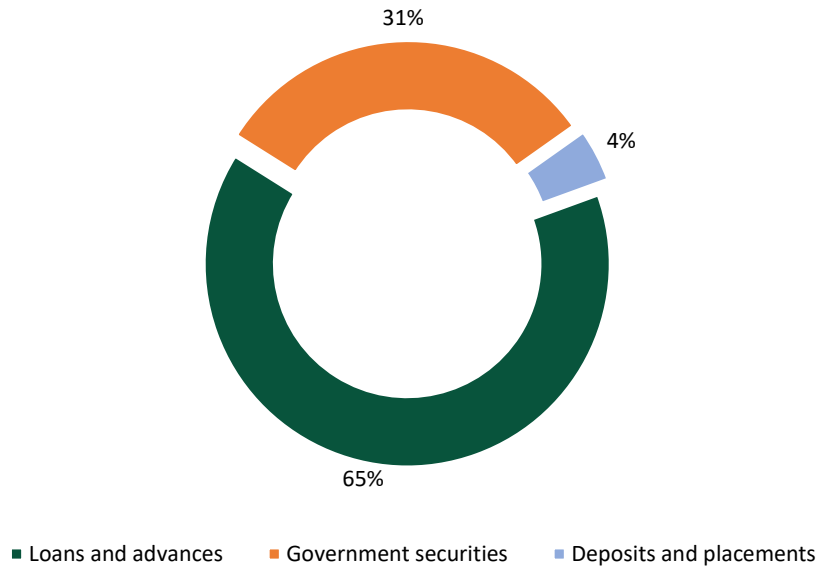
# Interest Income

Interest income rose by 8.0% to KES 93.1 billion in FY 2025 from KES 86.2 billion in FY 2024. This was primarily driven by a significant 7.5% increase in income from loans and advances to KES 60.0 billion from KES 55.9 billion, reflecting a rise of KES 4.2 billion.

Income from government securities grew by 8.3% to KES 29.1 billion from KES 26.9 billion in FY 2024.

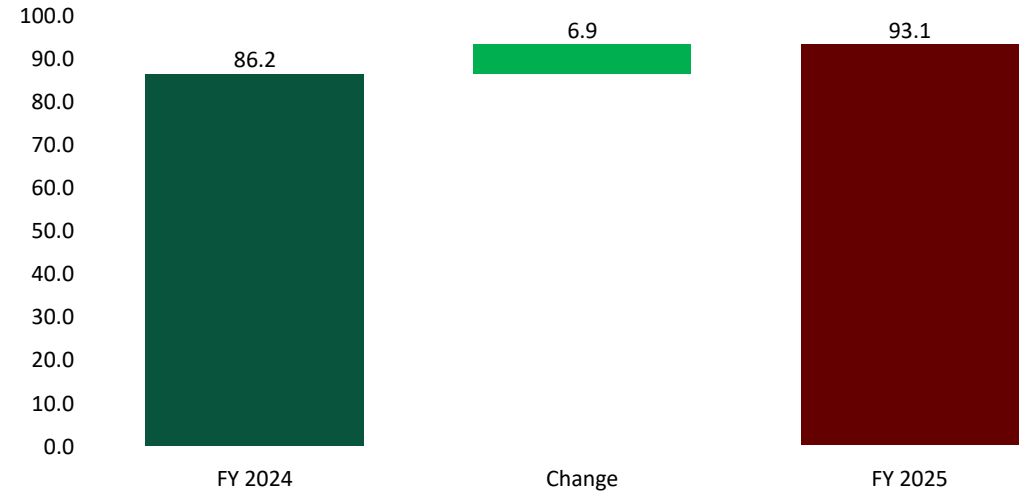
Deposits and placements within banking institutions climbed 12.4% to KES 4.0 billion in FY 2025 from KES 3.5 billion in FY 2024.

