Co-operative Group – H1’2026

14th August, 2026

Below is a summary of Co-operative Group’s H1’2026 performance:

Balance Sheet Items	H1'2025	H1'2026	y/y change
Government Securities	253.7	271.6	7.0%
Net Loans and Advances	391.3	462.2	18.1%
Total Assets	**811.9**	**869.5**	**7.1%**
Customer Deposits	547.7	621.3	13.4%
Deposits per branch	2.6	2.8	8.3%
Total Liabilities	655.6	698.2	6.5%
Shareholders’ Funds	**156.3**	**171.0**	**9.4%**

Balance Sheet Ratios	H1'2025	H1'2026	y/y % points change
Loan to Deposit Ratio	71.4%	74.4%	3.0%
Government Securities to Deposits Ratio	46.3%	43.7%	(2.6%)
Return on average equity	18.8%	20.6%	1.8%
Return on average assets	3.5%	4.0%	0.5%

Income Statement	H1'2025	H1'2026	y/y change
Net Interest Income	29.4	33.2	13.0%
Non-Interest Income	14.1	15.8	11.6%
Total Operating income	**43.5**	**48.9**	**12.5%**
Loan Loss provision	(4.5)	(3.7)	(17.5%)
Total Operating expenses	**(24.0)**	**(26.3)**	**9.2%**
Profit before tax	19.7	23.1	17.3%
Profit after tax	**14.1**	**18.0**	**28.0%**
Core EPS	**2.4**	**3.1**	**28.0%**

Income Statement Ratios	H1'2025	H1'2026	y/y % points Change
Yield from interest-earning assets	13.7%	12.9%	(0.8%)
Cost of funding	5.7%	4.5%	(1.3%)
Net Interest Spread	8.0%	8.4%	0.4%
Net Interest Income as % of operating income	67.5%	67.8%	0.3%
Non-Funded Income as a % of operating income	32.5%	32.2%	(0.3%)
Cost to Income	55.3%	53.7%	(1.6%)
CIR without provisions	44.9%	46.0%	1.2%
Cost to Assets	2.4%	2.6%	0.2%
Net Interest Margin	8.6%	9.0%	0.4%

Capital Adequacy Ratios	H1'2025	H1'2026	% points change
Core Capital/Total deposit Liabilities	23.1%	23.5%	0.4%
Minimum Statutory ratio	8.0%	8.0%	
Excess	**15.1%**	**15.5%**	**0.4%**
Core Capital/Total Risk Weighted Assets	18.8%	21.0%	2.2%
Minimum Statutory ratio	10.5%	10.5%	
Excess	**8.3%**	**10.5%**	**2.2%**
Total Capital/Total Risk Weighted Assets	21.3%	22.9%	1.6%

Minimum Statutory ratio	14.5%	14.5%	
Excess	**6.8%**	**8.4%**	**1.6%**
Liquidity Ratio	66.7%	57.3%	(9.4%)
Minimum Statutory ratio	20.0%	20.0%	
Excess	**46.7%**	**37.3%**	**(9.4%)**

