

Equity Delivers Strong Q1 2026 Earnings; Expansion Story Strengthens Long-Term Outlook

Equity Group Holdings has delivered strong quarterly performances, with Q1 2026 PBT rising 31.2% y/y to KES 24.52Bn, while PAT grew 24.1% to KES 19.05Bn. Earnings per share (EPS) also advanced 23.8% to KES 4.86, underscoring sustained earnings momentum and reinforcing its position as a regional banking leader.

Beyond the headline earnings growth, the Group's performance continues to reflect its deepening regional footprint and operational scale, with Tanzania and South Sudan emerging as the fastest-growing subsidiaries by profitability. This supports Equity's broader ambition to expand from six markets to 15 countries by 2030, with Angola, Mozambique, and Zambia among the near-term strategic targets.

While this aggressive expansion strategy is expected to slightly moderate dividend growth in the near term due to higher capital retention requirements, it strengthens the long-term growth trajectory by unlocking new revenue pools across underpenetrated African markets.

As such, we maintain a **BUY** recommendation, supported by strong earnings momentum and a compelling long-term regional expansion strategy, though near-term upside may be moderated by valuation re-rating pressures.

Recommendation: **BUY**

Share Stats

Current Price	75.50
3-Month Av	74.26
6 Month Av	70.29
12 Month Av	61.86
52 Week High	79.00
52 Week Low	42.50
Issued shares (Bn)	3.77
Market Cap (KES Bn)	284.91
Market Cap (USD Mn)	2.20
P/E	11.49
PB	0.67
EPS (Annualized)	21.00

Income Statement

Total Income: Equity Group Holdings delivered strong earnings growth in Q1 2026, with total income rising 14.8% y/y to KES 55.31Bn from KES 48.18Bn in Q1 2025, supported by solid expansion in both funded and non-funded income streams. The

Net interest income (NII) remained the key earnings driver, increasing 15.6% y/y to KES 33.02Bn from KES 28.57Bn in Q1 2025. The growth was largely supported by a sharp decline in interest expenses, which more than offset the moderate growth in interest income.

Non-funded income (NFI) also posted strong growth, rising 13.7% y/y to KES 22.29Bn from KES 19.61Bn, with all the line items registering growths.

Interest income: Interest income rose 4.6% y/y to KES 43.80Bn from KES 41.89Bn in Q1 2025. Interest earned from loans and advances grew 5.7% y/y to KES 26.58Bn from KES 25.16Bn, supported by continued expansion in the loan book. Income from government securities also increased 2.4% y/y to KES 15.57Bn from KES 15.20Bn, reflecting sustained allocation toward fixed-income investments.

Interest expense: Interest expenses declined significantly by 19.1% y/y to KES 10.78Bn from KES 13.32Bn in Q1 2025, largely driven by a 29.6% reduction in interest expense on customer deposits, which fell to KES 8.06Bn from KES 11.45Bn. However, interest expense on placements and borrowings increased by 129.4% and 31.7%, respectively, partly reflecting increased utilization of wholesale funding lines.

Operating expenses: Total operating expenses rose moderately by 4.4% y/y to KES 30.79Bn from KES 29.50Bn. However, operating expenses excluding loan loss provisions increased at a faster rate of 7.1% y/y to KES 28.00Bn, largely weighed down by a 34.7% increase in staff costs to KES 11.71Bn.

Periods	Equity Group	NASI
3mtd PriceΔ	1.68%	-2.57%
6mtd PriceΔ	17.97%	9.35%
YTD Δ	13.11%	10.29%
Y/Y Δ	55.03%	52.98%

NII	15.58%
Provisions	-16.96%
Opex	4.39%
Opex Excl. LLPs	7.15%
PBT	31.24%
PAT	24.14%
Loans	9.79%
Govt. Securities	12.18%
Shareholders' Funds	29.84%

Balance Sheet

Total Assets: Equity Group’s total assets expanded strongly by 16.4% y/y to KES 2.04Trn from KES 1.75Trn, supported by robust growth in both the loan book and investment portfolio.

Investment in government securities increased 12.2% y/y to KES 615.07Bn from KES 548.28Bn, reflecting continued allocation toward government securities and other interest-earning assets. The growth aligns with the favorable fixed-income environment and heightened investor preference for relatively stable yields amid declining benchmark rates.

The **loan and advances** book grew 9.8% y/y to KES 883.46Bn from KES 804.69Bn, demonstrating sustained credit expansion despite a relatively cautious lending environment. The growth underscores continued demand for credit across the Group’s regional operations and business segments.

