**EQUITY GROUP HOLDINGS MAINTAINS GROWTH TRAJECTORY POSTS 14% AFTER TAX PROFITS**

*Nairobi October 26th 2015….* Equity Group Holdings Limited strategic initiatives and innovations geared toward enhancement of access, convenience and affordability of financial services have seen the regional diversified services firm maintain its growth momentum in the just concluded 3rd quarter ended 30th September 2015.

Equity Group has posted a 32% growth in total assets, a growth of Kshs.106.4 billion to Kshs.445.8 billion up from Kshs.339.4 billion. The nearly half a trillion balance sheet growth has been driven by a 30% growth in customer deposits to Kshs.317 billion up from Kshs.243.1 billion during the same period the previous year.

Speaking during an investor’s briefing session to release the Group’s 3rd quarter 2015 results, Equity Group’s CEO Dr. James Mwangi said the impressive growth is underpinned by continued investment in the innovative new channels of agency and mobile banking, success of diversification and regional expansion that saw the Group’s acquisition of Pro-Credit of DRC Congo completed and consolidated into the Group’s 3rd quarter results.

Bolstered by the increased deposits and a focus on the SME lending, the Group’s loan book registered a 27% growth to Kshs.263.4 billion up from Kshs.206.7 billion posted in September 2014, with SME segment contributing 70.6% of the total loan book. High quality loan book was maintained with NPL remaining at 4.4% but with coverage increasing to 89% as a result of enhanced NPL provisions which grew by 89% from Kshs. 0.9 billion to Kshs. 1.7 billion proactively responding to the rising interest rate regime.

The Group’s strategy to de-risk profits by reducing reliance on the often volatile interest income received a major boost with fees, commissions and transaction income growing by 29% to Kshs.16.8 billion while interest income grew by 21% to Kshs.31.6 billion. Non-funded or non-interest income constituted 40% of the total income. Dr. Mwangi said the unique achievement was as a result of pursuit of a strategy of diversifying income that saw foreign exchange trading income grow by 64%, merchant banking commission growing by 59%, insurance, custodial and brokerage fees rose by 91%. Diaspora remittance processing commissions grew by 20%. “We are confident of sustaining this trend and are optimistic of achieving a 50:50 percent contribution between interest income and other income as the growth of the latter is underpinned and driven by the success of the SME strategy that now constitute 70.6% of the loan book”, said Dr. Mwangi.

Dr. Mwangi disclosed the Group’s confidence in the growth of the customer numbers driven by the ability of offering inclusive banking facilitated by easy accessibility, convenience and affordability as a result of reaching scale on the innovative delivery channel of mobile and agency banking. Equitel mobile channel uptake has soared with 162% growth over the last 10 months with the number of customers subscribed to the new SIM card banking platform increasing significantly to reach 1.3 million after the launch in mid-August. Average number of transaction on the new mobile platform has increased from an average of 2 transactions per month to 21 transactions per customer. Agency banking has seen the number of operational agents growing to over 22,000 and contributing 50.4% of all bank cash transactions exceeding customers’ cash transactions processed in branches and ATM’s combined. Dr. Mwangi said that the variable cost delivery channels will now lead to significant reduction of costs and better cost income ratios going forward.

On regional expansion and diversification, Dr. Mwangi disclosed that great success has been achieved with deposits for regional banking subsidiaries growing by 93%, loans growing by 103% for the year to 30th September while profits for all the regional banking subsidiaries and non-banking subsidiaries grew by 92%. As a result of the success in execution of the regional and diversification strategy, the Kenyan banking outfit now contributed 69% of the Group’s deposits, 82% of loan book, 71% of total assets and 86% of profits.

The Group’s investment in IT has enabled the roll-out of the use of biometric technology enhancing customer security and curbing fraud incidents. The bank has rolled out a digitization programme built on IT capability in its MVNO channel and product convergence and strong security enterprise architecture with rich API capabilities, analytical and cognitive capabilities through advanced analytics and big data that has enabled risk driven credit scoring pricing and cross-selling, PCI-DSS compliant plat-form that supports payment networks and E-commerce payment solutions, digital and social medial channels capability and comprehensive BCP capability.

Total Group costs grew by 28% to Kshs.24.2 billion from Kshs.18.8 billion mainly driven by operating costs that grew by 38% and loan loss provision that grew by 89%. Dr. Mwangi explained that the Group adopted a conservative approach in provisions to proactively address the prevailing turbulent macro-economic environment characterized by high interest rates and volatile foreign exchange rate. The operating costs were mainly driven by IT costs to enable the mobile platform and agency network development, training costs for staff on the new banking offerings and set up costs of new subsidiaries. As a result of the 89% growth in loan loss provisions to Kshs. 1.7 billion up from Kshs.0.9 billion, cost of risk rose from 0.65% to 0.95%.

The enhanced IT investment has seen merchants grow by 36%, Agents by 39% to reach 22,017 and transactions processing increase by 58% and 36.2% respectively. The mobile platform and the agency network coupled with the merchant payment network has enhanced the Group’s effort to digitize most of its operations thereby realizing significant cost saving, added Dr. Mwangi.

Despite the 28% cost increase, cost income ratio for the period decreased to 47% from 48% for Equity Bank Kenya and was 53% for the Group due to low volume thus low economies of scale and the set up cost of subsidiaries which had just reached breakeven.

The Groups profit before tax grew by 14% to Kshs.18.1 billion up from Kshs.15.9 billion. Profit after tax grew to Kshs.12.8 billion up from Kshs.11.2 billion last year.

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