



Equity Group Q3 2025 Earnings Note

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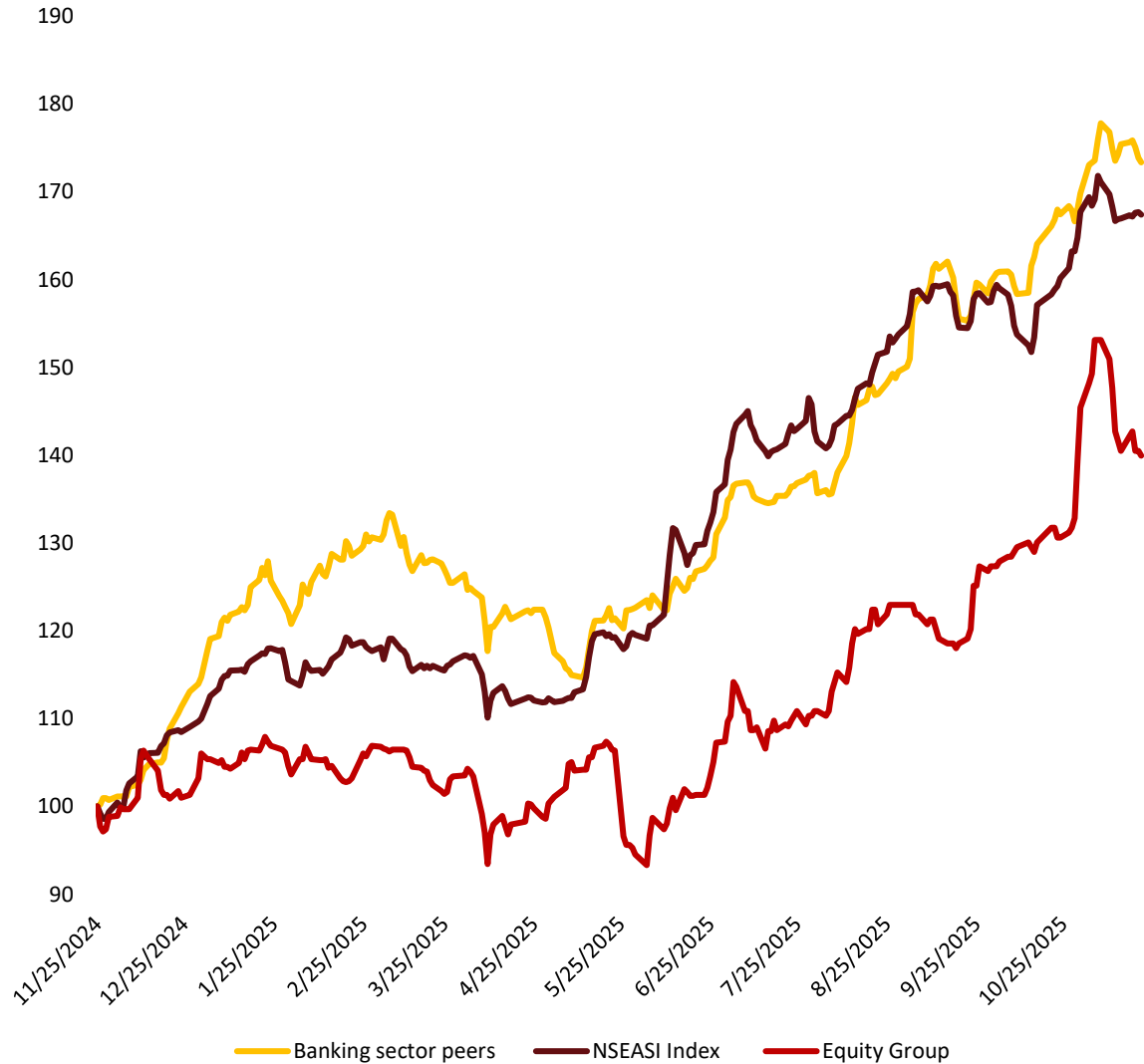
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Summary

Normalised share price movement of Equity Group vs bank stocks and the market.



Source: Bloomberg

Last Price – 21 st November 2025 in KES	63.75
Valuation Estimate in KES :	74.50
Upside	16.9%
Recommendation	BUY
52-Week High	71.00
52-Week Low	41.20
52-Week Price Return	53.5%
Year-to-Date Price Return	44.7%
Price to Earnings Ratio (P/E)	4.6x
Price to Book Ratio (P/B)	0.8x

Source: Bloomberg and Faida Analysis

We recommend a BUY on Equity Bank with a fair value of KES 74.50, representing an **upside of 16.9%** on the 21st November 2025 closing price of KES 63.75.

Equity Group continues to deliver strong performance, with a group ROaE of 26.0%, solid subsidiary earnings, and resilient loan and deposit growth. Cost efficiency improved, with the cost-to-income ratio easing to 50.6%. The Bank holds a 13.6% market share—second after KCB—supported by its wide distribution network and strong digital and agency channels. Regional businesses, especially Equity BCDC in the DRC, remain major contributors, while the Group’s tri-engine model (banking, insurance, and digital platforms) strengthens revenue diversification. Continued digital investment, enhanced risk analytics, and the strategic opportunity in Ethiopia’s liberalizing market position Equity for sustained growth into Q4 2025 and beyond.

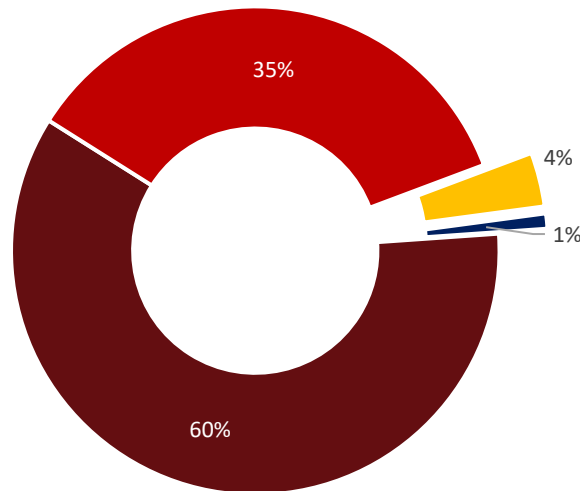
Interest Income

Total interest income increased by 2.9%, rising to KES 129.5 billion in Q3 2025 from KES 125.9 billion in Q3 2024, driven primarily by higher earnings from government securities. Interest income from government securities grew to KES 45.8 billion from KES 42.6 billion, marking a 7.5% uplift.

Income from deposits and placements with banking institutions expanded sharply, rising 41.7% to KES 4.7 billion from KES 3.3 billion.

Additionally, other interest income almost doubled, advancing 93.3% to KES 1.3 billion from KES 676.1 million, underscoring broad-based growth across interest-earning lines.

