



Equity Group FY 2025 Earnings Note

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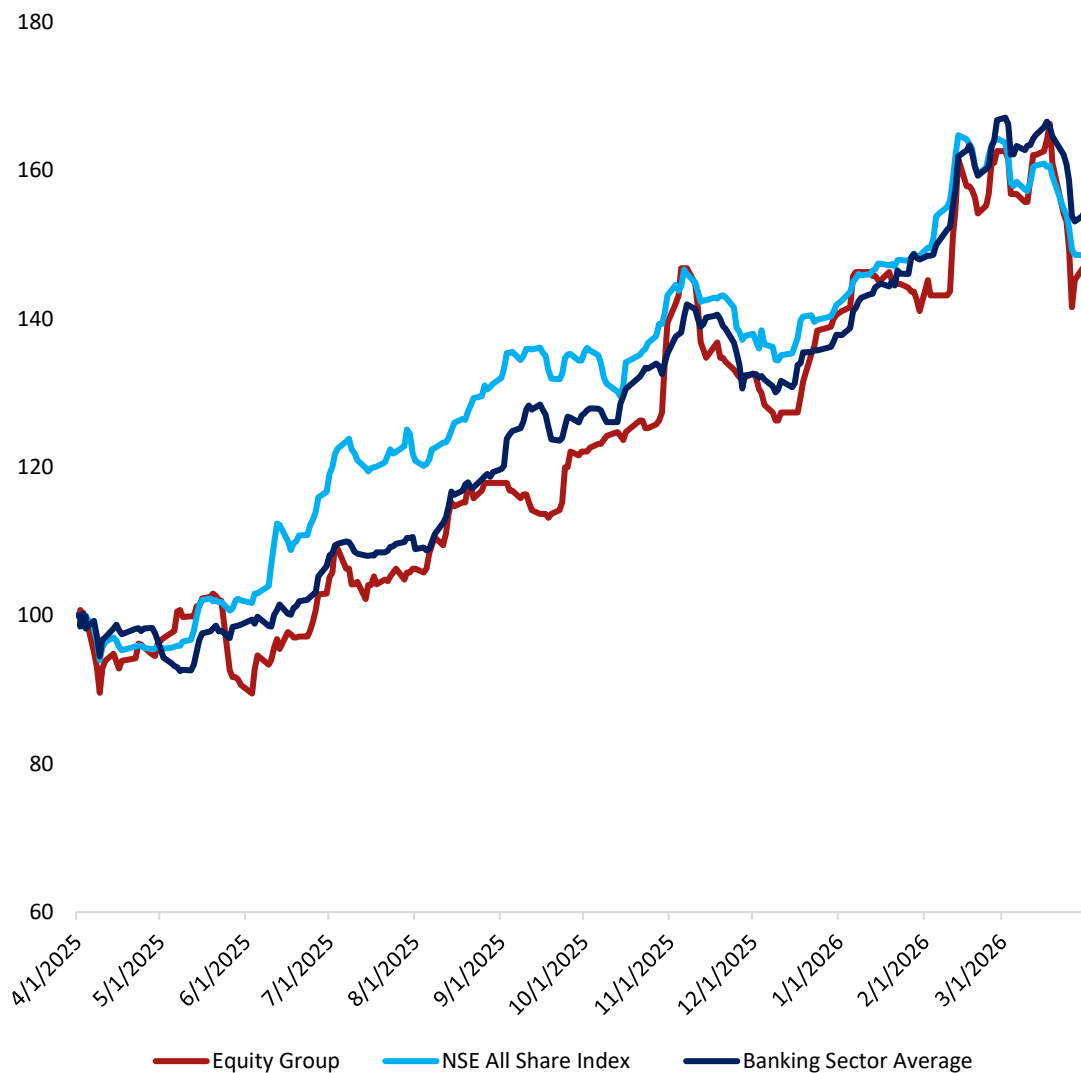
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Summary

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



Source: Bloomberg

Last Price – 31 th March 2026 in KES	69.00
Valuation Estimate in KES :	81.00
Upside	17.4%
Recommendation	BUY
52-Week High	80.00
52-Week Low	41.20
52-Week Price Return	61.6%
Year-to-Date Price Return	4.1%
Price to Earnings Ratio (P/E)	3.61x
Price to Book Ratio (P/B)	0.90x

Source: Bloomberg and Faida Analysis

We recommend a **BUY** on EQUITY with a fair value estimate of KES 81.00, implying an upside potential of 17.4% from the closing price of KES 69.00 on 31st March 2026.

The recommendation is supported by Equity Group's strong FY2025 performance, with PAT up 54.7% to KES 75.5 billion and net profit margin rising to 34.7%. Operational efficiency improved, with the cost-to-income ratio declining to 57.7%, while asset quality strengthened as NPLs fell 9.8% to KES 110.1 billion and coverage rose to 66.8%. Growth is underpinned by scalable digital channels, strong non-banking subsidiaries, and a resilient brand, complemented by regional expansion initiatives. Despite macroeconomic headwinds, including geopolitical risks and currency volatility, the Group's diversified revenue streams, disciplined cost management, and strong capital position support sustainable earnings growth.

Interest Income

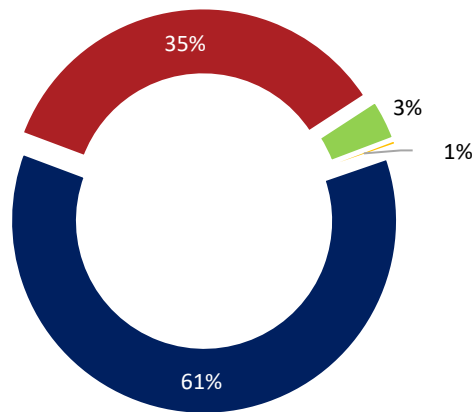
Total interest income increased by 2.0% to KES 173.6 billion in FY 2025 from KES 170.3 billion in FY 2024. This was largely driven by higher earnings from government securities which grew by 7.9% to KES 61.0 billion from KES 56.5 billion, an increase of KES 4.5 billion.

Loans and advances declined by 1.7% to KES 105.9 billion from KES 107.7 billion.

Income from deposits and placements with banking institutions expanded by 8.1% to KES 6.0 billion from KES 5.5 billion.

Additionally, other interest income advanced by 33.9% to KES 827.1 million from KES 617.5 million.

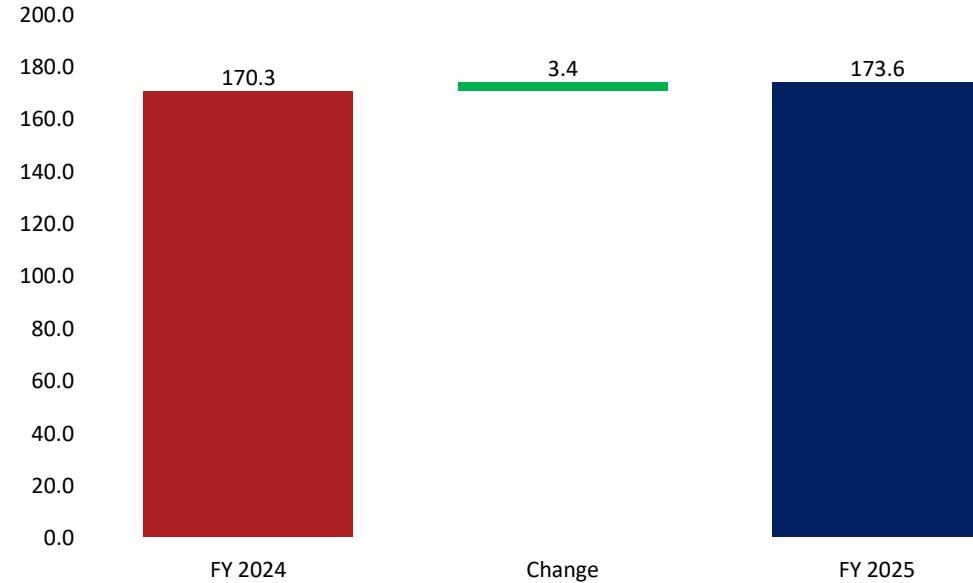
Interest income composition (%)



