DR. JAMES MWANGI, CBS

GROUP MANAGING DIRECTOR & CEO

EQUITY GROUP HOLDINGS PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT

2020 was characterised by one phenomenon, the COVID-19 pandemic. An occurrence that has made an indelible mark in our lives through the immense changes it has fostered. A new language of social distancing, sanitizing, wearing masks and washing hands has become our mainstay and even coughing in public has gained new significance. But while our personal context has changed inextricably, it is the profound social and economic impact which the pandemic added to the health complexities that have had the greatest impact on humanity.

The story of Equity Group in the time of COVID-19 is in line with our philosophies and our corporate purpose. From the onset, we prioritised the need to support lives and livelihoods and ensured that we preserved people's dignity. We determined key actions that would enable our stakeholders to mitigate the impact of the pandemic and rolled out several initiatives in this respect. Our overarching intention was to maintain our social licence to operate by accompanying vulnerable customers and businesses as they address the impact of the pandemic, enhance resilience and rebuild stronger. We determined that the human aspect of the pandemic would be our focus and our performance portrays this social outcome. We were rewarded for our empathy and support for customers, employees, communities and other stakeholders.

Chair Health Committee, Kenya COVID-19 Fund Board and Equity Group MD and CEO Dr. James Mwangi (centre) and Kenya COVID-19 Fund Board Chairperson, Jane Karuku (2nd right) flag off the first consignment of locally manufactured PPE valued at Shs 237 M. Looking on is Kenya COVID-19 Fund Board Health Technical Committee Chair Prof. Isaac Macharia (left) and Kenya COVID-19 Fund Board Procurement Committee Chair, Phyllis Wakiaga (2nd left).

The Group mobilized a total investment of Shs 1.7 Billion to support COVID-19 response initiatives in the region. In Kenya, funds totalling Shs 1.1 Billion that included donations of Shs 500 Million from the Mastercard Foundation through its Mastercard Foundation COVID-19 Recovery and Resilience Program, Shs 300 Million from my family and a similar amount from Equity Bank (Kenya) Limited were committed to purchasing Personal Protective Equipment (PPE) and psycho-social support for frontline workers in 68 public hospitals. We also supported 60,000 health workers through an online platform, providing case management content and updated information as the pandemic evolved.

In Rwanda, Equity Bank Rwanda supported the Government initiative with a contribution of 22,225 testing kits worth RWF 1 Billion (USD 1.06 Million); while in Uganda, Equity Bank Uganda Limited contributed a total of UGX 500 Million (USD 131,500) in the form of two brand new vehicles valued at UGX 400 Million (USD 105,000) and PPE worth UGX 100 Million (USD 26,500) to the Government of Uganda's COVID-19 response. Similarly, in the Democratic Republic of Congo, Equity Bank Congo supported the Government's response initiative with Congolese Franc 1.9 Billion (USD 1 Million) towards the purchase of PPEs for all public hospitals.

Offensive and defensive approach

For our employees, we determined that they would need support to enable them to adapt to the new context especially the need to work from home. We developed workplace policies to protect employees in our premises, ensured that our workplace was clean and hygienic and provided masks and sanitizers and enhanced medical cover. Through Equity Afia, our associate health franchise, employees received COVID-19 awareness health education on prevention measures and coping mechanisms. The Bank ensured job security for all employees without subjecting them to salary freezes or reductions, while accommodating over 45% of employees working from home.

Our customers were a key priority right from the onset of the pandemic. We took cognisance of the fact that certain sectors would be more impacted by the pandemic and the resultant containment measures taken by governments in the region. These were the tourism, travel and hospitality industry, construction, education (particularly private schools), oil and gas sectors. In addition, with supply chain disruptions, manufacturing, trade, commerce and agriculture sectors would also be affected. This would inevitably have an effect on our business prompting us to implement our Business Continuity Plan (BCP). We adopted a twin approach of an offensive and defensive strategy to protect the business. The defensive approach focused on preserving the capital base of the Bank, focusing on execution, managing the cost structure, digitising the Bank and supporting customers through loan restructuring and fee waivers. Waivers worth Shs. 1.2 Billion in rescheduled fees on restructured loans

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Offensive and defensive approach (continued)

and Shs. 1.2 Billion waivers on mobile charges were offered in the year. In addition, loans worth Shs. 171 Billion were rescheduled with a moratorium of a maximum of three years. While our approach stands out in the industry, this was a result of studying the effects of the last pandemic, the Spanish Flu, and its effects on the world economy. All evidence pointed to economies only starting to bounce back after 3 to 5 years. One year later, our view is being validated, with the pandemic still ravaging the world as new strains arise. This approach ensured not only that customers are supported throughout and beyond the crisis, but the balance sheet of the Group is secure and safe to ensure bounce back and preserve long-term value for our Shareholders. We are glad that our strategy has proven effective, with the loans whose moratoriums have expired returning to repayment terms and showing strong performance. We are confident that this trend will continue and a majority of our customers will not only survive this crisis, but thrive.

