PRESS RELEASE

Equity Group Defies COVID-19 Impacts and Registers 51% Balance Sheet Growth

- Customer Deposits grow by 53%;
- Loans to Customers grow by 30%;
- Acquisition, merger, integration and rebranding of BCDC
- Profit before provisions grows by 30%;
- Raises provisions by Kshs 26.6 billion to increase NPL coverage to 89.4%, and;
- Records a Kshs 20.1 billion profit after tax, a decline of 11% YOY.

Nairobi, Kenya…29th March 2021... The year 2020 was like no other. COVID-19 struck at the beginning of the year and the East Africa region had its first case of infection in early March. The global spread of the virus quickly became a pandemic. To comply with the World Health Organization's prevention protocols, restrictions put in place including limitations on movement and travel, social distancing, and constrained interactions resulted in economic slowdowns which in turn caused global supply chain disruptions due to interruptions of production, distribution, and a reduction of economic activities. By April, the health pandemic had turned into an economic crisis with lost lives and livelihoods resulting into a dilapidating humanitarian crisis characterized by lost jobs, unemployment, lost investments, hunger, poverty, human misery, unhappiness, fear and uncertainty.

Releasing 2020 Full Year results, Equity Group Managing Director and CEO Dr. James Mwangi said, "The previous global pandemic was the Spanish Flu which occurred in 1919, a century back, and hence the world had lost its memory and had to re-learn, adapt and adjust making 2020 an exceedingly difficult and challenging year. Our corporate purpose of '*Transforming lives, giving dignity and expanding opportunities for wealth creation'* became the guiding compass of the organization's essence on how to navigate through the crisis and the challenging environment. Our results and performance became a human story of resilience and determination to live an ethical human purpose."

The 2020 results reflect a purpose lived and a management team uniquely differentiated by the decisions it made. From the onset, Equity Group management opted to safeguard and cushion the lives of staff, clients, and host communities by supporting lives and livelihoods through maintaining economic activities to keep the lights of the economies on and boosting Government efforts with Kshs 4 billion initiatives. Interventions included;

1. Waiving mobile charges of Kshs 1.2 billion to enhance households' disposable incomes while at the same time sensitizing clients to adopt mobile, digital, and online banking, in compliance with health protocols of reduced mobility, minimized interactions, promoting hygiene, and maintaining social distancing.

2. Offering opportunities for loan accommodation up to 45% of the loan book, to minimize disruption and allow re-adjustment to match new cash flows while waiving rescheduling fees of Kshs 1.2 billion.

3. Maintaining and enhancing lending activities resulting in a 30% growth in loan book thus supporting economic activities that provided for livelihoods and keeping the lights of the economy on, while offering oxygen to new green shoots of opportunities through retooling, repurposing, reforming and adapting to new opportunities in the marketplace, capital re-allocation and new consumption patterns.

4. Mobilizing and contributing Kshs 1.7 billion to support community efforts towards fighting the COVID-19 pandemic by procuring and providing testing kits, logistical support and PPEs for frontline health workers in public COVID-19 management health centers as well as supporting a robust mental health and psychosocial wellness program for frontline healthcare workers.

5. Supporting 17,800 Wings to Fly and Elimu Scholars to cope with the prolonged school closure and providing them with solar powered radios and lamps with a mobile charging unit that allowed them to continue learning while providing for their life's essentials financed by a monthly stipend with the support of our partner Mastercard Foundation.

6. Supporting staff and clients by mobilizing Equity Afia, an Equity Group associate health franchise, to spearhead COVID-19 awareness, health education of prevention measures and coping mechanisms while maintaining job security for all staff without subjecting them to salary freezes or reductions, while accommodating more than 50% of the staff to work from home

The Group uniquely differentiated itself by prioritizing purpose first, and disproportionately focusing on the social mission of the organization of 'changing lives and giving dignity while supporting opportunities for wealth creation'. In steering its economic engine, the management and the Board adopted a twin strategy of being defensive while at the same time being offensive to adjust, adapt and take advantage of emerging opportunities by:

a. Enhancing core capital by withdrawing 2019 declared dividends amounting to Kshs 9.5 billion and raising Kshs 11 billion of Tier 2 capital.

b. Enhancing risk management by partnering with development institutions to obtain partial credit guarantees to the credit book while enhancing provisioning levels by Kshs 26.6 billion to deal with the uncertainties and shocks.

c. Enhancing liquidity buffers to mitigate the risk of rescheduling client loans and accommodating loan repayment moratorium's by securing foreign direct funding amounting US $350 million and raising liquidity levels by 7 percentage points to 59%.

d. Identified and seized opportunities of organic growth in Kenya and Uganda and an acquisition and merger opportunity in the Democratic Republic of Congo (DRC), and migrating, integrating, merging, and rebranding with our existing subsidiary in DRC.

e. Equity Group has recognized changes in consumer behavior driven by erosion of trust, the digital switch, accelerated adoption of technologies and an upended theory of purpose first, community engagement and re-imagining business model and has taken a head start to reposition itself.

f. Equity has significantly invested in its social brand, enhanced online banking, focused on mobile technologies, internet and artificial intelligence to drive online channel experience.

