



PROF. ISAAC MACHARIA
NON-EXECUTIVE CHAIRMAN
BOARD OF DIRECTORS
EQUITY GROUP HOLDINGS PLC



MESSAGE FROM GROUP CHAIRMAN

2020 – THE UNPRECEDENTED YEAR

Dear Shareholders,

I am pleased to present to you my statement on my first year of service to you since I took leadership as your Chairman. 2020 was a year like no other. The world was confronted with the COVID-19 pandemic. It has been over 100 years since the Spanish flu of 1918, the last truly global pandemic. While COVID-19 is not the first major pandemic, it is unprecedented in its scope and rapid transmission across regions, fostered by advances in transport across the globe. The impact of this pandemic including the containment measures by governments, is an estimated 4.4% decline in the global economy, the worst since the Great Depression of the 1930s, the loss of millions of jobs, approximately 3 million deaths and over 150 million infections as at May 2021.

In this exceptional environment, our essence of social and economic transformation was severely tested and our resolve to remain a catalyst of social and economic transformation has only become stronger. In 2020, we positioned our business to be a safe harbour to absorb the economic shock brought by the pandemic through a number of defensive initiatives that not only aimed to minimize the impact of the pandemic on our business and staff but also on all other stakeholders including our customers, the communities in which we operate and frontline workers. At the same time, we moved boldly to expand our business in a year of increased conservatism. Consequently, in 2020, our inner strength and character was strongly tested. We are impressed by the ensuing results, which have validated our corporate philosophies, values and strategy. Thriving in this challenging environment has showcased our agility and resilience, and our innate capacity to respond and rebound to contextual challenges. Most significantly though, our social purpose and relevance proved to be the foundational anchor on which our business is established, endearing us to our customers who in turn provided us with impressive votes of confidence through increased deposits.



Directors of various Equity Group Holdings Plc subsidiaries attend training conducted at the Group's Head Office in Nairobi, Kenya.

In 2020, we reached the one trillion shilling milestone as our assets grew organically as well as through mergers and acquisitions. In this respect, I am pleased to welcome Banque Commerciale du Congo (BCDC) into the Equity family. Through this merger, Equity Bank Congo and BCDC are now EquityBCDC, the second largest bank in the Democratic Republic of Congo (DRC). This was a strategic investment that enabled the Group to seize a rare opportunity to expand operations into DRC. Our operations in the DRC now constitute 28% of the Group by asset size signaling our positive sentiment on the future outlook of the Country. By virtue of the acquisition we also became the largest bank by asset size at the Nairobi Securities Exchange. Since 2019, political mechanisms have been put in place to bring political stability to the nation. The Banking Sector in the country needs agility and a bank whose model is anchored in financial inclusion and shared prosperity in order to support the growth of the economy where bank assets to GDP is only 7%, perhaps among the lowest of any country in the world. Furthermore, banking penetration ranks at the bottom of regional peers, with only 6% of the population holding a bank account. This presents a great opportunity for the Group to leverage on its digital platform and inclusive products to penetrate the market and generate high returns.

Our financial performance in 2020 showcases our resilience as a business. On several of our key performance indicators, we experienced growth in a year of severe economic headwinds. Our profit reduced on account of a five-fold increase in our loan loss provision driven by the need to account for the uncertainty that arose in the performance of the COVID-accommodated book. This increase of provisions was to provide our investors with comfort on the safety of the balance sheet and certainty into our future earnings as the Group continues to grow. Non-funded and net interest income improved and our business remained highly liquid, while our capital position strengthened. Our development finance partners signalled their confidence in our business providing us with additional Tier 2 capital to the tune of Shs 11 Billion to support SME businesses in the region.

Our strategic response

Our overarching business strategy focuses on leveraging technology and innovation, convergence of various financial products and services for focused strategic delivery, scaling of the brand visibility and loyalty, regional expansion, enhancing customer experience, business transformation and exercising strict operational control. 2020 provided us with the opportunity to enhance these aspects despite the



MESSAGE FROM GROUP CHAIRMAN (continued)

Our strategic response (continued)

unpredictable environment, entrenching our use of digital channels, improving customer experience and loyalty, extending our footprint and brand visibility and improving our cost efficiency and productivity. Predominantly, we thrived because of our commitment to our people, which was more than ever proven as the core foundation on which our sustainable business is built.

