



**Co-operative  
Bank FY'24  
Earnings Note**



## Cooperative Bank FY'24 Earnings Note

March 25<sup>th</sup>, 2025

### Ticker Information

NSE Code:	COOP
Issued Shares (Bn):	5.87
52-week high:	KES 18.35
52-week low:	KES 10.10

Chart 1: Price Trend (Last 12 Months)



Source: NSE, AIB-AXYS Research

### Historical Share Performance

Last	1M	3M	6M	12M
Change	-6.1%	1.6%	21.8%	7.0%

Source: NSE, AIB-AXYS Research

### Recommendation

BUY

### Current Price

KES 15.95

### Target Price

KES 17.82

### Summary

- **Cooperative Bank** posted modest earnings growth, with net profit increasing 9.8% y/y to KES 25.46 Bn in FY'24. Revenue grew 12.5% y/y, but this was weighed down by a faster 17.7% y/y rise in operating expenses. The net interest margin improved marginally by 20bps y/y to 7.8%, supported by a 12.8% y/y expansion in asset yields. Meanwhile, the trailing return on equity declined by 130bps y/y to 19.7%, while the trailing return on assets held steady at 3.6%. **The Board of Directors announced a final dividend of KES 1.50 per share.**

### Key Highlights

- **Solid Core Banking Performance:** Net Interest Income grew 13.9% y/y to KES 51.52Bn on the back of a 24.5% y/y increase in interest from loans coupled with a 16.2% y/y increase in interest from government securities. Non Funded Income grew 10.1% y/y to KES 29.13Bn supported by a significant 56.4% y/y increase in forex trading income. Consequently, operating income paced up 12.5% y/y to KES 80.65Bn. The average yield on interest earnings increased by 0.4% points in FY'24 to 12.8%, reflecting higher-yielding reinvestments. However, this gain was weighed down by a 20bps y/y increase in the cost of funds to 7.8%, driven by the elevated interest rates during the period under review. The net interest margin increased marginally by 20bps y/y to 7.8%.
- **Deterioration of Asset Quality:** The stock of Gross Non-Performing Loans (NPLs) increased by 17.2% y/y to KES 71.08Bn - driving the gross NPL ratio by 0.7% points to 16.7%, reflecting heightened borrower distress amid a high interest rate environment. Despite the rising Non-Performing Loans, the NPL coverage improved by 6.8% points to 64.0%. The provision for loan loss increased by 44.2% to KES 8.06 Bn in FY'24 from 6.01 Bn in FY'23 as the lender remained cautious of the rising Non-Performing Loans.

## Balance Sheet Dynamics

Customer deposits expanded by 12.1% y/y to KES 506.11 Bn. However, the loan book failed to mirror this growth, contracting marginally by 13bps y/y to KES 373.73 Bn. We attribute the bank's conservative lending approach to heightened Non-Performing Loans (NPLs), with the bank opting to channel funds into higher-yielding government securities. Notably, investments in government securities surged 15.1% y/y to KES 217.57 bn during the period, capitalizing on attractive returns.

## Declining Efficiency

Operational efficiency declined marginally with the Cost-to-Income ratio (excluding loan-loss provisions) increasing by 0.2% points in FY'24 to 47.2%, from 47.0% in FY'23. This can be attributed to a 17.7% increase in total operating expenses, which outpaced a 12.5% increase in total operating income in the period under review.

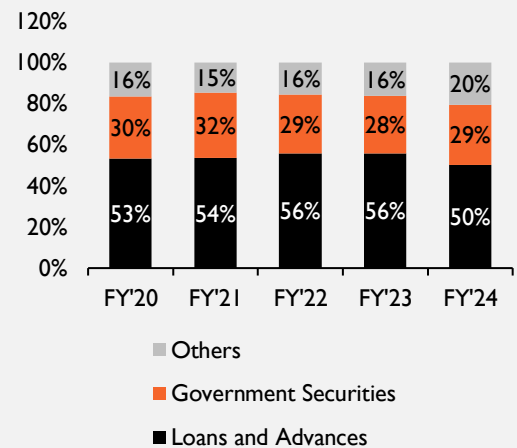
## Outlook

We expect Cooperative Bank's growth trajectory will be fueled by a strategy emphasizing digital innovation and revenue diversification. The increasing adoption of digital banking solutions is expected to enhance operational efficiency as well as driving business expansion. The bank stands to gain from scaling opportunities in MSME working capital financing, while its long-term prospects are supported by the aggressive growth of its banking and non-banking subsidiaries. Furthermore, a disciplined risk-based pricing model is likely to support steady loan portfolio growth, contributing to higher interest income.

