EQUITY

Press Release

EQUITY GROUP EMERGES RESILIENT AMIDST MULTIPLE CRISIS

- **54% growth in total assets**
- **58% growth in customer deposits**
- **64% growth in profit after tax**
- **31% strong topline revenue growth**
- **Strong revised 2021 outlook**

Nairobi May 26th 2021…… Equity Group has returned strong quarter one results in a challenging environment amidst the multi-faceted Covid-19 crisis of health, economic disruption, and humanitarian challenges, giving hope of resilience and recovery.

"Our strategy; purpose-first, inclusivity, affordability, reach, agility and quality have proven resilient and sustainable" said Dr. James Mwangi, the Equity Group CEO while releasing the first quarter of 2021 financial results. "Purpose has proved profitable" he added.

During the multi-crisis year, Equity focused on social impact investment in health investing Kshs.1.7 billion in social response to society, forgoing Kshs.1.5 billion in waived mobile transaction fees, waiving Kshs.1.2 billion in loan rescheduling fees and accommodating Kshs.171 billon (or 31%) of the loan book for up to 3 years of principal and interest repayment breaks to enable businesses to survive. "We kept the lights of the economies we operate in on, supported businesses to repurpose, retool and recover by supporting livelihoods of our customers during the crisis", said Dr. Mwangi.

He added, "We have adopted a two-pronged strategy of being offensive and defensive. We strengthened our capital buffers by retaining profits and withholding dividend payouts, took long-term loan facilities that strengthened our liquidity buffers, supported host communities and our clients to mitigate the impact of the crisis on them by waiving fees and rescheduling their loans to match loan repayments to new cashflow patterns. Internally, we focused on risk mitigation and management in a challenging environment, enhanced our NPL coverage through provisions and sought collaboration with development financial institutions on credit and risk sharing guarantees. We evolved our organization structure through strong governance focus on risk management, diversity of skills and competencies to enhance our succession planning and mitigation of key person risks", added Dr. Mwangi.

Operationally, the Group focused on generating and growing non-funded income, treasury efficiency, geographical expansion and business diversification, business transformation through innovation and digitization, balance sheet optimization and agility, asset quality and risk mitigation while pursuing efficiencies and brand development through social impact investment underscoring the performance of the Group.

Interest income grew by 32% while non-funded income grew by 30% to contribute 42% of total income. Regional subsidiaries registered resilience and robust growth to contribute 40% of total deposits and total assets and 23% of profit before tax with Rwanda and Uganda delivering above cost of capital returns.

“Evolving economic, social, political governance reforms and environment have strengthened prospects for long-term sustained regional growth and investment, This coupled with development of physical and soft infrastructure enhance opportunities for private sector credit growth and productivity gains from cross border trade” said Dr. Mwangi.

The Group registered a balance sheet expansion of 54% to reach Kshs.1.07 trillion driven by a 58% growth in customer deposits underpinned by Kshs.140 billion shareholders’ funds. A liquid balance sheet with Kshs.500 billion of cash, cash equivalents and government securities reflect the agility to redeploy funding seamlessly as the economies recover from the adverse impact of the Covid-19 multi-crisis.

The Group took advantage of consumers’ lifestyle changes that acted as a tailwind to human adoption of technology resulting into change in consumer lives and behavior. The Group changed its strategy to adopt to the changing environment and executed a rapid business transformation that saw 98% of all transactions being digital in count, and 65% of volume by value. “Over the last one year, we have witnessed firsthand as our customers adopted our mobile and internet technology channels on self-service devices making our financial services offering truly a 24-hour service and lifestyle”, said Dr. Mwangi.

“The business has seized the moment and fast-tracked transformation by investing and deploying fintech capabilities of biodata, artificial intelligence, machine learning, analytics and algorithms to support customer personalized product and services, offering wide lifestyle capabilities and global reach and presence” added Dr. Mwangi.

Strong focus on asset quality saw the Group develop an investment portfolio mix that resulted in a market and sectoral diversification across currencies and different geographies. The Group reported a non-performing loan book of 11.3% compared to the industry average of 14.6%. Strong risk mitigation saw NPL coverage stand at 99% from a mix of provisions at 87% and 12% of credit risk guarantees.

Of the 31% of the loan book, or Kshs.171 billion Covid-19 accommodated or rescheduled loan book, Kshs.59 billion has resumed repayment with Kshs. 5 billion fully repaid and Kshs.3 billion behind schedule in repayment. Kshs.66 billion is expected to resume repayment within 6 months by 30th September 2021.

On efficiency and cost optimization, the regional subsidiaries continue to gain momentum with marked improvement in cost to asset ratio and cost to income ratio and significant balance sheet and revenue growth.

The Group’s brand popularity is soaring in trust on account of our social engagement through our purpose-first strategy of shared prosperity evidenced by *Wings to Fly* and Elimu scholarships, Equity *Afia* health services, environmental protection through tree planting and clean energy product offering, empowering wealth creation through financial literacy and entrepreneurship development services and social safety net programmes.

Boosted by market leadership position in terms of balance sheet; market capitalization; customer base; capital base; and reinforced by the accelerated adoption of technologies by customers, a society seeking multi-sensory engagement, shared prosperity, purpose-first business models, the Group has reviewed its 2021 performance outlook upward to a return on equity of between 25% to 30% and return on assets of between 3.6% to 4.3% in an environment predicted by the World Bank and IMF to recover quickly.

The experience over the last 3 years of adoption of IFRS9 and riding the tide of Covid-19 multi crisis has brought forth the strength of the Group's strong risk management culture of boldness, decisiveness and prudence. On account of the differentiated management decisions last year, the Group has emerged resilient with a strong foundation that gives hope and confidence of strong future performance as reflected by strong top line revenue growth.

From the lessons of the disruption of its previously unbroken track record of paying out dividend since its listing in the stock exchange, the Group formulated a capital allocation, value creation and distribution policy that guarantees a dividend payout of between 30% to 50% of the Group's profit after tax and institutionalized the policy by the creation of an executive position in charge of capital allocation and value creation.

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