

Below is a summary of Equity Group's Q3'2025 performance:

Balance Sheet Items	Q3'2024	Q3'2025	y/y change
Government Securities	258.9	310.4	19.9%
Net Loans and Advances	800.1	859.8	7.5%
Total Assets	1703.1	1817.0	6.7%
Customer Deposits	1316.8	1345.5	2.2%
Deposits/Branch	3.7	3.3	(10.9%)
Total Liabilities	1476.1	1513.8	2.6%
Shareholders' Funds	216.9	288.4	32.9%

Balance Sheet Ratios	Q3'2024	Q3'2025	% y/y change
Loan to Deposit Ratio	60.8%	63.9%	3.1%
Government Securities to Deposit Ratio	32.4%	36.1%	3.7%
Return on average equity	24.2%	24.5%	0.4%
Return on average assets	2.9%	3.5%	0.7%

Income Statement (Kshs Bn)	Q3'2024	Q3'2025	y/y change
Net Interest Income	80.6	93.6	16.1%
Net non-Interest Income	61.2	62.7	2.5%
Total Operating income	141.7	156.3	10.3%
Loan Loss provision	(12.7)	(11.6)	(8.2%)
Total Operating expenses	(90.7)	(90.7)	(0.03%)
Profit before tax	51.0	65.6	28.5%
Profit after tax	40.9	54.1	32.2%
Core EPS	10.4	13.8	32.7%

Income Statement Ratios	Q3'2024	Q3'2025	y/y change
Yield from interest-earning assets	11.7%	11.3%	(0.4%)
Cost of funding	4.1%	3.7%	(0.4%)
Cost of risk	8.9%	7.4%	(1.5%)
Net Interest Margin	7.7%	7.9%	0.2%
Net Interest Income as % of operating income	56.9%	59.9%	3.0%
Non-Funded Income as a % of operating income	43.1%	40.1%	(3.0%)
Cost to Income Ratio	64.0%	58.0%	(6.0%)
CIR without LLP	55.1%	50.6%	(4.5%)
Cost to Assets	4.6%	4.4%	(0.2%)

Capital Adequacy Ratios	Q3'2024	Q3'2025	% points change
Core Capital/Total Liabilities	16.9%	19.1%	2.2%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	8.9%	11.1%	2.2%
Core Capital/Total Risk Weighted Assets	15.9%	16.6%	0.7%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	5.4%	6.1%	0.7%
Total Capital/Total Risk Weighted Assets	18.3%	18.3%	0.0%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	3.8%	3.8%	0.0%
Liquidity Ratio	55.0%	61.0%	6.0%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	35.0%	41.0%	6.0%

Income Statement

- Core earnings per share grew by 32.7% to Kshs 13.8, from Kshs 10.4 in Q3'2024, driven by the 10.3% increase in total operating income to Kshs 156.3 bn, from Kshs 141.7 bn in Q3'2024, coupled with the 0.03% decrease in total operating expenses to Kshs 90.68 bn from Kshs 90.71 bn in Q3'2024,
- The 10.3% increase in total operating income was mainly driven by a 16.1% increase in Net Interest Income (NII) to Kshs 93.6 bn from Kshs 80.6 bn in Q3'2024, coupled with a 2.5% increase in Non-Interest Income (NFI) to Kshs 62.7 bn, from Kshs 61.2 bn in Q3'2024,
- Interest income grew by 2.9% to Kshs 129.5 bn from Kshs 125.9 bn in Q3'2024, mainly driven by 41.7% increase in interest income from deposits and placements to Kshs 4.7 bn, from Kshs 3.3 bn in Q3'2024, coupled with a 7.5% increase in interest income from government securities to Kshs 45.8 bn from Kshs 42.6 bn in Q3'2024, however weighed down by a 2.0% decline in interest income from loans and advances to Kshs 77.8 bn from Kshs 79.4 bn in Q3'2024. The Yield on Interest-Earning Assets (YIEA) decreased by 0.4% points to 11.3% from 11.7% recorded in Q3'2024, attributable to the 1.8% growth in trailing interest income to Kshs 173.9 bn, from Kshs 170.8 bn in Q3'2024, which was outpaced by the 5.2% Increase in average interest earning assets to Kshs 1,534.7 bn, from Kshs 1,459.5 bn in Q3'2024,
- Interest expenses declined by 20.7% to Kshs 36.0 bn from Kshs 45.3 bn in Q3'2024, mainly driven by an 75.0% decrease in interest expense on deposits and placements to Kshs 1.0 bn from Kshs 3.8 bn in Q3'2024, coupled with a 14.7% decrease in interest expense on customer deposits to Kshs 28.7 bn, from Kshs 33.7 bn recorded in Q3'2024. Consequently, Cost of funds (COF) decreased by 0.4% points to 3.7% from 4.1% recorded in Q3'2024, owing to a 10.0% decrease in Trailing interest expense to Kshs 52.2 bn from Kshs 58.0 bn recorded in Q3'2024, compared to a 0.4% increase in average interest-bearing liabilities to Kshs 1,405.4 bn from Kshs 1,400.4 bn in Q3'2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 0.2% points to 7.9% from 7.7% in Q3'2024, attributable to a faster 7.9% increase in trailing net interest income to Kshs 121.7 bn from Kshs 112.8 bn recorded in Q3'2024, compared to a slower 5.2% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 2.5% to Kshs 62.7 bn from Kshs 61.2 bn in Q3'2024, mainly driven by a 9.8% increase in other fees and commissions income to Kshs 34.9 bn, from Kshs 31.8 bn in Q3'2024. Total

