PRESS RELEASE

RESILIENT, VERSATILE BUSINESS MODEL, LEADERSHIP AGILITY, INNOVATION, DIVERSIFICATION, EFFICIENCY AND STRATEGY DRIVES EQUITY GROUP HOLDINGS Plc TO RECORD:

- *85% growth in Profit Before Tax*
- *79% growth in Profit After Tax*
- *27% growth in Total Assets*
- *25% growth in Total Income as it launches a Half Trillion Kenya Shillings drive to support post COVID-19 business recovery*

Nairobi 8th November 2021…… Against a background of COVID-19 pandemic and its consequent disruption of global economic activities with the resultant social disruptions, Equity Group Holdings has demonstrated a resilient, versatile business model, leadership agility, innovation and diversification capability and strength of strategy to report an 85 % growth in profit before tax, a 27% growth in total assets and a 25% growth in total income.

Resilience in execution of an offensive and defensive strategy saw regional subsidiaries grow their Group contribution to deposits to 42% up from 40%, revenue to 37% up from 30% and profit before tax and provisions to 26% up from 21%. Agility saw the 27% growth in total funding deployed into public and private sectors resulting in 36% growth in lending.

Diversification driven by a regional approach with operations in 6 countries helped in diversifying sovereign risks and a currency mix risk of 56.6% local currency and 43.4% foreign currency risk mitigating exchange and translation risks. An inclusive business model for all market segments and sectors of the economy and segments and class of the population demography helped to mitigate loan book quality and performance leading to an NPL of 8.9% compared to Kenya industry performance of 13.9% NPLs.

The offensive growth strategy has seen a 23% growth in net loans and advances and a 62% growth in investment in Government securities resulting into a 29% growth in interest income. The growth in earning assets have been funded by a 48% growth in long-term funds of Kshs.104.8 billion up from Kshs.70.7 billion and a 27% growth in customer deposits of Kshs.875.7 billion up from Kshs.691 billion driving total assets growth of 27% to Kshs.1.184 trillion up from Kshs.933.9 billion.

Higher quality non funded income grew faster at 29% to Kshs.31.4 billon up from Kshs.24.3 billion than net interest income which recorded a 23% growth to Kshs.48.5 billion up from Kshs.39.3 billion. FX-trading income grew by 40% to Kshs.5.6 billion up from Kshs.4 billion. E-commerce revenue grew to Kshs.953.5 million up from zero. Bond trading income increased to Kshs.2.6 billion up from Kshs.2.2 billion.

The Group is increasingly shifting from its legacy brick and mortar model of fixed cost structure of branches and ATMs to variable cost, self-service model of client's own electronic devices or third-party infrastructure. Out of the 975.1 million transactions processed for the 9 months of the year, only 30.1 million transactions or 3% of all transactions were handled at the legacy bank by branches and ATMs with the digital bank handling and processing 945 million transactions or 97% of all the transactions with the self-service customers' own device mobile channel handling and processing 90% of digital transactions. "Increasingly mobile internet and e-commerce are becoming the preferred channels of choice for payment processing and lifestyle fulfillment with 74% of customers opting for cashless transactions, “said Dr. Mwangi the Group CEO while releasing the results.

Merchants digital payments ‘Pay with Equity” (PWE) transactions grew by 408% from 3.1 million transactions to 15.8 million transactions while the value of the transactions grew by 392% from Kshs.17.1 billion to Ksh 84.1 billion. Retail personal internet (Eazzy Net) transactions grew by 287% from 400,000 transactions to 1.5 million transactions with value transacted growing by 404% from Kshs.16.6 billion to Kshs.83.5 billion. Corporate internet banking transactions grew by 42% while the value of transaction grew by 77%. Eazzy App transactions grew by 82% while the volume transacted grew 153%. “Covid has acted as a tail wind to the adoption of digital banking making us transform into a Big Tech in the financial services sector” added Dr. Mwangi.

The Group has continued to closely manage the COVID-19 accommodated loans of Khs.171 billion. Loans worth Kshs.122 billion have resumed repayment, Kshs.4 billion has been downgraded to NPL and provided for (Under stage 3) with Kshs.45 billion constituting 7% of the total outstanding gross loan book of Kshs.608 billion remaining under Covid-19 moratorium. “We are glad we accommodated our customers to adapt to the COVID-19 environment, to adjust, repurpose and retool their businesses to be fit for purpose in the new normal. This not only kept the lights of our economies on, but helped a lot of businesses survive, retain their employees, support their families and reduce transition of a health pandemic into a social an economic meltdown” added Dr. Mwangi.

