PRESS RELEASE

Equity Group Holdings Registers Strong Recovery

- *25% growth in profit after tax of Kshs.16 billion for 1st quarter 2024*
- *29.1% return on average equity year on year to 31st March 2024*
- *65% Group profit after tax contribution by subsidiaries speaking to successful transformation to a financial integrated services group*
- *Strong start of business lines diversification with non-banking contributing 3.4% of the Group profit after tax driven by insurance subsidiary*
- *Insurance subsidiary achieves 4th position in the market with 9% market share respectively in its second year of operations and records 106% growth in profits and 54% return on average equity*
- *Brand ascends to become the world's second strongest financial brand and the region's most valuable brand.*

Nairobi Monday 13th May 2024…… After reporting a 5% decline in profit after tax for the year ended 31st December 2023, Equity Group Holdings has bounced back recording strong 1st quarter results. Profit after tax for the period ended 31st March 2024 grew by 25% to a record Kshs.16 billion compared to a similar period last year. Differentiated strong leadership decision making, and an agile balance sheet drove the swift recovery. Bold decisive actions saw growth in deposits placements to 11% compared to the deposits growth of 29% registered for the year ended 31st December 2023, as the Group skipped expensive deposits. Growth in long-term borrowed funds saw a decline of 21% year on year for the period ended 31st March 2024 as the Group paid out maturing repriced expensive dollar denominated loans.

Given the elevated credit risk characterized by high non-performing loans environment, the Group enhanced credit risk underwriting resulting to a 3% year on year growth in loan book as at 31st March 2024 compared to a 26% growth rate for the year ended 31st December 2023. This also led to re-allocation of lending from private sector credit to public sector lending through government securities, which grew to 21%. Consequently, the cost of credit risk dropped to 2.9% for the period to 31st March 2024 from 4.4% for the year ended 31st December 2023. The loan to deposit ratio stood at 63% as at 31st March 2024 compared to 65.3% as at 31st December 2023. There was slow customer deposits growth and decline in long-term loans yielding a lower year on year growth of interest expense for the reporting period to 31st March 2024 to 41% compared to 53% for the year ended 31st December 2023. Interest income for the period to 31st March 2024 grew to 33% compared to 30% for the year ended 31st December 2023. Growth of net interest income accelerated to 28% for the period ended 31st March 2024 compared to 21% for the year ended 31st December 2023. Provisions grew to 84% for the period ended 31st March 2024 compared to the 139% for the year ended 31st December 2023. NPL coverage as at 31st March 2024 reporting improved to 68.5% compared to 67.3% reported on 31st December 2023.

Through our efficiency pursuits at the operational level, growth in total costs declined from 52% for the year to 31st December 2023 to a growth of 28% for the period to 31st March 2024. This decline in total costs effectively improved cost to income ratio for the period to 31st March to 47.1% down from 52.3% for the period to 31st December 2023. In addition, digitization and automation of processes has significantly enhanced convenience and ease to customers in self-serving using own devices and 3rd party infrastructure which has shifted the cost structure of the Group from fixed cost to variable costs.

While releasing the results Dr James Mwangi, Equity Group Managing Director and CEO said, “The recovery momentum is strong after accepting and adapting to the new normal of operating in an environment characterized by Volatility, Uncertainty, Complexity and Ambiguity – VUCA. An environment defined by high inflation, interest rates and volatile currency exchange rates.”

As deliberate decisions and actions stabilize the internal operating environment while adjusting strategic intents to new scenarios of the new normal, the external operating environment continued to experience volatile, complex, uncertain, and ambiguous macro-economic turbulence of extreme volatility in currency exchange rates and high interest rates and inflation. The resultant business shocks saw balance sheet growth slow down to 10% compared to 26% registered for the year ending 31st December 2023. Loan uptake year on year to 31st March 2024 grew at 3% compared to a growth of 26% for the period to 31st December 2023. Customer deposits growth matched the decline on balance sheet growth to record 11% compared to 29% growth to 31st December 2023. Early signs of calmness in the global macro environment are visible with declining inflation, peaking of interest rates and early signals of green shoots. At the domestic front, inflation has started to decline, interest rates have peaked, exchange rate volatility has reduced, and the East and Central African region shows signs of renewed growth. The Group’s mark to market losses have reduced to Kshs 48.4 billion from a high of Kshs 78 billion in 3rd quarter of 2023. The strong defensive strategy anchored on strong governance, leadership and strong values-based organization culture that emphasizes execution and performance, effective and efficient systems, processes and procedures, and a strong customer-centric value proposition of affordability and high-quality products and services delivered with ease and simplicity underpins the recovery and turnround.

A clamor by the developing world, mainly the global south, for a global reset through financial and governance reforms at multilateral institutional level has made navigating and managing the economic and social environment complex and challenging. A strong risk management framework for a strong trusted brand, strong capital, liquidity, and asset quality buffers have helped leadership and management in being bold and decisive. Group liquidity stood at 52.1% with a balance sheet of Kshs.1.69 trillion nearly split equally between a loan book of Kshs.779 billion and liquid assets of Kshs.752 billion split between cash and cash equivalent of Kshs.279 billion and investment in government securities of Kshs.473 billion.