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

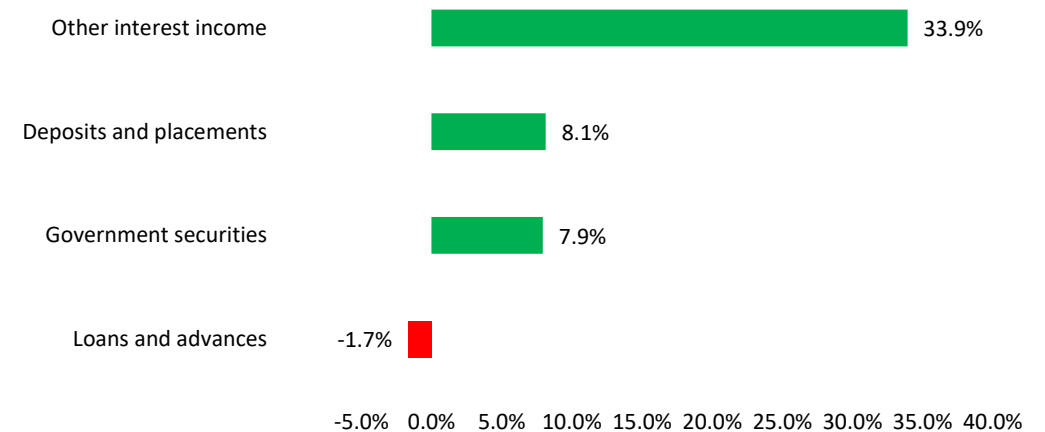
Source: Company Financials

Development in interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

Interest Expense

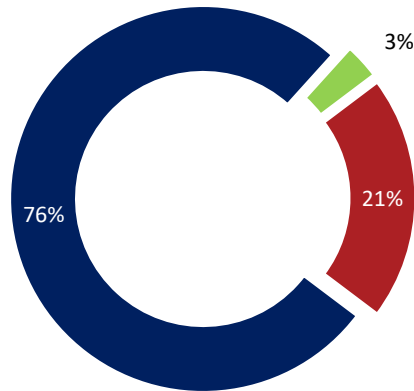
Total interest expenses declined by 24.2% to KES 46.7 billion in FY 2025 from KES 61.6 billion in FY 2024, a reduction of KES 14.9 billion.

Interest paid on customer deposits fell 26.4% to KES 35.7 billion from KES 48.5 billion.

Interest on deposits and placements from banking institutions registered a sharper drop, sliding 69.3% to KES 1.4 billion from KES 4.6 billion.

In contrast, other interest expenses rose by 13.1% to KES 9.6 billion from KES 8.5 billion.

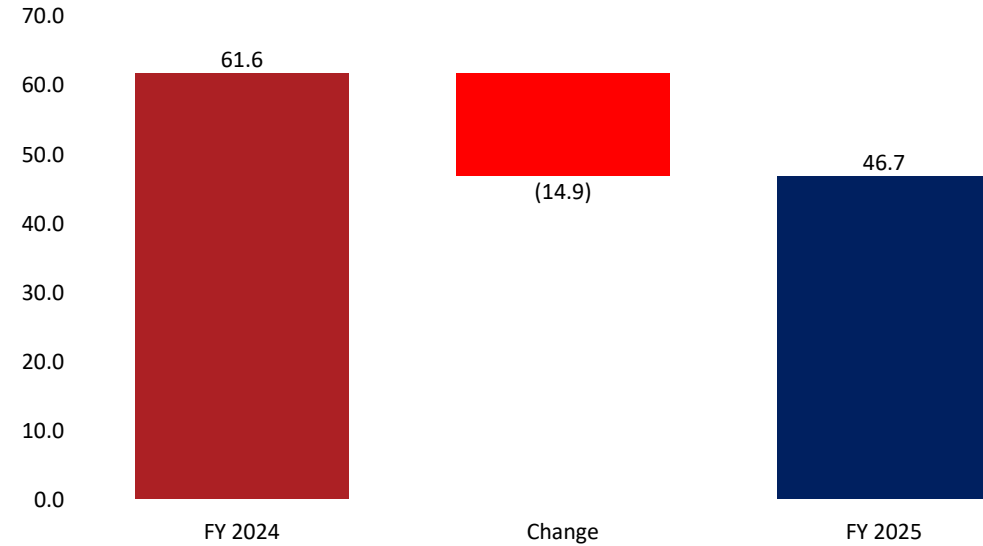
Interest expense composition (%)



■ Customer deposits ■ Deposits and placements ■ Other interest expense

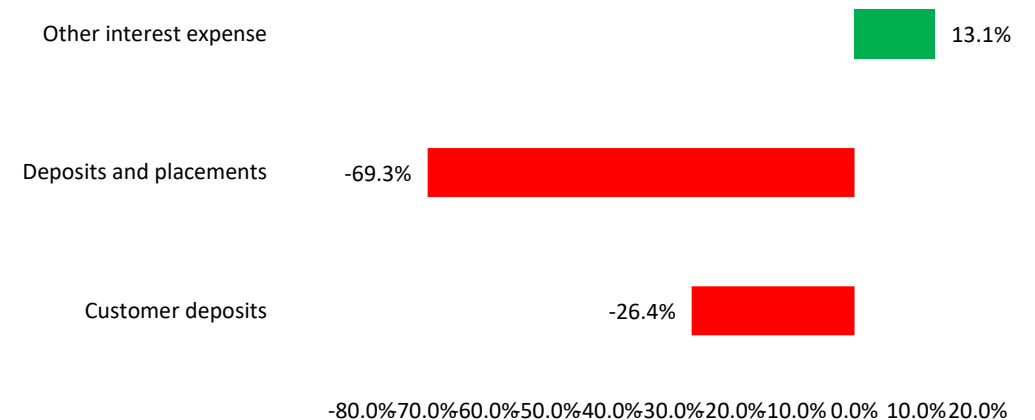
Source: Company Financials

Decline in Interest expense (KES billions)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

Net Interest Income and Non-Funded Income

Net interest income (NII) rose 16.8% to KES 126.9 billion in FY 2025 from KES 108.7 billion, an uplift of KES 18.2 billion.

Non-funded income edged up 6.7% to KES 90.8 billion from KES 85.1 billion, driven mainly by higher other fees and commissions which increased by 8.1% to KES 48.5 billion from KES 44.8 billion, a rise of KES 3.6 billion.

Fees and commissions on loans and advances expanded by 7.0% to KES 11.3 billion from KES 10.6 billion.

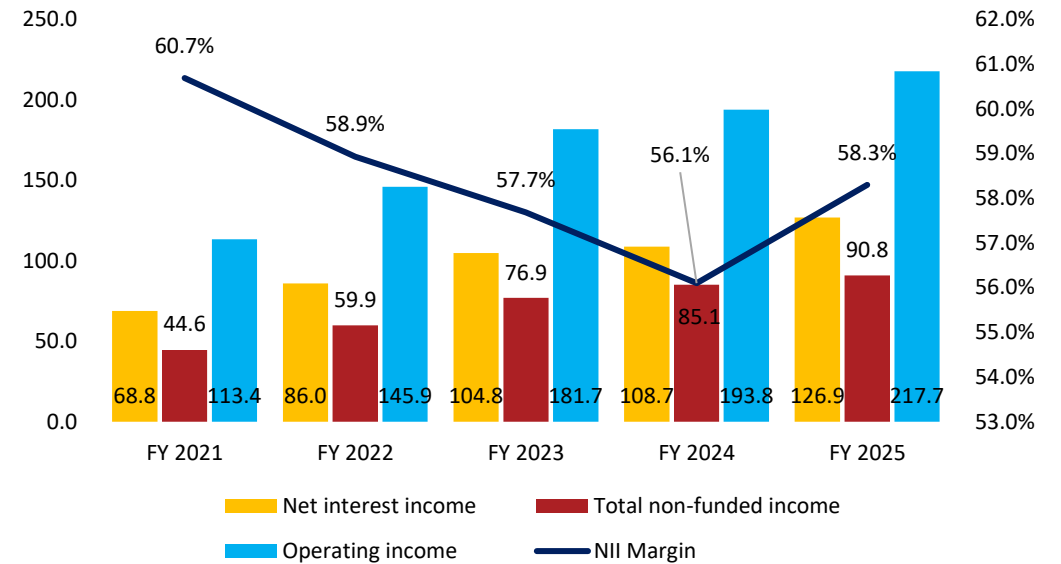
Foreign exchange trading income advanced 24.3% to KES 15.6 billion from KES 12.6 billion, an uplift of KES 3.1 billion.

Other income declined 10.0% to KES 15.4 billion from KES 17.1 billion, a reduction of KES 1.7 billion.

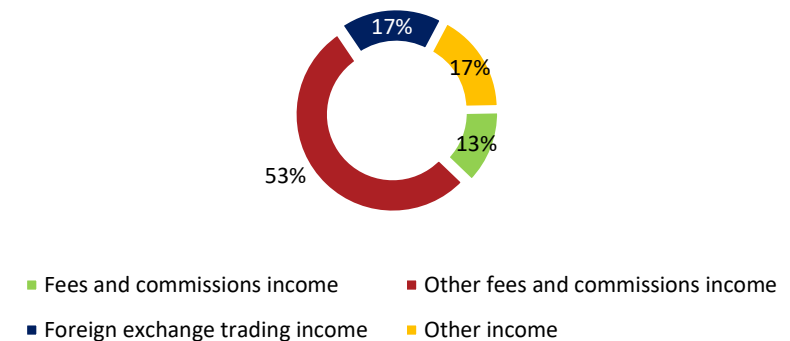
Overall, total operating income increased 12.4% to KES 217.7 billion from KES 193.8 billion.

The Net Interest Income (NII) Margin rose by 1.8 percentage points to 58.3% from 56.1%. In contrast, the Non-Funded Income (NFI) Margin eased to 41.7% from 43.9%.

