EQUITY HOLDINGS HY25 EARNINGS UPDATE

Equity Group Holdings reported a 16.7% y/y growth in PAT to KES 33.31Bn, driven by a 9.1% increase in net interest income, partly offset by a 4.4% decline in non-interest income.

Earnings per share (EPS) surged 16.8% to KES 8.83 (annualized KES 17.6).

Despite a challenging macroeconomic backdrop and a rising **NPL ratio**, the Group delivered **3.2% revenue growth**, underpinned by geographic and product diversification, reinforcing resilient bottom-line performance.

Key growth drivers going forward include:

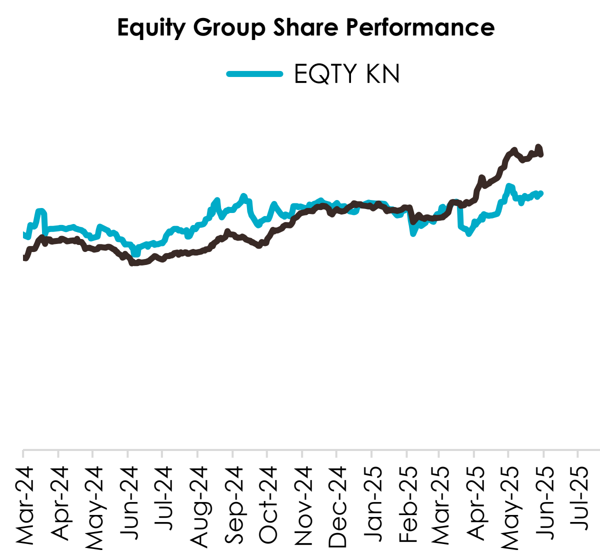
- Continued digital transformation, with over 80% of transactions processed via digital channels.
- Diversified revenue streams to cushion earnings volatility.
- Network expansion to deepen market penetration.
- Ongoing efficiency gains.

At the current market price of **KES 52.00**, Equity Group trades at a **P/E of 2.94×** (annualized) and a **P/B of 0.71×**, both below regional banking sector averages. This represents an **upside potential of 19.11%** to our **target price of KES 61.94**.

While near-term catalysts remain limited, robust fundamentals, strong capital buffers, and diversified growth levers position the Group for sustained medium-term value creation. We maintain **a Neutral rating**, with a bias towards accumulation on price weakness.

Share Data	Equity Group
Ticker	EQBNK KN
Recommendation	Neutral
Current Price (KES)	52.00
Target Price (KES)	61.94
Upside (Inc. Div. Yield)	19.11 %
52WK High (KES)	52.50
52WK Low (KES)	33.70
Market Cap (KES Bn)	196.23
Interim Dividend	N/A
P/E(An)	2.94x
P/B	0.71x
Current Price = as of 11th August 2025	

Source: Bloomberg, NSE, NCBA IB Research



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Performance Highlights

- **Earnings:** Net interest income grew by **9.1%** to KES 59.30Bn, driven by 8.9% increase in government securities income and majorly supported by a significant 18.0% decline in total interest expense to KES 24.97Bn given the falling interest rate environment with interest expense on customer deposit easing by 7.2%.

However, growth was dampened by a **7.2%** decline in interest income from loans given the eased lending rates in the market.

- **Non-interest income** declined by 4.4% to KES 40.90Bn, attributable to a 21.1% decline in forex income to KES 5.20Bn and 5.9% decline in fees on loans and advances to KES 5.37Bn.

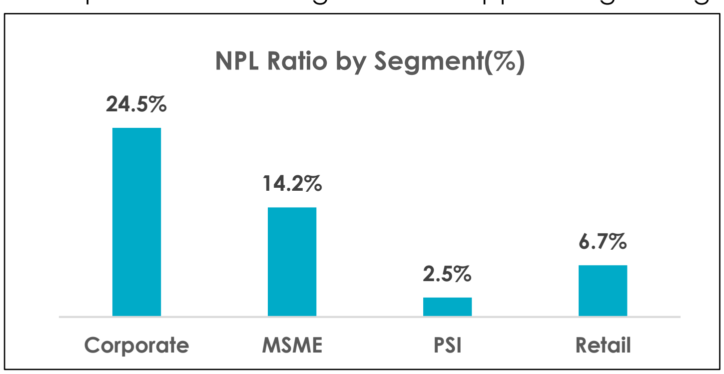
- **Loan book:** Loans and advances improved by **4.3%** to KES 825.10Bn, with total assets also increasing by **3.0%** to KES 1.80Tn. The loan to deposit ratio rose to 62.51% from 60.88%, as deposits grew modestly by 1.6% while loans grew faster by 4.4%. EBKL dominates the loan book with 52%.

