



**Equity Group
FY'24 Earnings
Note**



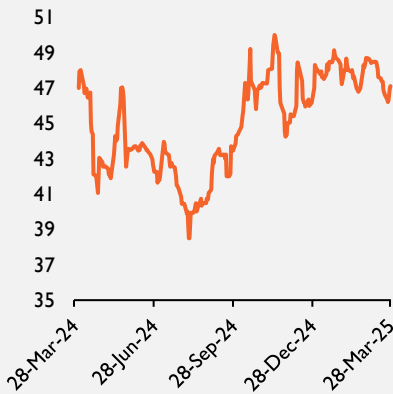
Equity Group Holdings FY'24 Earnings Note

April 2nd, 2025

Ticker Information

NSE Code:	EQTY
Issued Shares (Bn):	3.77
52-week high:	KES 51.00
52-week low:	KES 33.70

Chart 1: Price Trend (Last 12 Months)



Source: NSE, AIB-AXYS Research

Historical Share Performance

Last	1M	3M	6M	12M
Change	-3.29%	2.06%	8.40%	-0.11%

Source: NSE, AIB-AXYS Research

Recommendation

BUY

Current Price

KES 47.1

Target Price

KES 54.38

Summary

- **Equity Group Holdings delivered strong financial performance, with Profit After Tax (PAT) rising 11.6% y/y to KES 48.82 Bn.** The growth was driven by a 10.7% y/y increase in Non-Funded Income to KES 85.07 Bn, alongside a 3.7% y/y rise in Net Interest Income to KES 108.71 Bn. However, the results were partially offset by a 20.3% y/y surge in interest expenses, which reached KES 61.58 Bn, primarily due to a 45.0% y/y jump in interest on customer deposits (KES 48.48 Bn). **The Board of Directors proposed a dividend of KES 4.25 per share.**

Key Highlights

- **Declining Margins:** Net Interest Income rose by 3.7% y/y to KES 108.71 Bn, driven mainly by a surge in yields from loans and advances and government securities, which grew by 5.3% y/y and 9.9% y/y to KES 107.67 Bn and KES 56.48 Bn, respectively. Non-Funded Income grew by 10.7% y/y to KES 85.07 Bn, supported by a 28.4% y/y increase in fees and commissions to KES 10.56 Bn. The average yield on interest-earning assets declined by 0.3% points to 10.6% in FY'24 from 10.9% in FY'23. The Cost of Funds surged by 0.4% points, driven by a 20.3% increase in interest expense due to the prevailing high-interest-rate environment. Consequently, the net interest margin declined slightly by 0.5% points to 6.8%.
- **Deteriorating Asset Quality:** Gross Non-Performing Loans (NPLs) increased marginally by 6.5% y/y to KES 122.0 Bn in FY'24, up from KES 114.6 Bn in FY'23. The gross NPL ratio rose by 1.7% points to 14.0%, reflecting heightened borrower distress and challenges in meeting repayment obligations. Additionally, NPL coverage weakened, declining by 4.5% points to 78.0% from 82.6%. Despite this, the lender maintained a strong buffer against potential loan losses, with loan loss provisions standing at KES 20.18 Bn. However, this marked a 43.3% y/y decrease from KES 35.59 Bn in FY'23.

Balance Sheet Dynamics

The Balance Sheet recorded a contraction, with total assets declining by 0.9% y/y to KES 1,804.62 Bn from KES 1,821.43 Bn in FY'23. The performance was primarily driven by a 7.7% y/y decrease in net loans, which fell to KES 818.24 Bn from KES 887.38 Bn in FY'23, as the lender adopted a more conservative approach amid the rising Non-Performing Loans (NPLs). Net loans were further impacted by the appreciation of the Kenya Shilling, which reduced the value of foreign denominated credit. However, this was partially offset by a 26.0% y/y increase in cash and balances, which rose to KES 126.94 Bn from KES 100.77 Bn in FY'23. Total liabilities registered a 2.8% y/y decline to KES 1,557.76 Bn, down from KES 1,603.30 Bn in FY'23. This was attributable to significant reductions in placements, down 84.2% y/y to KES 3.75 Bn from KES 23.73 Bn and borrowings, down 44.4% y/y to KES 70.52 Bn from KES 126.91 Bn. During the period under review, deposits grew by 3.0% y/y to KES 1,399.65 Bn, up from KES 1,358.23 Bn in FY'23