fees and commissions increased by 7.6% to Kshs 43.0 bn from Kshs 40.0 bn in Q3'2024. The revenue mix shifted to 60:40, from 57:43 for the funded to Non-funded income owing to the faster 16.1% growth in Funded Income compared to a 2.5% decrease in the Non-Funded Income,

- Total operating expense decreased marginally by 0.03% to Kshs 90.68 bn in Q3'2025, from Kshs 90.71 bn in Q3'2024, mainly attributable to the 8.2% decrease in loan loss provisions expense to 11.6 bn from 12.7 in Q3'2024. The decrease in provisioning comes amid improved business environment and reduced credit risk as evidenced by the average Q3'2025 Purchasing Managers Index (PMI) of 49.4, up from an average of 47.8 in Q3'2024. Notably, staff costs increased by 19.3% to Kshs 28.6 bn, from 24.0 bn in Q3'2024,
- Cost to Income Ratio (CIR) decreased by 6.0% points to 58.0% from 64.0 in Q3'2024, owing to the 0.03% decrease in total operating expenses, compared to the 10.3% increase in total operating income. Notably, CIR without LLP increased by 4.5% points to 50.6%, from 55.1% recorded in Q3'2024,
- Profit before tax increased by 28.5% to Kshs 65.6 bn, from Kshs 51.0 bn recorded in Q3'2024, with effective tax rate decreasing to 17.5% in Q3'2025, from 19.8% in Q3'2024, leading to a 32.2% increase in profit after tax to Kshs 54.1bn in Q3'2025, from Kshs 40.9 bn in Q3'2024.
- The Board of Directors did not recommend an interim dividend for the period, consistent with Q3'2024.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 6.7% to Kshs 1,817.0 bn, from Kshs 1,703.1 bn in Q3'2024, mainly driven by a 19.9% increase in government securities holdings to Kshs 310.4 bn, from 258.9 bn in Q3'2024, coupled with a 7.5% increase in net loans and advances to Kshs 859.8 bn, from Kshs 800.1 bn in Q3'2024. Total liabilities increased by 2.6% to Kshs 1,513.8 bn from Kshs 1,476.1 bn in Q3'2024, mainly driven by a 2.2% increase in customer deposits to Kshs 1,345.5 bn, from Kshs 1,316.8 bn in Q3'2024, but was weighed down by the 10.8% decrease in borrowings to Kshs 67.0 bn, from Kshs 75.1 bn in Q3'2024,
- The 2.2% growth in customer deposits, which was outpaced by the 7.5% growth in net loans led to an increase in the loan to deposits ratio to 63.9%, from 60.8% in Q3'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 13.6% in Q3'2025, from 14.4% in Q3'2024, attributable to a 3.1% increase in Gross non-performing loans to Kshs 129.2 bn, from Kshs 125.3 bn in Q3'2024, which was outpaced to the 9.2% increase in gross loans to Kshs 951.7 bn, from Kshs 871.3 bn recorded in Q3'2024,
- General Provisions (LLP) increased by 37.7% to Kshs 63.3 bn in Q3'2025 from Kshs 46.0 bn in Q3'2024. The NPL coverage increased to 71.1% in Q3'2025, from 56.8% in Q3'2024, attributable to the 37.7% increase in general provisions coupled with the 13.5% increase in interest in suspense to Kshs 28.6 bn from 25.2 bn in Q2'2024 which outpaced the 3.1% increase in Gross Non-performing Loans to Kshs 129.2 bn, from Kshs 125.3 bn in Q3'2024.
- Shareholders' funds increased by 32.9% to Kshs 288.4 bn in Q3'2025, from Kshs 216.9 bn in Q3'2024, supported by a 18.2% increase in retained earnings to Kshs 279.0 bn, from Kshs 236.1 bn in Q3'2024,
- Equity Group remains capitalized with a core capital to risk-weighted assets ratio of 16.6%, 6.1% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 18.3%, exceeding the statutory requirement of 14.5% by 3.8% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.5%, and a Return on Average Equity (ROaE) of 24.5%.