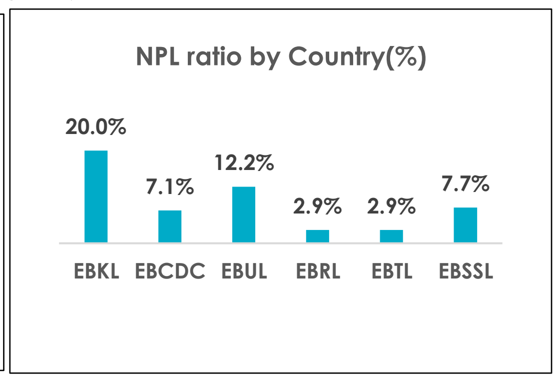
- **Customer deposits:** Customer deposits rose **1.6%** to KES 1.32Tn, supported by deposit mobilization as the Group expanded its network and client base. Growth, however, remained below the **7.5%–12.5%** target range, reflecting modest traction during the period. The expansion in liabilities has strengthened the funding base, providing stability for lending and broader business growth.

- **Operational Efficiency:** The cost-to-income ratio (excl. provisions) inched up to **51.66%** from **50.90%**, despite ongoing optimization initiatives. Operating expenses declined **2.2%** against **3.2%** revenue growth, demonstrating prudent cost control relative to business expansion. On a provision-adjusted basis, the cost-to-income ratio improved to **58.84%** from **61.73%**, reflecting better overall efficiency.

- **Asset Quality:** Gross NPLs increased 16.2% to KES 139.36Bn, raising the NPL ratio to 13.7% from 12.9%, highlighting credit stress from macroeconomic pressures and broader industry trends. The Group's NPL ratio remains below the industry average of 17.6%, underscoring relatively stronger risk management.

- Corporate segment NPLs remain the highest at **24.5%**, weighed down by pending bills and liquidity issues. **Equity Bank Kenya (EBKL)** posted the highest NPL ratio at **20.0%**, reflecting persistent strain in corporate lending in line with industry patterns. Despite asset quality pressures, the Group continues to leverage its strong deposit base, diversified revenue streams, and disciplined cost management to support long-term growth.





Source: Company financials, NCBA IB Research

Key Financial Metrics.

HY 25 Equity Group Holdings PLC	Key Metrics Y/Y
Loans and Advances	Up 4.3% to KES 825.10Bn
Customer Deposits	Up 1.6% to KES 1,319.92Bn
Government Securities	Up 21.6% to KES 321.22Bn
Net Interest Income	**Up 9.1% to KES 59.30Bn**
Non-Funded Income	**Down 4.4% to KES 40.90Bn**
Forex trading income	Down 21.1% to KES 5.20Bn
Loan Loss Provisions	Down 34.5% to KES 6.89Bnn
PBT	Up 11.8% to KES 41.54Bn
PAT	**Up 16.7% to KES 33.31Bn**
EPS	Up 16.8% to KES 8.83

Equity Group Holdings	Key Ratios Y/Y
Loan Deposit ratio	Down to 62.51% from 60.88%
Net Interest Margin	**Up to 3.30% from 3.11%**
Cost to Income	Down to 58.40% from 61.73%
NPL Ratio	**Up to 14.45% from 13.16%**
Cost of Risk	Down to 0.84% from 1.33%
Current Market Price	KES 52.5
P/E	2.97x
P/B	0.72x
Dividend (H1)	**None**

Source: Company financials, NCBA IB Research

OUTLOOK

We expect Equity Group to record steady growth boosted by:

- **Subsidiaries' performance and contribution:** The Group's subsidiaries contributed 46% of the KES 41.54Bn PBT thus cementing the Group's position as a leading regional bank. The Group continues to drive transformation in its subsidiaries, with a view to support bottom line growth.

- The insurance business has maintained robust performance. PBT grew by 26% to KES 0.9Bn during the period and total insurance assets rose by 40% to KES 31.5Bn. The outstanding performance is attributed to higher premiums, appropriate underwriting, claims reserving (involves setting aside funds to cover future claims) as well as increased earnings from investments.

- **Risk Management:** The Group recorded a 13.7% NPL ratio, which compares favorably with an industry average of 17.6%. We opine that the Group is defensively positioned as seen in the key ratios i.e., an NPL coverage of 60.4%, and a liquidity ratio of 70.9% against a balance sheet of KES1.8Tn.

- **Digital transformation**: Equity Group continues to transition from traditional banking channels to digital-first operations, reducing reliance on high-cost physical infrastructure.

  Through **regional expansion, digital transformation, and disciplined risk management**, Equity Group remains well-positioned for **long-term growth and resilience** in an evolving financial landscape.

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