## Recommendation

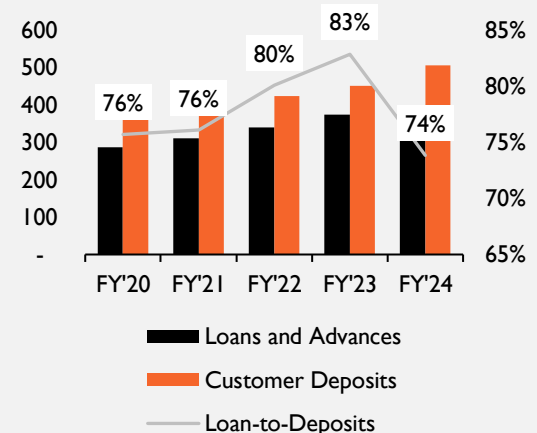
- **We maintain our BUY recommendation on Cooperative Bank driven by its steady and consistent growth outlook.** At the current market price, the stock is trading at P/E ratio of 3.6x and a P/B ratio of 0.6x. Our one-year target price for Cooperative currently stands at KES 17.82 - representing a c. 11.7% upside potential from current levels.

Chart 2: Asset Composition



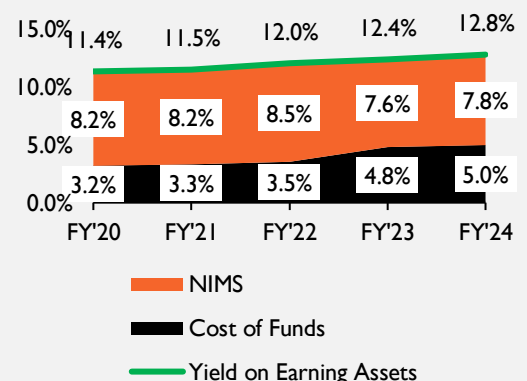
Source: Company filings, AIB-AXYS Research.

Chart 3: Growing Deposit Mobilization



Source: Company filings, AIB-AXYS Research.

Chart 4: Expanding Net Interest Margin



Source: Company filings, AIB-AXYS Research.

Income Statement (KES Bn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Net Interest Income	36.35	41.04	45.52	45.23	51.52	▲ 13.9%
Net non-Interest Income	17.48	19.40	25.73	26.46	29.13	▲ 10.1%
<b>Total Operating income</b>	53.83	60.43	71.25	71.69	80.65	▲ 12.5%
Provision for Impairment	(8.11)	(7.93)	(8.68)	(6.01)	(8.66)	▲ 44.2%
Total Operating expenses	(39.40)	(38.09)	(42.24)	(39.67)	(46.69)	▲ 17.7%
<b>Profit before tax</b>	14.28	22.65	29.43	32.36	34.78	▲ 7.5%
<b>Profit after tax</b>	10.81	16.54	22.04	23.19	25.46	▲ 9.8%
Annualized EPS	1.84	2.82	3.76	3.95	4.34	▲ 9.8%
DPS	1.00	1.00	1.50	1.50	1.50	-

Balance Sheet (KES Bn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Government Securities	161.89	184.06	173.28	189.05	217.57	▲ 15.1%
Loans and Advances	286.63	310.20	339.39	374.23	373.73	▼ (0.1%)
<b>Total Assets</b>	536.95	579.77	607.20	671.13	743.19	▲ 10.7%
Customer Deposits	378.63	407.73	423.80	451.64	506.11	▲ 12.1%
<b>Total Liabilities</b>	444.90	479.03	499.25	557.45	597.59	▲ 7.2%
<b>Shareholder's Funds</b>	90.73	100.22	107.68	113.56	145.38	▲ 28.0%

Ratio Analysis	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
<b>Spreads Analysis</b>						
Yield on Assets	11.4%	11.5%	12.0%	12.4%	12.8%	▲ 0.4%
Cost of Funds	3.2%	3.3%	3.5%	4.8%	5.0%	▲ 0.2%
Net Interest Margin	8.2%	8.2%	8.5%	7.6%	7.8%	▲ 0.2%
ROaE	12.5%	28.6%	21.2%	21.0%	19.7%	▼ (1.3%)
ROaA	2.1%	4.9%	3.7%	3.6%	3.6%	▼ (0.0%)
Profit Margin	20.1%	27.4%	30.9%	32.3%	31.6%	▼ (0.8%)
<b>Operating Efficiency</b>						
Cost to Income Less LLP	58.1%	49.9%	47.1%	47.0%	47.2%	▲ 0.2%
Cost to Assets Less LLP	5.8%	5.2%	5.5%	5.0%	5.1%	▲ 0.1%
Loan to Deposit Ratio	75.7%	76.1%	80.1%	82.9%	73.8%	▼ (9.0%)
<b>Asset Quality</b>						
Gross NPL Ratio	19.1%	14.8%	14.2%	16.4%	17.2%	▲ 0.7%
NPL Coverage	50.3%	62.6%	65.1%	57.2%	63.9%	▲ 6.8%
Cost of Risk	2.8%	2.6%	2.6%	1.6%	2.3%	▲ 0.7%
<b>Capital Adequacy</b>						
Core Capital/TRWA	15.4%	15.6%	16.9%	18.2%	18.3%	▲ 0.1%
Total Capital /TRWA	16.9%	17.2%	18.0%	22.5%	21.2%	▼ (1.3%)
Liquidity	52.2%	53.8%	48.3%	52.0%	59.9%	▲ 7.9%

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