**Interest income composition**



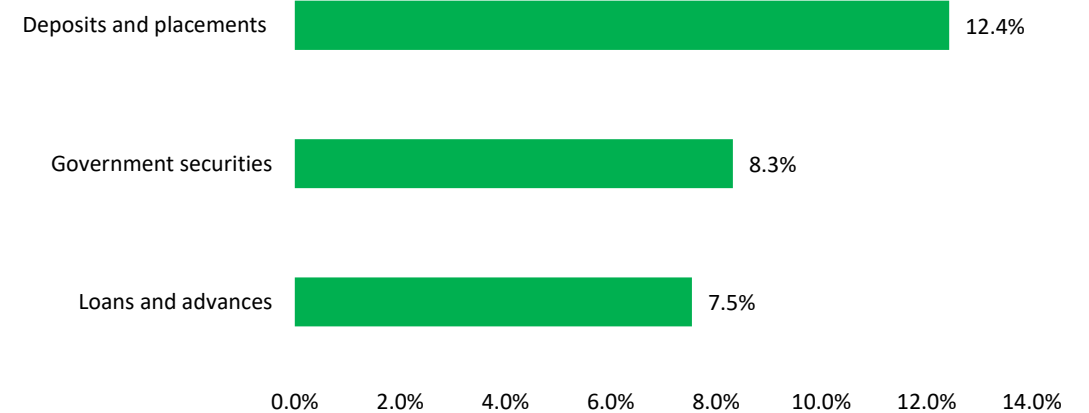
Source: Company Financials

**Development in Interest income(KES billions)**



Source: Company Financials

**Interest income growth rate (%)**



Source: Company Financials

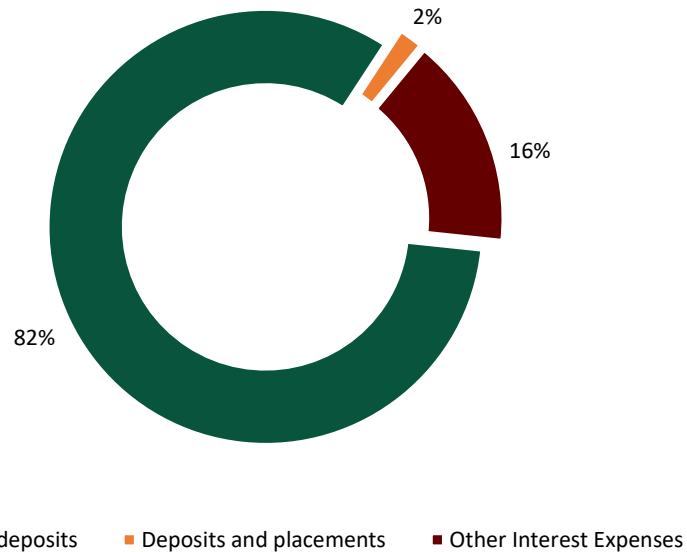
# Interest Expense

Total interest expense declined by 12.8% to KES 30.3 billion in FY 2025 from KES 34.7 billion in FY 2024, reflecting a decrease of KES 4.4 billion. This was largely driven by a significant 14.8% drop in interest on customer deposits which fell to KES 25.0 billion from KES 29.3 billion, a decrease of KES 4.3 billion.

Interest on deposits and placements from banking institutions plunged by 51.1% to KES 533.1 million from KES 1.1 billion in FY 2024.

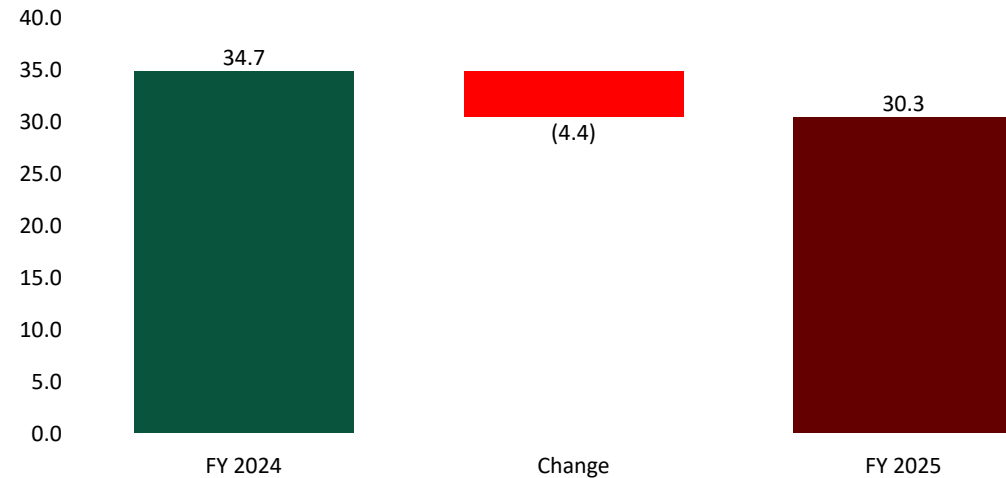
Other interest expenses expanded by 10.4% to KES 4.8 billion from KES 4.3 billion.

Interest expense composition



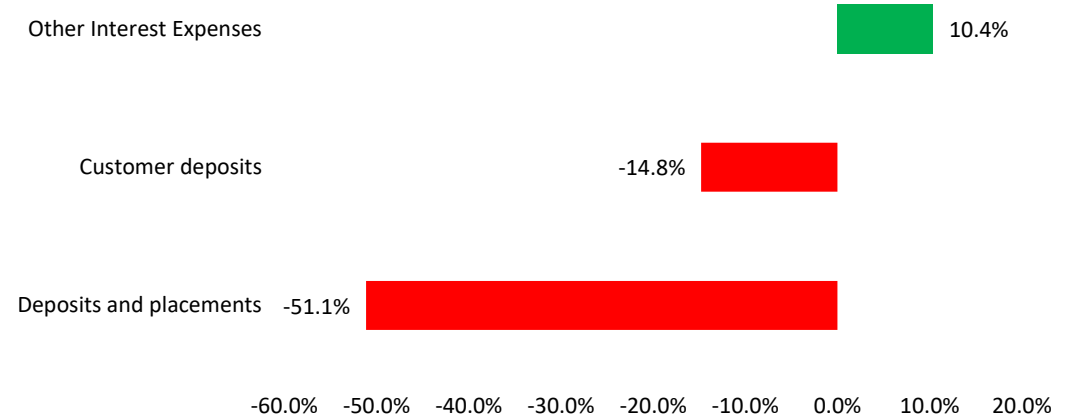
Source: Company Financials

Decline 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 22.0% to KES 62.9 billion in FY 2025 from KES 51.5 billion in FY 2024.