Key Take-Outs:

1. **Increased earnings** - Core earnings per grew by 32.7% to Kshs 13.8, from Kshs 10.4 in Q3'2024, driven by the 10.3% increase in total operating income to Kshs 156.3 bn, from Kshs 141.7 bn in Q3'2024, coupled with the 0.03% decrease in total operating expenses to Kshs 90.68 bn from Kshs 90.71 bn in Q3'2024,
2. **Improved asset quality** – The bank's Asset Quality improved, with Gross decreasing to 13.6% in Q3'2025, from 14.4% in Q3'2024, attributable to a 3.1% increase in Gross non-performing loans to Kshs 129.2 bn, from Kshs 125.3 bn in Q3'2024, which was outpaced to the 9.2% increase in gross loans to Kshs 951.7 bn, from Kshs 871.3 bn recorded in Q3'2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 6.7% to Kshs 1,817.0 bn, from Kshs 1,703.1 bn in Q3'2024, mainly driven by a 19.9% increase in government securities holdings to Kshs 310.4 bn, from 258.9 bn in Q3'2024, coupled with a 7.5% increase in net loans and advances to Kshs 859.8 bn, from Kshs 800.1 bn in Q3'2024,
4. **Increased lending**- Customer net loans and advances increased by 7.5% to Kshs 859.8 bn, from Kshs 800.1 bn in Q3'2024.

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

- **Digital Transformation**– Equity Group Holdings has been at the forefront of digital transformation within Kenya's banking sector, implementing innovative solutions to enhance customer experience and operational efficiency, reducing the need for physical branch operations. A cornerstone of this strategy is Equitel, the Group's mobile virtual network operator, which has significantly influenced the financial landscape. Clients transfer funds, apply for loans, pay bills, and manage investments from their phones, eliminating the need for branch visits. This convenience and 24/7 accessibility have driven a sharp increase in customer uptake, boosting efficiency, cutting operational costs, and enabling the bank to serve millions more customers at scale.
- **Regional Expansion** – Equity Group's strategic growth into other African markets has significantly diversified its revenue base and reduced overreliance on the Kenyan economy. The acquisition of Equity BCDC in the Democratic Republic of Congo in 2020 opened doors to one of Africa's most populous nations and a fast-growing resource-rich economy, creating opportunities in retail lending, corporate banking, and trade finance. Similarly, established operations in Uganda, Tanzania, Rwanda, and South Sudan have allowed the bank to tap into cross-border trade flows, offer regional corporate clients integrated solutions, and benefit from economies of scale, positioning the group as a leading Pan-African financial services provider.

Valuation Summary

- We are of the view that Equity Group is a "buy" with a target price of Kshs 76.0 representing an upside of 14.7%, from the current price of 66.3 as of 31st October 2025,
- Equity Group is currently trading at a P/TBV of 1.0x and a P/E of 4.6x vs an industry average of 1.1x and 4.9x respectively.