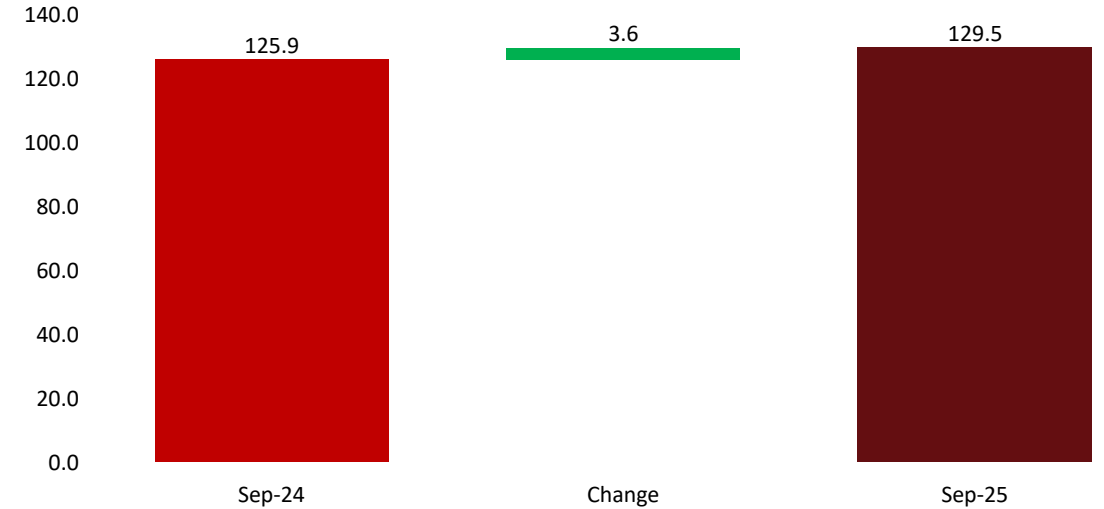
Interest Income Composition



■ Loans and advances ■ Government securities ■ Deposits and placements ■ Other interest income

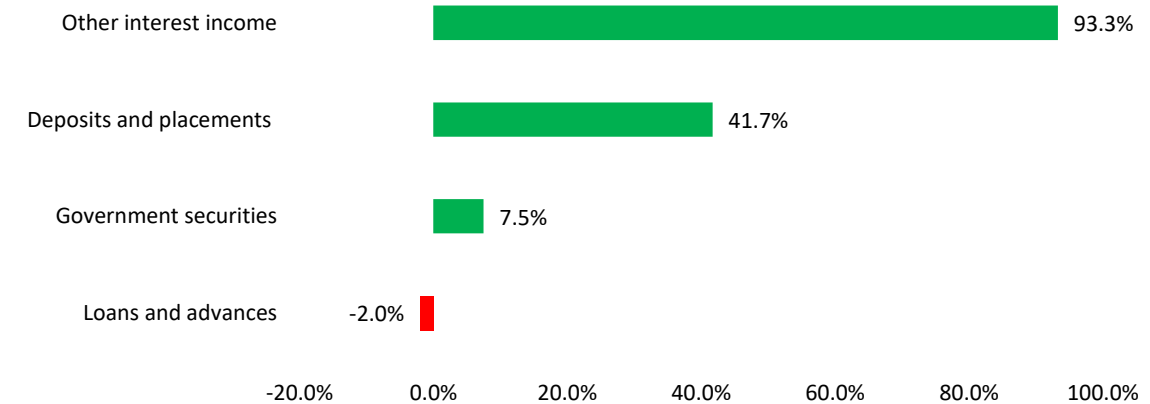
Source: Company Financials

Interest Income Development (KES billions)



Source: Company Financials

Interest Income Growth Rate (%)



Source: Company Financials

Interest Expense

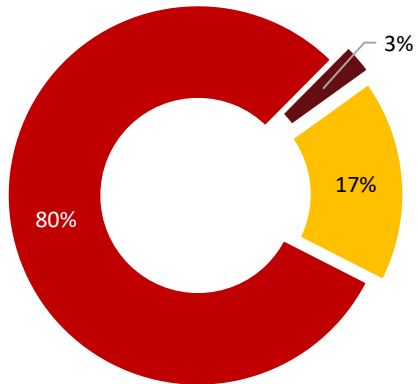
Total interest expenses declined 20.7% to KES 36.0 billion in Q3 2025 from KES 45.3 billion in Q3 2024, a reduction of KES 9.4 billion. The contraction was mainly driven by lower funding costs across key liability categories.

Interest paid on customer deposits fell 14.7% to KES 28.7 billion from KES 33.7 billion, reflecting easing deposit pricing pressures.

Interest on deposits and placements from banking institutions registered a sharper drop, sliding 75.0% to KES 956.1 million from KES 3.8 billion, following reduced reliance on interbank funding.

Other interest expenses also eased, dipping 20.0%, in line with the overall decline in interest-bearing obligations.

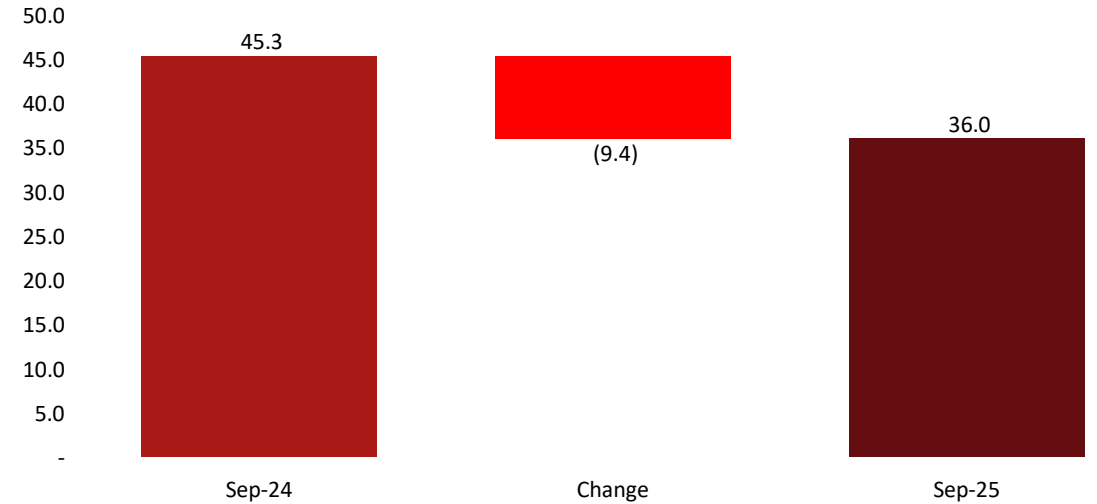
Interest Expense Composition.



