Press Release

EQUITY GROWS LOAN BOOK BY 30% TO SUPPORT CUSTOMERS AND KEEP THE ECONOMY LIGHTS ON.

Nairobi 12th November 2020……... Equity Group has reported a 30% growth in its loan book from Kshs 348.9 billion in September 2019 to Kshs 453.9 billion as at 30th September 2020.

While releasing the results for Q3 2020, Dr. James Mwangi, Group Managing Director and CEO said, "We grew our loan book by 30% year on year in order to support our customers who saw opportunities of green shoots and diversification in the COVID-19 environment. Most of the new opportunities we funded were in manufacturing of PPE's, logistics, online businesses, agro- processing, fast moving consumer goods and agriculture value chains."

Execution of Equity Group's twin strategy of being defensive and offensive has proven to be effective despite the challenging environment. Customer deposits registered a 45% growth from Kshs478 billion to Kshs 691 billion driven by 51% growth in Uganda, 21% growth in Kenya and an additional Kshs130 billion from the acquisition of BCDC in DRC. Loans to customers grew by 30% driven by 37% growth in Uganda, 19% growth by Equity Bank Congo, 15% growth in Rwanda, 15% growth in Kenya and an additional Kshs 48.5 billion from the acquisition of BCDC in DRC. The growth in capital weighted loan book and capital geared customer deposits was on the back of a 27% growth in shareholders' funds following withdrawal of Equity Group Holdings' 2019 dividend payout. The balance sheet of the Group grew by 38% from Kshs 677.1 billion to reach Kshs 934 billion.

Regional expansion and business diversification efforts have reduced dependence on Kenya for Group performance making the Group truly a regional financial services provider. Regional subsidiaries now contribute 40% of customer deposits, 39% of Group total assets, 33% of the loan book, 30% of the Group's revenue and 25% of the Group's profit before tax.

On the defensive strategy the Group increased its capital base by 27% to Kshs 137.6 billion from Kshs 108.7 billion to fortify the balance sheet. The Group's liquidity position strengthened to 55.7% driven by a 61% growth in cash and cash equivalents and a 34% growth in Government securities. Maintaining its conservative and prudent approach and in recognition of the challenging operating environment, the Group increased its loan book provision eleven-fold from Kshs1.3 billion to Kshs14.3 billion compared to the same period last year, registering a cost of risk of 4.8% up from 0.8% the corresponding period last year. To further consolidate liquidity, the Group increased its long-term funding by 7% to Kshs 70.7 billion from Kshs 66.3 billion as shareholders funding grew by 27%.

In its defensive strategy, Equity has worked to support the larger society, communities and customers to weather and mitigate the adverse effects of COVID-19, Equity Group boosted government efforts of containing the pandemic by:

(1) Waiving fees on mobile banking transactions to discourage the use of cash while incentivizing the use of digital channels;
(2) Utilizing the expertise of Equity Afia medical team to screen body temperature of customers and staff accessing physical premises including bank branches while supporting COVID-19 health education;
(3) Leading nationwide initiatives to safeguard frontline health workers through the provision of PPEs and mental wellness and psychosocial support training by the Equity Group Foundation at a cost of Kshs1.3 billion.

(4) Providing loan repayment accommodation and rescheduling for up to 45% of the customers whose cashflows were deemed likely to be negatively impacted by government set COVID-19 containment measures.
(5) Supporting staff to cope with the challenges associated with COVID-19 while maintaining a conducive working environment to comply with health protocols and offering choice of working from home were possible.

Equity Group has endeavored to leverage on the opportunities that present within the COVID- 19 crisis, especially for customers. We chose to seize the opportunities which have presented themselves through the pandemic, most notably for our societies and the world to build back better, and to build a more ethical and equal operating environment for all in Africa who have been left out of the established systems. In this way we are opting to pursue the silver lining in the crisis.

The COVID-19 prevention protocols that underpin mitigation measures including: social distancing, hand hygiene, maintaining clean surfaces and avoiding unnecessary exposure including working from home as much as possible - have served as a tail wind to the Group's digitization. There is a significant customer shift to the use of internet and mobile channels with a remarkable reduction in use of brick and mortar outlets. 98% of the transactions are off physical premises, with 87% taking place online.

Equity's business model has migrated from being based on fixed cost channels to self-service and third-party variable cost channels. The business has transformed from the 'place you go' to 'what you do' on devices, thus removing and compressing time and geography making business 24-hours, whatever time, wherever you are. Staff teams have been availed the flexibility of working from the office and many are now working from home while the customers now enjoy unparalleled freedom and control of their accounts and unprecedented convenience.