Income Statement

- Core earnings per share grew by 28.0% to Kshs 3.1, from Kshs 2.4 in H1’2025, driven by the 12.5% increase in total operating income to Kshs 48.9 bn, from Kshs 43.5 bn in H1’2025. However, the performance was weighed down by an 9.2% increase in total operating expenses to Kshs 26.3 bn from Kshs 24.0 bn in H1’2025.
- The 12.5% increase in total operating income was mainly driven by a 13.0% growth in Net-Interest Income (NII) to Kshs 33.2 bn, from Kshs 29.4 bn in H1’2025 and a 11.6% increase in Non-Interest income (NFI) to Kshs 15.8 bn in H1’2026, from Kshs 14.1 bn in H1’2025.
- Interest income grew by 6.3% to Kshs 47.6 bn from Kshs 44.8 bn in H1’2025, mainly driven by a 7.3% growth in interest income from loans and advances to Kshs 30.0 bn, from Kshs 27.9 bn in H1’2025, coupled with a 7.1% increase in interest from placements to Kshs 2.5 bn from Kshs 2.4 bn in H1’2025 and a 4.2% increase in interest income from government securities to Kshs 15.1 bn, from Kshs 14.5 bn in H1’2025. The Yield on Interest-Earning Assets (YIEA) however, decreased by 0.8% points to 12.9% from 13.7% recorded in H1’2026, attributable to the slower 5.1% growth in trailing interest income to Kshs 95.9 bn, from Kshs 91.2 bn in H1’2025, compared to a faster 11.8% increase in average interest earning assets to Kshs 743.5 bn, from Kshs 664.9 bn in H1’2025,
- Interest expenses declined by 6.5% to Kshs 14.4 bn from Kshs 15.4 bn in H1’2025, mainly driven by 11.1% decrease in interest expense on customer deposits to Kshs 11.9 bn from Kshs 13.4 bn in H1’2025. Consequently, Cost of funds (COF) decreased by 1.3% points to 4.5% from 5.7% recorded in H1’2025, owing to a 14.4% decrease in trailing interest expense to Kshs 29.3 bn from Kshs 34.2 bn in H1’2025, compared to a 9.8% increase in average interest-bearing liabilities to Kshs 653.8 bn from Kshs 595.2 bn recorded in H1’2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 0.4% points to 9.0% from 8.6% in H1’2025, attributable to a faster 16.9% increase in trailing net interest income to Kshs 66.7 bn from Kshs 57.0 bn recorded in H1’2025, which outpaced the 11.8% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 11.6% to Kshs 15.8 bn from Kshs 14.1 bn in H1’2025, mainly driven by a 20.2% increase fees and commissions on loans to Kshs 6.7 bn from Kshs 5.6 bn in H1’2025 and 2.7% increase in other fees and commissions to Kshs 6.5 bn from Kshs 6.3 bn in H1’2025. Foreign exchange trading income decreased by 3.9% to Kshs 1.54 bn from Kshs 1.49 bn in H1’2025. The revenue mix remained relatively unchanged at 68:32 for the funded to Non-funded income owing to the 13.0% growth in Non-Funded Income compared to the 11.6% increase in the Funded Income,
- Total operating expense increased by 9.2% to Kshs 26.3 bn in H1’2026, from Kshs 24.0 bn in H1’2025, mainly attributable to 13.4% increase in staff costs to Kshs 11.2 bn, from Kshs 9.9 bn in H1’2025 however it was weighed down by a 17.5% decrease in loan loss provision to Kshs 3.7 bn from Kshs 4.5 bn in H1’2025.
- Cost to Income Ratio (CIR) decreased by 1.6% points to 53.7% from 55.3% in H1’2025, owing to the slower 9.2% increase in total operating expenses, which was outpaced by the 12.5% increase in total operating income. Notably, CIR without LLP increased by 1.2% points to 46.0%, from 44.9% recorded in H1’2025,

