PRESS RELEASE

EQUITY GROUP HOLDINGS PLC DOUBLES PROFITABILITY VALIDATING ITS RESILIENCE AND BUSINESS CONTINUITY STRATEGY DURING THE PANDEMIC

- *Growth in profit after tax of 98%*
- *Total Assets growth of 50%*
- *Growth in Deposits of 51%*
- *Growth in Net Loans of 29%*

17th August 2021… Equity Group Holdings Plc has announced a 98% growth in half year profits to Kshs.17.9 billion up from Kshs.9.1 billion the previous year. Speaking while releasing the results, Equity Group Managing Director and CEO Dr James Mwangi said, “The defensive and offensive strategy adopted by the Group at the onset of the Covid-19 pandemic to create resilience, agility and recovery has been very effective in positioning, navigating and driving performance.”

The offensive growth strategy saw deposits register a 51% growth to Kshs.820.3 billion up from Kshs 543.9 billion, while long term borrowed funds grew by 78% to Kshs. 102.3 billion up from Kshs.57.6 billion. Net Loans and advances grew by 29% to Kshs.504.8 billion up from Kshs.391.6 billion, while investment in Government securities grew by 46% to Kshs.315.5 billion up from Kshs.216.4 billion resulting in 50% growth in Total Assets to Kshs.1.12 trillion up from Kshs.746.5 billion.

The aggressive growth strategy effected by the Group resulted into a 33% growth in topline Total Income to Kshs.51.6 billion up from Kshs. 38.7 billon driven by a 26% growth in Net Interest Income of Kshs. 31.2 billion up from Kshs.24.6 billion and a 45% growth in Non-Funded Income of fees, commission and transactions to Kshs.20.4 billion up from Kshs.14.1 billion.

The defensive approach focused on high asset quality, strong capital and liquidity buffers that saw the Group present a strong non-performing loans (NPL) coverage of 92% up from 73% the previous year attributed to a decline in gross non-performing loans by Kshs.1.3 billion from Kshs.61.2 billion to Kshs.59.9 billion. Loan loss provision declined by 66% from Kshs.7.7 billion to Kshs.2.6 billion to register cost of risk of 1.2% down from 4.2%.

Net non- performing loans declined by Kshs. 5.4 billion from Kshs.28.3 billion to Kshs.22.9 billion due to the aggressive provisioning the previous year under the defensive strategy. Of the Kshs. 171 billion Covid-19 restructured loan book, Kshs. 162 billion is categorized as performing with Kshs. 103 billion having resumed repayments, Kshs. 6 billion fully repaid, Kshs. 92 billion up to date in repayment and Kshs. 5 billion non performing. Only Kshs 64 billion remains under Covid-19 moratorium constituting only 11% of the entire loan book. Total operating costs grew by 4% to Kshs.27.8 billion against a 33% growth in total income to Kshs.51.6 billion driving profit before tax up to Kshs.23.8 billion up from Kshs.12 billion a growth of 99%.

Efficiency gains saw Cost Income Ratio decline marginally to 48.5% from 48.8% driven by a reduction of cost of funds to 2.6% down from 2.9%. Return on Average Assets (ROAA) grew to 3.3% in spite of the 50% expansion in Total Assets while Return on Average Equity (ROAE) grew to 25% up from 15.4% in spite of 26% growth in Shareholders Funds. Earnings per share grew by 95% to Kshs.4.7 up from Kshs.2.4. Liquidity buffers saw cash and cash equivalent register a growth of 154% to Kshs.219.5 billion up from Kshs.86.6 billion with Liquidity Ratios rising to 62.4% up from 54.2% with Loan to Deposit Ratio declining to 61.5 % down from 72.0%. Total capital to risk weighted assets stood at 17.6% while core capital to risk weighted Assets stood at 14.1% as at 30th June positioning the business ready for accelerated growth.

"The strong capital and liquidity ratios have positioned the Group well for continued execution of the offensive strategy particularly in light of improving asset quality and operational efficiency and an improving operating environment," added Dr. Mwangi.