(From left) Kenya Association of Manufacturers CEO, Phyllis Wakiaga, Equity Group CEO and MD, Dr. James Mwangi, Equity Group Chairman, Prof. Isaac Macharia and EPZ Shona Director Isaac Maluki inspect some of the PPEs produced at the factory.

The offensive strategy sought to support customers to repurpose and retool their businesses in view of changing business realities. We also focused on growth opportunities including organic growth as well as merger and acquisition opportunities. We worked closely with businesses to enable them to expand their opportunities in the health sector enabling the manufacturing of face masks and Personal Protective Equipment locally, lowering mask prices by 70% and enabling these businesses to repurpose and redefine themselves. We experienced marked growth as we filled the gap left by other financiers who took a more conservative approach resulting to growth of deposits by 31% in Kenya and 41% in Uganda.

Performance

During the year, customer deposits grew by 53%, an emphatic vote of confidence in our approach to support them through a difficult year. Loans to customers grew 30% while profit before provisions also grew 30%. Net interest income grew by 23% to Shs 55 Billion while non-funded income increased by 27% to reach Shs. 38 Billion up from Shs. 30 Billion in 2019 and contributing 41% of total income. In response to the challenging environment, we raised provisions to Shs 26.6 Billion up from Shs 5.3 Billion the previous year, to increase Non-Performing Loans (NPL) coverage to 89.4%. Core capital was enhanced by withdrawing the 2019 declared dividends amounting to Shs 9.5 Billion and raising Shs 11 Billion in Tier 2 Capital to support our growth. Our cost to income ratio declined from 51% to 48%, validating our efforts at cost efficiency while Profit after Tax (PAT) was Shs. 20.1 Billion, a decline of 11% Year on Year. We are the most profitable Bank and most digitised online banking business in the region.

On our regional subsidiaries, Equity Bank Uganda grew profit before tax (PBT) by 55% and Equity Bank Rwanda grew by 11%. Uganda and Rwanda are now transitioning into the high return phase as their return on assets is expected to be above 4% in 2021. We completed the integration of BCDC into the group and EquityBCDC grew PBT before provisions by 30%. These subsidiaries will continue to be high growth subsidiaries with all their returns expected to surpass their cost of capital in 2021. Equity Bank South Sudan continues to self-sustain and grew PBT by 76% in 2020. We are confident that Equity Bank Tanzania will turn around in 2021 and post a profit in the year. Meanwhile, Equity Bank Kenya continues to be a high returning business that is still experiencing growth, with the PBT before provisions growing by 25% in 2020. This signals management's ability to adjust the business model in the face of interest rate caps and to build non-funded income contribution to total income to 41%. The cost to income ratio also reduced from 46.4% to 41.5%, showing that management's strategy of focusing on digitization and variable cost channels is paying off. This trend of expansion in returns is expected to continue in the coming year.

Our performance showcases that we are a resilient and trusted business. It validates our strategy to provide relevant products and services that respond to the needs of stakeholders. Meticulous execution, responsiveness to customers, agility and adaptability were key factors for our performance. Our willingness to self-disrupt and reposition our business to assertively pursue opportunities in such challenging times has proven worthwhile. Most of all, our

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Performance (continued)

willingness to do good by providing our infrastructure and resources to support communities and businesses has been soundly rewarded. Our results show that purpose creates value and a company can do well, while still doing good.

Our strategy

We are a highly digitised bank offering a wide array of digital channels. COVID-19 provided a major impetus for enhancing our digital self-service platforms as we moved more transactions to contactless channels. We have expanded the capabilities of these self-service platforms to ensure that they are versatile, accessible and available resulting to service availability of 98.9% and uptime connectivity at 90% while system uptime and availability was at 99.9%.

Our Eazzy suite of products and services continue to offer customers services through digital channels covering an extensive array of transactions and products. Thousands of individuals use these channels daily, attesting to improved accessibility and convenience. As a digital bank, we are keen to enable the digitisation of MSME businesses. Our payment platforms – Jenga Payment and Jenga API – have grown in popularity and usage as they enable SMEs to automate their backend processes and focus on delivering value added products and services for our clients. We had over 76 businesses using these channels by December 2020 with 996,000 transactions valued at Shs. 13.5 Billion.

