

Below is a summary of Co-operative Group's Q3'2025 performance:

Balance Sheet Items	Q3'2024	Q3'2025	y/y change
Government Securities	211.6	255.4	20.7%
Net Loans and Advances	381.3	406.5	6.6%
Total Assets	750.8	815.3	8.6%
Customer Deposits	514.0	548.6	6.7%
Deposits per branch	2.7	2.7	(1.6%)
Total Liabilities	620.0	650.7	5.0%
Shareholders Funds	131.8	164.2	24.5%

Balance Sheet Ratios	Q3'2024	Q3'2025	y/y change
Loan to Deposit Ratio	74.2%	74.1%	(0.1%)
Government Securities to Deposits Ratio	41.2%	46.6%	5.4%
Return on average equity	20.0%	18.8%	(1.2%)
Return on average assets	3.4%	3.6%	0.2%

Income Statement	Q3'2024	Q3'2025	y/y change
Net Interest Income	36.9	45.3	22.8%
Non-Interest Income	22.3	22.1	(0.8%)
Total Operating income	59.2	67.4	13.9%
Loan Loss provision	(5.6)	(7.4)	31.9%
Total Operating expenses	(32.7)	(37.7)	15.4%
Profit before tax	26.8	30.0	12.1%
Profit after tax	19.2	21.6	12.3%
Core EPS	3.3	3.7	12.3%
Dividend per Share	-	1.0	-
Dividend Payout Ratio	-	27.2%	27.2%
Annualized Dividend Yield	-	10.1%	10.1%

Income Statement Ratios	Q3'2024	Q3'2025	Y/Y Change
Yield from interest-earning assets	13.3%	13.4%	0.1%
Cost of funding	5.9%	5.4%	(0.5%)
Net Interest Spread	7.4%	8.0%	0.6%
Net Interest Income as % of operating income	62.3%	67.2%	4.9%
Non-Funded Income as a % of operating income	37.7%	32.8%	(4.9%)
Cost to Income	55.2%	56.0%	0.7%
CIR without provisions	45.8%	45.1%	(0.8%)
Cost to Assets	3.6%	3.7%	0.1%
Net Interest Margin	8.0%	8.7%	0.7%

Capital Adequacy Ratios	Q3'2024	Q3'2025	% points change
Core Capital/Total deposit Liabilities	22.8%	24.3%	1.5%
Minimum Statutory ratio	8.0%	8.0%	
Excess	14.8%	16.3%	1.5%
Core Capital/Total Risk Weighted Assets	18.5%	20.3%	1.8%

Minimum Statutory ratio	10.5%	10.5%	
Excess	8.0%	9.8%	1.8%
Total Capital/Total Risk Weighted Assets	21.6%	22.7%	1.1%
Minimum Statutory ratio	14.5%	14.5%	
Excess	7.1%	8.2%	1.1%
Liquidity Ratio	57.8%	61.0%	3.2%
Minimum Statutory ratio	20.0%	20.0%	
Excess	37.8%	41.0%	3.2%