Funding: Customer deposits grew 11.9% y/y to KES 1.48Trn from KES 1.32Trn, reinforcing the Group’s strong deposit franchise and liquidity position. Meanwhile, borrowings increased by 6.5% y/y to KES 75.86Bn from KES 71.24Bn, indicating measured utilization of external funding to support balance sheet growth.

Total liabilities rose 14.0% y/y to KES 1.69Trn from KES 1.48Trn.

Shareholders’ funds Shareholders’ funds registered strong growth of 29.8% y/y to KES 343.66Bn from KES 264.67Bn, supported by robust retained earnings growth which increased by 20.0% to KES 294.92Bn from KES 245.82Bn in Q1 2025.

Asset quality: Asset quality improved considerably during the period, with the gross NPL ratio declining to 11.4% from 15.0% in Q1 2025, signaling continued recovery in the Group’s credit portfolio. The improvement was largely driven by a notable 17.5% decline in gross NPLs to KES 109.56Bn from KES 132.79Bn, even as gross loans expanded by 8.3% y/y to KES 958.46Bn from KES 886.06Bn. This points to a strengthening loan book where credit growth is increasingly being supported by better-quality assets rather than elevated risk exposure.

Key Ratios

- Return on average equity (ROaE) improved significantly to 27.4% from 20.8%, while return on average assets (ROaA) rose to 4.2% from 2.8%, reflecting stronger profitability and improved asset utilization.
- Net interest margin (NIM) improved to 7.9% from 7.4%, supported by lower funding costs and sustained growth in interest earning assets.
- Yield on interest-earning assets edged down marginally to 11.4% from 11.5%, reflecting the impact of declining lending rates and repricing of assets in a softer interest rate environment.
- Cost of funds improved significantly to 3.0% from 4.3%, highlighting successful liability repricing and lower interest rate environment.
- Cost of risk declined to 5.1% from 7.0%, supported by lower loan loss provisions and improving asset quality trends.
- Operational efficiency strengthened notably, with the cost-to-income ratio improving to 55.7% from 61.2%, while the cost-to-income ratio excluding loan loss provisions improved to 50.6% from 54.2%. This reflects stronger income growth relative to operating cost expansion.
- The loan-to-deposit ratio moderated slightly to 59.7% from 60.8%, pointing to continued liquidity strength despite loan growth.

<u>Interest Income</u>	<u>Q1 2025</u>	<u>Q1 2026</u>
Loans	25.16	26.58
Securities	15.20	15.57
Placements	1.31	1.28
Other Income	0.22	0.37
Total	41.89	43.80

<u>Interest Expenses</u>	<u>Q1 2025</u>	<u>Q1 2026</u>
Deposits	11.45	8.06
Placements	0.25	0.58
Other Expense	1.62	2.13
Total	13.32	10.78

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Balance Sheet	Q1 2025	Q1 2026	%Δ Y-Y
Investments	548.28	615.07	12.2%
Loans and Advances	804.69	883.46	9.8%
Total Assets	1,749.18	2,036.55	16.4%
Customer Deposits	1,322.80	1,480.20	11.9%
Borrowing	71.24	75.86	6.5%
Total Liabilities	1,484.51	1,692.89	14.0%
Shareholder's Funds	264.67	343.66	29.8%

Income Statement	Q1 2025	Q1 2026	%Δ Y-Y
Interest Income	41.89	43.80	4.6%
Interest Expense	13.32	10.78	-19.1%
NII	28.57	33.02	15.6%
NFI	19.61	22.29	13.7%
Total Income	48.18	55.31	14.8%
Loan Loss provision	3.37	2.80	-17.0%
Total Operating expenses	29.50	30.79	4.4%
Opex excl Provision	26.13	28.00	7.1%
PBT	18.68	24.52	31.2%
PAT	15.35	19.05	24.1%
EPS	3.92	4.86	23.8%

Ratios	Q1 2025	Q1 2026	y/y change
Yield from interest-earning assets	11.5%	11.4%	(0.4%)
Cost of funds	4.3%	3.0%	(0.4%)
Cost of risk	7.0%	5.1%	(0.8%)
Net Interest Margin	7.4%	7.9%	0.0%
Net Interest Income as % of operating income	59.3%	59.7%	(0.1%)
Non-Funded Income as a % of operating income	40.7%	40.3%	0.1%
Cost to Income Ratio	61.2%	55.7%	(2.7%)
CIR without LLP	54.2%	50.6%	(2.6%)
Cost to Assets	1.5%	5.9%	1.4%
NPL Ratio	15.0%	11.4%	0.3%
Loan to Deposit Ratio	60.8%	59.7%	1.7%
Return on average equity	20.8%	27.4%	1.9%
Return on average assets	2.8%	4.2%	0.2%

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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