PRESS RELEASE:

Equity Group Holdings Proposes a Record Dividend Payout of Kshs 15.1 Billion after Kshs 43.7 Billion Profit after Tax

- *Equity emerges as a regional financial services leader with 50% of assets, 51% of revenue and 56% of profit before tax being contributed by regional banking subsidiaries.*
- *Insurance business grows total assets four-fold to Kshs.19.2 billion from Kshs.4.9 billion and registers 39% growth in profit before tax of 934 million up from Kshs.670 million as return on average Equity picks up to 70.4% on 5.5 million new policies and 1,275,000 unique customers.*
- *Technology platform enables 6.2 million digital loans with disbursement value of Kshs.284.6 billion.*
- *Equity Group Foundation derisks 517,247 MSME entrepreneurs through training and capacitating them with Kshs.275.3 billion loans to create 1.3 million jobs under Young Africa Works Program.*
- *To cushion civil servants, teachers and other salaried workers, Equity maintained interest rate at 13% for loans disbursed prior to the implementation of risk-based lending rates currently at 20%-24%.*

Wednesday 27th March 2024…… Equity Group Holdings has proposed a record dividend of Kshs.15.1 billion for a second year running. While releasing the 2023 full year financial results Dr. James Mwangi, Group Managing Director and CEO said. “The Kshs. 4 per share dividend amounts to a 36% payout of the Kshs.43.7 billion Profit After Tax or Kshs 11.1 earnings per share and dividend yield of 11.9% on the 2023 year-end closing share price of Kshs.33.65 or 800% on par value.”

The performance reflected strong momentum as net interest income grew by 21% to Kshs.104.2 billion up from Kshs.86 billion while non-funded income registered an impressive 30% growth to Kshs.75.9 billion up from Kshs 58.3 billion. Gross trade finance revenue grew by 90% to Kshs.11 billion from Kshs 5.8 billion driven by a 106% growth of trade finance related lending and 26% growth of trade finance guarantees and off-balance sheet items. Total costs grew by 52% to Kshs.128.2 billion up from Kshs 84.5 principally driven by a 139% growth in loan loss provision of Kshs 32.8 billion up from Kshs.13.7 billion to strengthen asset quality buffers. Other operating expenses and staff costs grew by 39% and 28% respectively driven by high inflation and depreciation of the Kenya shilling. Return on average equity stood at 22.3% against an 18% cost of capital. Profit After Tax declined by 5% to Ksh 43.7 billion down from Ksh 46.1 billion as a result of interest expense growing at 53% compared to 30% growth rate of interest income.

Gross balance sheet grew by 26% to Kshs.1.821 trillion up from Kshs 1.447 trillion driven by 29% growth in customer deposits to Kshs 1.358 trillion from Kshs 1.052 trillion. Shareholders’ funds grew by 20% to Kshs.218.1 billion up from Kshs 182.2 billion. Deployment of funding saw net loans grow by 26% to Kshs.887.4 billion up from Kshs.706.6 billion while government securities holding grew by 27% to Kshs.500.5 billion up from Kshs.394 billion as cash and cash equivalent grew by 25% to Kshs.290.1 billion up from Kshs 232.4 billion.

The Group business has demonstrated resilience after multiple shocks, interest capping, the COVID- 19 global health pandemic, global supply chain disruptions, Russia/Ukraine war and global macro-economic headwinds exemplified by FX volatility, high inflation and high interest rates over the last 7 consecutive years. During this turbulent period the number of customers has grown to 19.6 million up from 10.4 million, customer deposits have grown to Kshs.1.358 trillion up from Kshs.303.2 billion while the loan book has grown to Kshs.887.4 billion up from Kshs.269.9 billion.
Total assets have grown to Kshs.1.822 trillion up from Kshs.428.1 billion as shareholders’ funds grew to Kshs.218.1 billion up from Kshs. 72.1 billion.

