

Below is a summary of Equity Group's Q1'2026 performance:

Balance Sheet Items	Q1'2025	Q1'2026	y/y change
Government Securities	329.0	353.7	7.5%
Net Loans and Advances	804.7	873.5	8.6%
Total Assets	1749.2	2036.5	16.4%
Customer Deposits	1314.2	1480.2	12.6%
Deposits per branch	3.3	3.6	9.9%
Total Liabilities	1484.5	1692.9	14.0%
Shareholders' Funds	251.3	326.5	29.9%

Balance Sheet Ratios	Q1'2025	Q1'2026	% points change
Loan to Deposit Ratio	61.2%	59.0%	(2.2%)
Government Securities to Deposits	25.0%	23.9%	(1.1%)
Return on average equity	20.8%	27.4%	6.6%
Return on average assets	2.8%	4.2%	1.4%

Income Statement	Q1'2025	Q1'2026	y/y change
Net Interest Income	28.6	33.0	15.6%
Net non-Interest Income	19.6	22.3	13.7%
Total Operating income	48.2	55.3	14.8%
Loan Loss provision	(3.4)	(2.8)	(17.0%)
Total Operating expenses	(29.50)	(30.8)	4.4%
Profit before tax	18.7	24.5	31.2%
Profit after tax	15.3	19.1	24.1%
Core EPS	3.9	4.9	24.0%

Income Statement Ratios	Q1'2025	Q1'2026	% points change
Yield from interest-earning assets	11.5%	10.5%	(1.0%)
Cost of funding	4.3%	3.0%	(1.4%)
Cost of risk	7.0%	5.1%	(1.9%)
Net Interest Margin	7.4%	7.9%	0.4%
Net Interest Income as % of operating income	59.3%	59.7%	0.4%
Non-Funded Income as a % of operating income	40.7%	40.3%	(0.4%)
Cost to Income Ratio	61.2%	55.7%	(5.6%)
CIR without LLP	54.2%	50.6%	(3.6%)
Cost to Assets	1.5%	1.4%	(0.1%)

Capital Adequacy Ratios	Q1'2025	Q1'2026	% points change
Core Capital/Total Liabilities	18.2%	19.5%	1.3%

Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	10.2%	11.5%	1.3%
Core Capital/Total Risk Weighted Assets	16.5%	17.7%	1.2%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	6.0%	7.2%	1.2%
Total Capital/Total Risk Weighted Assets	18.3%	19.1%	0.8%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	3.8%	4.6%	0.8%
Liquidity Ratio	58.5%	64.7%	6.2%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	38.5%	44.7%	6.2%