The Group has weathered the COVID-19 disruption to register a 51% growth in its balance sheet with total assets growing to Kshs 1.015 billion (One trillion and fifteen billion shillings) up from Kshs 674 billion the previous year. The growth delivered through both organic and merger & acquisition strategies saw the group become the first financial institution to cross the trillion shillings rubicon in East and Central Africa. The growth has been driven by a 53% increase in customer deposits which grew to Kshs 741 billion up from Kshs 483 billion, while long-term debt financing grew by 71% to Kshs 97 billion from Kshs 57 billion with shareholders' funds growing by 24% to Kshs 139 billion up from Kshs 112 billion.

Deployment of the 51% growth of funding enabled loans to customers grow by 30% to Kshs 478 billion up from Kshs 366 billion. Cash and cash equivalents grew by 186% to Kshs 247 billion up from Kshs 86 billion. Investment in Government securities grew by 26% to Kshs 217 billion up from Kshs 172 billion.

Net interest income grew by 23% to Kshs 55 billion up from Kshs 45 billion driven by a 30% growth on customer loan book and 26% growth in investment in Government securities. Non-funded income grew at 27% to reach Kshs 38 billion up from Kshs 30 billion to contribute 41% of the total income. Forex trading income grew by 77% to stand at Kshs 6.2 billion up from Kshs 3.5 billion. Diaspora remittances commissions grew by 76% to Kshs 1.5 billion up from Kshs 0.9 billion. Volume of Forex trading increased by 51% to Kshs 863 billion up from Kshs 571 billion with Diaspora remittance contributing 32% of the volume of forex traded.

Total operating costs grew by 67% to Kshs 71 billion up from Kshs 42.5 billion driven by a 496% growth in gross loan provision of Kshs 26.6 billion up from Kshs 5.3 billion in the prior year, increasing the cost of risk to 6.1% up from 1.3% the previous year. The higher loan loss provisions enhanced NPL coverage to 89%.

As part of the Group's commitment to support lives and livelihoods, keep the lights of the economies on by avoiding massive disruption of economic activities, the Group accommodated Kshs 171 billion of loans for customers whose repayment capacity was adversely impacted by Covid-19. This represents 32% of the entire gross loan book of Kshs 530 billion. As at 31st December Kshs 40 billion of the restructured loans had resumed repayments and normalized. A deep dive review of the entire Kshs 171 billion accommodated loans revealed doubts on the future viability and quality on Kshs 9 billion of loans promoting the downgrade of the said doubtful loans to NPL (IFRS 9 Stage 3) increasing the NPL portfolio to 11% up from 10.4% as at 30th September 2020, and 9% as at the end of the previous year and closing the year with 23% accommodated loan book equivalent to 11% of the balance sheet.

The Group's cost income ratio improved to 48.5% from 51.1% the previous year driven by improvement in cost of funds from 2.9% to 2.8% and enhancement of yields on government securities from 10.1% to 10.7% despite realization of capital gains on the securities trading of Kshs 3 billion up from Kshs1.1billion the previous year and 117% growth of mark to market gains to Kshs 7.4 billion up from Kshs 3.4billion.

EQUITY

Yields on loans declined from 12.6% to 12.4% due to increased suspended interest on increased NPL book and change of loan book mix of local currency to US$ currency to 57%:43% from 64%:36% ratio in favour of the local currency as a result of acquisition and merger of BCDC in DRC and increase of 186% on cash and cash equivalent. The profit after tax contribution from the business outside Kenya grew to 28% from 18%.

The Group continued to transform itself into a low-cost operating business model, by enabling self-service capabilities for customers and transforming the banking experience from the place you go, to something you do on devices. Digitization has enabled 98% of all Group transactions to happen outside the branches with 85% of the transactions being on self-service mobile and Internet banking and 12% of the transactions happening on Agency and Merchant banking third party variable cost infrastructure. Only 3% of transactions happened on fixed cost brick and mortar branch and ATM infrastructure. 97% of the loan transactions are conducted on the mobile channel delivering unparalleled convenience to borrowers, round the clock banking that compresses geography and time to allow whatever time, wherever location banking experience.