■ Customer deposits ■ Deposits and placements ■ Other interest expense

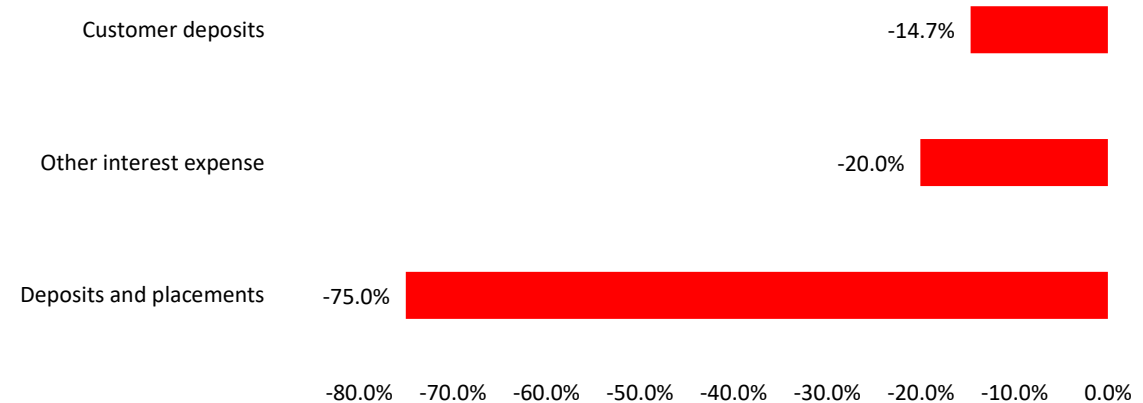
Source: Company Financials

Total Interest Expense Development (KES billions)



Source: Company Financials

Interest Expense Growth Rate



Source: Company Financials

Net Interest Income and Non-Funded Income

Net interest income (NII) rose 16.1% to KES 93.6 billion in Q3 2025 from KES 80.6 billion, an uplift of KES 13.0 billion. The NII margin improved to 59.9% from 56.9%, supported by stronger interest income and lower funding costs.

Non-funded income edged up 2.5% to KES 62.7 billion from KES 61.2 billion, driven mainly by higher other fees and commissions, although this was partly offset by pressure in FX income and loan-related fees. As a result, the non-funded income margin eased to 40.1% from 43.1%.

Fees and commissions on loans and advances dipped 1.1% to KES 8.2 billion from KES 8.3 billion.

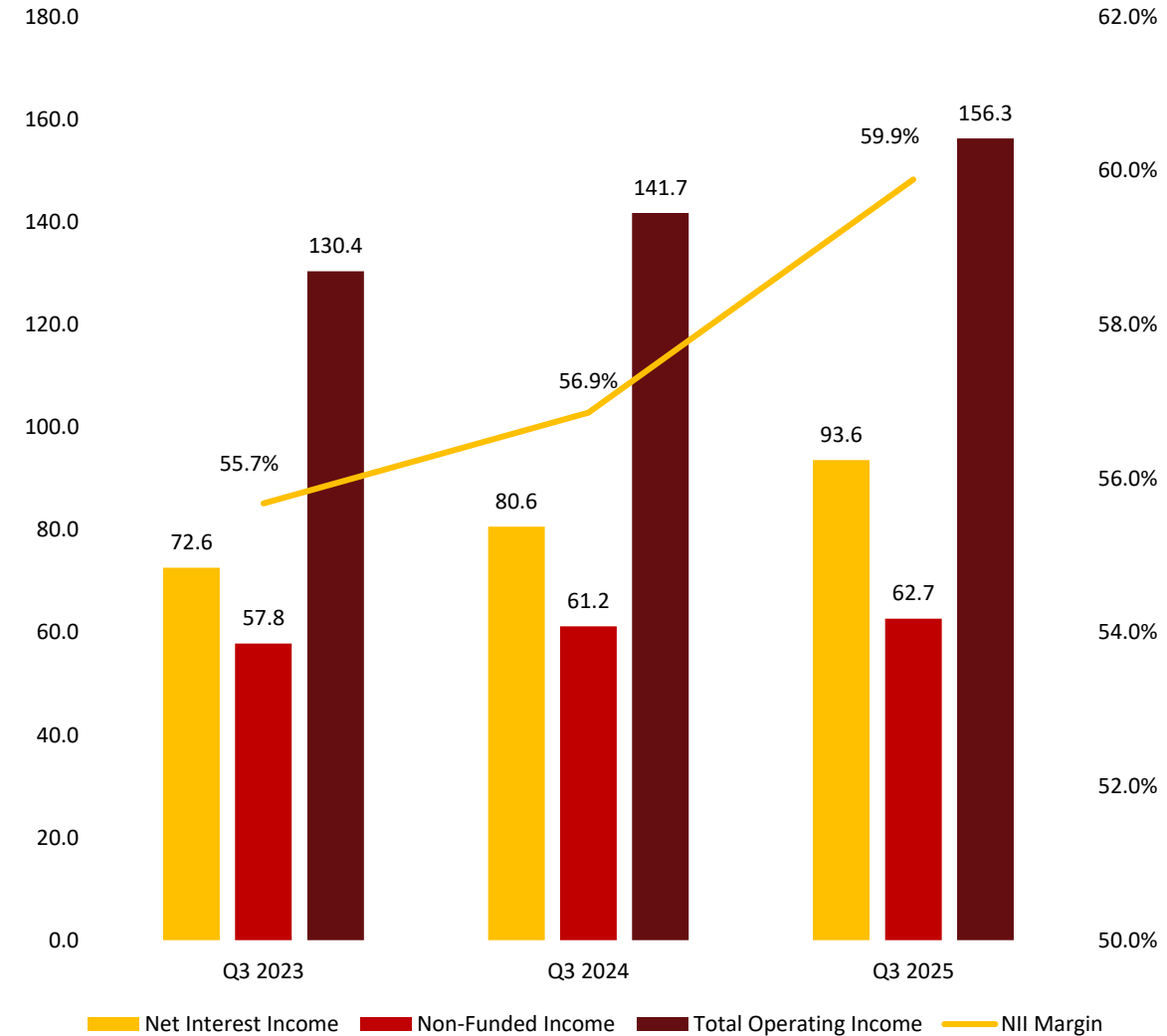
Other fees and commissions increased 9.8% to KES 34.9 billion from KES 31.8 billion, reflecting stronger transactional activity.

Foreign exchange trading income softened 5.2%, coming in at KES 8.8 billion versus KES 9.2 billion.

Other income declined 8.6% to KES 10.9 billion from KES 11.9 billion.

Overall, total operating income increased 10.3% to KES 156.3 billion from KES 141.7 billion.

Net Interest Income & Non-Funded Income (KES billions)



Source: Company Financials

Operating Costs and Provisioning

Operating expenses were broadly unchanged at KES 90.71 billion in Q3 2025 versus KES 90.68 billion in Q3 2024, reflecting a marginal decline of KES 30.1 million.

Loan loss provisions eased 8.2% to KES 11.6 billion from KES 12.7 billion, supported by improved asset quality.

Staff costs increased 19.3% to KES 28.6 billion from KES 24.0 billion, driven by higher personnel expenses.

Directors' emoluments declined 6.4% to KES 287.5 million from KES 307.1 million.

