Equity Group Holdings
H1 2026 Earnings Note

KINGDOM SECURITIES

Equity Group's EPS jumps 31.5%; Regional Growth and Diversification Driving Next Leg of Growth

Equity Group continues to cement its position as a leading banking franchise in Kenya and across the region. The H1 2026 performance provides a strong foundation for the Group to deliver KES 100Bn in PAT by year-end, supported by sustained earnings momentum and increasing diversification. PAT grew 31.5% y/y, with EPS rising at a similar pace, underscoring the Group's strong profitability.

Notably, non-funded income accelerated by 35.9% y/y, increasing its contribution to total income to 44.5% from 40.8%. The growth was largely supported by cross-border trade finance and the Group's increasingly diversified, defensive business model, with a significant portion of revenues being annuity-like and less capital-intensive.

*We maintain our **BUY** recommendation on the counter, underpinned by expectations of continued earnings growth, improving asset quality, stronger contributions from regional subsidiaries and further diversification of the Group's revenue base.*

Recommendation:	BUY
Bloomberg Ticker:	EQTY KN
Share Stats	
Current Price	92.00
3-Month Av	82.08
6 Month Av	78.35
12 Month Av	49.61
52 Week High	92.00
52 Week Low	53.75
Issued shares (Bn)	3.77
Market Cap (KES Bn)	347.18
Market Cap (USD Mn)	2.68
P/E	6.89
PB	0.91
EPS	11.61

Income Statement

Total Income: Equity Group Holdings delivered strong top-line growth, with total income rising 24.6% y/y to KES 124.87Bn, from KES 100.20Bn, supported by robust growth across both funded and non-funded income streams.

Net interest income (NII) increased 16.8% y/y to KES 69.28Bn, from KES 59.30Bn, driven by lower funding costs and resilient interest income. Despite the growth in NII, its contribution to operating income declined to 55.5% from 59.2%, reflecting stronger growth in non-funded income.

Non-funded income (NFI) was the standout performer, rising 35.9% y/y to KES 55.59Bn, from KES 40.90Bn. Consequently, its contribution to operating income increased to 44.5% from 40.8%, highlighting stronger diversification of the Group's revenue base.

Interest income grew 8.2% y/y to KES 91.20Bn, from KES 84.28Bn, despite the easing interest rate environment. Meanwhile, interest expense declined 12.2% to KES 21.92Bn, from KES 24.97Bn, reflecting a significant reduction in funding costs as the interest rate cycle continues to ease.

Operating expenses: Total operating expenses increased 14.4% y/y to KES 67.12Bn, from KES 58.66Bn. However, the increase was slower than total income growth, resulting in an improvement in the cost-to-income ratio to 53.8% from 58.5%. Excluding loan loss provisions, operating expenses rose 17.2% to KES 60.65Bn.

Profitability: Lower funding costs, strong NFI growth and improved efficiency translated into a 39.0% y/y increase in PBT to KES 57.75Bn, from KES 41.54Bn. PAT rose 31.5% to KES 45.52Bn, from KES 34.63Bn, while EPS similarly increased 31.5% to KES 11.61, from KES 8.83.

Return Performance		
Periods	**Equity Bank Kenya**	**NASI**
3mtd Price	21.85%	17.53%
6mtd Price	23.08%	12.83%
YTD	37.83%	29.62%
Y/Y	68.04%	45.39%

NII	16.82%
Provisions	-6.14%
Opex	14.42%
Opex Excl. LLPs	17.16%
PBT	39.02%
PAT	31.45%
Loans	18.90%
Govt. Securities	18.90%
Deposits	21.40
Shareholders' Funds	26.91%

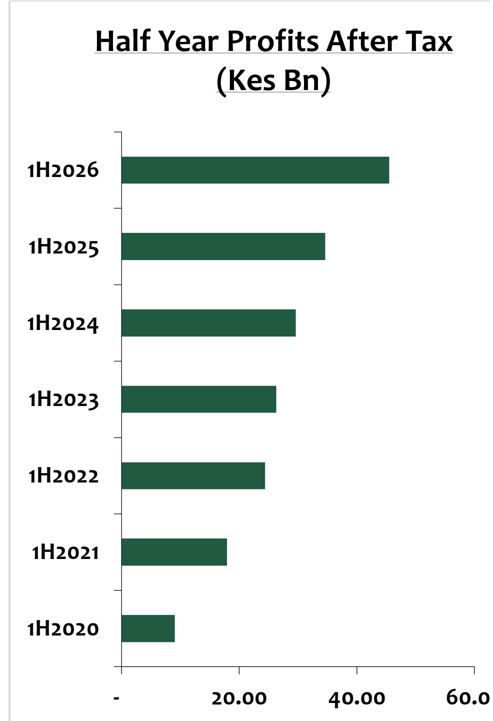
Balance Sheet

Total Assets: Equity Group's total assets expanded 19.8% y/y to KES 2,155.55Bn, from KES 1,798.92Bn, supported by strong growth in both investments and the loan book.

Investments increased 18.9% to KES 643.16Bn, from KES 540.92Bn, reflecting continued deployment into investment assets amid an easing interest rate environment. Loans and advances expanded strongly by 18.9% to KES 981.04Bn, from KES 825.10Bn, signaling a significant acceleration in credit growth. The loan book expansion was supported by stronger lending activity across the Group's markets, pointing to improved credit demand and increased balance sheet deployment.

Customer deposits grew 21.4% y/y to KES 1,589.42Bn, from KES 1,309.25Bn, outpacing loan growth and providing a strong funding base for the expansion of the balance sheet. Consequently, the loan-to-deposit ratio improved to 61.7% from 63.0%. Borrowings declined 17.7% to KES 55.62Bn, from KES 67.60Bn, indicating reduced reliance on external funding as deposit mobilization strengthened.

