Co-operative Group – Q3'2026

12th November, 2026

Below is a summary of Co-operative Group's Q3'2026 performance:

Balance Sheet Items	Q3'2025	Q3'2026	y/y change
Government Securities	255.4	271.1	6.1%
Net Loans and Advances	406.5	496.9	22.2%
Total Assets	**815.3**	**907.4**	**11.3%**
Customer Deposits	548.6	633.0	15.4%
Deposits per branch	2.5	2.8	11.8%
Total Liabilities	650.7	728.2	11.9%
Shareholders' Funds	**164.2**	**179.3**	**9.2%**

Balance Sheet Ratios	Q3'2025	Q3'2026	y/y change
Loan to Deposit Ratio	74.1%	78.5%	4.4%
Government Securities to Deposits Ratio	46.6%	42.8%	(3.7%)
Return on average equity	18.8%	20.7%	1.9%
Return on average assets	3.6%	4.1%	0.6%
Annualized dividend yield	10.0%	7.7%	(2.3%)

Income Statement	Q3'2025	Q3'2026	y/y change
Net Interest Income	45.3	51.0	12.7%
Non-Interest Income	22.1	24.1	9.2%
Total Operating income	**67.4**	**75.2**	**11.6%**
Loan Loss provision	(7.4)	(4.8)	(34.2%)
Total Operating expenses	(37.7)	(39.7)	5.3%
Profit before tax	30.0	35.9	19.6%
Profit after tax	**21.6**	**27.4**	**27.2%**
Core EPS	**3.7**	**4.7**	**27.2%**
Dividend Payout Ratio	**27.2%**	**32.1%**	**4.9%**
Annualized Dividend Yield	**10.0%**	**7.7%**	**(2.3%)**

Income Statement Ratios	Q3'2025	Q3'2026	Y/Y Change
Yield from interest-earning assets	13.4%	12.8%	(0.6%)
Cost of funding	5.4%	4.4%	(1.0%)
Net Interest Spread	8.0%	8.3%	0.3%
Net Interest Income as % of operating income	67.2%	67.9%	0.7%
Non-Funded Income as a % of operating income	32.8%	32.1%	(0.7%)
Cost to Income	56.0%	52.8%	(3.1%)
CIR without provisions	45.1%	46.4%	1.3%
Cost to Assets	3.7%	3.8%	0.1%
Net Interest Margin	8.7%	8.9%	0.3%

Capital Adequacy Ratios	Q3'2025	Q3'2026	% points change
Core Capital/Total deposit Liabilities	24.3%	22.2%	(2.1%)
Minimum Statutory ratio	8.0%	8.0%	
Excess	**16.3%**	**14.2%**	**(2.1%)**
Core Capital/Total Risk Weighted Assets	20.3%	20.0%	(0.3%)
Minimum Statutory ratio	10.5%	10.5%	
Excess	**9.8%**	**9.5%**	**(0.3%)**
Total Capital/Total Risk Weighted Assets	22.7%	21.3%	(1.4%)
Minimum Statutory ratio	14.5%	14.5%	
Excess	**8.2%**	**6.8%**	**(1.4%)**
Liquidity Ratio	61.0%	54.8%	(6.2%)
Minimum Statutory ratio	20.0%	20.0%	
Excess	**41.0%**	**34.8%**	**(6.2%)**