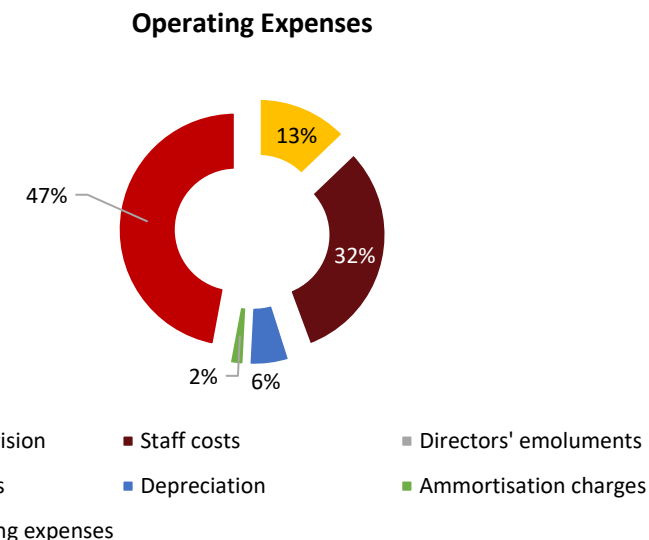
Rental charges fell 30.1% to KES 391.1 million from KES 559.6 million, reflecting branch optimisation and reduced lease expenses.

Depreciation on property and equipment rose 17.3% to KES 5.2 billion from KES 4.4 billion. Ammortisation charges increased 22.3% to KES 1.9 billion from KES 1.6 billion.

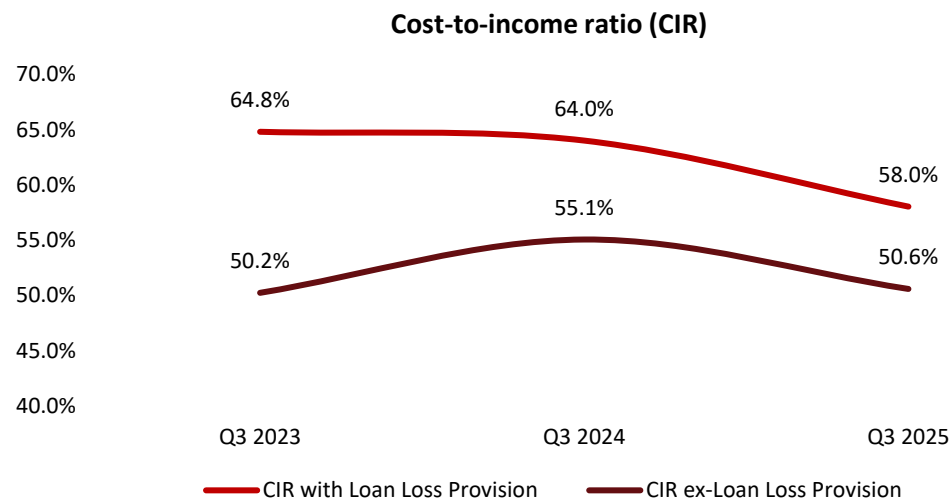
Other operating expenses declined 9.6% to KES 42.7 billion from KES 47.2 billion, supported by improved cost discipline.

As a result, the cost-to-income ratio (including loan loss provisions) improved by 600 bps to 58.0% from 64.0%, while the cost-to-income ratio (excluding loan loss provisions) strengthened by 450 bps to 50.6%.

**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*



Source: Company Financials



Source: Company Financials

Earnings and Profitability

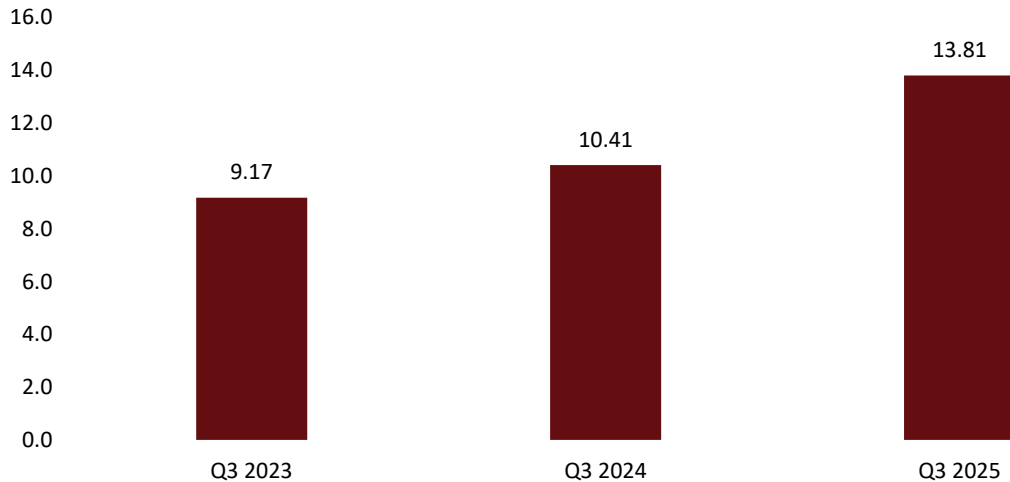
Profit after tax rose 32.2% in Q3 2025 to KES 54.1 billion from KES 40.9 billion in Q3 2024, an increase of KES 13.2 billion. The strong bottom-line performance was supported by double-digit growth in net interest income and disciplined cost management, with operating expenses remaining broadly unchanged year-on-year.

As a result, the net profit margin improved by 570 bps to 34.6% from 28.9%.

Total comprehensive income expanded 181.7% to KES 72.4 billion from KES 25.7 billion, an uplift of KES 46.7 billion, driven largely by gains in other comprehensive income.

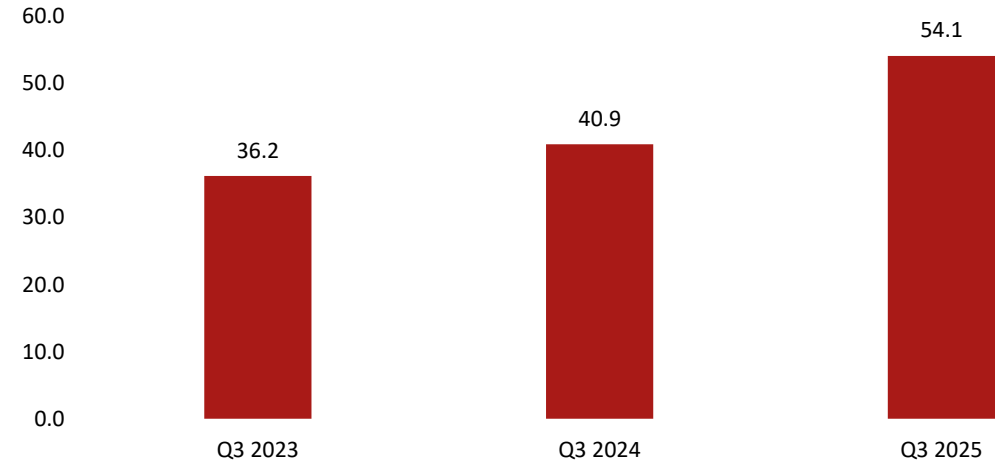
Earnings per share rose in line with profitability, increasing to KES 13.81 in Q3 2025 from KES 10.41 in Q3 2024.