Non-funded income recorded a marginal decline of 0.3% to KES 29.0 billion in FY 2025 from KES 29.1 billion, a decrease of KES 91.2 million. This was primarily driven by a significant 26.5% decline in foreign exchange trading income which fell to KES 3.7 billion from KES 5.0 billion, a reduction of KES 1.3 billion.

Fees and commissions income on loans and advances edged down 5.1% to KES 10.5 billion from KES 11.0 billion.

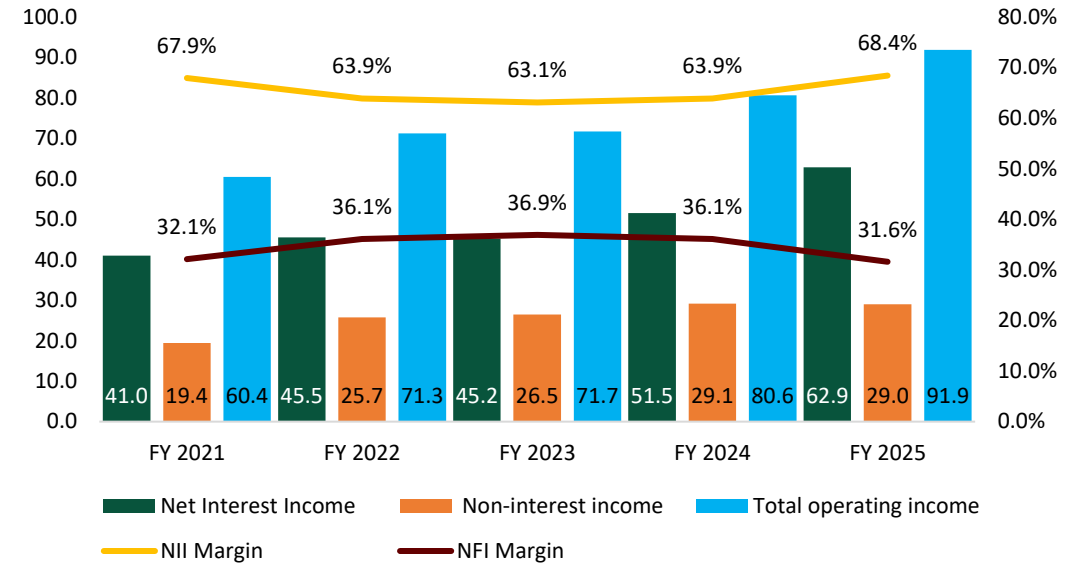
Other fees and income expanded by 6.9% to KES 12.9 billion from KES 12.1 billion.

Other income surged 90.8% to KES 2.0 billion in FY 2025 from KES 1.1 billion in FY 2024.

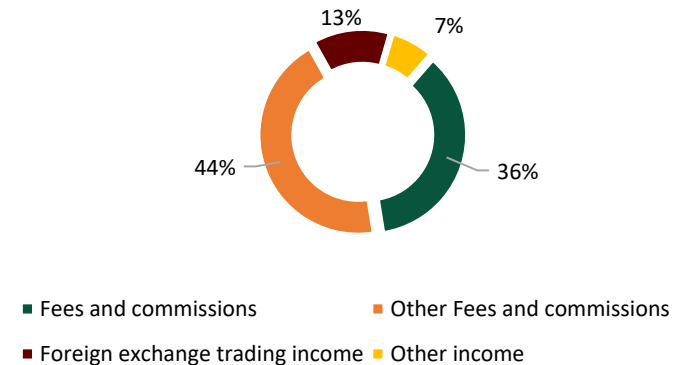
As a result, total operating income increased by 13.9% to KES 91.9 billion from KES 80.6 billion in FY 2024.

The Net Interest Income (NII) Margin rose by 4.5 percentage points to 68.4% from 63.9%. In contrast, the Non-Funded Income (NFI) Margin eased to 31.6% from 36.1% in FY 2024.

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



Non-funded income composition



# Operating expenses

Total operating expenses rose by 11.4% to KES 52.0 billion in FY 2025 from KES 46.7 billion in FY 2024. This was largely driven by significant 13.6% surge in staff costs to KES 20.8 billion from KES 18.3 billion.

Loan loss provisions climbed 9.2% to KES 9.5 billion from KES 8.7 billion, an increase of KES 799.5 million.

Director emoluments increased by 13.6% to KES 402.7 million from KES 353.5 million.

Rental charges declined by 5.7% to KES 864.1 million from KES 916.6 million.

Depreciation on property and equipment expanded by 18.7% to KES 3.2 billion from KES 2.7 billion.