Close management of the loan book and strong customer relationship management saw improvement of the PAR (Portfolio at Risk) to 8.9% down from 10.8% with NPL (Non-performing loan) provision coverage improving to 91.2% up from 86% and a coverage of 10.4% with loan credit guarantee facilitation. The improvement in quality of the loan book and its management had a significant impact on the financial performance of the Group driven by reduction of cost of risk from 4.8% to 1.4% to record a 68% reduction of loan loss provisions to Kshs.4.6 billion down from Kshs.14.3 billion helped record a 3% decline in total operating expenses.

The growth of Group total funding grew by 27% driven by growth in customer deposits by 27% up from Kshs.875.7 billion from Kshs.691 billion was matched with a slower pace of growth of loan book of 23% up to Kshs.559 billion from Kshs.453.9 billion. Liquidity ratios strengthened to 59.5% up from 55.7% as a result of increased investment in Government securities which grew by 62% to Kshs.361.3 billion up from Kshs.222.8 billion.
“The strong liquidity position puts us in a pole position to take advantage of market opportunities while deployment into higher yielding asset class with a revenue growth opportunity and better yields and margins.

Efficiency gains resulted in improved cost to asset ratios and cost to income ratio despite the lag in deployment of growth funds to high yielding assets. Best improvements were noted in the more mature subsidiaries of Kenya, Uganda and Rwanda.

Cost to Assets Ratio **Cost to income Ratio**

Subsidiary	**Q32020**	**Q32021**	**Q32020**	**Q32021**
EB Kenya	7.6%	3.7%	42%	39.8%
EB Uganda	9.2%	6.4%	57.5%	51.1%
EB Rwanda	6.3%	4.3%	49.0%	39.8%

Efficiency gains enhanced Group return on Equity to 24% up from 16.9% while return on assets improved to 3.2% up from 2.5%.

EquityBCDC in DRC continued to offer confidence of good investment decision. Deposits grew by 51%, assets by 47%, revenue by 94%, profit before tax 150%. Cost to asset ratio improved from 7.7% to 4.5% while return on Equity improved to 11.1% from 10%. Giving us strong confidence in our DRC story. We continue to confront the challenges of our subsidiaries in Tanzania and South Sudan

“We are releasing these results at a time that we have taken lessons from our business model of economic and social twin engine. We have confirmed that a shared value business model is economically viable and sustainable. Doing well can go hand in hand with doing good. Our corporate social arm, Equity Group Foundation has scaled its operations to reach a spend US$513 million in social investment programs, reaching 37,000 secondary school Wings to Fly scholarships, 17,000 University scholarship under the Equity Leadership Program, 3,000 TVET scholarships and 700 Global university scholarships, while 46 Equity Afia clinics are now operational with 572,707 patients visits. To support global initiatives to combat climate change, we have planted 7.1 million trees and financed and distributed 303,000 clean energy products,” said Dr. Mwangi.

“To help build back better and support the world’s focus on purpose we have scaled our financial inclusion programs reaching 2.3 million women and youth with an 11-week financial training programs. We have supported 2.24 million small scale farmers to convert into agri-businesses trained 317,000 MSMEs in entrepreneurship and accessed them Ksh.111.5 billion in credit facilities while offering our Group infrastructure to support disbursement of Kshs.92.7 billion in cash transfers to over 3.4 million households,” added Dr. Mwangi.

Inspired by the work of the Equity Group Foundation and the success of the COVID-19 response programmes, where we contributed US$1.7 million to support public and faith based hospital with Personal Protection Equipment (PPEs) and accommodating our borrowers with principal plus interest repayment breaks of up to 3 years. We are launching an ambitious US$5 billion business and private sector COVID-19 recovery program.

The audacious post Covid-19 recovery program entails supporting 5 million SMEs with loans up to Kshs.0.5 trillion to accelerate recovery and growth and growth post COVID-19 with a view of creating 25 million direct jobs and another 25 million indirect jobs. The initiative is in partnership with governments of the 6 countries we have operations in and will centre on promotion of cross border trade under the East African community and African Continental Free Trade Area protocols. The program has won the support of United Nations (UN) under the sustainable development goals template, Development Banks, Mastercard Foundation under our Young Africa Works partnership and the Private Sector business actors” added Dr. Mwangi.

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Equity Group Website: https://equitygroupholdings.com/