Earnings Per Share (KES)



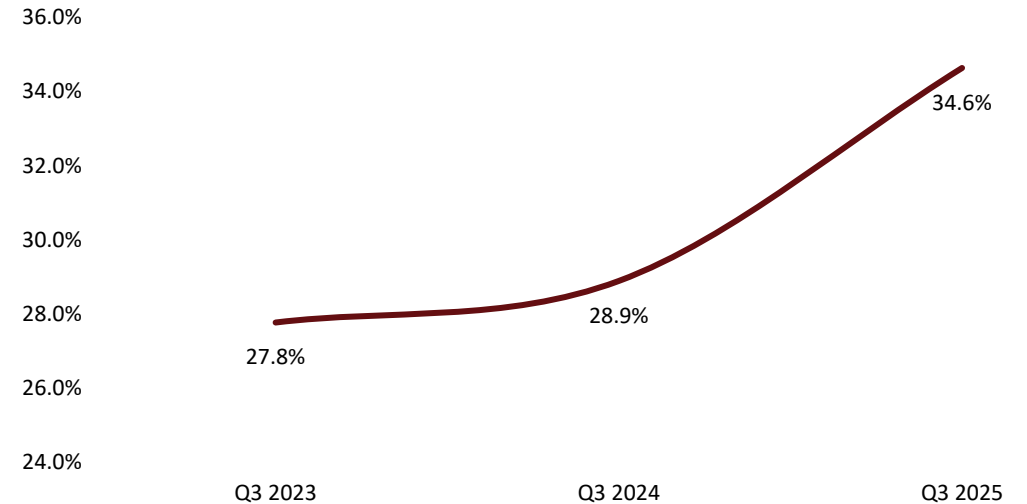
Source: Company Financials

Net Profit (KES billions)



Source: Company Financials

Net Profit Margin



Source: Company Financials

Subsidiary Performance

EBTL(Tanzania) delivered KES 1.9 bn in PBT, representing a robust year-on-year increase of 111%.

EBRL(Rwanda) posted KES 5.5 bn in PBT (+ 4% Y/Y), while EBUL(Uganda) contributed KES 3.5 bn, up 2.9%.

EBSS(South Sudan), however, recorded only KES 0.1 bn in PBT, a sharp decline of 88%, driven by continued instability in its operating environment.

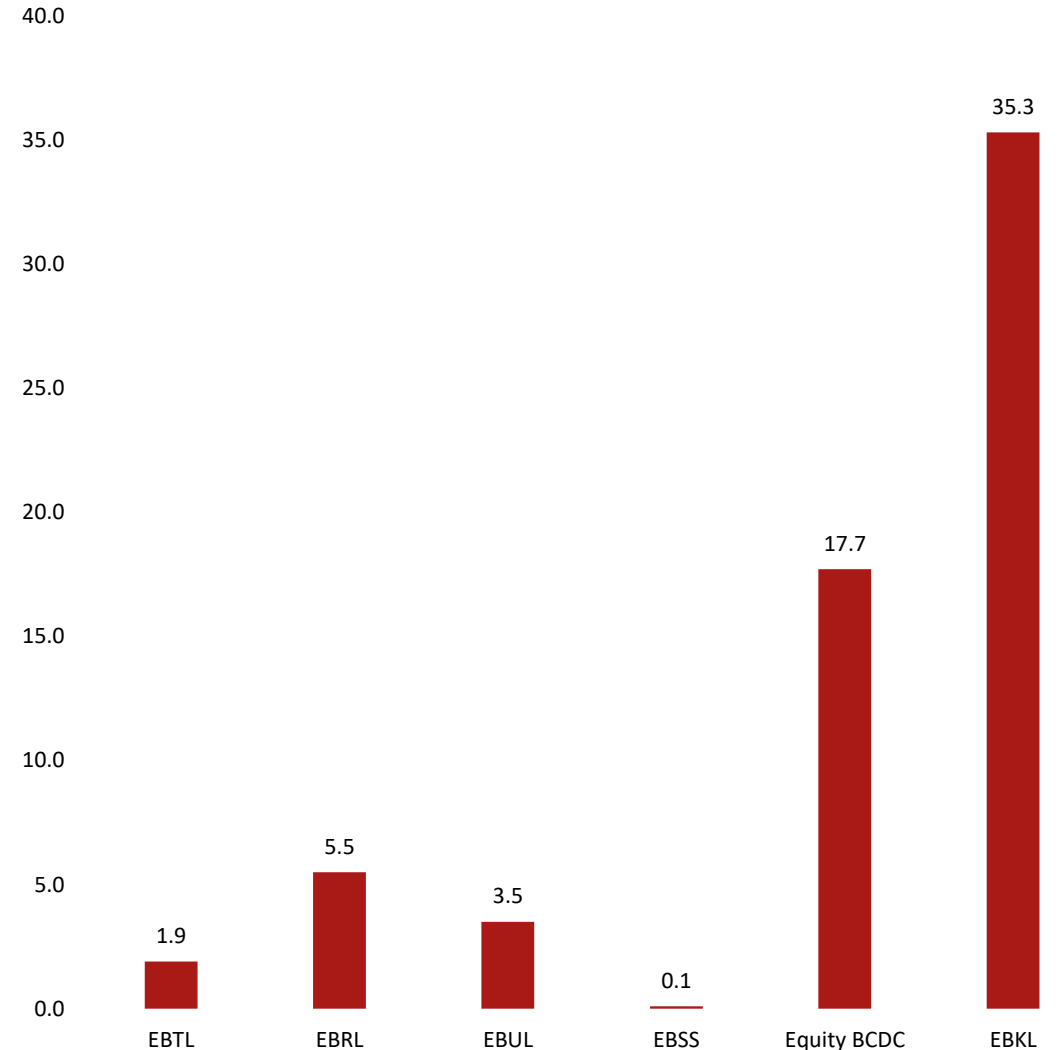
Equity BCDC(DRC) stood out, contributing KES 17.7 bn, up 18% on the prior year.

In aggregate, the regional subsidiaries generated KES 28.7 bn in PBT, marking an 18% overall growth.

On the Kenyan front, EBKL reported KES 35.3 bn in pre-tax profit — an impressive 51% year-on-year expansion, underscoring strong domestic performance and possibly efficient cost management or revenue leverage.

On the Sudan front, the severe downturn in EBSS is unsurprising given the ongoing civil conflict. Since April 2023, Sudan has been embroiled in a fierce power struggle between the Sudanese Armed Forces (SAF) and the paramilitary Rapid Support Forces (RSF), triggering what the UN describes as one of the world’s worst humanitarian crises.

Subsidiary Contribution to PBT (KES billions)



Balance Sheet Breakdown

Total assets expanded by 6.7% to KES 1.8 trillion in Q3 2025 from KES 1.7 trillion in Q3 2024, reflecting an increase of KES 113.9 billion. The growth was supported by a higher allocation to Kenya government securities and continued expansion in the loan book.

Cash balances (local and foreign) declined by 6.5% to KES 65.0 billion from KES 69.5 billion.

Investments in Kenya government securities rose by 13.9% to KES 533.4 billion from KES 468.1 billion, marking an uplift of KES 65.3 billion.