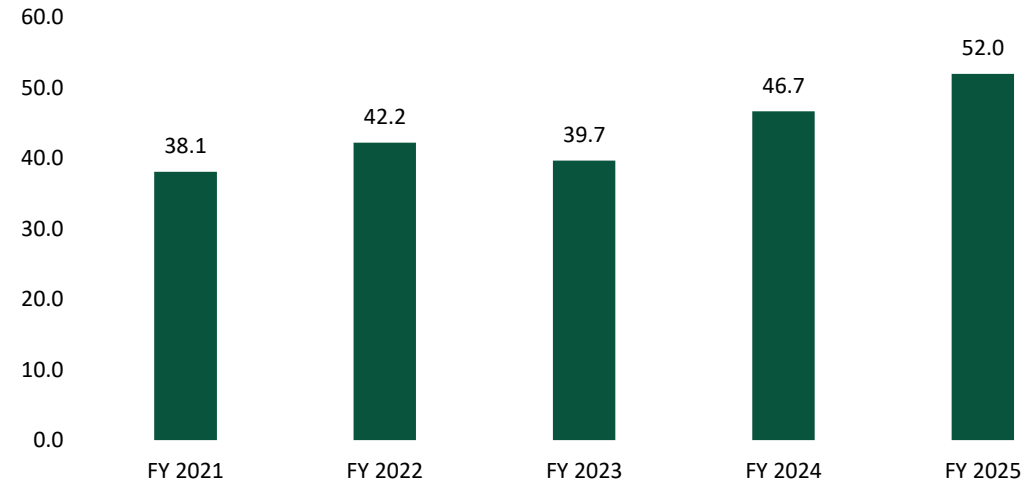
Amortization charges contracted by 9.9% reaching KES 908.0 million from KES 1.0 billion.

Other operating expenses rose 10.9% to KES 16.3 billion from KES 14.7 billion in FY 2024.

The cost-to-income ratio (including loan loss provisions) declined to 56.6% in FY 2025 from 57.9% in FY 2024, reflecting improved cost management, while the ratio excluding provisions declined to 46.3% from 47.2%.

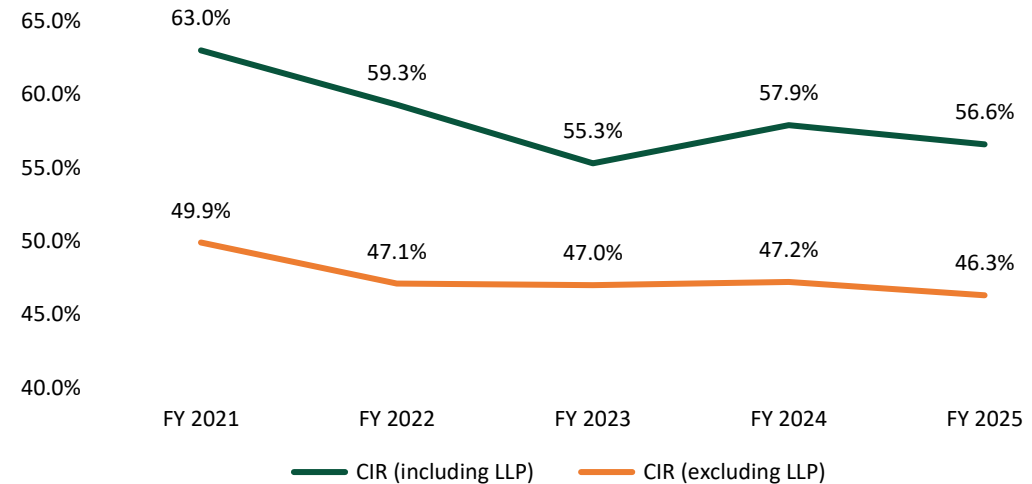
***\*The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs\****

**Total other operating expenses (KES billions)**



Source: Company Financials

**Cost-to-Income Ratio**



Source: Company Financials

# Profitability

Profit before tax rose by 15.8% to KES 40.3 billion in FY 2025 from KES 34.8 billion in FY 2024.

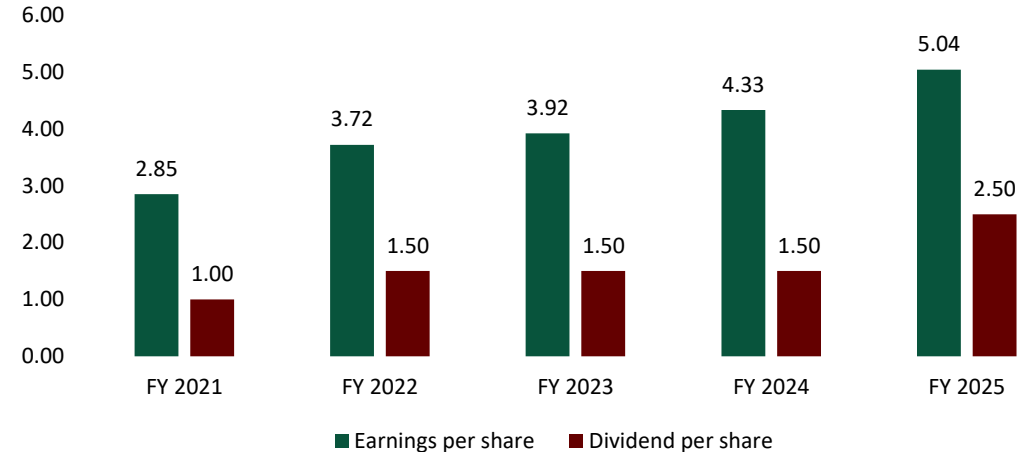
Profit after tax increased by 16.9% to KES 29.8 billion from KES 25.5 billion, reflecting a rise of KES 4.3 billion while net profit margin also saw a gain to 32.4% from 31.6%.