For the first time, the digital bank has overtaken the legacy bank in both the number of transactions and value of transactions handled on a daily basis. Staff jobs have been enriched by a shift from transaction banking to more high value and non-manual customer engagements. Online banking products and services have experienced the greatest growth with digital transaction values growing by 34%. The volume of diaspora remittances grew by 88%, while Forex online trading income grew by 41%. Customer engagement has increased as reflected by 45% growth in their deposits and customer loyalty is reflected by resilience in honoring their loan repayment obligations as signified by a stable 10% non-performing loan portfolio at a ratio of 300 basis points below the industry average despite the challenging business operating environment under COVID-19.

The business model transformation to digital banking and variable cost channel models have paved the way for efficiency and cost optimization gains. Cost income ratio has declined from 51.3% to 47.6% while the platform enhancement of Equity's IT capability to allow digitization has enabled massive growth in transaction processing volume without growing operational costs. This has allowed Equity to maintain a low-cost funding of transaction float, which serves as a major competitive advantage of low cost of funding at 2.7% that protects margins in the intermediation business.

On the socio-economic front, visibility of Equity's impact investments through the Equity Group Foundation has strengthened the Equity brand, particularly by the empathy reflected from the Kshs1.3 billion investment to boost government efforts in managing the COVID-19 crisis. The provision of a monthly stipend for Wings to Fly, Elimu and TVET scholars, the delivery of solar powered lights and radios with mobile charging devices to the scholars has helped them to bridge the digital divide and allow them to keep learning over the prolonged school closure in partnership with our long-time partner Mastercard Foundation. These efforts have solidified the brand's commitment to society's welfare in times of need.

The waiver of mobile transaction fees for the customers speaks of empathy and care beyond relationships. The Young Africa Works Kenya programme we launched in June 2019 with Mastercard Foundation to create 5 million jobs resonates with the needs of the times. Financial literacy and entrepreneurship training have become critical in making customers and their businesses resilient, while social safety net cash transfers and payments have positively projected the brand and served society, as has the contribution of Equity Afia health clinics and our efforts to conserve the environment.

With the execution of the twin strategy of being defensive and offensive the business has registered strength and resilience. Net Interest Income has grown by 22% to Kshs 39.3 billion from Kshs 32.3 billion, while non-funded income has grown by 11% to Kshs 24.4 billion from Kshs 22 billion with total income growing by 17% to Kshs 63.7 billion from Kshs 54.3 billion. Operating costs before provision grew by 8.16% with profit before provisions growing by 30.65%. Loan loss provisions grew by 11-fold from Kshs1.3 billion to Kshs14.3 billion increasing NPL coverage to 86%. Profit after tax declined by 14% from Kshs 17.5 billion to Kshs15 billion reducing return on average equity from 22.9% to 16.9% and return on average assets from 3.7% to 2.5%.

The Group maintained healthy capital buffers with core capital to risk weighted asset standing at 14.5% while total capital to risk weighted assets stood at 17.5%.

Equity Group continued to gain global accolades and recognition. The Group maintained its Moody's sovereign rating B2 for National Rating and Global Rating Aaa.ke/KE1. Global Credit Rating (GCR), long-term rating AA- and a short-term rating A1. During the year the African Banker Awards named Equity the Best Regional Bank-East Africa while Global SME Finance Awards named Equity the Best SME Bank in Africa. The Banker named Equity as the 7th Best Bank in Africa while Equity Group's CEO Dr. Mwangi was named to the Bloomberg 50 list and was honored with the 2020 Oslo Business for Peace Awards.

While uncertainty remains, Equity Group is holding an optimistic outlook of the future. Prompt focus to protect and sustain customer businesses in early day's of COVID-19 with a long-term view, has helped build resilience and survival of majority of micro, small and medium enterprises saving lives and boosting livelihoods. The Group's proactive approach to conserve capital liquidity while protecting quality of balance sheet through aggressive provisioning of loan portfolio and enhancement of NPL coverage the Group well to weather the challenges of COVID-19. Efforts of enhancing customer relationship management, training on how to cope with the evolving challenges and financial support to diversify business and align to emerging opportunities have provided optimism to continued growth.

"We are focused on increasing the chances of our customers surviving the COVID-19 challenges, transforming themselves by walking with them and hand-holding them with our knowledge, skills and Group resources. During these extra-ordinary times our performance measures has changed from numbers to lives and livelihoods supported, changed, enhanced and transformed," concluded Dr. Mwangi".

-Ends-

For more information, please contact:

Alex Muhia Equity Group T: Office - 0763 026007: Mobile - 0763 618871 E: CorporateCommunications@equitybank.co.ke E: Alex.Muhia@equitybank.co.ke	Carol Wairugu Ogilvy PR **T**: 0764 515797 Carol.Wairugu@ogilvy.co.ke