Challenged Operating Efficiency

The Cost-to-Income ratio (excluding loan-loss provisions) deteriorated, reflecting a 6.4%-point increase to 58.2% from 51.9% in FY'23. Operating income rose by 6.7%/y/y to KES 193.78 Bn, while total operating expenses grew by 2.5% y/y to KES 79.6 Bn from KES 62.20 Bn in FY'23. During the period under review, other operating expenses and staff costs increased by 30.5% and 3.9%, reaching KES 70.69 Bn and KES 33.27 Bn, respectively, up from KES 54.19 Bn and KES 32.01 Bn in FY'23.

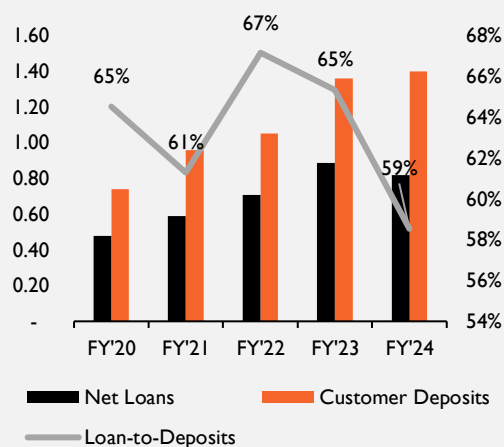
Outlook

We expect Equity Group's growth to remain robust, supported by regional expansion and the strengthening of its financial ecosystem, with a key focus on the Bancassurance unit. Additionally, growth will likely be bolstered by sustained investments in technology and critical infrastructure, modernizing digital channels to enhance customer experience, broaden access to a wide range of products and services, and drive cross-selling opportunities.

Recommendation

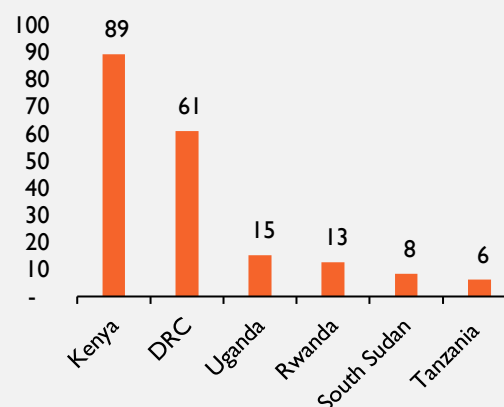
- **We maintain our BUY recommendation on Equity Group Holdings, supported by strong operational performance throughout its subsidiaries.** At the current market price, the stock is trading at P/E ratio of 3.6x and a P/B ratio of 0.9x. Our one-year target price for Equity Group Holdings currently stands at KES 54.38 - representing a c.15.33% upside potential from current levels.

Chart 2: Faster Deposit Mobilization



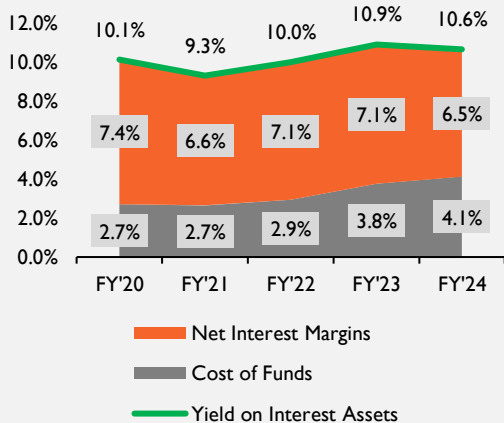
Source: Company filings, AIB-AXYS Research.