Total comprehensive income contracted by 16.8% to KES 35.6 billion from KES 42.8 billion.

Basic earnings per share improved by 16.4% to KES 5.04 from KES 4.33, reflecting enhanced shareholder returns.

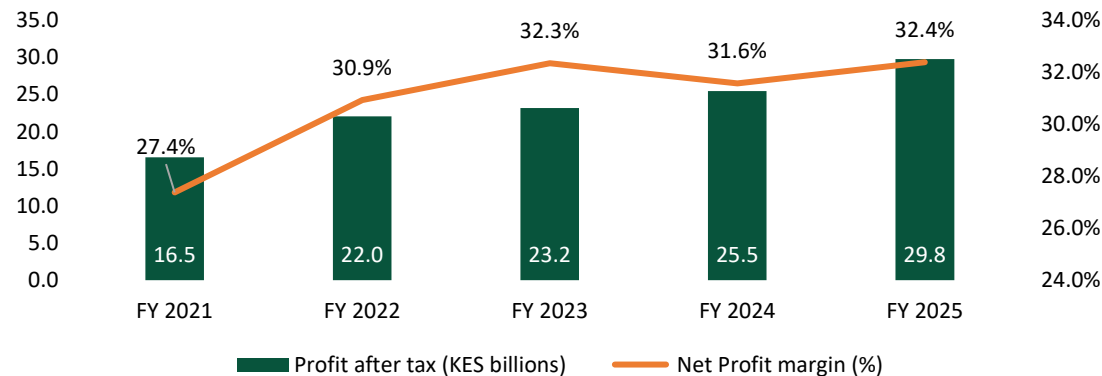
The board of directors declared a final dividend of KES 1.50 per ordinary share for FY 2025, bringing the total dividend to KES 2.50 per share after accounting for the interim dividend of KES 1.00 paid in December 2025. This represents a 66.7% increase from the KES 1.50 per share distributed in FY 2024, reflecting improved earnings performance and a stronger capital position.

Earnings per share and Dividend per share (KES)



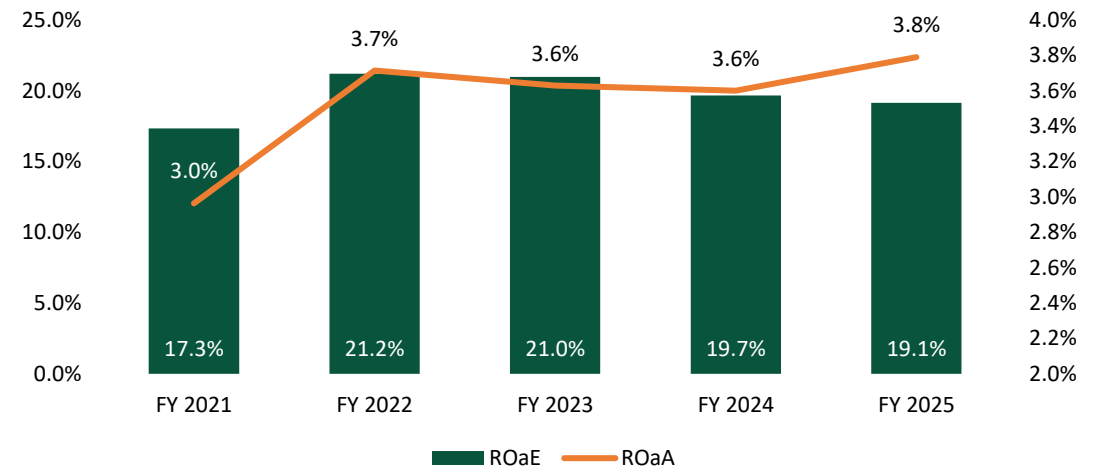
Source: Company Financials

PAT and Net profit margin



Source: Company Financials

Profitability Ratios



Source: Company Financials

# Balance Sheet Rundown

Total assets grew 11.3% to KES 827.4 billion in FY 2025 from KES 743.2 billion in FY 2024, reflecting an increase of KES 84.2 billion. Other assets contracted by 26.3% to KES 26.0 from KES 35.3 billion.

Loans and advances to customers expanded by 12.6% to KES 421.0 billion in 2025 from KES 373.7 billion, reflecting an increase of KES 47.3 billion.

Deposits and balances due from local banking institutions recorded a sharp decline of 26.3% to KES 16.2 billion from KES 22.0 billion.

In contrast, balances due from foreign banking institutions surged by 47.4% to KES 44.4 billion from KES 30.1 billion, an increase of KES 14.3 billion.

Total liabilities edged up by 10.7% to KES 661.3 billion while other liabilities recorded a sharp drop of 32.2% to KES 22.4 billion from KES 33.0 billion.

Customer deposits grew by 13.4% to KES 574.2 billion in FY 2025 from KES 506.1 billion in FY 2024, representing a significant growth of KES 68.1 billion.

