PRESS RELEASE

Equity Group Holdings PLC Reports Half Year Profit After Tax of Kshs 29.6 Billion

- *Total Assets grow by 6% to Kshs 1.75 trillion*
- *Deposits grow by 11% to Kshs 1.3 trillion*
- *Half-year profit after tax up by 12% to Kshs 29.6 billion*
- *Regional businesses contribute 49.7% of total assets and 50.2% of profit before tax for the period*
- *EGH continues product diversification with the receipt of a General Insurance license.*
- *Highest market capitalization in Sub-Saharan Africa*

NAIROBI, 12th August 2024: Against a backdrop of continued macroeconomic headwinds of high interest rates and volatile exchange rates across the markets that the Group operates in, Equity Group Holdings Plc (EGH) continues to demonstrate resilience, recording a balance sheet growth of 6% which is above the prevailing inflation rate of 4%, bringing its total assets as at 30th June 2024 to Kshs.1.75 trillion with the regional subsidiaries accounting for 49.7%.

The Group, which has been named as the top financial brand in Africa and the 2nd Strongest Banking Brand in the world and backed by its motto of ‘’Growing Together in Trust’’ has seen its deposit franchise grow 11% year on year to Kshs.1.3 trillion with its customer base now at 20.7 million. This growth in deposits has resulted in a 55% increase in cash and cash equivalents to Kshs.341 billion and growth in investment securities to Kshs.459 billion resulting in an overall strong liquidity position of 57%.

While releasing the half year results, Dr. James Mwangi Equity Group Holdings Managing Director and Chief Executive Officer said “We are optimistic that the strong liquidity of the Group has positioned us to effectively support our customers as the economy starts showing signs of improvement in the key markets we operate in, signaled by some of the regulators’ reduction of the Central Bank Reference rates. With the improved liquidity, the Group continued to optimize its balance sheet reducing leverage by Kshs.75 billion of expensive borrowings,”

Shareholders’ funds grew by 13% to Kshs.220 billion strengthening the Group’s ability to underpin the private sector led Africa Resilience and Recovery Plan (ARRP) by investing in new subsidiary undertakings in the Insurance Group as well as positioning it well to continue to take advantage of any market opportunities similar to the acquisition made in Rwanda in 2023.

The Group registered a robust top line growth with interest income growing by 22% to Kshs. 84.8billion from Kshs 69.8billion despite the high inflation and high interest shocks which saw returns to customers in the form of interest expense grow 30% to Kshs. 30.4 billion from Kshs. 23.4 billion. Non-funded income continues to grow steadily increasing by Kshs.5 billion and yielding a total income growth of 16% to Kshs.95.1 billion, up from Kshs.82.1 billion year on year.

The Group's offensive strategy of regional and product diversification continues to bear fruit with Kenya banking subsidiary contributing 43% of revenue from 46% in the previous period. As business continues to grow in the DRC and with synergies realized from the Cogebanque acquisition in Rwanda, subsidiaries now account for 47% of total loans (2023- 44%) and contribute 51% of profit after tax.

The operating environment characterized by turbulent global macro-economic shocks saw the Group continuing with its defensive conservative and prudent approach with loan loss provisions growing by 35% to Kshs. 8.5 billion. This has seen NPL coverage ratios remain at 70% with a Non-Performing Loans (NPL) ratio of 12.9%, way below the latest published industry average of 16.3%. The Group continues to make significant strides in its differentiated managerial capability and in enhancing its control environment to better position the Group to navigate the challenging macroeconomic and complex regulatory landscape while driving sustainable growth. The Group's continued investment to modernize its infrastructure coupled by high inflation has seen its expenses increase by 27%.

The Group recorded a half-year Profit after Tax of Kshs.29.6 billion representing a 12% year on year growth, with earnings per share increasing to Kshs.7.6 up from Kshs. 6.7. Regional subsidiaries accounted for 50.2% of the profit before tax for the period. This performance is coupled by strong capital buffers with core capital ratio of 15.8% and total capital ratio 18.4% versus regulatory threshold of 10.5% and 14.5% respectively.

"We are proud that the Group has sufficient cushion on its key balance sheet buffers being liquidity, capital and NPL coverage while at the same time it continues to report above industry profitability metrices with return of average equity of 26.7% and return on average assets of 3.4%,''added Dr. Mwangi.

Having disrupted and transformed the banking industry, EGH identified insurance as critical to contribute to business and individual resilience and protection. The Group was recently granted a general insurance license in addition to the already existing life assurance license. With this, the Group will offer holistic and integrated financial services to both corporate, SME and retail customers by availing insurance solutions for all customer needs by protecting life, health and wealth through its diverse product offering. By leveraging on the strategic capabilities and partnerships in banking, healthcare, distribution, SMEs, agriculture and technology sectors, the Group aims to provide customer centric, digital first and efficient products that are accessible to millions of customers and enable them to bridge the protection gap and fulfil their goals. EGH's extensive branch network, as well as unparalleled network of over 1.1 million agents and merchants continues to play a critical part of the insurance distribution strategy for all customer segments by ensuring ease of access and service for customers. As at June 2024, the Group had issued over 12 million life policies and had 1.5 million unique customers consuming life assurance and pension products.

The Group's transformation goes beyond regional and product offering diversification, to a technology led and enabled business under One Equity offering, that enables self-services with unparalleled convenience and case based on freedom of channel choice. Digital channels dominate with 84% of transactions, Agency channels process 9% of transactions while ATMs and Merchant acquiring each process 2% of transactions and branches handle only 3% of transactions. The Group has rolled out a common product house that allows cross selling and bundling of products under the One Equity offering – a one stop shop for financial services.

The Group has developed an iconic brand and was ranked one of the most valuable in the Nairobi Securities Exchange (NSE) and Africa's top banking brand. The Group's impact continues to be felt in climate action, where the International Finance Corporation (IFC) recognized Equity as having the highest number of climate finance eligible transactions, most of which were in climate adaptation and mitigation in agriculture. The Group has also partnered with Microsoft and Mastercard Corporation to digitize 10 million customers under the community pass initiative.

On 8th August 2024, EGH commissioned 113 Equity Leaders Program (ELP) scholars from Kenya, Rwanda, Uganda and DRC who have received full scholarships to pursue their university education in various global universities across the world. The scholarships, worth Kshs 2.8 billion (USD.2.7 million) saw 13 students admitted to Ivy League universities, bringing the total number of Equity Leaders Program Scholars who have attended the Ivy Leagues to 204. The total number of scholars that have attended global universities through this program is 970. In the backdrop of a challenging macroeconomic environment, Equity Group Foundation has offered customized capacity building programs to 570,006 Micro and Small Enterprises (MSMEs) that received Entrepreneurship training, with a total of Kshs. 355.4 billion disbursed to 305,771 MSMEs under the Young Africa Works Program. This program has created at least 1.3 million jobs for young people.

Dr. Mwangi said, "Despite the challenging environment, Equity has chosen to operate in a sustainable manner. In the coming weeks the Group will release its third sustainability report that highlights the Group's approach to embed Sustainability in its strategy by becoming an early adopter of Taskforce for Nature Finance Disclosure in Africa, demonstrating not only a sustainability focus at customer level but also supporting nature restoration by having achieved 29.5 million trees planted. The Group continues to take a leading role in climate finance through extending over Kshs. 26 billion (USD 200 million) in the form of climate finance."