One of the marked changes instituted through our Business Continuity Plan was the work from home policy. Approximately 45% of our employees continue to work from home. We view this as a precursor to a bolder transformation of work and the workplace. A combination of disruptive forces that are global in their scope such as expanded freelancing and the rising “gig” economy are transforming the traditional work model as well as technological forces like big data, human-machine collaboration, remote crowdsourcing, and automation; meaning we are adopting new ways of delivering value, including rethinking the workplace and the idea of work. The financial services workplace of the future will be agile, avoiding legacy challenges of traditional models, while capitalizing on new technologies and new employment models.

Our corporate purpose of transforming lives, giving dignity and expanding opportunities for wealth creation was authenticated in this tumultuous period. Our team, under the leadership of our Group CEO and Managing Director Dr. James Mwangi, responded with intentionality to the pandemic ensuring that employees and customers were protected, shareholder value preserved and communities supported. This included repayment holidays, fee waivers and loan restructuring for customers enabling them to weather the economic downturn in 2020. In a bid to protect the health of our customers, we have redirected them to mobile banking and enhanced contactless payments. For COVID-19 impacted customers, who accounted for 32% of our loan portfolio, we offered them repayment moratoriums of up to 3 years depending on sector and impact. We also waived loan restructuring fees amounting to Shs 1.2 Billion. These actions illustrate our commitment to supporting our customers in their times of need in alignment with our tagline of being a listening and caring partner.

Despite the pandemic, the Group experienced massive deposit growth, with our customers increasing the Group's deposits by 53% to Shs 740.8 Billion. However, it takes time to deploy these funds into private sector lending and the Group is therefore expecting growth in 2021, especially in lending to the real economy. These assets require capital to support

the growth and the Board once again made a resolution to withhold dividends to support this future growth. We are confident the investment to fund this growth is now complete and the provisions and credit risk guarantees held against the loan book are adequate enough to cover any future uncertainty. The Group is confident of returning to payment of dividends in 2021, with its payout policy of 30% - 50% of profit after tax and because of the investment made in this growth, this percentage is expected to be a higher amount than it has been in the past. We have invested in high growth subsidiaries that are increasingly demonstrating transition into high returns. We however continue to work with management to refine the capital allocation strategy and get the optimal balance between growth and returns. We thank our Shareholders for their patience and understanding. We are committed to ensuring Shareholder value maximization through dividends, appreciation of share value and capital gains.

One of the unforeseen outcomes of the pandemic has been the increased pace of adoption of technology solutions that has helped to enforce the health protocols of social distancing, minimised interaction with cash and reduced movement. We have noted a marked increase in the use of our digital channels, with 98% of all transaction now being conducted outside our bank premises. We envisage that this trend will continue and will influence the way we work and conduct our business in an unparalleled manner. With this in mind, we have strengthened our technology capabilities through increased investments in specialist human and technological resources to ensure that we offer cutting edge products and services. We have also enhanced our use of data analytics and Artificial Intelligence to develop specialised and tailored services that are relevant and consumer driven.



Equity Group Holdings Plc. Chairman Prof. Isaac Macharia (right) and Equity Bank (Kenya) Limited Non-Executive Director Shem Migot-Adholla (left) during a Board of Directors training session held at Equity Centre in Nairobi, Kenya.



MESSAGE FROM GROUP CHAIRMAN (continued)

Sustainability

Our twin engine approach enables us to run a viable commercial business engine while also creating social and environmental value for our stakeholders. Our social engine, the Equity Group Foundation (EGF), continues to scale up the impact and significance of our purpose driven social initiatives. Our six pillars of Education and Leadership Development, Food and Agriculture, Health, Enterprise Development and Financial Inclusion, Energy and Environment and Social Protection, have grown in scale and scope reaching new milestones in 2020. Significantly, in the face of the COVID-19 pandemic, EGF, The Mastercard Foundation and the family of Dr. James Mwangi, contributed funds totalling Shs 1.7 Billion to support frontline workers, businesses and communities respond to the pandemic.