Income Statement

- Core earnings per share grew by 27.2% to Kshs 4.7, from Kshs 3.7 in Q3'2025, driven by the 11.6% increase in total operating income to Kshs 75.2 bn, from Kshs 67.4 bn in Q3'2025. However, the performance was weighed down by a 5.3% increase in total operating expenses to Kshs 39.7 bn from Kshs 37.7 bn in Q3'2025.
- The 11.6% increase in total operating income was mainly driven by a 12.7% growth in Net-Interest Income (NII) to Kshs 51.0 bn, from Kshs 45.3 bn in Q3'2025 and a 9.2% increase in Non-Interest income (NFI) to Kshs 24.1 bn in Q3'2026, from Kshs 22.1 bn in Q3'2025.
- Interest income grew by 7.0% to Kshs 72.7 bn from Kshs 67.9 bn in Q3'2025, mainly driven by a 9.4% growth in interest income from loans and advances to Kshs 46.2 bn, from Kshs 42.2 bn in Q3'2025, coupled with a 3.4% increase in interest income from government securities to Kshs 23.0 bn, from Kshs 22.2 bn in Q3'2025 and a 0.5% increase in interest from placements to Kshs 3.50 bn from Kshs 3.48 bn in Q3'2025.
- The Yield on Interest Earning Assets (YIEA) however, decreased by 0.6% points to 12.8% from 13.4% recorded in Q3'2025, attributable to a 5.9% growth in trailing interest income to Kshs 97.9 bn, from Kshs 92.4 bn in Q3'2025, which was outpaced by the 11.3% increase in average interest earning assets to Kshs 767.2 bn, from Kshs 689.5 bn in Q3'2025.
- Interest expenses declined by 4.4% to Kshs 21.6 bn from Kshs 22.6 bn in Q3'2025, mainly driven by a 7.1% decrease in interest expense on customer deposits to Kshs 17.9 bn from Kshs 19.3 bn in Q3'2025. Consequently, Cost of funds (COF) decreased by 1.0% points to 4.4% from 5.4% recorded in Q3'2025, owing to a 9.8% decrease in trailing interest expense to Kshs 29.3 bn from Kshs 32.5 bn in Q3'2025, compared to an 9.7% increase in average interest-bearing liabilities to Kshs 663.2 bn from Kshs 604.3 bn recorded in Q3'2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 0.3% points to 8.9% from 8.7% in Q3'2025, attributable to a 14.5% increase in trailing net interest income to Kshs 68.6 bn from Kshs 59.9 bn recorded in Q3'2025, which outpaced the 11.3% growth in average interest earning assets
- Non-Funded Income (NFI) increased by 9.2% to Kshs 24.1 bn from Kshs 22.1 bn in Q3'2025, mainly driven by a 22.4% increase in fees and commissions on loans to Kshs 10.5 bn from Kshs 8.6 bn in Q3'2025 and a

2.4% increase in other fees and commissions to Kshs 9.9 bn from Kshs 9.6 bn in Q3'2025. However, this was weighed down by the 18.2% to Kshs 2.4 bn from Kshs 2.9 bn in Q3'2025. The revenue mix came in at 68:32 for the funded to Non- Funded income in Q'3 2026 compared to the 67:33 in Q3'2025 owing to the 12.7% growth in Funded Income compared to the 9.2% increase in the Non-Funded Income.

- Total operating expense increased by 5.3% to Kshs 39.7 bn in Q3'2026, from Kshs 37.7 bn in Q3'2025, mainly attributable to a 12.7% increase in staff costs to Kshs 17.0 bn, from Kshs 15.1 bn in Q3'2025 however it was weighed down by a 34.2% decrease in loan loss provision to Kshs 4.8 bn from Kshs 7.4 bn in Q3'2025.
- Cost to Income Ratio (CIR) decreased by 3.1% points to 52.8% from 56.0% in Q3'2025, owing to the slower 5.3% increase in total operating expenses, which was outpaced by the 11.6% increase in total operating income. Notably, CIR without LLP increased by 1.3% points to 46.4%, from 45.1% recorded in Q3'2025,
- Profit before tax increased by 19.6% to Kshs 35.9 bn, from Kshs 30.0 bn recorded in Q3'2025, with effective tax rate decreasing by 4.9% points to 24.2% in Q3'2026, from 29.1% in Q3'2025, leading to a 27.2% increase in profit after tax to Kshs 27.4 bn in Q3'2026, from Kshs 21.6 bn in Q3'2025.
- The Board of Directors recommended an interim dividend of Kshs 1.5 per share in Q3'2026, translating to an annualized dividend yield and a dividend payout ratio of 7.7% and 32.1% respectively, as opposed to the interim dividend of Kshs 1.0 per share in Q'3 2025, which translated to an annualized dividend yield and a dividend payout ratio of 10.0% and 27.2% respectively.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 11.3% to Kshs 907.4 bn, from Kshs 815.3 bn in Q3'2025, mainly driven by a 22.2% increase in net loans and advances to Kshs 496.9 bn from Kshs 406.5 bn and a 6.1% increase in government securities to Kshs 271.1 bn from Kshs 255.4 bn in Q3'2025. Total liabilities increased by 11.9% to Kshs 728.2 bn from Kshs 650.7 bn in Q3'2025, mainly driven by a 15.4% increase in customer deposits to Kshs 633.0 bn, from Kshs 548.6 bn in Q3'2025, however it was weighed down by the 13.2% decrease in borrowings to Kshs 57.7 bn, from Kshs 66.5 bn in Q3'2025. With 224 branches in Q'3 2026 compared to 217 branches in Q3'2025, deposits per branch increased by 11.8% to Kshs 2.8 bn in Q'3 2026 from Kshs 2.5 bn in Q3'2025.
- The 15.4% increase in customer deposits, compared to the 22.2% increase in net loans led to a 4.4% increase in the loan to deposits ratio to 78.5%, from 74.1% in Q3'2025.
- The bank's Asset Quality improved, with the Gross NPL ratio declining by 4.2% points to 13.1% in Q3'2026, from 17.3% in Q3'2025, attributable to a 9.2% decrease in Gross non-performing loans to Kshs 71.7 bn, from Kshs 78.9 bn in Q3'2025, coupled with a 19.9% increase in gross loans to Kshs 547.7 bn, from Kshs 456.8 bn recorded in Q3'2025. General Provisions (LLP) increased by 3.3% to Kshs 46.7 bn in Q3'2026 from Kshs 45.2 bn in Q3'2025. The NPL coverage increased by 7.1%points to 70.8% in Q3'2026, from 63.7% in Q3'2025, attributable to the 3.3% increase in general provisions and the 9.2% decrease in Gross Non-performing Loans, which outweighed the 19.5% decrease in interest in suspense to Kshs 4.1 bn from Kshs 5.0 bn in Q3'2025.
- Shareholders' funds increased by 9.2% to Kshs 179.3 bn in Q3'2026, from Kshs 164.2 bn in Q3'2025, this was supported by an 12.2% increase in retained earnings to Kshs 162.3 bn, from Kshs 144.6 bn in Q3'2025, Cooperative Bank Group remains capitalized with a core capital to risk-weighted assets ratio of 20.0%, 9.5% points above the statutory requirement of 10.5%. In addition, the total capital to risk weighted assets ratio came in at 21.3%, exceeding the statutory requirement of 14.5% by 6.8% points.