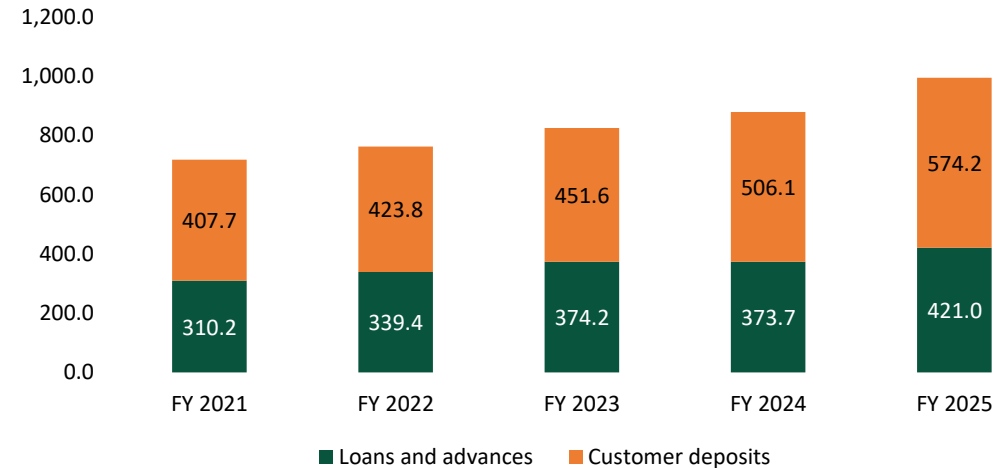
Borrowed funds increased by 11.4% to KES 61.7 billion from KES 55.4 billion.

The loan-to-deposit ratio declined slightly to 73.3% in FY 2025 from 73.8% in FY 2024, indicating that customer deposits grew at a faster pace than loan disbursements.

Total shareholders' funds increased by 13.8% to KES 165.5 billion in FY 2025 from KES 145.4 billion in FY 2024, supported by a significant turnaround in other reserves, which surged by 222.9% from a deficit of KES 1.8 billion to a positive KES 2.2 billion.

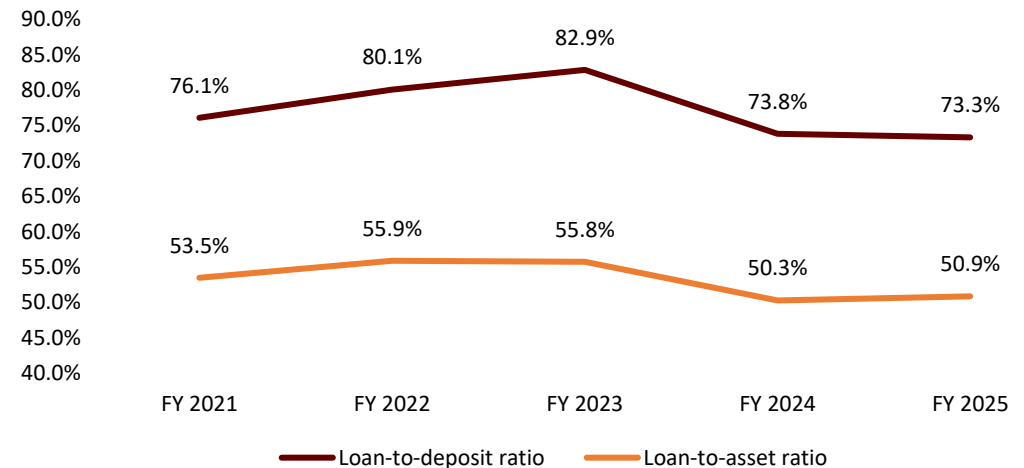
Retained earnings also rose by 11.8% to KES 143.7 billion from KES 128.6 billion.

Loan book and customer deposits (KES billions)