Equity's mobile virtual network operator (MVNO), Equitel, continues to be the leading multi-channel money product in Kenya offering customers the convenience, accessibility, and ease of transacting through a variety of bank channels including ATMS, online banking, bank branches, agents etc. It also provides a distinctive, agile and secure mobile channel that seamlessly integrates banking and other financial products and services while providing value-add telco products and services. Our mobile and internet transactions grew by 31% to 779.2 million transactions, up from 595.1 million in 2019.

Our business transformation is still on track with our brand relaunch having been conducted in our subsidiary markets including Uganda, Rwanda, Tanzania and South Sudan in 2020. These subsidiaries now don the new look in all their physical outlets and digital banking platforms, social media assets, websites, mobile applications, mobile banking platform, online banking portals and ATM screens. The refreshed brand identity across our markets reflects our One Equity strategic focus on our customer centric approach and the future we envision, and communicates our global capability, strong heritage, innovative culture and agile business model, providing us with the brand momentum required to scale up our strengths across Africa and the world.

***Left to Right:** Equity Rwanda Managing Director Hannington Namara; Board Director Eugene Haguma; Board Director Dr. Uwizeye Patrick; Bank client Mukeshimana Eugenie; Board Director Steven Mutabazi; Board Director Ambassador George W. Kayonga and Kigali Branch Manager, Jean Havugimana during the unveiling of Equity's new look.*

We are the second largest Bank in two major markets, Kenya and DRC, and top five in Rwanda, Uganda and South Sudan. The brand is increasingly becoming regional and iconic. Our organisational culture continues to evolve in line with our brand while remaining true to our core values and corporate philosophies.

2020 was marked by important strides in Ecosystem banking which is an important approach to leveraging on our strong capital base including significant tier 2 capital to finance entire value chains. We can now place our infrastructure at the disposal of a wide array of value chain players enabling them to transact with certainty as we provide liquidity for the movement of goods and services within the entire business ecosystem.

Equity Group Foundation

2020 was a definitive year for our social engine, the Equity Group Foundation (EGF). The Foundation was integrally involved in COVID-19 initiatives across its six pillars ensuring the mitigation of impacts and enhancement of resilience in communities. With schools closed, the Foundation supported 14,600 *Wings to Fly* and Elimu scholars to cope with the prolonged closure by providing them with solar powered radios and lamps that allowed them to continue learning, and a monthly stipend of Shs. 3,000 per scholar per month that contributed to household needs for food and other essentials, with the support of the Mastercard Foundation.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Equity Group Foundation (continued)

The Young Africa Works initiative continued in earnest. The aim of this initiative is to enable the financing of 140,000 qualifying and underserved MSMEs, provide financial literacy and entrepreneurship training for 150,000 MSMEs owners and tailored business development support to 15,000 entrepreneurs. Overall, the initiative seeks to create 810,000 jobs for young Africans, particularly women and youth. In 2020, Young Africa Works had cumulative loans valued at Shs 57.7 Billion and created approximately 344,820 as well as supported to retain 72,049 jobs.

Looking forward

We recognise that our leadership position in the financial and technology sector requires us to provide clear standards in the way financial services are provided and to be a role model. We believe that business should be purpose led creating resilience and supporting global reconstruction to build back better in a post-COVID era. Purpose, executed properly, is profitable providing both business, societal and environmental benefits and value. Finance, for us, is a tool to enable people and communities to create wealth and rise out of poverty.

We realise that the spectre of COVID-19 is not fully resolved. Vaccines provide an important step to stem the extreme effects of the virus, but overall recovery will be in the medium-term. We are therefore cautious in our approach, capitalising on key opportunities as we observe global occurrences, local realities and economic impacts. We will work to deepen our product and service offerings as we take advantage of our extensive digital capabilities and burgeoning customer numbers. We are driving the One Equity approach, ensuring that customers receive the same type of service irrespective of where or how they access those services in the regions we operate in. We will therefore support replication of capabilities across the region to provide uniformity in customer experience.

Looking into the future, we foresee strong growth and expanding Return on Equities (ROEs) in an improved macroeconomic environment, in 2021 despite the many challenges that the economies are still facing.

The private and public sectors must work together and turn the current crisis into opportunities by keenly focusing on food security; re-imagining our health care and social protection systems; putting measures in place to nurture the small and medium-sized enterprises and women-led firms; by harnessing and better managing the natural resources' revenue streams; operationalizing the Africa Continental Free Trade Area; by paying greater attention to climate change and resilience in the region.

As effective vaccines against the virus become available, we need to work together to build back better with inclusivity and resilience.

I am grateful to the Board, Shareholders, management, staff and customers for the confidence and trust bestowed in me and for the support provided in growing the business and look forward to our collective effort in empowering and creating wealth for our communities across Africa.

Dr. James Mwangi, CBS
Group Managing Director & Chief Executive Officer
Equity Group Holdings Plc