PRESS RELEASE

EQUITY GROUP POSTS 11% GROWTH IN ASSETS TO REACH KSHS 518.2 BILLION IN A CHALLENGING OPERATING ENVIRONMENT

Globally, the bank is ranked as stable with the best credit in Kenya; cited for "strong brand recognition" by Moody's and ranked as the most preferred Bank on customer preference and satisfaction by Geopoll.

Nairobi 30th October 2017……… Equity Group Holdings Plc posted a growth of 11% in assets to reach KShs 518.2Bn at 30th September 2017 up from Kshs.468.0Bn at the same period last year. The growth was mainly driven by customer deposits which rose to Kshs 368.8Bn from KShs 331.4Bn, an 11% growth at the Group level.

The Group maintained resilient performance in a very challenging economic environment occasioned by protracted presidential elections which have caused political uncertainty and adversely affected all sectors of the economy. Other adverse factors include prolonged drought driving food inflation & stressing disposable incomes as well as reduced private sector growth arising from interest rate capping.

The banking sector in Kenya has also been experiencing turbulence reflected in low asset quality, liquidity and solvency challenges, and contracting cash circulation. In order to mitigate against the prevailing economic uncertainties and shocks of the temporary headwinds in Kenya, the Group enhanced its liquid assets in Kenya to achieve a liquidity ratio to 54.8% up from 45% in a similar period last year.

The Group continued its pursuit of a robust and adaptive strategy. Non-funded income grew by 28% from Kshs 16.6Bn to Kshs 21.3Bn offsetting the effects of reduced interest income. Total Income for the nine months period ended 30th September at Kshs 48.7Bn was at par with Kshs 48.9Bn for the same period last year.

Dr. Mwangi explained, "The Group progressed further in its initiative to grow non-funded income and achieved a ratio of funded to non-funded income of 56:44 in the current period against a ratio of 66:34 over the similar period last year. Non-funded income growth was achieved through mobile banking commissions which grew by 135% to Kshs 949Mn; Trade Finance which grew by 39% to KShs 867Mn; Forex income growth of 13% to Kshs 1.7bn; Merchant banking commissions increase of 12% to Kshs 892Mn; Agency commission growth of 23% to Kshs 628Mn and similar positive trends in income from credit card commissions and remittances from diaspora."

The Group's focus on quality and efficiency saw investment in non-risk assets grow by 37% from Kshs 93.1Bn to Kshs. 127.7Bn with improved yields of 11.4% up from 10% last year. The loan book declined marginally by 2% from Kshs 271.4Bn to Kshs 265.4Bn.

Despite interest income on loans and advances in Kenya declining by 36% from KSHS 28.5Bn to KSHS 18.3Bn, A growth of 113% in interest income from government securities in Kenya and a growing high yielding loan book in the regional subsidiaries offset the combined effects of capping of interest rates, contraction of interest yields and a reduction in the loan book in Kenya to limit the decline in interest income at 11% from Kshs 39.8Bn over the period last year to KShs 35.4Bn.

Dr. Mwangi said the Group's regional expansion continues to pay off. He added; "The subsidiaries in Uganda, Rwanda, South Sudan, Tanzania and DR Congo collectively increased their profit by 53% YoY and enhanced their contribution to the Group from 7% to 10% and increased their proportion of loans and deposits in the Group from 20% to 23%."

Liquid assets in cash, cash equivalent and government securities grew by 33% to reach Kshs 202.5Bn up from Kshs 151.8Bn strategically positioning the Bank to take advantage of opportunities that would come with the dissipation of the prevailing headwinds.

Focus on asset quality helped the Group attain a non-performing portfolio ratio of 7.4% against an industry average of 10.7% as at August 2017 with a reduced cost of risk of 1.41% down from 1.63%.