Over the last unprecedented 7 years of turbulence, the Group has treaded softly yet boldly pursuing the twin strategy of being offensive while remaining defensive. The Group has intensified and strengthened its risk management governance framework and a value-based organizational culture that emphasizes on human interactions and attitudes, norms and practices that drive an innovative, customer centric approach, strong compliance and a prudent risk management culture. The Group registered a PAR of 11.7%, a slight improvement from 12.2% at the end of 3rd quarter and favorably comparing with 14.8% industry NPLs. Dr. Mwangi pointed out that, "The NPL trend is consistent with management's view as at the investors 3rd quarter briefing that NPLs had peaked. Prudent risk management culture led the board to approve a proactive derisking of future performance by providing for the lifetime expected loss on outstanding NPLs and increasing loan loss provision by 139% to Kshs.32.8 from Kshs.13.7 billion driving cost of risk to 4.4% while increasing NPL coverage to 67.3% without guarantees and 90% with guarantees."

Deep purpose, a consistently strong risk management culture and a vibrant value-based organization culture have supported the evolution and development of the Group brand to achieve recognition and accolades such as the Oslo Business for Peace Award and the 2nd Strongest Global banking brand by Brand Finance. IFC, the Private sector arm of the World Bank has recognized Equity as the bank with the highest number of green financing loans for climate mitigation and adaptation worldwide.

The defensive strategy adopted by the Group has seen it register strong risk buffers of 53.4% liquidity, relatively strong asset quality with strong NPL coverage and strong capital buffers. Total capital to risk weighted asset ratio of 18.1% reflects a buffer of 3.6% above minimum capital requirements of 14.5% while core capital to risk weighted asset ratio stood at 14.3%, a buffer of 3.8% above the regulatory requirement of 10.5%. The Group is well capitalized and strategically positioned for its offensive growth strategy.

An environmental scan positions East Africa as one of the fastest growing regions in the world. The region accounts for the highest number of countries in Africa with a GDP above 5%, is the second largest recipient of FDR flows in Africa after North Africa and stands out as a key destination of global remittances. The East Africa region has a thriving ecosystem of trade interconnectedness driven by strong regional integration and robust infrastructure. There is a significant upside opportunity in East Africa with Tanzania, Uganda and Rwanda being in the twenty fastest growing countries in the world. More than 63% of the region's population is below the age of 24 years while the median age is below 19 years. DRC holds significant strategic green mineral deposits. This environment uniquely positions Equity Group to tap into the growth potential.

To tap into this opportunity, the Group completed the acquisition of Cogebanque in Rwanda on 30th November 2023, which was subsequently merged into our existing business adding Kshs 36.7 billion in assets resulting in a subsidiary with significant scale with total assets of Kshs. 127.7 billion and 18% market share. This firmly positions us as the second largest bank in Rwanda, which is one of the fastest growing economies in the world.

Equity's Strategy is anchored on building sustainable financial eco-systems, evolving with the needs of the customers and the economies we help to connect. From its heritage as a core banking services provider, and a market leader in Kenya with a market focus served on banking infrastructure and technology build out, Equity Group has evolved into an integrated financial services and technology platform, a richly diversified regional lender, and continues to scale the value chain and connecting fragmented supply chains and trade routes. The future of Equity Group spans beyond banking in keeping with customer needs and core values across banking, insurance, technology and sustainability through social and environmental impact.

In positioning to grow with the Eastern Africa of tomorrow, Equity Group has become a regional systemic financial services provider in position one or two in four of the six markets it operates in: Kenya, DRC, Rwanda, and South Sudan. A truly Eastern and Central Africa regional bank, Equity Group's deposit distribution is: Kenya 50%, DRC 32%, Uganda 8%, Rwanda 6% with loan distribution: Kenya 51%, DRC 32%, Uganda 8%, Rwanda 6%. Regional banking Subsidiaries and other non-banking subsidiaries hold 50% of the assets, 51% of all revenue and 56% of profit before tax making Equity Group a truly East and Central Africa regional financial services group.

Financial services diversification has seen Equity Group Insurance business being in operation for 21 months. Equity Life Assurance has attracted 1,274,980 unique customers and closed the year with total assets of Kshs.19.2 billion, profit before tax of Kshs.934 million giving a return on average Equity of 70.4% and a return on average assets of 5.4%. As at 30th September Equity Life Assurance had captured 2% of life industry market share at 13th position in the industry and 7% of Group life and credit market share at 6th position in the industry. The Equity Group Insurance business will venture into Health and General Insurance in the course of this year.