Loans and advances to customers increased by 7.5% to KES 859.8 billion from KES 800.1 billion. Consequently, the loan-to-deposit ratio improved by 310 bps to 63.9% from 60.8%, while the loan-to-asset ratio edged up by 30 bps to 47.3% from 47.0%.

Customer deposits grew by 2.2% to KES 1.34 trillion from KES 1.31 trillion, reflecting an increase of KES 28.7 billion.

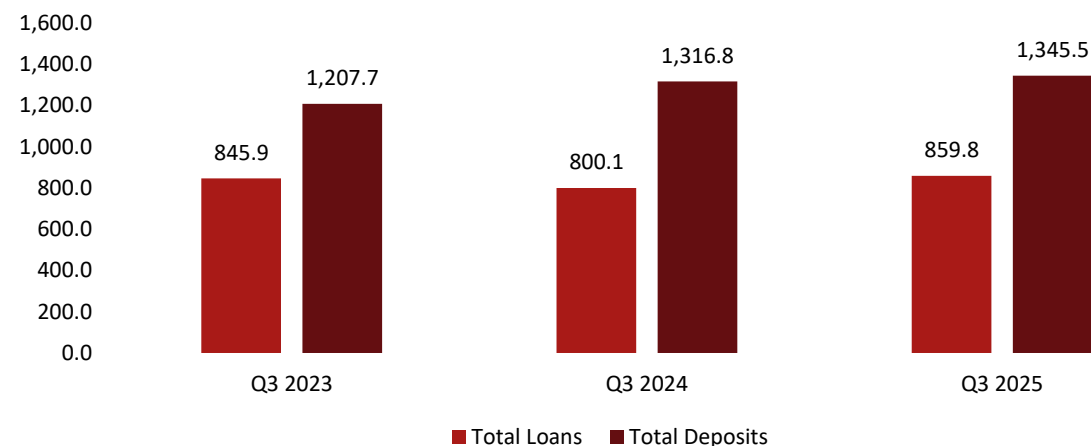
Borrowed funds fell by 10.8% to KES 67.0 billion from KES 75.1 billion.

Total liabilities increased by 2.6% to KES 1.51 trillion from KES 1.48 trillion.

Retained earnings rose by 18.2% to KES 279.0 billion from KES 236.1 billion.

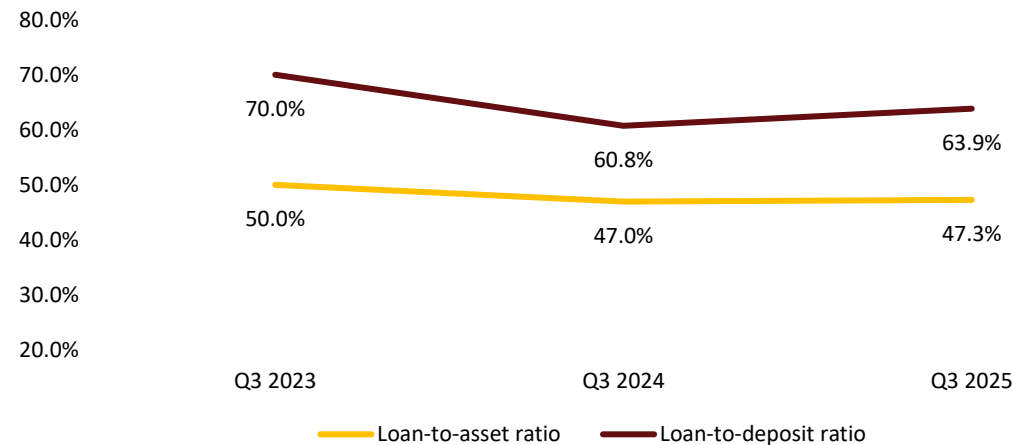
Total shareholders' funds strengthened by 33.6% to KES 303.2 billion from KES 227.0 billion.

Total Loans & Advances and Total Customer Deposits (KES billions)



Source: Company Financials

Loan Mobilisation



Source: Company Financials

Asset Quality

Gross non-performing loans increased by 3.1% to KES 129.2 billion in Q3 2025 from KES 125.3 billion, representing an uptick of KES 3.9 billion.

Despite the increase in absolute NPLs, the gross NPL ratio improved by 80 bps to 13.6% from 14.4%, indicating better overall asset quality.

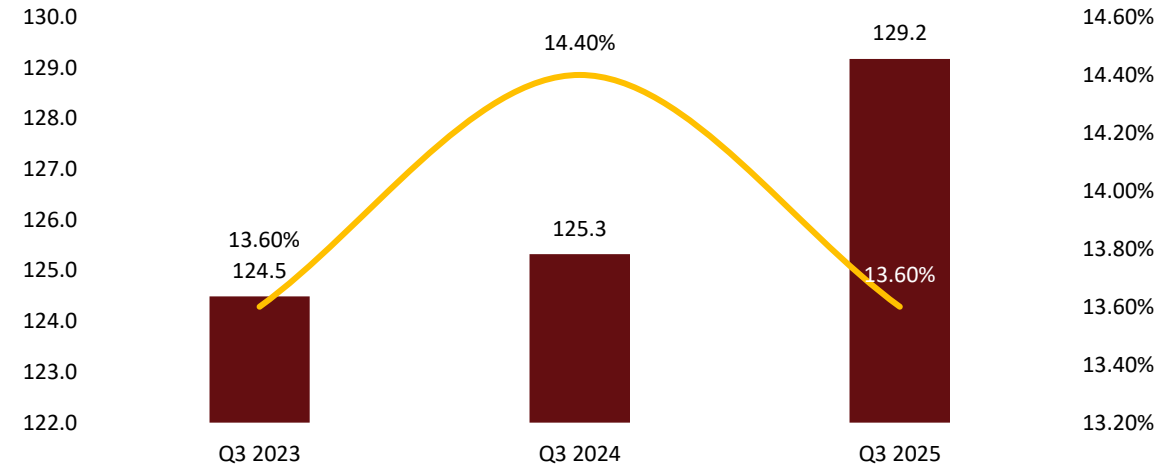
The NPL coverage ratio strengthened significantly, rising by 14.4 percentage points to 71.1% from 56.8%, reflecting improved provisioning across the portfolio.

The Kenyan operation continues to account for the highest share of NPLs, posting an NPL ratio of 18.2% in Q3 2025—an improvement from 18.2% in Q3 2024.

However, in terms of NPL coverage, Kenya remains below the group average at 60%.

