

Co-operative Bank Group

Q12025 Earnings Update

15th May 2025

Co-op Bank Profits UP 6.8% Slowed by Higher Operating Expenses

Co-operative Bank plc reported KES 9.63Bn profits before tax (PBT) for the first Quarter of 2025 (Q12025), representing a 6.8% rise from that of KES 9.01Bn recorded the same period in 2024. The performance was strongly supported by faster rises in the Bank's core business, interest incomes, which saw total operating income expand 12.8% year on year (y-y) from KES 18.78Bn in Q1-2024 to KES 21.18Bn in Q12025. The performance was however slowed down by headwinds from non-funded income lines (dropped 1.9%) and overall operating expenses which surged 19.1% year on year.

Profits after tax (PAT) went up 5.3% from KES 6.58Bn to KES 6.93Bn on impact from a higher effective tax rate of 28.0% in Q12025 in relation to a 27.0% effective tax of similar period in 2024.

Earnings per share (EPS) improved from 1.12 to 1.18 y-y, annualized to 4.72 for 2025 for price to earnings (PE) ratio of 3.19x and a price to book (PB) ratio of 0.6x.

We revise our recommendation from BUY to HOLD with the price having risen by 6.0% from KES 14.20 in our last recommendation on 12th May 2025 to the current price of KES 15.05 as of 14th May 2025. We however retain our target price at KES 16.50 for the next one month.

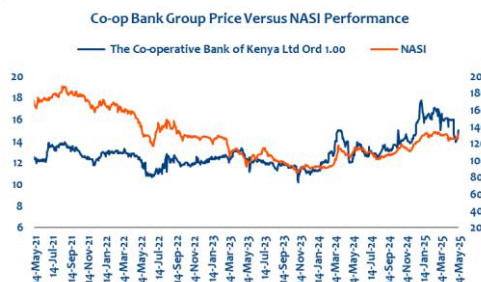
Income Statement

- The Group's net interest income (NII) shoot up 21.7% from KES 11.70Bn in Q12024 to KES 14.24Bn in Q12025, reaping off from the rising loans and securities interest books which saw total interest income expand by 14.4% from KES 19.41Bn to KES 22.21Bn. This was also partly supported by the still higher lending rates albeit coming down as informed by ongoing rates cuts.
- NII contribution to total income ballooned to 67.2% from contribution of 62.3% in Q12024 and 63.9% in FY2024 counting on the faster rise in interest income.
- Interest income from loans & advances grew 12.2% from KES 12.45Bn in Q12024 to KES 13.96Bn fueled by a 1.7% y-y expansion on the loan book which had contracted by end of December 2024. During the quarter, the Bank seemed aggressive to disburse KES 10.81Bn from KES 37373Bn on 31st Dec. 2024 to KES 383.55Bn by end of March 2025.
- Consequently, yield on loans & advances soared from 13.2% to 14.7% y-y also reaping off from the above loan expansion, higher rates (though currently narrowing down) and the risk based pricing model.
- Interest from government securities rose faster at 12.8% from KES 6.23Bn in Q12024 to KES 7.02Bn in Q12025 buoyed by a 20.5% jump on the Bank's government securities book from KES 201.91Bn in Q12024 to KES 243.36Bn in Q12025, in a move seen to reduce exposure of non-performing loans. Yields on government securities, however, declined from 12.7% in Q12024 to 12.2% in Q12025 impacted by interest rate cuts confirmed by the 4th rate cut of 75bps implemented in February 2025, from 11.25% to 10.75%.
- Interest expense was contained at a 3.3% growth from KES 7.71Bn in Q12024 to KES 7.97Bn. The rise was mainly on customer deposits which went up 8.9% from 6.39Bn to KES 6.95Bn as informed customers demanded better returns to maintain their deposits in spite of declined in general interest rates.
- Non-funded income contracted 1.9% y-y from KES 7.08Bn to KES 6.94Bn largely impacted by the local currency stabilization and reduced fees and commissions on loans and advances. Forex trading income sunk 44.5% down from KES 1.44Bn

Recommendation:	HOLD
Bloomberg Ticker:	COOP KE
Share Statistics	

Target Price	16.50
Upside/Downside	9.6%
Current Price	
15th May 2025	15.05
3-Month Av	15.92
6 Month Av	15.72
52 Week Av	14.46
52 Week High - Low	17.80 - 12.30
Issued shares Mn	5,867.17
Free float	35.40%
Market Cap (KES Mn)	88,300.98
Market Cap (USD Mn)	683.16
P/E	3.19
BVPS	26.57
PB	0.57
EPS (Annualized)	4.72

Return Performance		
Periods	Co-op	NASI
3-Months %Δ	-8.8%	0.2%
6-Months %Δ	2.7%	13.9%
Y-T-D %Δ	-13.8%	4.8%
V.V % Δ	22 Δ%	20 5%



NNI + 21.7% Y-Y

Provisions + 32.6% Y-Y

Opex. + 19.1% Y-Y

Opex. Excl Provisions + 16.5% Y-Y

PBT + 6.8% Y-Y

PAT + 5.3% Y-Y

Govt. Securities + 20.5% Y-Y

Loans + 1.7% Y-Y

Deposits + 9.0% Y-Y

Shareholder's Funds + 22.7% Y-Y

Borrowings - 8.8% Y-Y

to KES 0.80Bn as Fees & commissions from loans & advances fell 4.4% to KES 2.76Bn.