Working with leading Business Membership Organisations, including the Kenya Association of Manufactures (KAM), the Kenya National Chamber of Commerce and Industries (KNCCI) as well as the Kenya Micro and Small Enterprises Authority (MSEA), we formed a partnership with support from the Mastercard Foundation, to collaborate in mitigating the adverse effects of the economic slowdown, and to provide capacity and resilience building to preserve and create 5 million jobs.



A Wings to Fly scholar (right) during a demonstration of how the solar-powered lamp cum transistor radio is recharged using a solar panel. Equity Group Foundation (EGF) in partnership with the Mastercard Foundation rolled out an initiative to assist 14,600 Wings to Fly and Elimu Scholars.

We are excited by the progress of the Young Africa Works program, our flagship initiative focusing on enabling 500 million young people in Africa to secure employment that is dignified and fulfilling. In Kenya, the program seeks to catalyse the creation of 810,000 jobs by facilitating 150,000 MSMEs access to finance, grow their capital and improve their business models. Thus far, we estimate that businesses supported by the program have created more than 344,820 jobs, as well as supported to retain 72,049 jobs. We are in the process of rolling out the program in the other countries we

operate in including Uganda, Rwanda and DRC, ensuring the benefits are accessible across our footprint.

Due to the closure of schools, we supported our *Wings to Fly* and *Elimu Scholars* to continue schooling at home by providing them with the necessary tools which included a solar powered radio, lamp and a mobile charging unit. We also provided them and the *TVET Scholars* a monthly stipend to support their upkeep and that of their families.

The Board

In 2020, the Board worked tirelessly to oversee implementation by the management of the Business Continuity Plan (BCP). We opted to proactively support the business in the complex and ever-changing pandemic environment, providing oversight and counsel as required. We kept sight of the evolving global and regional economic environment ensuring our business approach was responding appropriately. We also gave cognisance to emerging challenges and risks as well as our leadership role as a key financial institution in the region in supporting businesses and communities in this challenging period.

The Group is growing in complexity and it requires broad diversity in the board to ensure we execute our mandate expeditiously. To this end, new board members are vetted in line with our Board Charter to ensure they compliment the existing Board composition. A board diversity and skill matrix has been adopted (details of changes in Board Membership are contained in the Corporate Governance Report).

Looking forward

These are challenging times. While there are many uncertainties in respect to the pandemic, it is clear that businesses will survive based on their ability to adapt to ever changing circumstances and in many instances through repurposing. How we work and deliver value for stakeholders is also changing and inexorably progressing. Technological progress, boosted by the pre-eminence of technology solutions during this pandemic, has received an unprecedented impetus threatening business models and value chains, especially brick and mortar approaches. People and communities are also changing with expectations of businesses to participate in social progress and display greater empathy and support to communities. Demographic changes mean a younger generation of employees and customers with greater affinity for social causes and a stronger societal impulse, are seeking to support those businesses that reflect their values and perspectives.



MESSAGE FROM GROUP CHAIRMAN (continued)

Looking forward (continued)

In this complex context, our corporate philosophies will continue to be the true anchor of our business, enabling us to play a leading role in wealth creation and the transformation of lives. These ideals have proven valid in this unprecedented year and we are confident that they will provide us with the relevance required to continue creating meaningful value for our stakeholders. We remain confident with the leadership of Dr. James Mwangi and the Equity management team, who have shown exceptional competence and character in these turbulent times, to steer the Group resolutely and to position us as the largest Bank in the region. The Board also commends the Group's employees who have weathered the storm with determination, increasing productivity and ensuring that operations continued uninterrupted. The Group has a robust succession policy to ensure the skills of this exceptional management team are carried forward for years to come. This succession policy covers the entire team, including the CEO and Board membership. Our regulators and investors have been highly supportive and we appreciate their continued counsel and backing.

A handwritten signature in black ink, appearing to be 'I. Macharia', written in a cursive style.

Prof. Isaac Macharia

Chairman

Board of Directors

Equity Group Holdings Plc