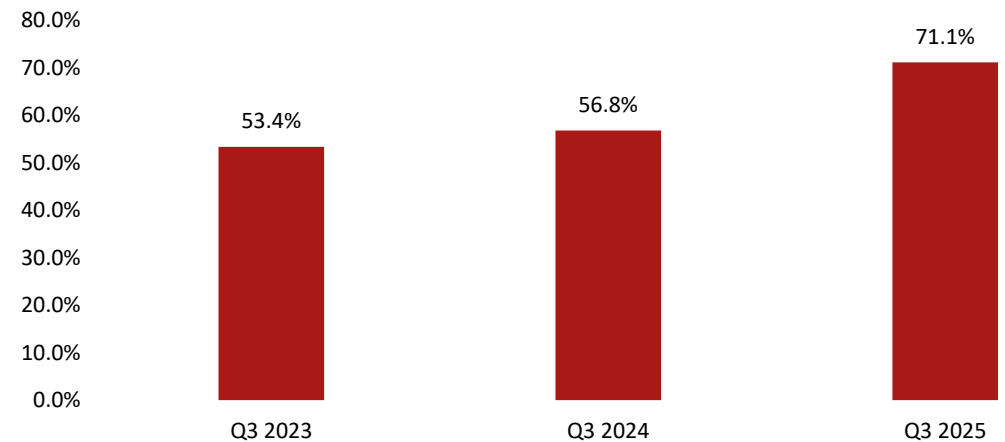
Coverage levels in the other subsidiaries are stronger, with EBTL at 198.0%, EBRL at 109.0%, EBUL at 91.0%, and Equity BCDC at 100%.

Gross Non-Performing Loans (KES billions)