Income Statement

- Core earnings per share grew by 24.0% to Kshs 4.9, from Kshs 3.9 in Q1'2025, driven by the 14.8% increase in total operating income to Kshs 55.3 bn, from Kshs 48.2 bn in Q1'2025, that outpaced the 4.4% increase in total operating expenses to Kshs 30.8 bn from Kshs 29.5 bn in Q1'2025,
- The 14.8% increase in total operating income was mainly driven by a 15.6% increase in Net Interest Income (NII) to Kshs 33.0 bn from Kshs 28.6 bn in Q1'2025, coupled with a 13.7% increase in Non-Interest Income (NFI) to Kshs 22.3 bn, from Kshs 19.6 bn in Q1'2025,
- Interest income grew by 4.6% to Kshs 43.8 bn from Kshs 41.9 bn in Q1'2025, mainly driven by 5.7% increase in interest income from loans and advances to Kshs 26.6 bn, from Kshs 25.2 bn in Q1'2025, coupled with a 2.4% increase in interest income from government securities to Kshs 15.6 bn from Kshs 15.2 bn in Q1'2025, however weighed down by a 2.2% decline in interest income from deposits and placements to Kshs 1.28 bn from Kshs 1.31 bn in Q1'2025. The Yield on Interest-Earning Assets (YIEA) decreased by 1.0% points to 10.5% from 11.5% recorded in Q1'2025, attributable to the slower 3.8% growth in trailing interest income to Kshs 175.6 bn, from Kshs 169.1 bn in Q1'2025, compared to the faster 13.3% Increase in average interest earning assets to Kshs 1,665.3 bn, from Kshs 1,469.9 bn in Q1'2025,
- Interest expenses declined by 19.1% to Kshs 10.8 bn from Kshs 13.3 bn in Q1'2025, mainly driven by a 29.6% decrease in interest expense on customer deposits to Kshs 8.1 bn from Kshs 11.4 bn in Q1'2025. Consequently, Cost of funds (COF) decreased by 1.4% points to 3.0% from 4.3% recorded in Q1'2025, owing to a 26.0% decrease in Trailing interest expense to Kshs 44.2 bn from Kshs 59.7 bn recorded in Q1'2025, compared to a 7.5% increase in average interest-bearing liabilities to Kshs 1,477.0 bn from Kshs 1,374.3 bn in Q1'2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 0.4% points to 7.9% from 7.4% in Q1'2025, attributable to a faster 20.1% increase in trailing net interest income to Kshs 131.4 bn from Kshs 109.4 bn recorded in Q1'2025, compared to a slower 13.3% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 13.7% to Kshs 22.3 bn from Kshs 19.6 bn in Q1'2025, mainly driven by an increase in fees and commissions on loans income by 26.2% to Kshs 3.4 bn in Q1'2026 from Kshs 2.7 bn in Q1'2025, coupled with a 23.7% increase in foreign exchange trading income to Kshs 3.3 bn, from Kshs 2.7 bn in Q1'2025. Total fees and commissions increased by 27.4% to Kshs 17.1 bn from Kshs 13.4 bn in Q1'2025. The revenue mix shifted to 60:40 from 59:41 for the funded to non-funded income owing to the faster 15.6% growth in Funded Income compared to a 13.7% increase in the Non-Funded Income,

- Total operating expense increased by 4.4% to Kshs 30.8 bn in Q1'2026, from Kshs 29.5 bn in Q1'2025, mainly attributable to the 34.7% increase in staff costs expense to 11.7 bn from 8.7 bn in Q1'2025. Notably, loan loss provisions expense decreased by 17% to Kshs 2.8 bn, from 3.4 bn in Q1'2025,
- Cost to Income Ratio (CIR) decreased by 5.6% points to 55.7% from 61.2% in Q1'2025, owing to the 14.8% increase in total operating income that outpaced the 4.4% in total operating expense. Notably, CIR without LLP decreased by 3.6% points to 50.6%, from 54.2% recorded in Q1'2025,
- Profit before tax increased by 31.2% to Kshs 24.5 bn, from Kshs 18.7 bn recorded in Q1'2025, with effective tax rate increasing to 22.3% in Q1'2026, from 17.8 % in Q1'2025, leading to a 24.1% increase in profit after tax to Kshs 19.1 bn in Q1'2026, from Kshs 15.3 bn in Q1'2025.