The 6 countries within which the Group operates have projected strong GDP growth rates; Kenya 7.6%, Uganda 6.3%, Rwanda 5.7%, South Sudan 5.3%, DRC 3.8% and Tanzania 2.7% (IMF 2021 projections) with fairly stable Micro Economic Environment, making the Group well positioned to continue with its offensive and defensive strategy for resilience, agility, recovery and rapid growth.

The regional approach with Kenya now being only 60% of the Group balance sheet mitigates national shocks and sovereign risks. Group efficiencies shared with the subsidiaries are quickly translating regional growth to value creative growth, with majority of the regional subsidiaries Return on Average Equity being higher than their cost of capital.

Business transformation through innovation and digitization continues to yield an agile and efficient business with value proposition for customers being enhanced by convenience, control and freedom of choice over their money and lifestyle fulfilment. 97% of customer transactions are now online, on self-service devices and third-party platforms. Covid-19 pandemic has acted as a tail wind for customers' adoption of digital offering fastening the pace of business transformation with significant upside on efficiency as the Group increasingly becomes a technology platform and transform from being a fixed cost business to a variable cost business.

The Group has accepted and adapted to the Covid-19 environment as the new normal. Through digitization, we have enabled and continue to support our clients to adopt online banking making banking what they do on devices as opposed to where they go. Banking has become a 24-hour business with fulfillment of lifestyle with digital payments becoming the new battlefield for banking.

We have witnessed resilience and recovery of businesses with digital banking transactions growing by 57.6% to 606.9 billion up from 385.2 billion transactions same period the previous year. The value of the digital transactions increased 111.3% to Kshs.2.5 trillion up from Kshs.1.16 trillion for a corresponding period the previous year.
The legacy banking whose value of transaction declined by 12% to Kshs.1.1 trillion down from Kshs.1.25 trillion for the previous year to June has registered a growth of 24% to Kshs.1.37 trillion. The acceptance and adaptation to a Covid-19 environment as the new normal saw the Group's asset base grow by 50% to reach Kshs.1.12 trillion driven by customers' deposit growth of 51% and net loans and advances to clients by 29%.

The strong capital and liquidity buffers position the Group strategically for good performance going forward. The Group has intensified its shared prosperity model, rolling out a massive Covid-19 program of protecting frontline health workers in 56 county and national referral hospitals and 60 faith-based hospitals through an elaborate initiative to provide Personal Protective Personal Equipment (PPE). This support is ongoing for a period of 3 years for County and National Referral hospitals and will carry on for a period of 18 months for the faith-based hospitals that are designated Covid-19 management facilities.

This is in collaboration and partnership with the Kenya Covid-19 Fund Board. The Group has scaled its Equity Afia health franchise to 38 medical doctors and 45 health clinics and hope to record 600,000 patient visits by end of the year.

The Group has over the last two years scaled the *Wings to Fly* Scholarship Program (funded by Mastercard Foundation, Equity Bank, KfW and other partners) with 18,000 Elimu Scholarships by the Government of Kenya with the support of World Bank bringing the Secondary School Scholarships to 37,000. The Equity Leadership Program has thus far benefitted 17,000 scholars, 893 being beneficiaries of Global Scholarships and the balance attending Kenyan Public universities and TVETs. The Group has intensified the Energy and Environment Program by providing financing for one million clean energy devices, offering to transform 30,000 schools that use wood fuel for cooking in their kitchens to use LPG and planting 35 million trees.

The Group continues to offer support to the Government, UN Agencies and donor community to reach 3.3 million households with cash payments under the Social Safety Net Program. The Group has intensified effort to transform peasant farmers with agri-business and enhance financial and entrepreneurial capacity of over 3 million enterprises.

The Group is optimistic about the future outlook of business given its continued delivery of convenience from the transformation strategy of the economic engine hand in hand with an enhanced trust capital brought on by shared prosperity programs of the Equity Group Foundation, the Social engine of the Group. The improving operating environment continues to enhance the strategic positioning of strong capital and liquidity buffers and an agile balance sheet.