Source: Company Financials

NPL Coverage

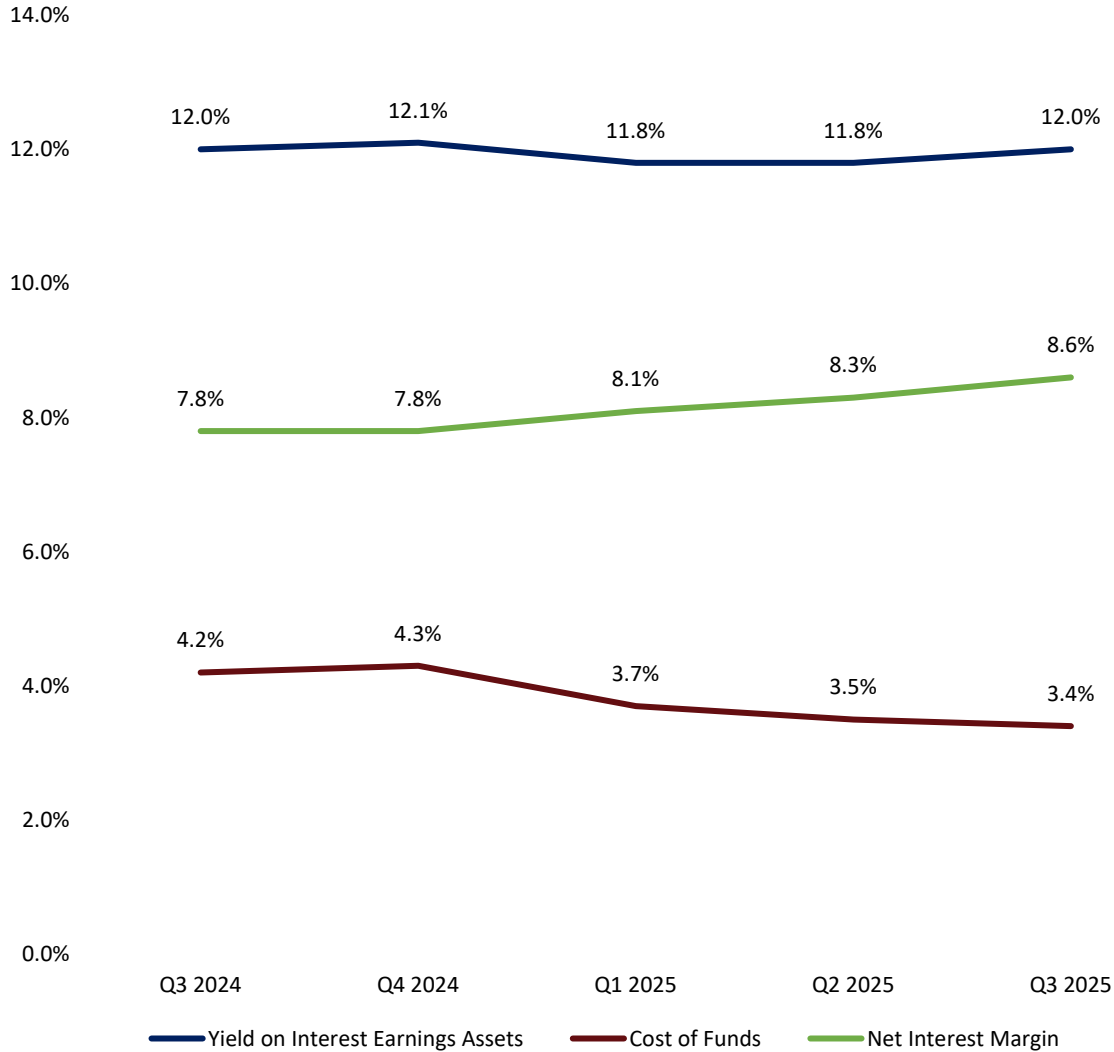


Source: Company Financials

Other Key Metrics

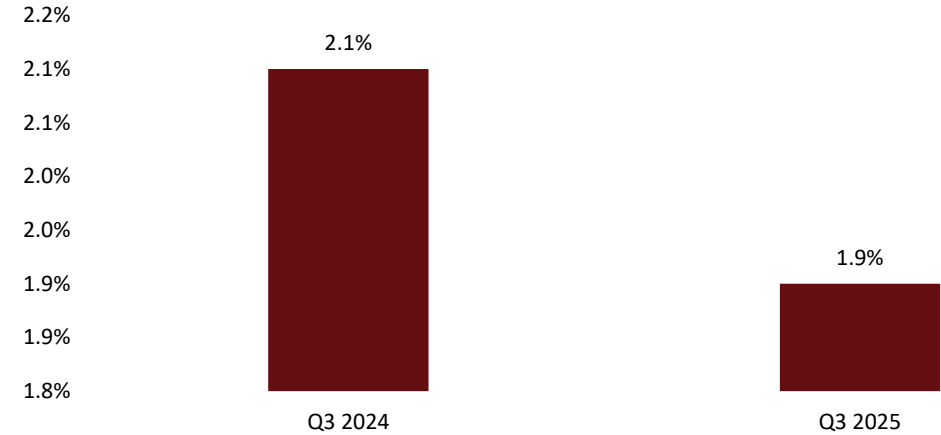


Net Interest Income Drivers



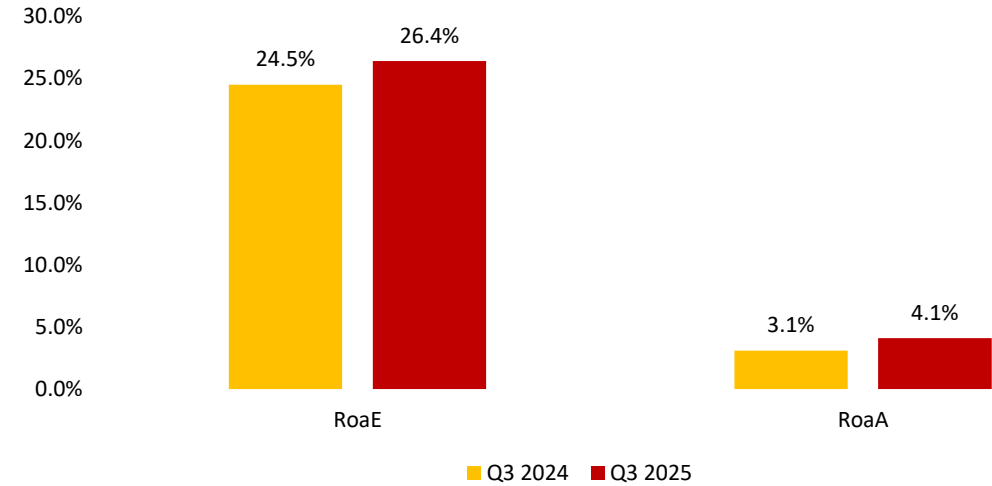
Source: Company Financials

Cost of Risk



Source: Company Financials

Profitability Ratios



Source: Company Financials

Outlook

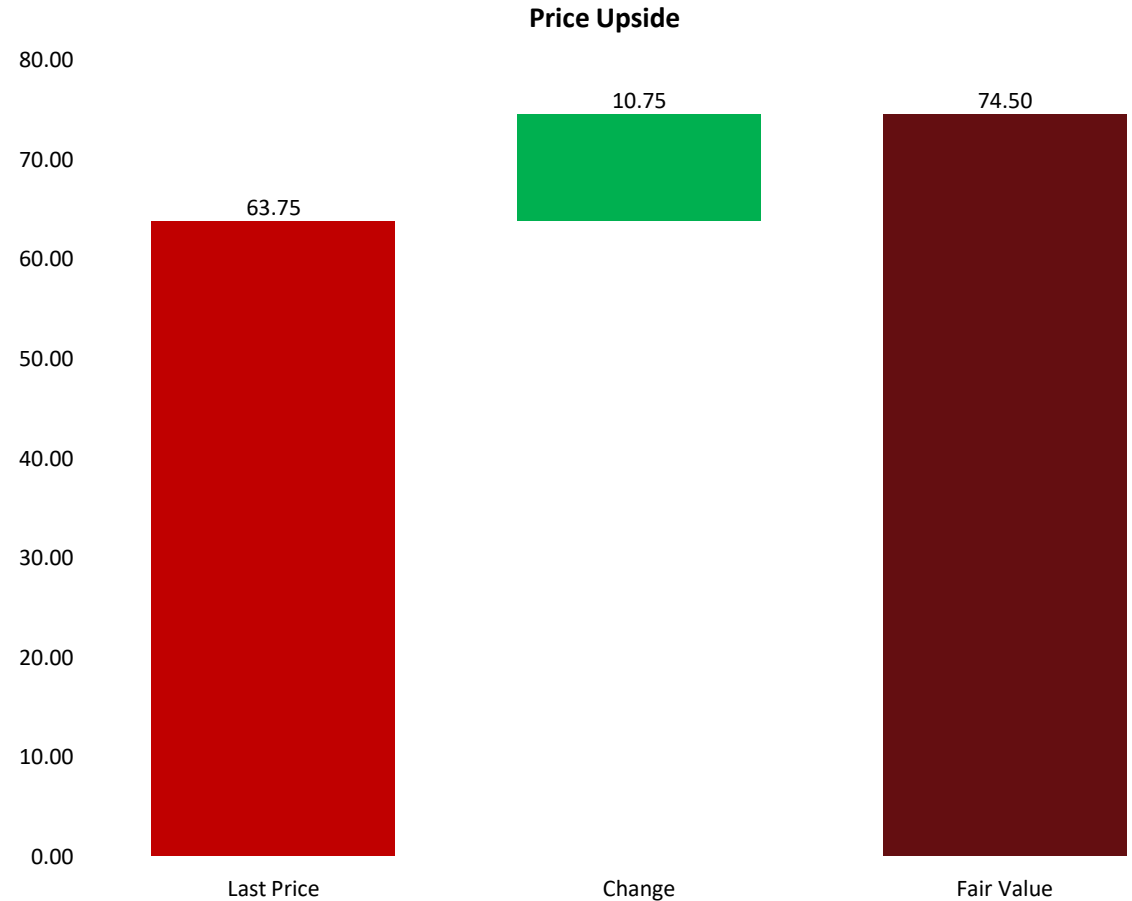
Equity Group Holdings continues to demonstrate a strong fundamental profile, with all subsidiaries—except South Sudan—achieving ROaEs between 22.2% and 28.3%, driving a group ROaE of 26.0%. Both the loan book and customer deposits grew, while the cost-to-income ratio improved by 450 basis points to 50.6%, reflecting effective cost management. Equity Bank’s 13.6% market share reinforces its strong competitive position, ranking second after KCB, supported by its extensive distribution network and effective digital and agency banking strategy.

Equity BCDC in the Democratic Republic of Congo remains a key contributor to the Group’s revenue, benefiting from the country’s large population. The Group’s tri-engine business model—banking, insurance, and digital platforms—continues to underpin growth, with Equity Insurance Group posting a 36% increase in PBT to KES 1.5 billion.

Digital transformation remains central to operational efficiency and competitiveness. Investments in system reliability, cybersecurity, and digital access have enabled mobile and internet banking platforms to handle the majority of transactions, supporting cost reduction and cross-border service scaling. Advances in AI and data analytics are further enhancing credit risk assessment, fraud detection, and customer personalization.

Equity Group’s prospective entry into Ethiopia is a sharply timed strategic play — Ethiopia’s banking sector is being liberalized just as vast swathes of its population remain under-banked. With new regulations allowing foreign banks to set up subsidiaries or branches, and foreign ownership capped at 49%, Equity has the chance to inject significant capital, technological innovation, and financial inclusion into a market that has long lacked modern banking access.

Domestically, the Group has seen improved asset quality, stronger loan performance, rising deposits, and stable non-funded income streams from trade finance and digital channels. Combined with sustained regional growth, Equity Group is well positioned for continued expansion into the final quarter of 2025, driven by technology investment, diversification, and regional integration.



Source: Company Financials and Faida Forecasts

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Glossary of Terms

Target Price – Analyst estimate of the fair value or intrinsic value of the company.

Cost of Funds - This is the effective average interest rate paid on interest-earning liabilities. It is calculated as Total Interest Expense/Average Interest Earning Liabilities.

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as Interest on Loans and Advances/Average Loans and Advances.

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as Net Impairment Provisions/Average Gross Loans in the period.

Non-Performing Loans -These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful, and Loss depending on the performance of the loan. The last three i.e. sub-standard, doubtful, and loss are referred to as non-performing loans. Under IFRS, these are classified as stage 3 loans.

Non-Performing Loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as Gross NPLs/Gross Loans.

Non-Funded/Non-Interest Income– This represents income that is not classified as interest income.

Recommendation

BUY – Minimal risks to catalysts.

SELL- Risks outweigh the catalysts.

NEUTRAL – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term