Chart 3: Regional Revenue Generation (KES Bn)



Source: Company filings, AIB-AXYS Research.

Chart 4: Declining Net Interest Margin



Source: Company filings, AIB-AXYS Research.

Income Statement (KES Bn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Net Interest Income	55.1	68.8	86.0	104.80	108.71	▲ 3.7%
Non-Interest Income	38.5	44.6	59.9	76.88	85.07	▲ 10.7%
Total Operating income	93.7	113.4	145.9	181.68	193.78	▲ 6.7%
Provision for Impairment	(26.6)	(5.8)	(15.4)	(35.59)	(20.18)	▼ (43.3%)
Total Operating expenses	(72.7)	(61.5)	(86.1)	(129.80)	(133.04)	▲ 2.5%
Profit before tax	22.2	51.9	59.8	51.88	60.74	▲ 17.1%
Profit after tax	20.1	40.1	46.1	43.74	48.82	▲ 11.6%
Core EPS Annualized	5.33	10.62	12.22	11.59	12.94	▼ (5.1%)
DPS	-	3.00	4.00	4.00	4.25	▲ 6.3%

Balance Sheet (KES Bn)	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Government Securities	217.4	394.1	394.0	541.22	548.84	▲ 1.4%
Loans and Advances	477.8	587.8	706.6	887.38	819.24	▼ (7.7%)
Total Assets	1,015.1	1,304.9	1,447.0	1,821.43	1,804.62	▼ (0.9%)
Customer Deposits	740.8	959.0	1,052.2	1,358.23	1,399.65	▲ 3.0%
Total Liabilities	876.5	1,128.7	1,264.8	1,603.30	1,557.76	▼ (2.8%)
Total Equities and Liabilities	1,015.1	1,304.9	1,447.0	1,821.43	1,804.62	▼ (0.9%)

Ratio Analysis	FY'20	FY'21	FY'22	FY'23	FY'24	% y/y change
Spreads Analysis						
Yield on Assets	10.1%	9.3%	10.0%	10.9%	10.6%	▼ (0.3%)
Cost of Funds	2.7%	2.7%	2.9%	3.8%	4.1%	▲ 0.4%
Net Interest Margin	7.4%	6.6%	7.1%	7.1%	6.5%	▼ (0.6%)
ROaE	16.5%	26.0%	29.0%	21.8%	21.0%	▼ (0.9%)
ROaA	2.4%	3.5%	3.4%	2.7%	2.7%	▲ 0.0%
Profit Margin	21.5%	35.3%	31.6%	24.1%	25.2%	▲ 1.1%
Operating Efficiency						
Cost to Income Less LLP	49.2%	49.1%	48.4%	51.9%	58.2%	▲ 6.4%
Cost to Assets Less LLP	5.5%	4.8%	5.1%	5.8%	6.2%	▲ 0.5%
Loan to Deposit	64.5%	61.3%	67.2%	65.3%	58.5%	▼ (6.8%)
Asset Quality						
Gross NPL Ratio	11.7%	8.8%	8.6%	12.3%	14.0%	▲ 1.7%
NPL Coverage	62.4%	68.7%	76.9%	82.6%	78.0%	▼ (4.5%)
Cost of Risk	5.6%	1.0%	2.2%	4.0%	2.5%	▼ (1.5%)
Capital Adequacy						
Core Capital/TRWA	14.8%	12.9%	15.6%	14.3%	17.3%	▲ 3.0%
Total Capital /TRWA	18.9%	17.7%	20.2%	18.1%	19.0%	▲ 0.9%
Liquidity	59.3%	63.4%	52.1%	53.4%	57.4%	▲ 4.0%

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