Source: Company Financials

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



Source: Company Financials

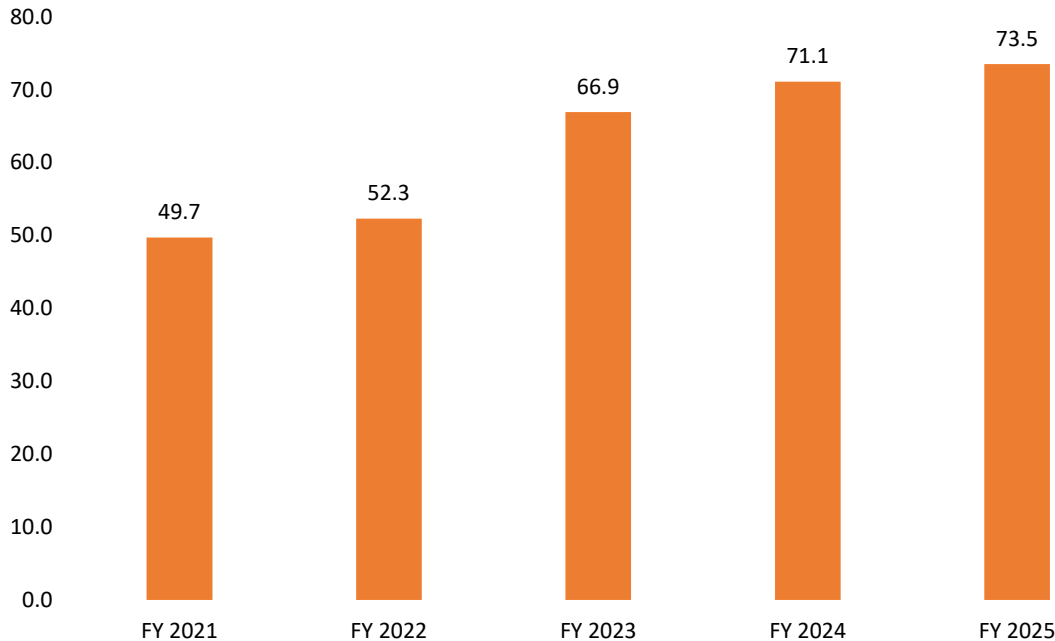
# Asset Quality

Gross non-performing loans (NPLs) increased by 3.4% to KES 73.5 billion in FY 2025 from KES 71.1 billion in FY 2024, reflecting a rise of KES 2.4 billion.

Asset quality improved, with the NPL ratio declining to 15.7% in FY 2025 from 17.0% in FY 2024, though it remains slightly above the industry average of 15.5%.

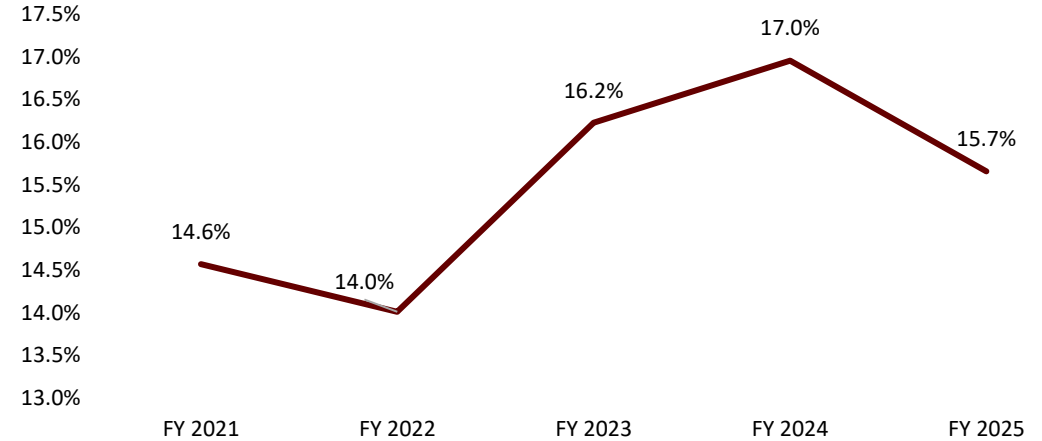
The NPL coverage ratio increased to 66.0% from 63.9%, showing that the bank is strengthening its buffer against potential loan losses.