Income Statement

- Core earnings per share grew by 12.3% to Kshs 3.7, from Kshs 3.3 in Q3'2024, driven by the 13.9% increase in total operating income to Kshs 67.4 bn, from Kshs 59.2 bn in Q3'2024. However the performance was weighed down by a 15.4% increase in total operating expenses to Kshs 37.7 bn from Kshs 32.3 bn in Q3'2024.
- The 13.9% increase in total operating income was mainly driven by a 22.8% growth in Net Interest Income (NII) to Kshs 45.3 bn, from Kshs 36.9 bn in Q3'2024. It was however weighed down by a 0.8% decrease in Non-Interest income to Kshs 22.1 bn in Q3'2025, from Kshs 22.3 bn in Q3'2024.
- Interest income grew by 10.0% to Kshs 67.9 bn from Kshs 61.8 bn in Q3'2024, mainly driven by a 7.2% growth in interest income from loans and advances to Kshs 42.2 bn, from Kshs 39.4 bn in Q3'2024, coupled with a 12.4% increase in interest income from government securities to Kshs 22.2 bn, from Kshs 19.8 bn in Q3'2024. As such, the Yield on Interest-Earning Assets (YIEA) increased by 0.1% points to 13.4% from 13.3% recorded in Q3'2024, attributable to the faster 13.4% growth in trailing interest income to Kshs 92.4 bn, from Kshs 81.5 bn in Q3'2024, compared to a slower 12.1% Increase in average interest earning assets to Kshs 689.5 bn, from Kshs 615.0 bn in Q3'2024,
- Interest expenses declined by 9.0% to Kshs 22.6 bn from Kshs 24.9 bn in Q3'2024, mainly driven by 9.9% decrease in interest expense on customer deposits to Kshs 19.3 bn from Kshs 21.4 bn in Q3'2024, coupled with 59.4% decrease in interest expense from placements to Kshs 0.2 bn, from Kshs 0.5 bn recorded in Q3'2024. Consequently, Cost of funds (COF) decreased by 0.5% points to 5.4% from 5.9% recorded in Q3'2024, owing to a faster 10.0% increase in average interest-bearing liabilities to Kshs 604.3 bn from Kshs 549.4 bn recorded in Q3'2024, compared to a slower 0.9% increase in Trailing interest expense to Kshs 32.5 bn from Kshs 32.2 bn in Q3'2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 0.7% points to 8.7% from 8.0% in Q3'2024, attributable to a faster 21.6% increase in trailing net interest income to Kshs 59.9 bn from Kshs 49.3 bn recorded in Q3'2024, which outpaced the 12.1% growth in average interest earning assets,
- Non-Funded Income (NFI) decreased by 0.8% to Kshs 22.1 bn from Kshs 22.3 bn in Q3'2024, mainly driven by a 21.6% decrease in forex trading income to Kshs 2.9 bn, from Kshs 3.7 bn in Q3'2024, highlighting the bank's decreased foreign exchange margins. Total fees and commissions increased by 1.6% to Kshs 18.2 bn from Kshs 17.9 bn in Q3'2024. The revenue mix shifted to 67:33, from 62:38 for the funded to Non-funded income owing to the 22.8% growth in Funded Income compared to the 0.8% decrease in the Non-Funded Income,
- Total operating expense increased by 15.4% to Kshs 37.7 bn in Q3'2025, from Kshs 32.7 bn in Q3'2024, mainly attributable to 31.9% increase in loan loss provision to Kshs 7.4 bn, from Kshs 5.6 bn in Q3'2024, coupled with the 11.5% increase in staff cost to 15.1 bn from 13.3 in Q3'2024. The increase in provisioning comes despite

improved business environment and reduced credit risk as evidenced by the average Q3'2025 Purchasing Managers Index (PMI) of 49.4, up from an average of 46.9 in Q3'2024,