Net Interest Income, Non-funded Income & Operating Income (KES billions)



Non-funded income composition



Operating Costs and Provisioning

Operating expenses declined by 5.6% to KES 125.6 billion in FY 2025 from KES 133.0 billion in FY 2024, reflecting a reduction of KES 7.4 billion. This decrease was primarily driven by a 14.0% decline in other operating expenses which fell to KES 60.8 billion from KES 70.7 billion, a decrease of KES 9.9 billion.

Loan loss provisions contracted by 28.2% to KES 14.5 billion from KES 20.2, a decrease of KES 5.7 billion.

Staff costs increased by 18.9% to KES 39.6 billion from KES 33.3 billion, with management attributing the rise to increased investment in staff training and upskilling, particularly in technology-related areas.

Directors' emoluments rose slightly by 6.5% to KES 421.5 million from KES 395.7 million.

Rental charges surged 53.7% to KES 562.9 million from KES 366.3 million..

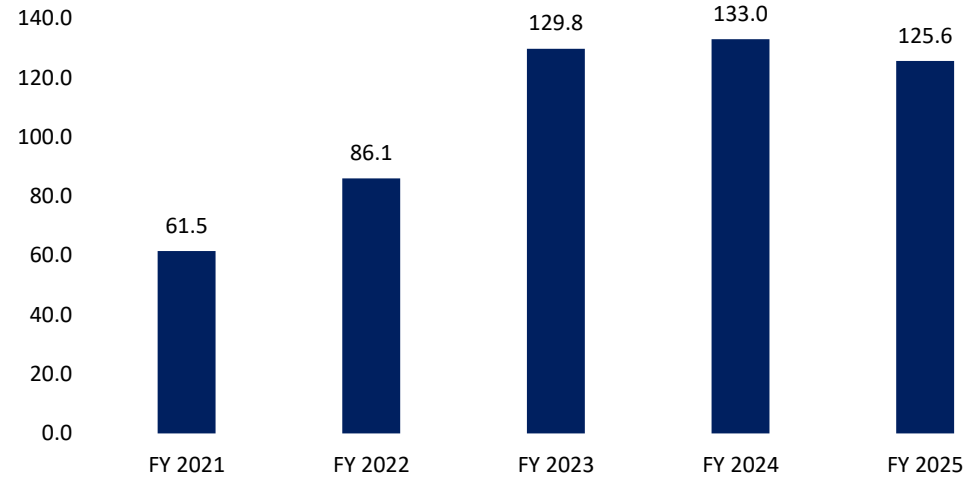
Depreciation on property and equipment rose 19.2% to KES 7.1 billion from KES 6.0 billion.

Amortisation charges increased 22.6% to KES 2.7 billion from KES 2.2 billion.

As a result, the cost-to-income ratio (including loan loss provisions) improved by 1,100 basis points to 57.7% from 68.7%, while the cost-to-income ratio (excluding loan loss provisions) also improved, easing to 51.0% from 58.2%.

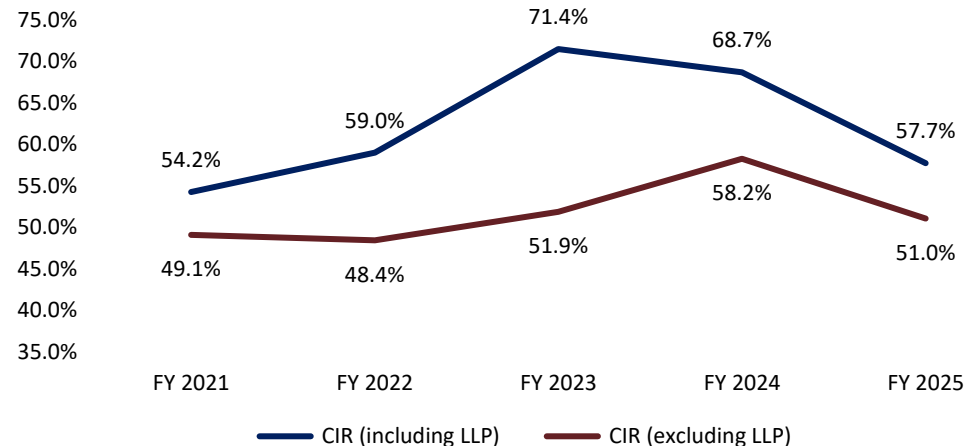
****The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs****

Total operating expenses (KES billions)



Source: Company Financials

Cost-to-income ratio



Source: Company Financials

Earnings and Profitability

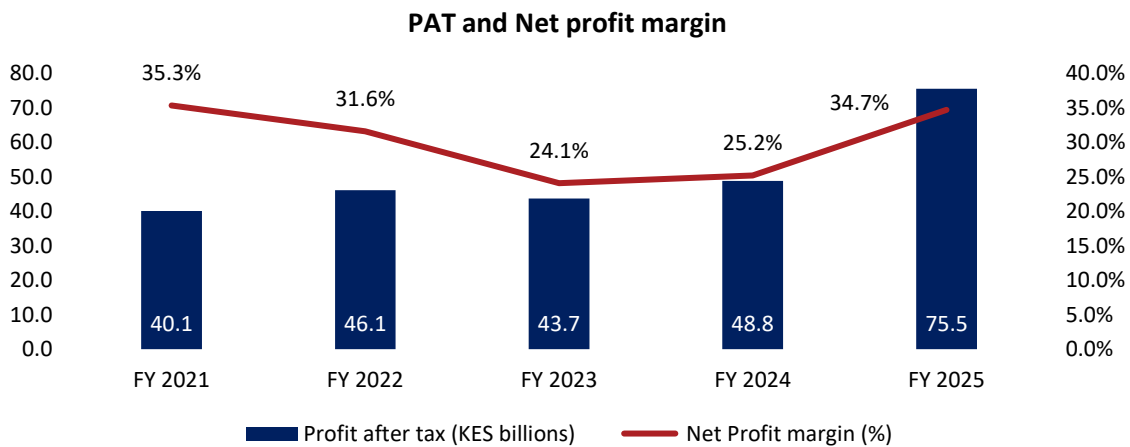
Profit after tax saw significant growth of 54.7% in FY 2025 to KES 75.5 billion from KES 48.8 billion in FY 2024, an increase of KES 26.7 billion. The strong bottom-line performance was supported by growth in net interest income and disciplined cost management, with operating expenses declining.

As a result, the net profit margin improved to 34.7% from 25.2%.

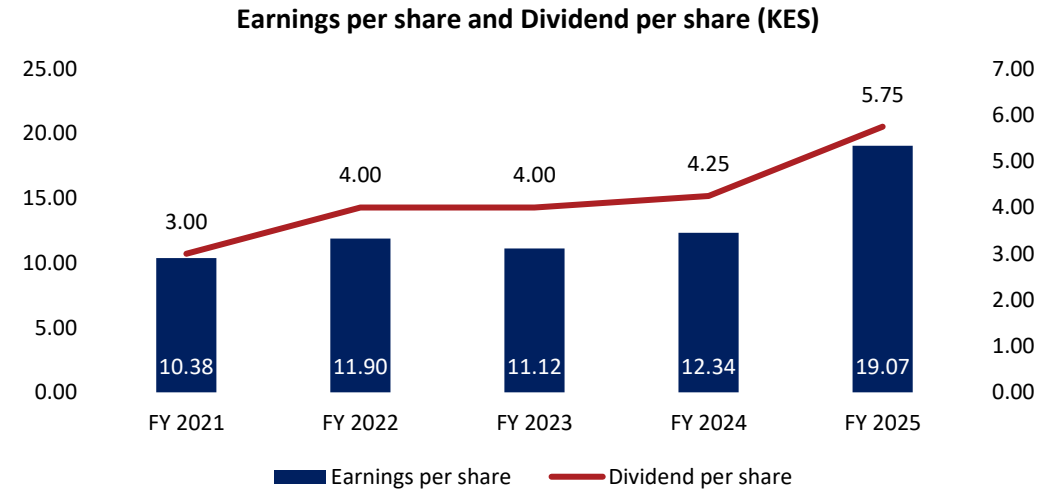
Total comprehensive income expanded 117.4% to KES 95.3 billion from KES 43.8 billion, an uplift of KES 51.4 billion

Earnings per share rose in line with improved profitability, increasing by 54.5% to KES 19.07 from KES 12.34.