The Group's innovation and digitization strategy led to 91% of all transactions moving from the fixed cost delivery channels of brick and mortar of bank branches and ATMs to variable cost delivery channels of mobile, internet, mobile App, Agency and merchant banking. Of the total 341.3 million monetary transactions, only 30.3 million transactions passed through the branches and ATMs with the rest, 311 million transactions passing through the third-party channels. This shift in delivery channels resulted in a reduction of 11% in staff costs while registering a modest increase of 2% in total costs maintaining a cost income ratio of 51.6% at the Group despite the 15% reduction in Net Interest Income.

Digitization of diaspora banking platform saw an increase in remittances by 54% from Kshs. 9.6Bn to Kshs 14.8Bn for the period under review. Mobile innovation Equitel helped the Group capture 25.6% of the value of national money transfer in Kenya and 33% of the national market share of Mobile Commerce.

The Group's cost of funds reduced from 2.8% to 2.6% YoY mitigating the negative impact of interest capping that saw yields on interest earning assets decline from 14.2% to 11.2% and a lower net interest margin of 8.6% from 11.4%.

The Group's PBT of Kshs 20.7Bn and PAT of KShs 14.6Bn for the period were marginally below last year's results (PBT Kshs. 21.5 Bn and PAT Kshs.15.1 Bn). Return on Equity stood at 22.6% while Return on Assets stood at 3.9% with strong capital ratios; Core Capital to Risk Weighted Assets of 19.86% and Total Capital to Risk Weighted Assets of 20.5%.

Dr Mwangi said; "Overall, the Group outperformed the market and maintains its performance outlook for the year 2017 save for growth in deposits as a result of the unexpected slowdown in the economy occasioned by temporary macroeconomic headwinds.

The Group's strategy, resilience and agility has been validated globally and locally. Moody's has rated Equity Bank Kenya with a Global rating of B1 and a Stable outlook, same rating as Kenya Government, and a National rating of Aa1, highest credit within Kenya. Moody's citation for the rating included strong brand recognition, solid liquidity buffers and resilient funding profile, established domestic franchise and extensive adoption of digital and alternative distribution channels.
Global Credit Rating (GCR) rated Equity Group on Long term national rating scale of AA and a short term national scale of A1 with a Stable outlook. The ratings reflect the Group's strong competitive position in Kenya's banking industry, which is underpinned by a favorable market reputation, a resilient and innovative financial services business spread across East Africa and DR Congo. The rating is also as a result of robust internal capital generation and profitability which remained resilient in 2016 despite challenging operating conditions.

The Banker's 2017 Top 1000 World Banks ranked Equity Bank at position 11 on Return on Assets; position 37 on Soundness (Capital Assets Ratio) and position 45 on Profits on Capital.

Geopoll survey ranked Equity Bank as the Most Preferred Lender in Kenya with the highest scale in Africa followed by Capitec of South Africa and GT Bank of Nigeria.

The Bank continues to fortify its brand strength through its social impact investments. 14,168 academically gifted but financially challenged pupils across Kenya have received comprehensive secondary school education and leadership scholarships in partnership with The MasterCard Foundation and other partners. 5,060 university students have gone through the Equity Leaders Program with 403 of them benefitting from airlift to global leading universities. 1,455,759 women and youth have received a free 13-week financial literacy training while 37,402 Medium entrepreneurs have gone through a three-year coaching and mentorship program. 600 peasant farmers have transformed to agribusiness entrepreneurs through training and another 2000 medium sized farmers supported through training, capacity building and market linkages. In partnership with governments and development partners in Kenya, Rwanda and South Sudan Equity Bank is a disbursing agent for social payments targeting refugees, social protection, agriculture input subsidies, education water among others. So far, the bank has disbursed KShs 41.7B.

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For more information, please contact:

Alex Muhia Equity Group T: Office - 0763 026007: Mobile - 0763 618871 E: CorporateCommunications@equitybank.co.ke E: Alex.Muhia@equitybank.co.ke	**Geoffrey Nayema** Ogilvy PR **T**: Mobile -0763 800371 **E:** Geoffrey.Nayema@ogilvy.co.ke