For the first time ever, branches handled less than half of transaction value, accounting for only 37.4% of such value with the 62.6% of the value of transactions taking place outside the branch. Adoption of digital payments was accelerated with the number of transactions processed over the Pay with Equity solutions growing by 31% and the value of the transactions growing by 58% to reach Kshs 2 trillion up from Kshs 1.3 trillion. The Group intensified its social impact investments for shared prosperity with communities. Cumulative spend on shared prosperity programmes reached Kshs. 51 billion equivalent of US$ 464,515,524. The Group's flagship secondary school scholarship programmes, *Wings to Fly* and *Elimu, delivered in partnership* with Mastercard Foundation, KfW and Government of Kenya reached 26,304 beneficiaries. Pre-university paid internship beneficiaries reached 6,713 while scholars who had attended universities reached 13,775 with633 scholars attending or alumni of global universities.

Young Africa Works programme's aim to create 5 million jobs in 5 years in partnership with Mastercard Foundation saw 121,478 Micro Small and Medium Enterprises, MSMEs trained in entrepreneurship with 141,106 of them accessing Kshs 57.5 billion in loan facilities. 2,182,615 women and youth have been trained in financial education through Equity Group Foundation's Financial Knowledge for Africa (FiKA) initiative. Over 2 million farmers have been impacted with 39,589 medium sized farmers being supported to transit into agribusiness.

To support and complement COVID-19 management and containment measures, the Group under the Equity Afia health franchise opened 22 additional clinics to reach 33 clinics that recorded 305,560 cumulative patient visits. In partnership with the Government and various donor agencies the Group cumulatively processed and disbursed Kshs 77.4 billion of social safety net cash transfers to 3,330,195 individuals.

To mark its 35 years anniversary since commencement of business, the Group planted 3.12 million trees and distributed 243,903 clean energy products.

The Group Board of Directors has not recommended a dividend for the year ended 31st December 2020, opting to prudently devote internally generated funds to the Group's successful offensive and defensive strategy that has seen the balance sheet expand by 51% with deposits growth of 53% and loan growth of 30% being capital weighted items and the enlarged operations of a balance sheet more than a trillion Kenya shillings requiring capital risk weighting.

FUTURE OUTLOOK

With the development of COVID-19 vaccines and the world embracing vaccination, the Group is optimistic that the health crisis caused by COVD-19 will in time be brought under control. The world is united to rebuild better and with the strong economic stimulus of US$1.9 trillion rolled out by the US, the global economy as projected by the World Bank and the International Monetary Fund to register over 5% GDP growth rate, we are optimistic of the opportunity for the Group to bounce back. The strong Group liquidity ratio of 59.3% and strong loan/asset ratio of 47% and loan/deposit ratio of 64.5% offers the Group an excellent opportunity to execute an offensive strategy while keeping risk under control. The Group expects the cost of risk to normalize going forward given the improving economic environment as well as the high NPL coverage of 89.4% for 2020.

Our stakeholders can have hope and look forward to better days on account of the following;

a) A unique social purpose driven business model that is agile to change and adaptive to environment as demonstrated by the performance of 2020 while remaining demand driven, inclusive, low margin, high volume model and propelled by a scalable and sustainable social and economic twin engine.
b) A value based organisation culture which is people centric and performance driven
c) A scalable technology and digital enabled business allowing for economies of scale on a self-service basis
d) A growing regional presence with a large customer base that gives economies of scale thus reducing unit costs significantly & bringing extensive efficiencies
e) A staff compliment, committed to the Group's purpose and core values, engaged and with a track record of speedy execution.
f) A diverse, knowledgeable, experienced, exposed, and innovative executive team that has demonstrated differentiated leadership capabilities by developing a unique capability of balancing social and economic value creation and doing well while doing good while effectively managing inherent risks.
g) A leadership team that is entrepreneurial and with a mindset of innovation, providing solutions and creativity
h) An engaged board, committed to the highest governance practices, courageous to exercise effective governance oversight, bold enough to push the limits of innovation and creativity and dare to walk untrodden paths, aware of their inherent risks.
i) A supportive shareholding with a long-term view of value creation and the essence of a shared prosperity with host communities while preserving the environment.

The press release is complimented by an investor briefing report available for download on the Group Website.

For further information, please contact: -

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