- Cost to Income Ratio (CIR) increased by 0.7% points to 56.0% from 55.2% in Q3'2024, owing to the faster 15.4% increase in total operating expenses, which outpaced the 13.9% increase in total operating income. Notably, CIR without LLP decreased by 0.8% points to 45.1%, from 45.8% recorded in Q3'2024,
- Profit before tax increased by 12.1% to Kshs 30.0 bn, from Kshs 26.8 bn recorded in Q3'2024, with effective tax rate decreasing to 29.1% in Q3'2025, from 29.5% in Q3'2024, leading to a 12.3% increase in profit after tax to Kshs 21.6 bn in Q3'2025, from Kshs 19.2 bn in Q3'2024.
- The Board of Directors recommended an interim dividend of Kshs 1.0 for Q3'2025, translating to an annualized dividend yield and dividend payout ratio of 11.0% and 27.2% respectively.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 8.6% to Kshs 815.3 bn, from Kshs 750.8 bn in Q3'2024, mainly driven by a 20.7% increase in governments securities holdings to Kshs 255.4 bn, from 211.6 bn in Q3'2024. Net loans and advances increased by 6.6% to Kshs 406.5 bn, from Kshs 381.3 bn in Q3'2024. Total liabilities increased by 5.0% to Kshs 650.7 bn from Kshs 620.0 bn in Q3'2024, mainly driven by a 6.7% increase in customer deposits to Kshs 548.6 bn, from Kshs 514.0 bn in Q3'2024, coupled with the 14.6% increase in borrowings to Kshs 66.5 bn, from Kshs 58.0 bn in Q3'2024. With 205 branches, compared to 189 branches in Q3'2024, deposits per branch decreased by 1.6% to Kshs 2.68 bn, from Kshs 2.72 bn in Q3'2024,
- The 6.7% increase in customer deposits, compared to the 6.6% increase in net loans led to a decrease in the loan to deposits ratio to 74.1%, from 74.2% in Q3'2024,
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 17.3% in Q3'2025, from 16.5% in Q3'2024, attributable to a 12.7% increase in Gross non-performing loans to Kshs 78.9 bn, from Kshs 70.0 bn in Q3'2024, relative to the 7.8% increase in gross loans to Kshs 456.8 bn, from Kshs 423.7 bn recorded in Q3'2024,
- General Provisions (LLP) increased by 21.4% to Kshs 45.2 bn in Q3'2025 from Kshs 37.2 bn in Q1'2025. The NPL coverage increased to 63.7% in Q3'2025, from 60.5% in Q3'2024, attributable to the 21.4% increase in general provisions coupled with the 1.9% decrease in interest in suspense to Kshs 5.1 bn from 5.0 bn in Q3'2024 which outpaced the 12.7% increase in Gross Non-performing Loans to Kshs 78.9 bn, from Kshs 70.0 bn in Q3'2024.
- Shareholders' funds increased by 24.5% to Kshs 164.2 bn in Q3'2025, from Kshs 131.8 bn in Q3'2024, supported by an 9.4% increase in retained earnings to Kshs 144.6 bn, from Kshs 132.2 bn in Q3'2024,
- Cooperative Bank Group remains capitalized with a core capital to risk-weighted assets ratio of 20.3%, 9.8% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 22.7%, exceeding the statutory requirement of 14.5% by 8.2% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.6%, and a Return on Average Equity (ROaE) of 18.8%.

Key Take-Outs:

1. **Increased earnings** - Core earnings per share grew by 12.3% to Kshs 3.7, from Kshs 3.3 in Q3'2024, driven by the 13.9% increase in total operating income to Kshs 67.4 bn, from Kshs 59.2 bn in Q3'2024. However, the performance was weighed down by a 15.4% increase in total operating expenses to Kshs 37.7 bn from Kshs 32.7 bn in Q3'2024,

2. **Deteriorated asset quality** – The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 17.3% in Q3'2025, from 16.5% in Q3'2024, attributable to a 12.7% increase in Gross non-performing loans to Kshs 78.9 bn, from Kshs 70.0 bn in Q3'2024, relative to the 7.8% increase in gross loans to Kshs 456.8 bn, from Kshs 423.7 bn recorded in Q3'2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 8.6% to Kshs 815.3 bn, from Kshs 750.8 bn in Q3'2024, mainly driven by a 20.7% increase in governments securities holdings to Kshs 255.4 bn, from 211.6 bn in Q3'2024, Notably, Net loans and advances increased by 6.6% to Kshs 406.5 bn, from Kshs 381.3 bn in Q3'2024.
4. **Increased lending**- Customer net loans and advances increased by 6.6% to Kshs 406.5 bn in Q3'2025, up from Kshs 381.3 bn in Q3'2024, as the lender continued to expand lending despite high industry NPLs, a move possibly supported by the gradual easing of the Central Bank Rate to 9.5% in August from 9.75% in June 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 this year expanded by 6.6% to Kshs 406.5 bn from Kshs 381.3 bn in Q3'2024.
- **Diversified products** – The bank has in recent days launched a number of products and continues to simultaneously offer differentiated products for diaspora bankers, micro and small enterprises, home and vehicle insurance, bancassurance and the Sacco Mco-op cash. This diversification is expected to continue improving the Non-funded Income of the bank which came in at 22.1 bn, an 0.8% decrease from Kshs 22.3 bn in Q3'2024

Valuation Summary

- We are of the view that Cooperative Bank is a “buy” with a target price of Kshs 25.2 representing an upside of 7.7%, from the current price of 24.8 as of 14th November 2025 inclusive of dividend yield.
- Co-operative Bank is currently trading at a P/TBV of 0.8x and a P/E of 5.5x vs an industry average of 1.1x and 5.0x respectively.