Press Release

EQUITY GROUP PROFIT AFTER TAX GROWS BY 18%

Nairobi, 16th August 2018… Equity Group's half year results for the period to 30th June 2018 continue to reflect the Group's resilience in a difficult but improving operating environment. Profit after tax recorded an 18% growth to Kshs.11 billion up from Kshs.9.4 billion for the same period last year. Profit before tax grew by 16% to reach Kshs.15.5 billion up from Kshs.13.3 billion.

The Group's balance sheet registered a growth of 7% to reach Kshs.542 billion up from Kshs.505 billion. This was driven by growth in customer deposits of 9% to reach Kshs.394 billion up from Kshs.363 billion. Regional subsidiaries share of Group assets increased to 26% up from 23% as their assets grew by 21% to reach Kshs.142 billion. International lenders increased their long-term funding to the Group by 16% to reach Kshs.53 billion up from Kshs.46 billion signifying the global lenders confidence in the Group's risk.

The Group's deployment of funding was underpinned by investment in government securities which grew by 37% to reach Kshs.159 billion up from Kshs.116 billion while net loans to customers grew by 4% to reach Kshs.275 billion up from Kshs.265 billion. This reflects the impact of interest capping in Kenya in lending to the private sector. The Group's balance sheet reflects a liquidity of 59.4% up from 54.4%

Speaking during the release of the half year results, the Group Managing Director & CEO Dr. James Mwangi said "The Group's agile balance sheet with strong liquidity held in near cash assets strategically positions the Equity for opportunistic growth. A dramatically changing environment has seen political risks in South Sudan and Kenya decline with the collaborative peace initiatives taking root. DRC has witnessed decreasing political tensions as preparations for the elections slated for later this year gather momentum. Kenya's proposal to repeal interest capping and focus on the Big 4 Agenda of stimulating the real economy through investment in manufacturing, affordable low-cost housing, universal affordable health and transformation of agriculture value chain to achieve food security is bound to stimulate significant economic activities given the stable macro-economic environment".

The region's average GDP growth rate of 6.7% is likely to be boosted significantly by the investment in infrastructure in the region and the early investment to exploit oil and gas resources in Uganda, South Sudan, Kenya and Tanzania. Recovery of global commodity prices particularly copper, Cobalt, diamond and rare earth is bound to stimulate GDP growth rate in DRC. Oil and gas price recovery will make exploitation and further exploration economically viable, sustained and supported by improving investment climate which allows foreign direct investment and global capital flow due to stable macro-economic environment characterized by stable inflation, interest rates and exchange rates.

"Equity Group with its agile liquidity significantly large balance sheet of nearly Kshs. 550 billion, regional presence, structural capacity, strong systems capability and innovative track record, is well positioned to exploit emerging cross border economic business opportunities" said Dr. Mwangi.

Interest income grew by 10% to Kshs.25.4 billion up from Kshs.23 billion driven by investment in government securities that grew by 37% and loans and advances growth of 4%. Non-funded income fees, and commissions grew by 2% primarily driven by 29% growth in trade finance income, 23% growth in merchant banking commission, 27% growth in forex capital gains, 35% growth in swift and RTGs income, 54% growth in bond trading income and 165% growth in Diaspora remittances income.

Regional subsidiaries grew their profitability by 62% to Kshs.2.8 billion enhancing their contribution to the Group's profitability to 18% up from 13%.

Dr. Mwangi observed that persistent pursuit of innovation has seen the Group digitize cash as well as most of its products and services allowing clients to enjoy convenience and freedom of self-service wherever they are, and at whatever time. Digitization, use of third party infrastructure and self-service devices have transformed the Group's banking model from a place you go, to something you do on your devices and as a result transformed the business model from a fixed cost to a variable cost business. Dr. Mwangi observed that 97% of the Group's transactions are carried out outside the branch with mobile devices processing the lion share of 78% of transactions while agents process 12% of transactions primarily acting as bridges of converting cash into digital money through deposits and vice-versa through withdrawals. Dr. Mwangi said 93% of all successful loan applications are received and processed through mobile lending channels.

Innovation and digitization has contributed significantly to improved efficiency gains and cost optimization that has seen the Group's total expenses declining by 2% from Kshs.17.6 billion to Kshs.17.3 billion. The Group's cost to income ratio has also declined from 51% to 50% despite interest capping in Kenya that has seen the Group's yield on interest earning assets remain at 11%. The Group's return on average assets increased to 4.1% up from 3.8% and return on average Equity increased to 24.5% up from 22.3%.

The Group's NPLs ratio moved from 7.3% to 8.4% but remained better than the Kenyan banking NPLs sector average of 12%. Loan loss provision grew by 22% from Kshs.7.8 billion to Kshs.9.5 billion year on year. NPL coverage moved to 79.9 % in Q2 2018 from 105.1% in Q1 due to a slight increase in the non-performing loans (NPLs). The non-performing loans (NPLs) grew as a result of stress in the large enterprises. This was occasioned by the timing difference arising from late and delayed payment to contractors and service providers by the County and Central governments.

The results were released at a time when Equity Bank Group has been granted the sovereign credit rating by Moody's and named Africa's Best Bank by the African Banker and Kenya's Best Bank by Euromoney and Think Business for the year 2018.

The Group's focus on sustainable and innovative impact investments along seven thematic areas has created a strong social brand founded on a shared prosperity model. To date, through the social investment arm Equity Group Foundation, the Group has benefitted 15,168 *Wings to Fly* Scholars in Partnership with Mastercard Foundation and additional support from USAID, UKAID, KfW and other partners. 12,236 Scholars who include the top performing students in all the counties and the 'A' scholars from the *Wings to Fly* program have benefited from the Equity Leaders Program with 465 of them having secured admissions to universities abroad including Ivy League Institutions. 600,000 small scale farmers have been transformed to agribusinesses while 2,616 medium sized farmers have been supported. 1.6 million women and youth have gone through financial literacy education for free with the aim of helping them manage their finances and their businesses effectively and 37,785 entrepreneurs have been trained.

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