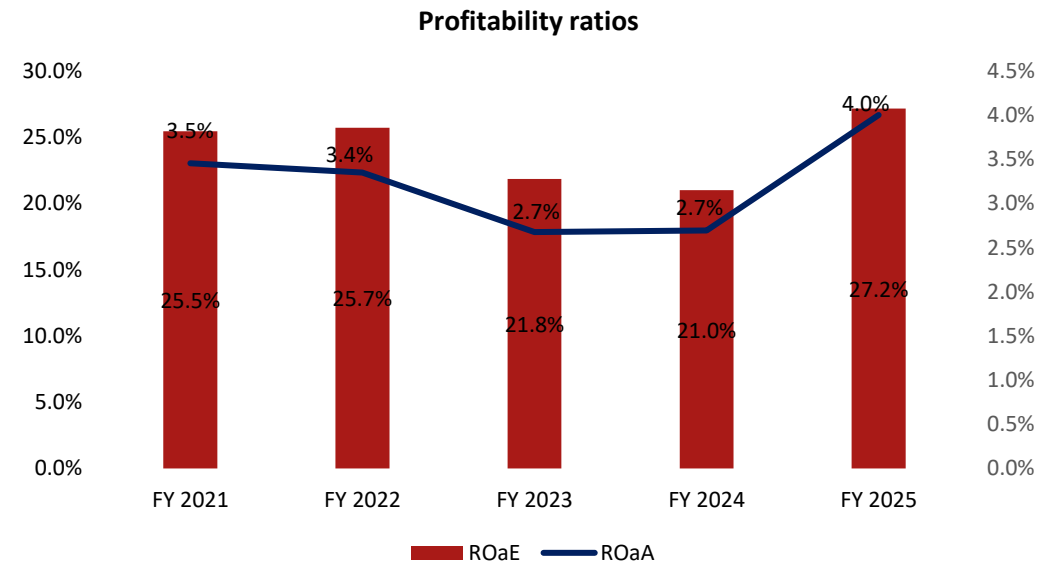
The Board of Directors has recommended a final dividend of KES 5.75, subject to shareholder approval, representing a 35.3% increase from KES 4.25. Based on the current share price of KES 69.00 as of 31st March 2026, this translates to a dividend yield of 8.3%.



Source: Company Financials



Source: Company Financials



Source: Company Financials

Balance Sheet Breakdown

Total assets expanded by 9.2% to KES 1.97 trillion in FY 2025 from KES 1.80 trillion in FY 2024, reflecting an increase of KES 166.4 billion. Other assets edged down by 1.5% to KES 45.3 billion from KES 46.0 billion.

Total liabilities rose by 5.6% to KES 1.64 trillion while other liabilities recorded a 23.0% uplift to KES 95.6 billion from KES 77.8 billion.

Deposits and balances due from local banking institutions saw a significant 22.8% increase to KES 98.5 billion from KES 80.2 billion in FY 2024, an uplift of KES 18.3 billion.

Balances due from foreign banking institutions climbed 11.5% to KES 153.2 billion from KES 137.4 billion.

Loans and advances to customers expanded by 7.7% to KES 882.5 billion in FY 2025 from KES 819.2 billion in FY 2024, an increase of KES 63.2 billion.

Customer deposits grew by 4.0% to KES 1.46 trillion from KES 1.40 trillion, representing an increase of KES 55.5 billion.

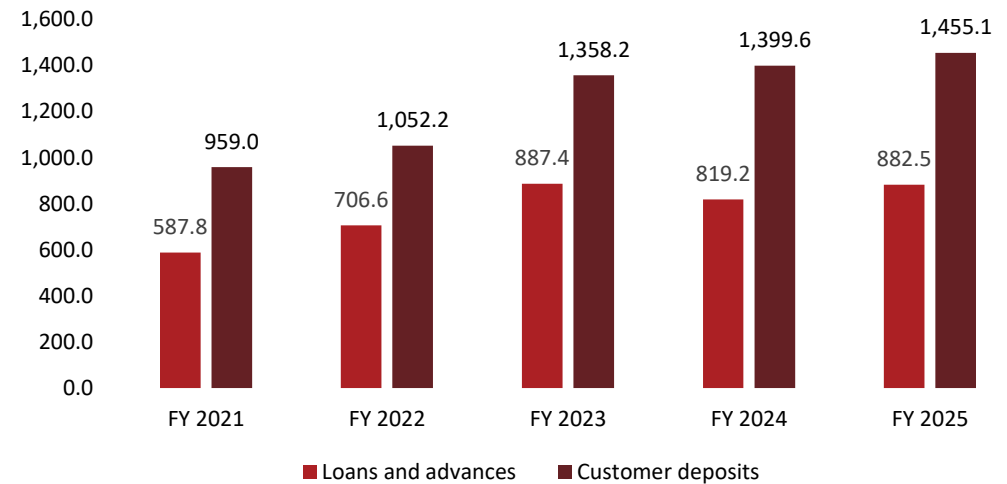
As a result, the loan-to-deposit ratio increased to 60.6% from 58.5% while the loan-to-asset ratio eased to 44.8% from 45.4%, reflecting higher loan mobilisation year-on-year.

Borrowed funds increased by 13.8% to KES 80.3 billion from KES 70.5 billion.

Retained earnings rose by 19.6% to KES 278.5 billion from KES 232.8 billion while the statutory loan loss reserve surged 742.5% to KES 5.2 billion from KES 617.2 million.

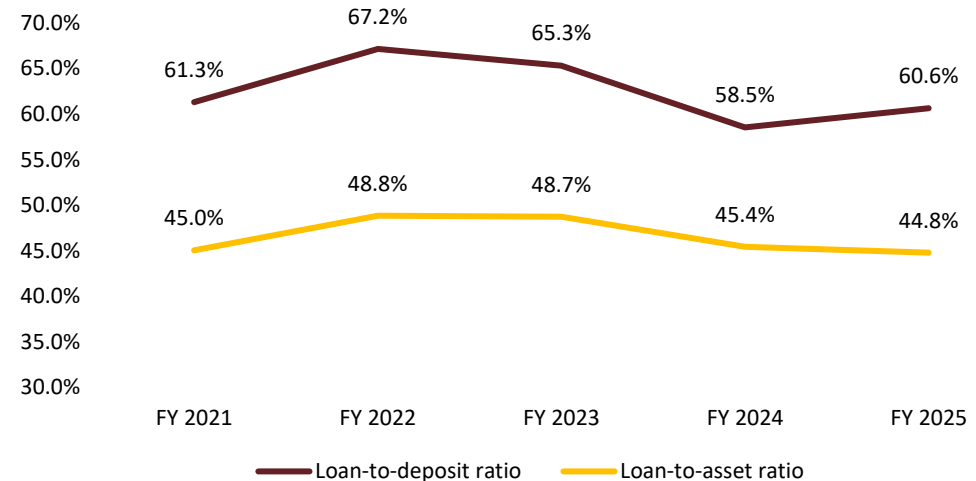
As a result, total shareholders' funds strengthened by 32.2% to KES 309.5 billion from KES 234.0 billion.

Loan book and Customer deposits (KES billions)