**Gross non-performing loans and advances (KES billions)**



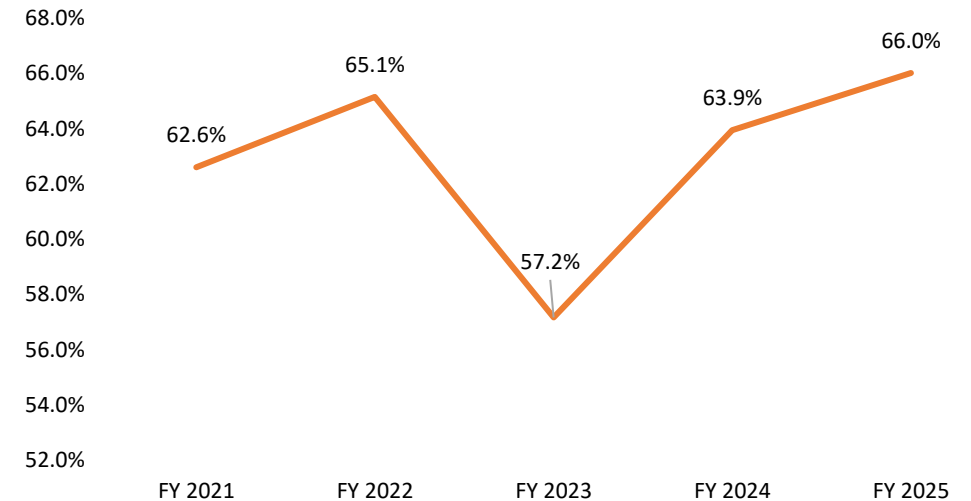
Source: Company Financials

**Gross NPL Ratio (%)**



Source: Company Financials

**NPL Coverage Ratio (%)**



Source: Company Financials

# Outlook and Recommendation

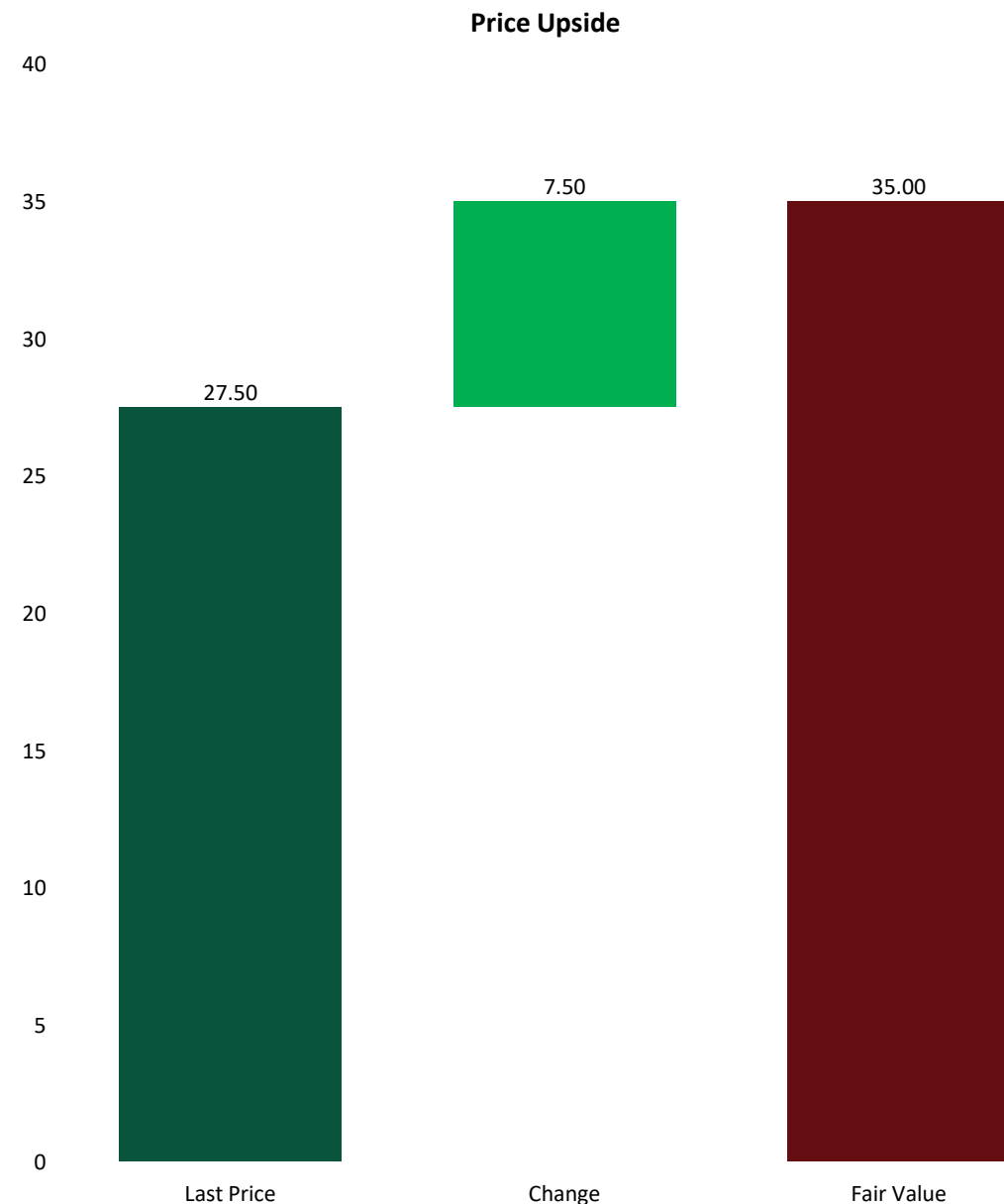
Co-op Bank is expected to sustain stable earnings growth in 2026, supported by resilient core income streams, improving operational efficiency, and steady credit expansion. The 8.0% growth in interest income, driven by a 7.5% increase in interest income from loans and advances, signals continued momentum in lending activity, which is likely to be further supported by the easing monetary environment in Kenya.

Profitability is projected to remain strong, underpinned by a 16.9% increase in profit after tax and an improved net profit margin of 32.4%. Additionally, enhanced cost discipline, as reflected in the decline in the cost-to-income ratio to 56.6% (including provisions), positions the bank to better manage margin pressures and sustain earnings quality going forward.

Asset quality is expected to gradually improve, supported by a decline in the NPL ratio to 15.7% from 17.0%. While absolute NPLs increased modestly by 3.4% to KES 73.5 billion, improved provisioning saw the NPL coverage ratio rise to 66.0% from 63.9%, providing a stronger buffer against potential credit deterioration. However, NPL levels remain relatively elevated, which may continue to pose a near-term risk, particularly if macroeconomic conditions weaken or borrower stress persists in key sectors.

The bank's strong capital position and improved earnings have supported higher shareholder returns, evidenced by a 66.7% increase in total dividend payout. However, the contraction in total comprehensive income highlights exposure to market volatility, particularly from fair value movements, which could persist amid global and regional uncertainties.

Overall, Co-operative Bank is well-positioned to navigate the evolving macroeconomic environment, leveraging its strong retail and SME franchise, disciplined cost management, and improving asset quality metrics. While risks remain from elevated credit stress and external market volatility, the bank is expected to deliver steady growth, supported by increased lending activity, stable margins, and enhanced operational efficiency.



Source: Company Financials and Faida Forecasts

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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 Total Interest Expense/Average Interest Earning Liabilities.

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

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as Net Impairment Provisions/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 Gross NPLs/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