The Technology Group enables the business to transform its delivery channels on a technology platform through digitization. MSME and retail digital loan repayments are at 98% and 96% respectively on disbursement value of Kshs.284.6 billion and a 6.2 million disbursement count. Digitization is increasingly making the Group business online, transforming the model from "where you go to what you do on devices and compressing time and geography whatever time, wherever."

In line with its purpose, Equity made a deliberate and intentional strategic decision to support its customers through the current macro-economic turbulence of high inflation, depreciating domestic currencies, exchange rate volatility and high interest rates. Despite approval by the Central Bank to adopt risk based lending rates, currently at 20% to 24% for consumer and retail lending and treasury bills and bonds, attracting 17% /18%, Equity Group opted to maintain 32% of its consumer loans to salaried civil servants, teachers and private sector employees at 13% interest rate to cushion them and their families during this difficult times. Equity has also maintained all loans disbursed during the interest rate capping period at 13% interest rate. As a result, interest expense for deposits grew by 53% from Kshs 33.6 billion to Kshs 51.4 billion while interest income on loans grew only by 30%.

The Group continues to promote social transformation through its social impact investments championed by Equity Group Foundation, changing lives, giving dignity and expanding opportunities for wealth creation.

Under its Enterprise Development & Financial Inclusion, Equity Group Foundation has trained over 2.4 million youth and women in Financial Education, 517,2467 MSMEs trained in entrepreneurship with over Kshs. 275.3B disbursed to trained youth, women and MSMEs. The pillar works to stimulate job creation and economic growth for individuals and MSMEs through financial literacy, entrepreneurship training, business development services and digital literacy, and has been successful in creating over 1.3 million jobs, under Young Africa Works Program.

In Energy, Environment & Climate Change, the Group continues to make its contribution to combating climate change through conservation and promoting the use of renewable energy. 25.2 million trees have been planted and over 420,243 clean energy products distributed to institutions and households.

To promote food security and support farmers to scale their faming ventures as a pathway to driving entrepreneurship and job creation in the agriculture sector, EGF under its Food & Agriculture pillar has impacted over 3.8 million small scale farmers and supported over 292,362 MSMEs in the agriculture sector. It has delivered these efforts through technology, training, access to markets and access to finance.

Under its Social Protection programmes, EGF has reached 5.4 million individuals with social assistance programs including cash transfers, fee waivers, subsidies and social pensions delivered to vulnerable and marginalized populations. Cumulatively, Kshs. 138.39 billion has been disbursed via cash transfers under these programs. Capacity building has been availed as a pathway to transition beneficiary cohorts into economic stability and self-reliance.

In its flagship Health program, Equity Afia, 98 medical centers had been established across the country with over 2.1 million patients served as at 31st December 2023. Equity Afia continues in its expansion strategy, with ongoing rollout in DRC, and continues to avail quality, affordable health services across the franchise network.

In Education and Leadership Development, Equity continues to develop and inspire youth into leaders through access to secondary and tertiary education, mentorship, career training and opportunities. The Wings to Fly and Elimu scholarship programs have seen 60,009 brilliant scholars receive comprehensive high school scholarships, while the Equity Leaders Program (ELP) has supported 23,825 University scholars and alumni of the program. The program has seen 891 scholars attend global universities, including 199 who have attended the Ivy League universities.

EGF has established the Innovation & Technology pillar, leveraging innovation to expand its reach, efficiency in program delivery and impact at scale. The Group envisions innovation, driven by youth as the nucleus of Africa’s technology evolution, and as a space where talent and startups not only thrive but also drive the digital transformation targeted to define the continent’s social and economic future for generations to come.

“With clarity of the Africa Recovery and Resilience Plan, strong leadership and human capital, strategic positioning in one of the world’s fastest growing regions, a diversified business model across banking, insurance, health, philanthropy, technology and its execution, risk management capabilities, resilience and strong buffers, Equity is uniquely positioned to deliver on a positive and promising focus to all its stakeholders,” Dr Mwangi added.