Source: Company Financials

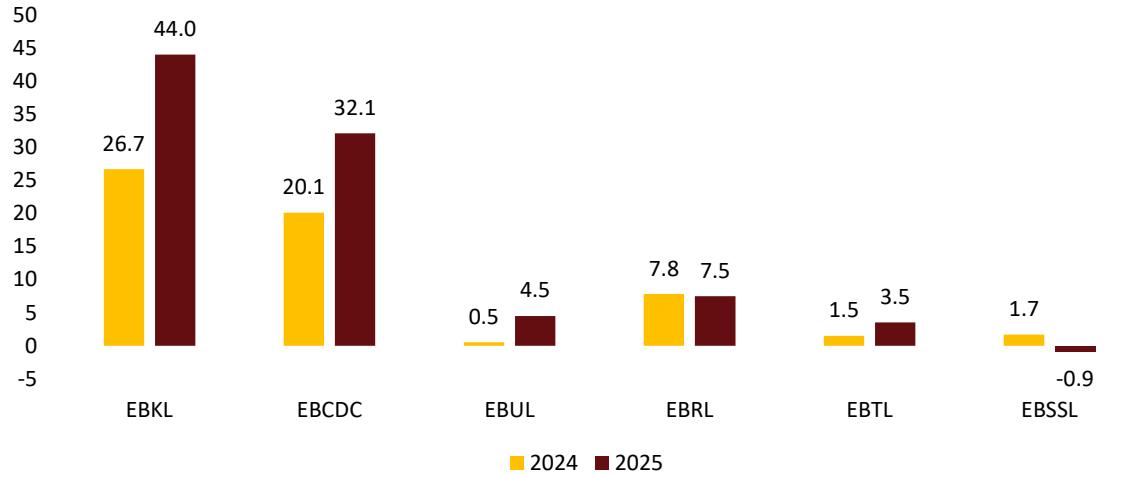
Loan-to-asset & Loan-to-deposit ratio



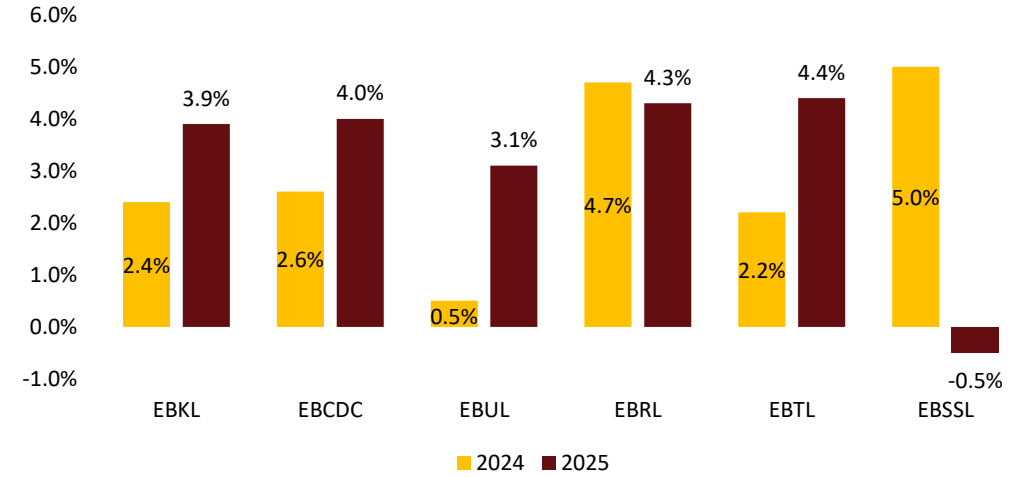
Source: Company Financials

Subsidiary Performance

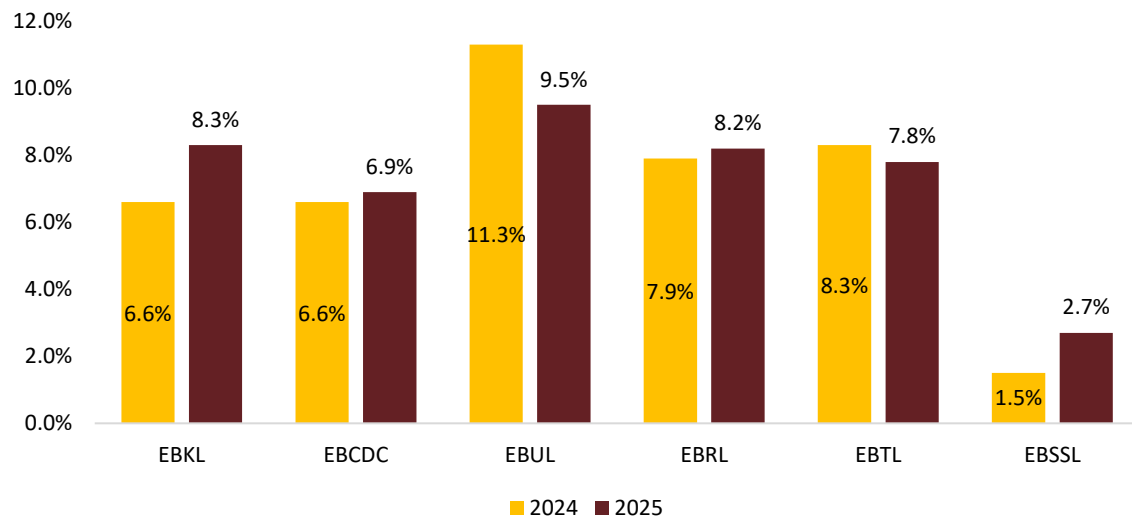
Profit Before Tax (KES billions)



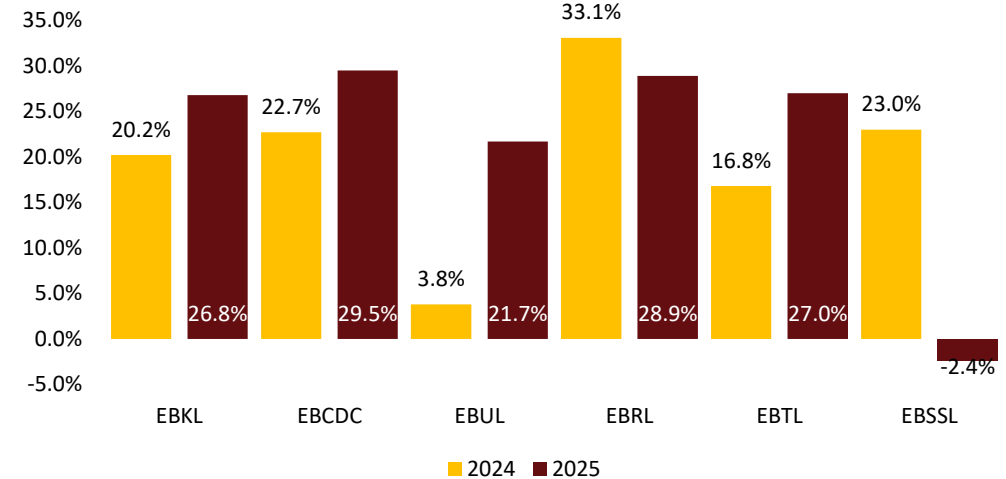
Return on Average Assets (ROaA)



Net Interest Margins



Return on Average Equity (ROaE)

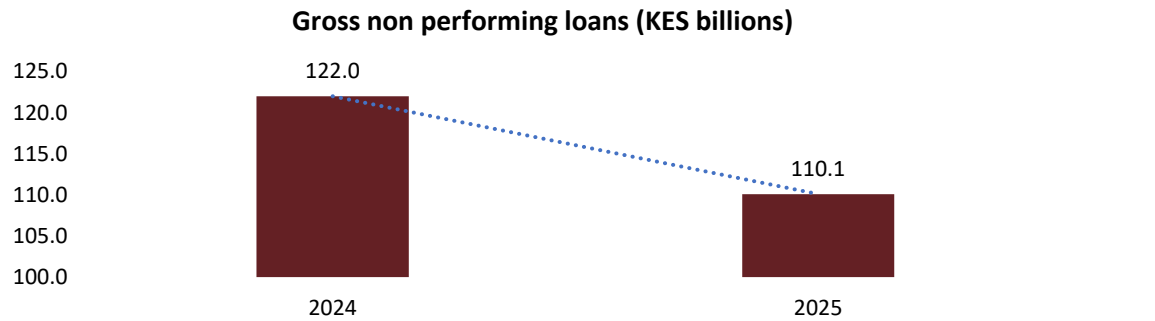


Asset Quality

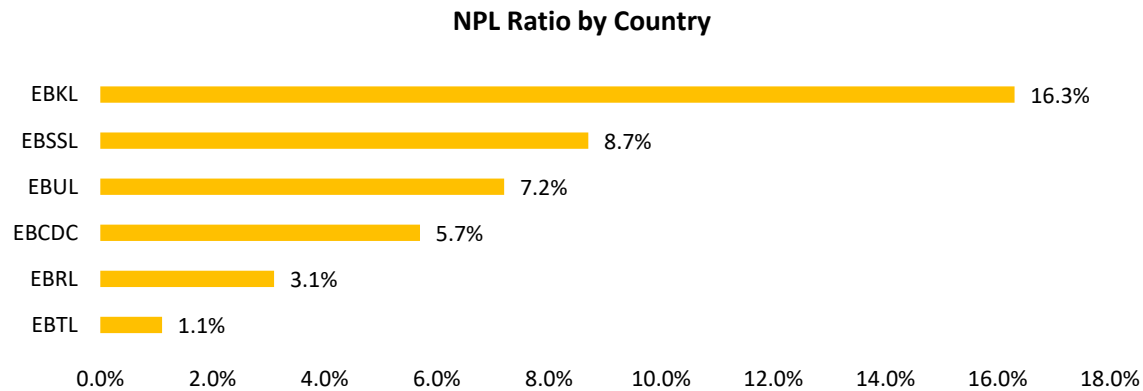
Gross non-performing loans declined by 9.8% to KES 110.1 billion in FY 2025 from KES 122.0 billion in FY 2024.

The NPL ratio improved by easing to 11.5% in FY 2025 from 13.6% in FY 2024, remaining well below the industry average of 15.5%.

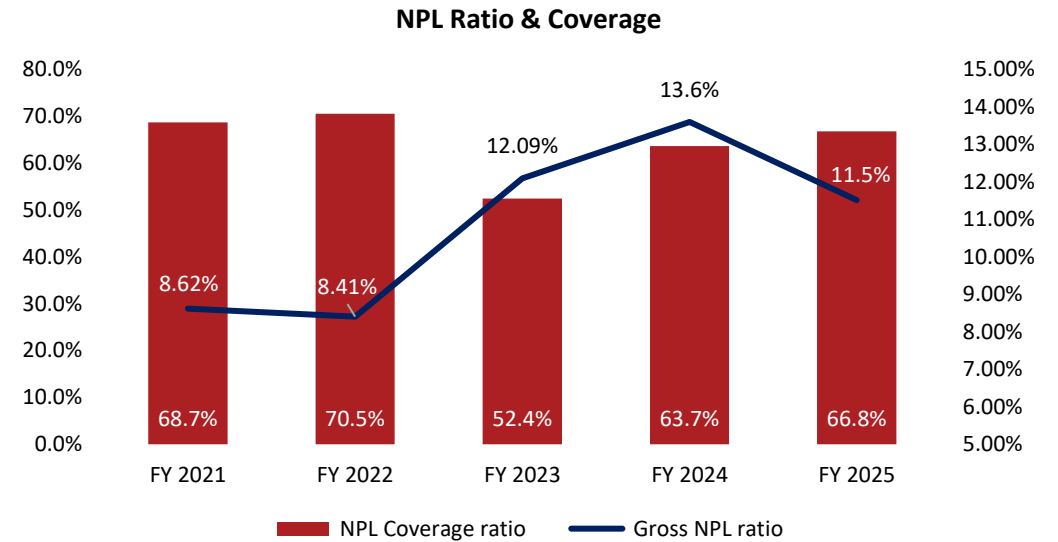
The NPL coverage ratio increased by 3.1 percentage points to 66.8% from 63.7%.