Shareholders' funds rose sharply by 26.9% to KES 350.36Bn, from KES 276.07Bn, supported by stronger profitability and retained earnings.



Key Ratios

- Return on average equity (ROaE) increased to 29.1% from 22.8%, while return on average assets (ROaA) improved to 4.4% from 3.0%, reflecting stronger earnings generation across the balance sheet.
- Net interest margin (NIM) improved to 7.8% from 7.5%, supported primarily by the sharp reduction in the cost of funds to 2.9% from 4.0%. The yield on interest-earning assets remained unchanged at 11.1%, indicating that margin expansion was largely driven by cheaper funding.
- Cost of risk declined to 5.2% from 6.9%, consistent with the reduction in loan loss provisions and the marked improvement in asset quality.
- Operational efficiency strengthened, with the cost-to-income ratio improving to 53.8% from 58.5%, while the CIR excluding loan loss provisions improved to 48.6% from 51.7%. Cost-to-assets also declined to 1.4% from 2.9%, further highlighting improved operating leverage.
- Equity Group reported a significant improvement in asset quality, with the NPL ratio declining to 10.2% from 15.3%, bringing the Group into single-digit territory. The improvement was supported by the realization of previously non-performing loans, as well as the Group's continued efforts to support customers in restructuring and meeting their loan obligations, which helped drive recoveries and reduce the stock of NPLs. NPL coverage also improved to 70% from 68%, providing stronger protection against potential credit losses.

Subsidiaries Contribution

- Regional Banking Subsidiaries: The Group's pan-African operations continued to be a major growth engine, with regional subsidiaries contributing 42% of banking profitability and 47% of banking revenue. They also accounted for 51% of deposits, 54% of loans and 52% of banking assets, underscoring the success of Equity's regional diversification strategy.

- Equity Bank Kenya remained the largest individual contributor, with PAT rising 32% y/y to KES 25.7Bn, supported by a 24% increase in deposits and 8% growth in loans. Importantly, quarterly loan growth accelerated to 11%, the first double-digit quarter-on-quarter growth since Q3 2021, signaling a recovery in credit demand in the Kenyan market.

- Among the regional subsidiaries, Equity BCDC in DRC delivered a 30% increase in PAT to KES 11.8Bn, while Equity Tanzania recorded the strongest earnings growth, with PAT surging 82% to KES 2.0Bn. Equity Rwanda also posted a 12% increase in PAT to KES 2.9Bn.

- The strong performance of the regional subsidiaries was therefore not only earnings-driven but also reflected in their growing balance-sheet contribution, reinforcing Equity Group's transition from a predominantly Kenyan bank into a more diversified pan-African financial services group.

- Non-banking subsidiaries: The diversification story was further supported by the Insurance Group, whose gross written premiums increased 24% to KES 6.4Bn, while PBT rose 34% to KES 1.25Bn. More broadly, non-banking subsidiaries increased their contribution to 4.8% of Group revenue from 4.0%, while their contribution to PBT and PAT improved to 4.2% and 3.7%, respectively, from 3.8% and 3.2%.

Balance Sheet	H1'2025	H1 2026	%Δ Y-Y
Investments	540.92	643.16	18.9%
Loans and Advances	825.10	981.04	18.9%
Total Assets	**1,798.92**	**2,155.55**	**19.8%**
Customer Deposits	1,309.25	1,589.42	21.4%
Borrowing	67.60	55.62	-17.7%
Total Liabilities	1,522.85	1,805.19	18.5%
Shareholder's Funds	**276.07**	**350.36**	**26.9%**

Interest Income	H1 2025	H1 2026
Loans	49.68	54.50
Government Securities	30.85	33.22
Placement	2.94	2.70
Other	0.80	0.78
Total	**84.28**	**91.20**

Interest Expense	H1 2025	H1 2026
Deposits	20.28	16.27
Placements	0.70	1.18
Other Expenses	3.99	4.46
Total	**24.97**	**21.92**

Income Statement	H1'2025	H1 2026	%Δ Y-Y
Interest Income	84.28	91.20	8.2%
Interest Expense	24.97	21.92	-12.2%
NII	59.30	69.28	16.8%
NFI	40.90	55.59	35.9%
Total Income	**100.20**	**124.87**	**24.6%**
Loan Loss provision	6.89	6.47	-6.1%
Total Operating expenses	58.66	67.12	14.4%
Opex excl Provision	51.77	60.65	17.2%
PBT	**41.54**	**57.75**	**39.0%**
PAT	**34.63**	**45.52**	**31.5%**
EPS	**8.83**	**11.61**	**31.5%**

Ratios	H1'2025	H1 2026	y/y change
Yield from interest-earning assets	11.1%	11.1%	0.0%
Cost of funds	**4.0%**	**2.9%**	**-1.2%**
Cost of risk	6.9%	5.2%	-1.7%
Net Interest Margin	7.5%	7.8%	0.4%
Net Interest Income as % of operating income	59.2%	55.5%	-3.7%
Non-Funded Income as a % of operating income	40.8%	44.5%	3.7%
Cost to Income Ratio	**58.5%**	**53.8%**	**-4.8%**
CIR without LLP	51.7%	48.6%	-3.1%
Cost to Assets	2.9%	1.4%	-1.5%
NPL Ratio	**15.3%**	**10.2%**	**-5.0%**
Loan to Deposit Ratio	63.0%	61.7%	-1.3%
Return on average equity	22.8%	29.1%	6.3%
Return on average assets	3.0%	4.4%	1.3%

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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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