A strong liability franchise with 20 million deposit customers contributing Kshs 1.236 trillion of the Kshs 1.69 trillion and underpinned by long-term funding of Kshs.343 billion made up of long-term debt funding of Kshs 125 billion and Kshs.219 billion of share capital and shareholders' funds. The Group in pursuit of financial inclusion has built a diversified loan portfolio of Kshs.779 billion out of the total funding of Kshs.1.69 trillion, spread 40% among corporates and large enterprises, 26% among micro, small and medium enterprises, 28% retail and consumer and 6% among public service institutions in all sectors and segments of the real economy helping diversify credit risk concentration. Group NPLs have peaked at an elevated level of 13.2% but compare favorably with industry NPL ratio of 15.5% and coverage of 68.5%.

In its relentless execution of the Africa Recovery and Resilience Plan – ARRP, the Group has successfully transformed from a Kenyan banking leader to a regional systemic financial services leader. The Group boasts of being in the top five position in 5 out of 6 countries it operates in, with operations in 3 of the countries being the top 2 market leaders. The regional banking subsidiaries contributed 63% of the Kshs.20.4 billion profit before tax with a return on average equity of 27.6%, cementing the Groups position as the regional banking leader.

Equity Group's strategy to evolve with the needs of its customers and the economies it helps to connect and integrate has led to business diversification beyond financial inclusion by diversifying offering and moving up the value chain as it scales and connects fragmented supply chains and trade routes. As a result of business and product diversification, non-funded income contributed 43.9% of the total income of Kshs.49.6 billion at Kshs.21.8 billion. Treasury contributed 30% of all gross income of Kshs 64.8 billion at Kshs.19.6 billion while Trade Finance revenue grew at 22% to Kshs. 3.1 billion whilst off balance sheet Trade Finance facilitation grew by 23% to Kshs.205.6 billion.

The new life insurance business took a strong start with robust growth in its second year of operations. Profit after tax grew 106% to Kshs.321 million while total insurance assets grew by 288% to close at Kshs.20.8 billion while return on average Equity grew 25% to 54% up from 43% whilst posting a positive Insurance Service Result, indicative of strong underwriting practices. This confirms that there is a significant opportunity in insurance by providing relevant, innovative and technology driven solutions to the underserved. In its second year of operations, the life insurance subsidiary has risen to the 4th position in the industry in Gross Written Premiums with 9% market share and number 2 position in Group Credit Business with an 18% market share, position 4 on profitability and position 7 in size in terms of total asset and provided the highest in Return on Equity as at 31st December 2023. 2024 signaled a strong start with growth of Insurance total assets by 288% to Kshs.20.8 billion up from Kshs 5.4 billion while net insurance and investment revenue grew 91% to Kshs.342 million up from Kshs 179 million. The large distribution and logistics infrastructure of a regional and diversified business spanning over 6 countries of 400 branches, 1.1 million Pay with Equity merchants over 100,000 agents, 30,000 POS merchants and over 700 ATMs came handy for the insurance business to reach 5.5 million unique customers with issued 11.1 million policies within a period of 2 years by the end of March 2024

Equity Brand has been a story of evolution from purpose driven financial inclusion to provide dignity and change lives while expanding opportunities for wealth creation using financial tools. It is a story of social and economic transformation of Kenyans. Over time, as the brand evolved, the brand became a regional brand and went beyond banking to include insurance and technology while the social arm evolved to include environment, governance, and nature. Today, the Equity brand operates on a twin engine, a sustainability engine and an economic engine propelled by a strong purpose to transform Africa through the Africa Recovery and Resilience Plan. It not only provides financial and technology tools but capacitates and derisk individuals, businesses, and communities to use the tools effectively and efficiently to empower and change themselves and to pursue their social environmental and economic ambitions and dreams. Strong governance structure and execution framework coupled with a long track record of execution through the Equity commercial and sustainability engine, Equity Group Foundation (EGF) has earned a global reputation of the dependable and reliable collaboration partner. Equity Group has attracted partners be they investors, funders, financiers, and grant makers. Globally, the brand has been recognized as the world's second strongest financial brand while regionally the brand is rated Africa's strongest banking brand and East Africa's most valuable brand. The brand has won the Oslo Business for Peace Award "The Business Nobel Prize" as its commonly referred to, the Global Vision Award with the caption "Initiator of a concept of the future that will change the global economy", the Ernst & Young world Entrepreneur Award, the Forbes Africa Persons of the Year, Bloomberg top 50 and Financial Times top 50 thought Leader. The Equity brand has become synonymous with financial services, banking and insurance, education through Wings to Fly scholarships and the Equity Leaders Program, championing access in health through Equity Afia Medical Centers, Agriculture through Kilimo Biashara program, entrepreneurship through Young Africa Works Program and sustainability through social safety net cash payments programs, tree planting and clean energy transitions (equipment and devices).

Equity Group has embarked on a unique opportunity of matching commercial and operational capabilities to match the global brand through systems and processes re-engineering, product house and people competencies that deliver on customer value proposition that match the global brand within the robust governance and strategic plan.

As the global macro-economic headwinds break and paves way for the global recovery, Equity Group is strategically and uniquely positioned to tap into the growth potential of the opportunity of East Africa's thriving eco-system of trade connections, under the common market protocols and the Africa Continental Free Trade Area. The region is set to continue to lead Africa’s growth pulse given it accounts for the highest number of countries in Africa with GDP growth greater than 5%. The region is the second largest recipient of FDI in Africa, is a key destination for global remittances, holds significant mineral deposits and arable land and has 63% of its population being below the age of 24 and has reasonably developed physical and soft infrastructure.