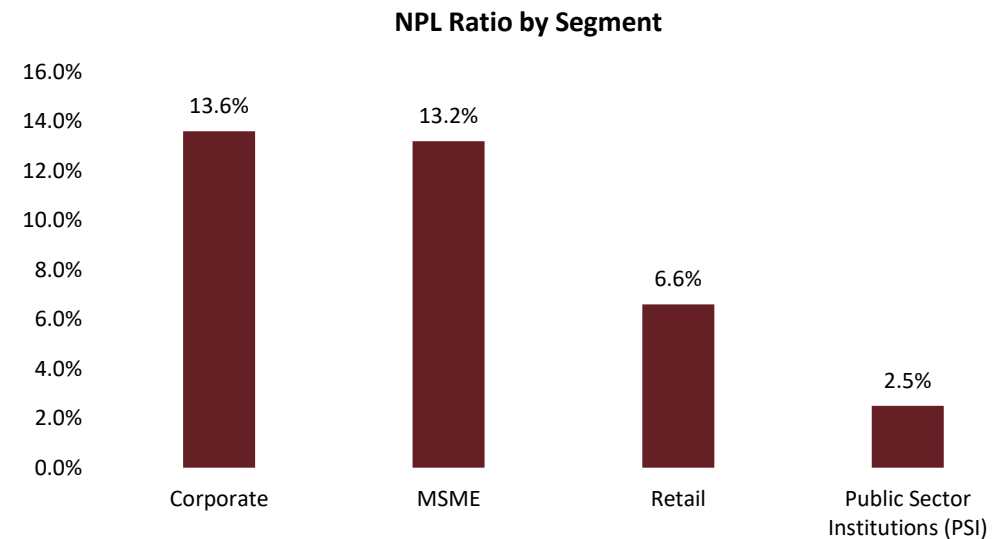
Source: Company Financials



Source: Investor presentation booklet



Source: Company Financials



Source: Investor presentation booklet

Insurance Group



Equity Insurance Group delivered a strong performance in FY 2025, with Gross Written Premiums rising by 74.6% year-on-year to KES 9.17 billion from KES 5.23 billion in FY 2024, reflecting robust business expansion.

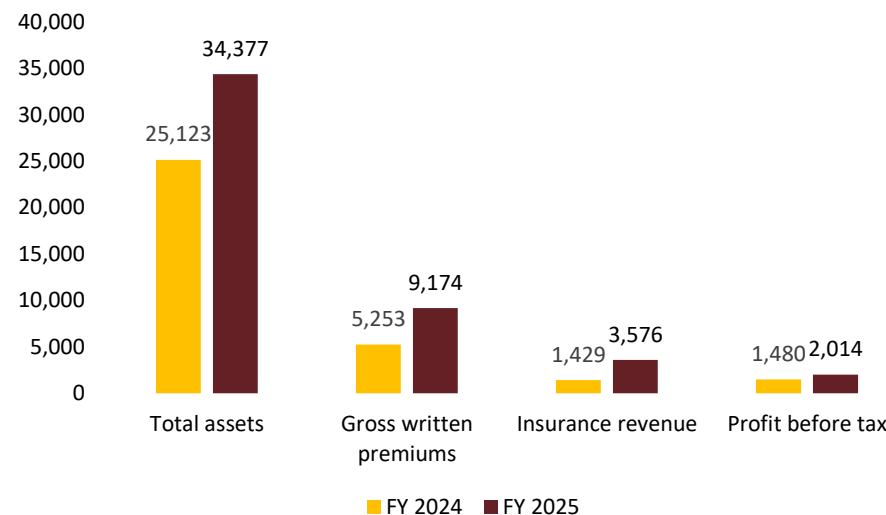
Insurance revenue also grew significantly to KES 3.76 billion from KES 1.43 billion, supporting overall earnings growth, with Profit Before Tax increasing to KES 2.01 billion from KES 1.48 billion. The balance sheet strengthened, with total assets expanding to KES 34.38 billion from KES 25.12 billion, while insurance contract liabilities rose to KES 22.52 billion from KES 19.89 billion, in line with the growth in underwriting activity.

Equity Life Assurance Kenya (ELAK) recorded significant scale, issuing 19.2 million policies as of 31st December 2025, with 6.9 million unique customers consuming various insurance products, underscoring its strong customer reach. The business remains a digital-native insurer, with over 79% of policies issued digitally. Financially, ELAK delivered robust performance, with gross premiums of KES 7.37 billion, insurance revenue of KES 2.08 billion, total assets of KES 31.88 billion, and Profit Before Tax of KES 1.78 billion.

Equity General Insurance Kenya (EGIK) also posted solid results, with gross premiums of KES 1.79 billion, insurance revenue of KES 1.50 billion, total assets of KES 1.98 billion, and Profit Before Tax of KES 199 million.

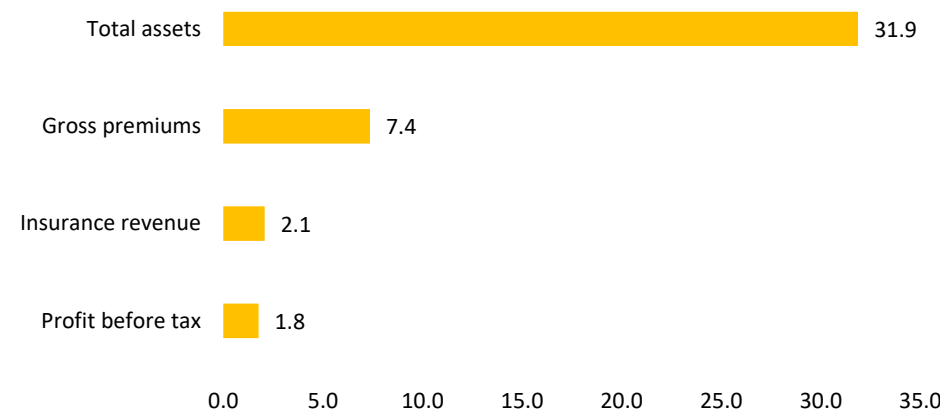
Meanwhile, Equity Health Insurance Kenya (EHK) remains relatively small but growing, recording gross premiums of KES 20 million, insurance revenue of KES 3 million, total assets of KES 869 million, and Profit Before Tax of KES 40 million.

Equity Insurance Group (KES millions)



Source: Investor presentation booklet

Equity Life Assurance Kenya (ELAK)
(KES billions)