- Profit before tax increased by 17.3% to Kshs 23.1 bn, from Kshs 19.7 bn recorded in H1’2025, with effective tax rate decreasing to 22.9% in H1’2026, from 29.3% in H1’2025, leading to a 28.0% increase in profit after tax to Kshs 18.0 bn in H1’2026, from Kshs 14.1 bn in H1’2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 7.1% to Kshs 869.5 bn, from Kshs 811.9 bn in H1’2025, mainly driven by a 18.1% increase in net loans and advances to Kshs 462.2 bn from Kshs 391.3 bn and 7.0% increase in governments securities to Kshs 271.6 bn from Kshs 253.7 bn in H1’2025. Total liabilities increased by 6.5% to Kshs 698.2 bn from Kshs 655.6 bn in H1’2025, mainly driven by a 13.3% increase in customer deposits to Kshs 621.3 bn, from Kshs 547.7 bn in H1’2025, however it was weighed down by the 11.4% decrease in borrowings to Kshs 58.2 bn, from Kshs 65.7 bn in H1’2025. With 222 branches, compared to 212 branches in H1’2025, deposits per branch increased by 8.3% to Kshs 2.8 bn, from Kshs 2.6 bn in H1’2025,
- The 13.4% increase in customer deposits, compared to the 18.1% increase in net loans led to a 3.0%increase in the loan to deposits ratio to 74.4%, from 71.4% in H1’2025,
- The bank’s Asset Quality improved slightly, with Gross NPL ratio decreasing by 3.1% to 14.2% in H1’2026, from 17.3% in H1’2025, attributable to a 4.9% decrease in Gross non-performing loans to Kshs 72.6 bn, from Kshs 76.3 bn in H1’2025, relative to the 16.0% increase in gross loans to Kshs 512.2 bn, from Kshs 441.5 bn recorded in H1’2025,
- General Provisions (LLP) increased by 1.1% to Kshs 45.7 bn in H1’2026 from Kshs 45.2 bn in H1’2025. The NPL coverage increased to 68.9% in H1’2026, from 65.8% in H1’2025, attributable to the 1.1% increase in general provisions coupled with the 14.2% decrease in interest in suspense to Kshs 4.3 bn from 5.0 bn in H1’2025 which was outpaced by the 4.9% decrease in Gross Non-performing Loans.
- Shareholders’ funds increased by 9.4% to Kshs 171.0 bn in H1’2026, from Kshs 156.3 bn in H1’2025, this was supported by a 12.9% increase in retained earnings to Kshs 161.8 bn, from Kshs 143.3 bn in H1’2025,
- Cooperative Bank Group remains capitalized with a core capital to risk-weighted assets ratio of 21.0%, 10.5% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 22.9%, exceeding the statutory requirement of 14.5% by 8.4% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 4.0%, and a Return on Average Equity (ROaE) of 20.6%.

Key Take-Outs:

1. **Increased earnings -** Core earnings per share grew by 28.0% to Kshs 3.1, from Kshs 2.4 in H1’2025, driven by the 12.5% increase in total operating income to Kshs 48.9 bn, from Kshs 43.5 bn in H1’2025. However, the performance was weighed down by an 9.2% increase in total operating expenses to Kshs 26.3 bn from Kshs 24.0 bn in H1’2025,
2. **Improved asset quality –** The bank’s Asset Quality improved slightly, with Gross NPL ratio decreasing by 3.1% points to 14.2% in H1’2026, from 17.3% in H1’2025, attributable to a 4.9% decrease in Gross non-performing loans to Kshs 72.6 bn, from Kshs 76.3 bn in H1’2025, and a 16.0% increase in gross loans to Kshs 512.2 bn, from Kshs 441.5 bn recorded in H1’2025,
3. **Expanded balanced sheet** - The balance sheet recorded an expansion as total assets increased by 7.1% to Kshs 869.5 bn, from Kshs 811.9 bn in H1’2025, mainly driven by a 18.1% increase in net loans and advances

to Kshs 462.2 bn from Kshs 391.3 bn and 7.0% increase in governments securities to Kshs 271.6 bn from Kshs 253.7 bn in H1’2025.

Going forward, the factors that would drive the bank’s growth would be:

- **Strong Customer Base** – Cooperative Bank still retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which expanded by 18.1% to Kshs 462.2 bn from Kshs 391.3 bn in H1’2025.

- **Product innovation and diversification**– The bank continues to expand its product offering, with recent initiatives targeting emerging customer segments, including the youth, alongside established solutions for diaspora customers, micro and small enterprises, and cooperative societies. The bank has also continued to broaden its insurance and bancassurance offerings, providing additional avenues for fee generation and customer engagement. This diversification is expected to continue improving the Non-funded Income of the bank which came in at 15.8 bn, a 11.6% increase from Kshs 14.1 bn in H1’2025

Valuation Summary

- We are of the view that Cooperative Bank is a “Buy” with a target price of Kshs 46.1 representing an upside of 20.3%, from the current price of 38.3 as of 14th August 2026.

- Co-operative Bank is currently trading at a P/TBV of 1.3x and a P/E of 6.7x vs an industry average of 1.2x and 6.3x respectively.