- The bank currently has a Return on Average Assets (ROaA) of 4.1%, and a Return on Average Equity (ROaE) of 20.7%.

Key Take-Outs:

- **Increased earnings** - Core earnings per share grew by 27.2% to Kshs 4.7, from Kshs 3.7 in Q3'2025, driven by the 11.6% increase in total operating income to Kshs 75.2 bn, from Kshs 67.4 bn in Q3'2025. However, the performance was weighed down by a 5.3% increase in total operating expenses to Kshs 39.7 bn from Kshs 37.7 bn in Q3'2025,
- **Improved asset quality** - The bank's Asset Quality improved, with the Gross NPL ratio declining by 4.2% points to 13.1% in Q3'2026, from 17.3% in Q3'2025, attributable to a 9.2% decrease in Gross non-performing loans to Kshs 71.7 bn, from Kshs 78.9 bn in Q3'2025, coupled with a 19.9% increase in gross loans to Kshs 547.7 bn, from Kshs 456.8 bn recorded in Q3'2025.,
- **Expanded balanced sheet** - The balance sheet recorded an expansion as total assets increased by 11.3% to Kshs 907.4 bn, from Kshs 815.3 bn in Q3'2025, mainly driven by a 22.2% increase in net loans and advances to Kshs 496.9 bn from Kshs 406.5 bn and a 6.1% increase in government securities to Kshs 271.1 bn from Kshs 255.4 bn in Q3'2025.

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 22.2% to Kshs 496.9 bn from Kshs 406.5 bn in Q3'2025.
- **Product innovation and diversification** - The bank continues to expand its product offering, with recent initiatives targeting emerging customer segments, including the Young Ennovators Account (YEA!) and mobile app for the youth, ELA (Everyday Life Amplified) tailored for women led SMEs, and Visa Accept tap-to-phone payment solutions for small traders, alongside established solutions for diaspora customers, MSMEs and cooperative societies. The bank has also broadened its digital bancassurance and insurance agency offerings spanning micro business, agriculture, medical and motor covers providing additional avenues for fee generation and customer engagement. This diversification is expected to continue improving the bank's Non-funded Income, which rose by 9.2% to Kshs 24.1 bn from Kshs 22.1 bn in Q3'2025.

Valuation Summary

- We are of the view that Cooperative Bank is a "Buy" with a target price of Kshs 45.3 representing a total return of 20.2%, from the current price of Kshs 38.95 as of 13th November 2026.
- Co-operative Bank is currently trading at a P/TBV of 1.3x and a P/E of 6.4x vs an industry average of 1.2x and 6.5x respectively.