Source: Investor presentation booklet

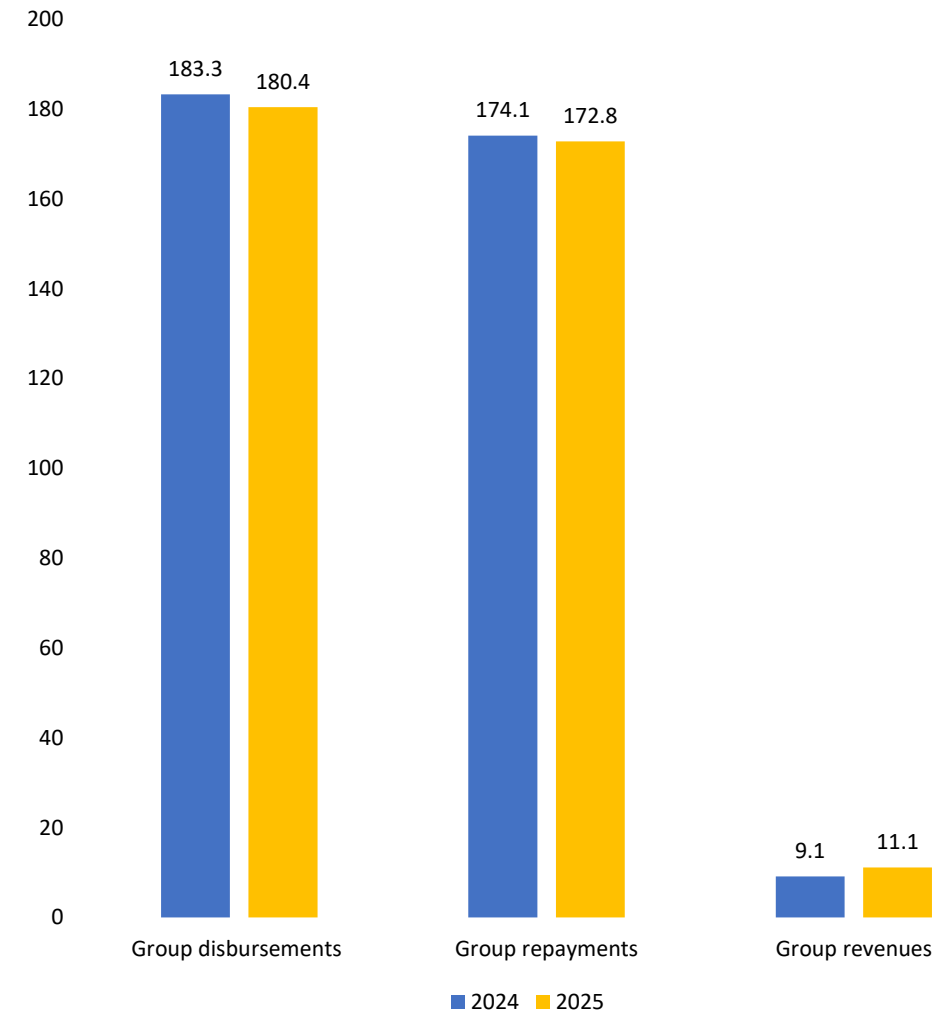
The Future Technology Group

Equity Group’s Technology segment continues to play a pivotal role in driving efficiency and scalability by migrating from fixed and variable cost channels to self-service platforms. In FY 2025, 98.2% of transactions were conducted outside the branch, with 88.4% executed through digital channels, highlighting strong adoption of digital banking solutions. This shift has enhanced operational efficiency while supporting customer convenience and cost optimization.

Digital platforms recorded notable growth in FY 2025, with Equity Online for Individuals transactions increasing by 17% to 2.2 million, while Equity Online for Business remained flat at 8.4 million. Mobile and alternative channels continued to drive volumes, with Equitel transactions rising by 30% to 400.9 million from 308.1 million, and Equity Mobile USSD growing to 174.3 million from 148.4 million. Pay With Equity (PWE) transactions also increased to 403.1 million from 347.5 million, while EazzyFX recorded a modest uptick to 19.2 thousand transactions from 18.7 thousand.

Transaction values across digital channels showed strong growth in FY 2025, with Equity Online for Individuals increasing by 26% to KES 186.6 billion. Equity Online for Business also recorded growth, rising to KES 4,560.0 billion from KES 3,841.0 billion. Mobile channels remained key drivers, with Equity Mobile USSD transaction values surging to KES 4,360.7 billion from KES 3,174.4 billion, while Pay With Equity (PWE) transactions increased to KES 2,378.3 billion from KES 2,149.2 billion. However, Equitel transaction values declined slightly by 4% to KES 1,433.9 billion from KES 1,492.3 billion. Overall, the strong growth in digital transaction values underscores increased platform usage and supports the Group’s ongoing digitalization strategy.

Group Disbursements, Repayments and Revenue Trends (KES billions)



Equity Investment Bank

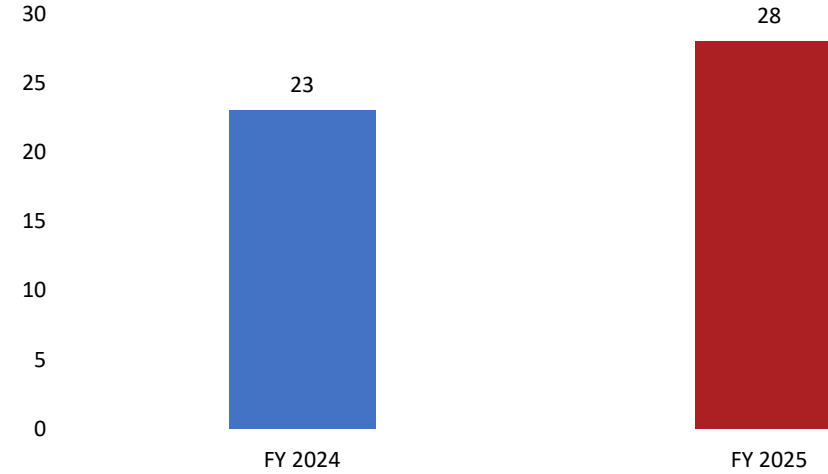
Equity Investment Bank (EIB) delivered strong growth in FY 2025, with its client base expanding to 5,226 from 4,583, reflecting increased market penetration and client acquisition.

Assets under management rose to KES 28 billion from KES 23 billion, supported by improved investor confidence and portfolio inflows.

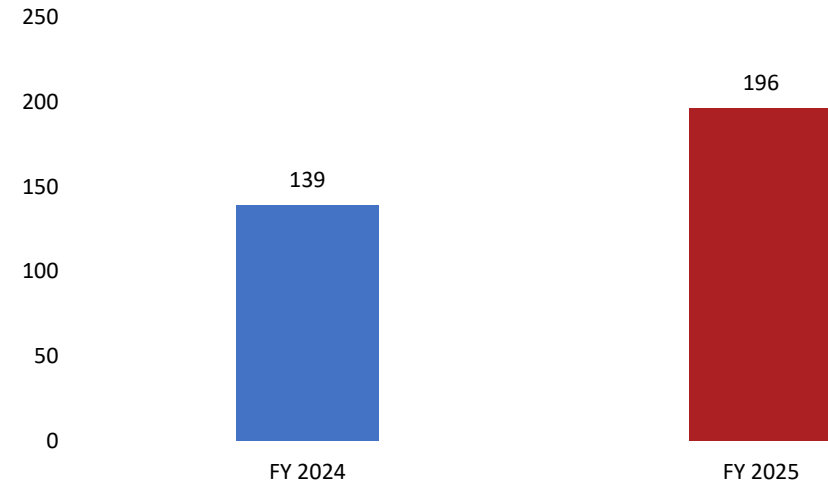
Total income grew significantly to KES 513 million from KES 318 million, driving profitability higher, with Profit After Tax increasing to KES 196 million from KES 139 million.

The cost-to-income ratio increased to 62% in FY 2025 from 56% in FY 2024, indicating a rise in operating costs relative to income. However, profitability improved, with Return on Average Equity (ROAE) rising to 21.7% in FY 2025 from 18.8% in FY 2024, reflecting stronger earnings generation despite cost pressures.

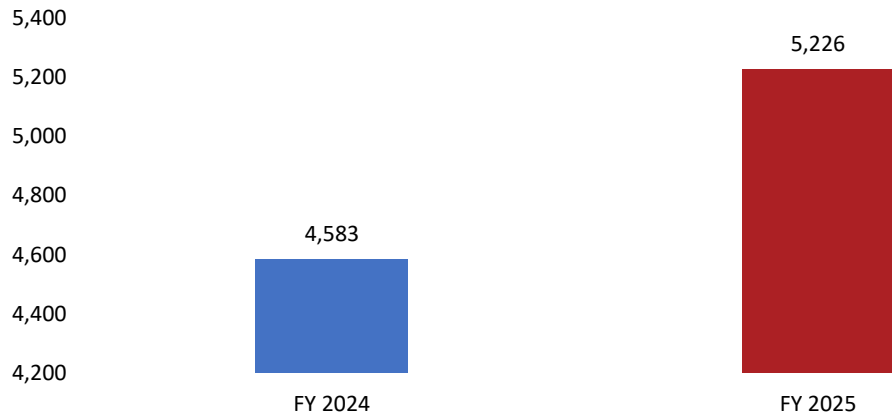
Assets Under Management (KES billions)



Profit Before Tax (KES millions)



Client Base



Outlook

Equity Group enters 2026 from a position of strength, following a stellar FY 2025 performance across banking, insurance, and investment segments. Profit After Tax grew 54.7% to KES 75.5 billion from KES 48.8 billion in FY 2024, supported by growth in net interest income and disciplined cost management, which drove a decline in operating expenses. The net profit margin improved to 34.7% from 25.2%, underscoring the Group's efficiency and strong earnings generation.

The Group's cost-to-income ratio (including loan loss provisions) improved to 57.7% from 68.7%, demonstrating enhanced operational efficiency. Gross nonperforming loans (NPLs) declined by 9.8% to KES 110.1 billion from KES 122.0 billion. The NPL ratio improved, easing to 11.5% in FY 2025 from 13.6% in FY 2024, remaining well below the industry average of 15.5%. Meanwhile, the NPL coverage ratio increased by 3.1 percentage points to 66.8% from 63.7%, reflecting continued prudence in credit risk management.

Digital channels remain a key growth driver, with over 98% of transactions occurring outside branches, and platforms such as Equity Online, Equitel, and Mobile USSD sustaining high transaction volumes and values.

Equity Insurance subsidiaries recorded strong performance, with Equity Life Assurance Kenya (ELAK) issuing 19.2 million policies and serving 6.9 million unique customers, while general and health insurance segments contributed to overall profitability. Equity Investment Bank (EIB) expanded its client base to 5,226 and assets under management to KES 28 billion, driving total income and Profit After Tax growth. These diversified revenue streams provide stability against market volatility. Equity Group continues to demonstrate exceptional brand equity, ranked 2nd strongest banking brand globally in 2024, 1st in Africa, and the most valuable brand in East and Central Africa and Kenya for 2024–2025. Its recognition as a Superbrand in East Africa (2024–2026) reinforces customer trust and supports regional expansion.