- Operating expenses climbed 19.1% from KES 9.86Bn to KES 11.75Bn largely affected by loan loss provisions, staff expenses other operating expenses. Excluding loan loss provisions, operating expenses were up 16.5%. To cushion the rising loan book the Bank's loan loss provisions escalated 32.6% from KES 1.59Bn to KES 2.11Bn. The 10.2% staff costs surge to KES 4.92Bn is mainly attributed to the staff bonus and normal annual increment that normally happens in July.

Balance Sheet

The Group's total assets expanded 8.3% y-y from KES 714.67Bn to KES 774.07Bn, propelled up by the rising government securities book and the loans and advances books.

Loans and advances book attracted an addition 1.7% or KES 10.81Bn to KES 384.55Bn. The book was well financed by customer deposits which grew 9.0% from KES 481.76Bn to KES 525.17Bn.

Growths in cheap customer deposits, saw the lender reduce its borrowings by 8.8% from KES 60.06Bn to KES 54.77Bn while enhancing investor returns.

To reduce exposure of non-performing loans, the Bank increased its government securities holdings by 20.5% from KES 201.91B to KES 243.36Bn. Focus remained on long-term papers (bonds held to maturity) as the bank sought to lock in high return long-term papers while going slow on available to sale informed by the downing interest rates.

Shareholders' funds expanded faster at 22.7% from KES 127.10Bn to KES 155.89Bn pushed up mainly by the rising retained earnings and statutory loans reserves. The retained earnings garnered 13.9% to 136.11Bn benefiting from the growing profits.

Key Ratios

The Group's net interest margin improved from 7.1% to 8.0% propelled by a better annualized asset yield of 13.5% of Q12025 compared to that of 12.8% recorded in Q12024. This further benefitted from a marginal decline in the cost of funds from 5.7% to 5.5% despite an over 100bps drop in the Central Bank Rate (CBR) between December 2024 and end of March 2025.

The Bank's cost of risk went up from 1.7% in Q12024 to 2.2% in Q12025 informed by the rise in loan loss provisions which grew faster in relation to the loan book.

Return on average assets (ROaA) fell marginally from 3.8% to 3.7% held down by a faster rise in assets compared the net income. Return on average equity fell even faster from 22.0% to 18.4% on a faster growth in the shareholders' funds in relation to the Group's net earnings.

Find key summaries in the tables below:

P&L (KES Mn)	Q1-2024	FY2024	Q1-2025	%Δ y-y
Interest Income	19,414	86,250	22,210	14.4%
Interest Expense	7,713	34,728	7,969	3.3%
NII	11,701	51,522	14,241	21.7%
NFI	7,075	29,126	6,941	-1.9%
Total Income	18,776	80,647	21,182	12.8%
Loan Loss Provisions	1,593	8,663	2,113	32.6%
Operating Expense	9,864	46,689	11,749	19.1%
Opex excl Provision	8,271	38,026	9,636	16.5%
PBT	9,012	34,780	9,627	6.8%
PAT	6,580	25,456	6,931	5.3%
EPS	1.12	4.33	1.18	5.4%
Annualized EPS	4.48	4.33	4.72	5.4%

Balance Sheet (KES Mn)	Q1-2024	FY2024	Q1-2025	%Δ Y-Y
Investments	201,913	218,878	243,363	20.5%
Loans and Advances	378,101	373,733	384,547	1.7%
Total Asset	714,672	743,190	774,074	8.3%
Customer Deposit	481,757	506,112	525,174	9.0%
Borrowing	60,060	55,406	54,770	-8.8%
Shareholders' Fund	127,099	145,380	155,894	22.7%

Ratios	Q1-2024	FY2024	Q1-2025
NII % of Total Income	62.3%	63.9%	67.2%
NFI % of Total Income	37.7%	36.1%	32.8%
CTI Ratio	52.5%	57.9%	55.5%
CTI exc Provision	44.1%	47.2%	45.5%
Advances/Loans to Deposit Ratio	78.5%	73.8%	73.2%
Investment Securiteis to Assets	28.3%	29.5%	31.4%
Advances to Assets	52.9%	50.3%	49.7%
Debt to Equity	47.3%	38.1%	35.1%
Cost of Funds	5.7%	6.4%	5.5%
cost of deposits	6.6%	7.3%	6.2%
Net Interest Margins	7.1%	7.6%	8.0%
Yield on Advances	13.2%	14.9%	14.7%
Yield on Govt Securities	12.7%	13.1%	12.2%
ROaA	3.8%	3.6%	3.7%
ROaE	22.0%	19.6%	18.4%
Cost of Risk	1.7%	2.3%	2.2%
NPL Ratio	14.2%	15.2%	15.4%

Terms of Use – Disclaimer:

This research report has been prepared by Pergamon Investment Bank and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Pergamon Investment Bank, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results. The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Pergamon Investment Bank judgement as at the date of this research, but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Pergamon Investment Bank or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report.

Contacts:

Research

Shadrack Manyinsa

s.manyinsa@pergamoninvestmentbank.co.ke

Dealing

Gerry Ndungu

g.ndung'u@pergamoninvestmentbank.co.ke

John Mutie

j.mutie@pergamoninvestmentbank.co.ke

trading@pergamoninvestmentbank.co.ke

Pergamon
INVESTMENT BANK

Leveraging Africa, Investing Globally



4th Floor, Delta Chambers, Waiyaki Way, Nairobi, Kenya.



Postal Address: P.O Box 25749, Lavington, Kenya.



info@pergamoninvestmentbank.co.ke



+254 709 227 100



www.pergamoninvestmentbank.co.ke