Balance Sheet

- The balance sheet registered an expansion as total assets increased by 16.4% to Kshs 2,036.5 bn in Q1'2026, from Kshs 1,749.2 bn in Q1'2025, mainly driven by the 8.6% increase in net loans and advances to customers to Kshs 873.5 bn, from Kshs 804.7 bn in Q1'2025, coupled with a 7.5% increase in government securities to Kshs 353.7 bn, from Kshs 329.0 bn in Q1'2025. Total liabilities increased by 14.0% to Kshs 1,692.9 bn from Kshs 1,484.5 bn in Q1'2025, mainly driven by a 12.6% increase in customer deposits to Kshs 1,480.2 bn from Kshs 1,314.2, coupled with a 6.5% increase in borrowings to Kshs 75.9 bn from Kshs 71.2 bn.
- The 12.6% growth in customer deposits, which outpaced the 8.6% growth in net loans led to decrease in the loan to deposits ratio to 59.0%, from 61.2% in Q1'2025,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 11.5% in Q1'2026, from 15.0% in Q1'2025, attributable to a 17.5% decrease in Gross non-performing loans to Kshs 109.5 bn, from Kshs 132.8 bn in Q1'2025, as compared to the 7.2% increase in gross loans to Kshs 948.5 bn, from Kshs 885.1 bn recorded in Q1'2025,
- General Provisions (LLP) decreased by 3.9% to Kshs 49.3 bn in Q1'2026 from Kshs 51.3 bn in Q1'2025. The NPL coverage increased to 68.5% in Q1'2026, from 60.5% in Q1'2025, attributable to the 11.6% decrease in interest suspense to 25.7 bn from 29.1 bn coupled with the 3.9% decrease in general provisions which was outpaced by the 17.5% decrease in Gross Non-performing Loans to Kshs 109.5 bn, from Kshs 132.8 bn in Q1'2025.
- Shareholders' funds increased by 29.9% to Kshs 326.5 bn in Q1'2026, from Kshs 251.3 bn in Q1'2025, supported by a 20.0% increase in retained earnings to Kshs 294.9 bn, from Kshs 245.8 bn in Q1'2025,
- Equity Group remains capitalized with a core capital to risk-weighted assets ratio of 17.7%, 7.2% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 19.1%, exceeding the statutory requirement of 14.5% by 4.5% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 4.2%, and a Return on Average Equity (ROaE) of 27.4%.

Key Take-Outs:

1. **Increased earnings** - Core earnings per share grew by 24.0% to Kshs 4.9, from Kshs 3.9 in Q1'2025, driven by the 14.8% increase in total operating income to Kshs 55.3 bn, from Kshs 48.2 bn in Q1'2025, that outpaced the 4.4% increase in total operating expenses to Kshs 30.8 bn from Kshs 29.5 bn in Q1'2025,
2. **Improved asset quality** – The bank's Asset Quality improved, with Gross NPL ratio decreasing to 11.5% in Q1'2026, from 15.0% in Q1'2025, attributable to a 17.5% decrease in Gross non-performing loans to

Kshs 109.5 bn, from Kshs 132.8 bn in Q1'2025, compared to the 7.2% increase in gross loans to Kshs 948.5 bn, from Kshs 885.1 bn recorded in Q1'2025,

- 3. Expanded Balanced sheet** - The balance sheet registered an expansion as total assets increased by 16.4% to Kshs 2,036.5 bn in Q1'2026, from Kshs 1,749.2 bn in Q1'2025, mainly driven by the 8.6% increase in net loans and advances to customers to Kshs 875.5 bn, from Kshs 804.7 bn in Q1'2025, coupled with a 7.5% increase in government securities to Kshs 353.7 bn, from Kshs 329.0 bn in Q1'2025,
- 4. Increased lending**- Customer net loans and advances increased by 8.6% to Kshs 873.5 bn, from Kshs 804.7 bn in Q1'2025.

Going forward, the factors that would drive the bank's growth would be:

- **Regional Expansion** - Equity Group's long-term growth trajectory remains intact notwithstanding the current market dislocation. The Group is actively negotiating a majority stake in an Angolan bank, anchoring its entry into Southern Africa along the Lobito Corridor trade route, as it advances toward its 2030 target of operating across 15 African countries and serving 100 million customers.
- **Digital Enablement** - Operationally, the transformation is already delivering. With 98.0% of transactions now processed digitally and the cost-to-income ratio improving to 55.7% from 61.2%, Equity is demonstrating that its shift toward a technology-led model is translating into measurable efficiency gains, a foundation that supports earnings growth independent of near-term market sentiment

Valuation Summary

- We are of the view that Equity Group is a "Buy" with a target price of Kshs 87.8 representing an upside of 23.1%, from the current price of Kshs 76.0 as of 22nd May 2026,
- Equity Group is currently trading at a P/TBV of 0.9x and a P/E of 3.6x vs an industry average of 1.1x and 5.7x respectively.