The sharp spike in global oil prices, up 42% within two weeks from 27th February to 9th March, following the early 2026 Iran–Middle East crisis, highlights rising energy-driven risks in the global economy. Elevated oil prices are expected to increase fuel, transport, and production costs across economies, placing pressure on businesses and households. For Equity Group's client base, particularly corporates and SMEs, these higher operating costs could compress margins, potentially slowing business activity, weakening cash flows, and affecting loan demand and repayment behavior in the short term.

Currency volatility in East Africa, notably the Ugandan shilling, may impact cross-border operations and FX income, while temporary selloffs in bond and equity markets could influence investment portfolios and trading revenue.

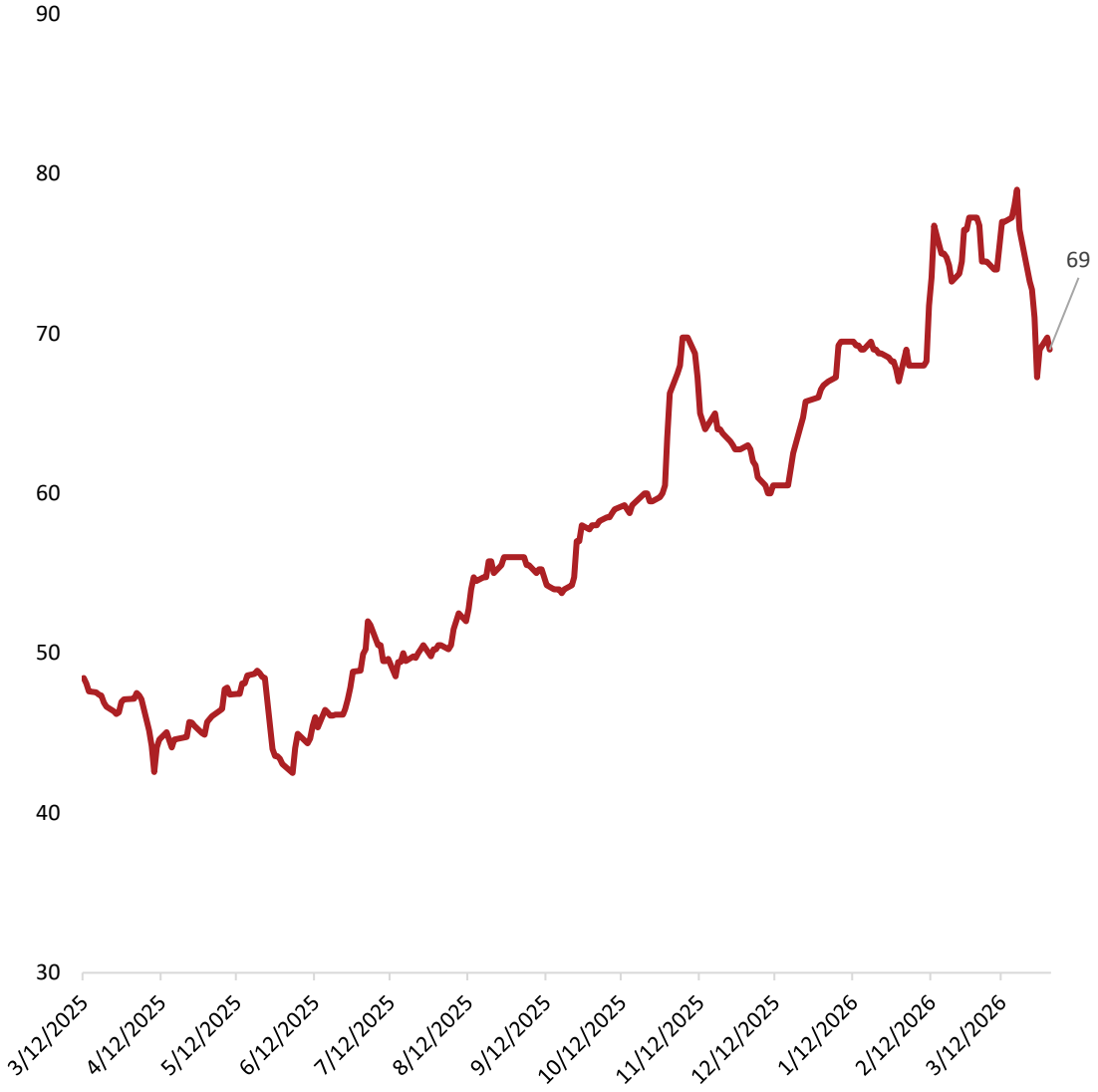
Domestically, the cut of Kenya's Central Bank Rate (CBR) to 8.75% is expected to lower borrowing costs, encourage credit demand, and support growth in both retail and SME lending.

Despite these challenges, Equity Group's diversified business model, with strong revenue streams from digital banking, insurance, and investment segments, coupled with a resilient balance sheet, positions it to absorb these shocks. Its digital-first strategy and disciplined cost management further help mitigate potential margin pressures. Overall, while macro and geopolitical risks persist, Equity Group is expected to maintain stable performance, leveraging its regional footprint, loyal customer base, and operational efficiency to navigate the evolving environment.

Outlook

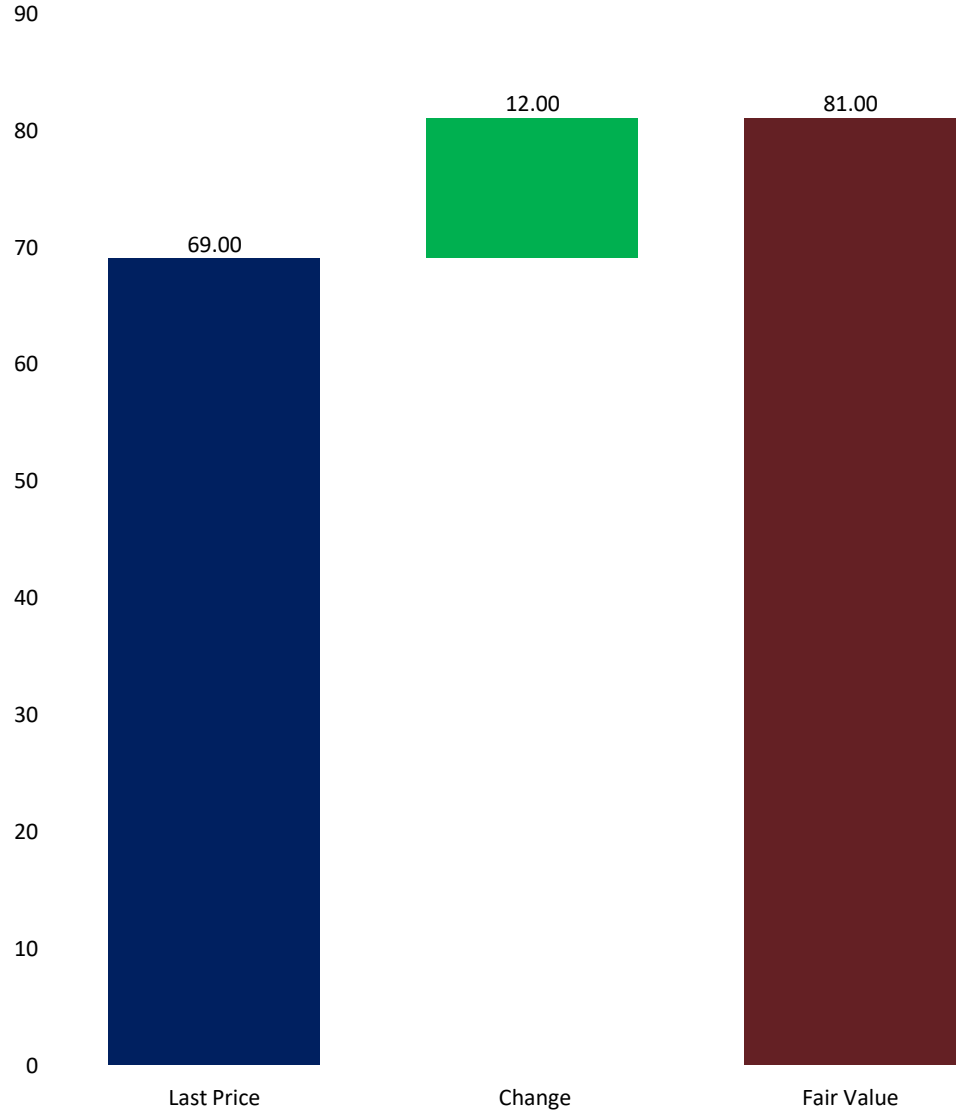


Equity Group Share Price Trend



Source: Bloomberg and Faida Analysis

Price Upside



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