EQUITY GROUP DELIVERS 18% GROWTH IN PROFITS BEFORE AND AFTER TAX AS ASSETS GROW BY 11% TO KSHS.445 B

Nairobi August 22nd 2016…… *Successful execution of an innovative business strategy code named Equity 3.0 centered on digitization, disruption of delivery channels, transforming the business model and redefining customers banking services and products access experience delivers 18% profit before and after tax growth*.

Profit before tax grew to Kshs.14.2 billion up from Kshs.12.1 billion while after tax profit increased to Kshs. 10.1 billion up from Kshs.8.6 billion. Efficiency gains from digitization and increased use of variable cost delivery channels of Agency, mobile, merchant and internet banking saw the Group's total cost, excluding provisions for bad debts grew at a much lower rate of 18% compared to a 22% growth in total income. The innovation gains resulted in the cost to income ratio of Equity Bank Kenya where execution has gained momentum and taken root declining to 43.6% down from 47.5% while the Group's corresponding ratio improved from 51.4% to 49.6%.

The convenience and ease of accessing credit and loans through the Equitel mobile channel saw the number of loans disbursed increase by 308% to 4,327,999 up from 1,061,000 out of which 3,557,913 loans worth Kshs.20.8 billion were disbursed through the Equitel mobile channel. The growth in Equitel mobile loan disbursements account for 82% of all loan disbursements compared to 18% of over the counter branch loan disbursements.

Interest earning assets grew by 19% to Kshs.342 billion up from Kshs.287.4 billion driven by a 44% growth in government securities which grew to Kshs.73 billion up from Ksh. 50.6 billion and a 14% growth in net loan book to Ksh.269 billion up from Ksh. 236.8 billion. Interest income grew by 35% to Kshs.26.1 billion up from Kshs. 19.3 billion mainly driven by a 37% increase in interest income on government securities as a result of the growth and enhancement on yields by 25%.

Interest expense on liabilities grew at a lower rate of 29% due to a cost effective funding comprising of 72% customer deposits, 17% shareholders' funds and 9% long-term funds with 76% of customer's deposits being current account and savings deposits.

Equity Bank Kenya is well positioned for the banking industry headwinds that saw three banks tumble over a period of 9 months. During the last 18 months the Bank differentiated itself and repositioned its balance sheet by increasing its liquidity to 40% up from 28% through a 78% growth in investment in government securities to Ksh.63.8 billion up from Ksh. 35.9 billion. The subsidiary increased its long-term funding to 25% of total funding up from 22% to Kshs.91.6 billion from Kshs.70 billion while lowering its loan growth rate from a high of 25% to 14% to register a loan deposit and borrowed funds ratio of 74.6% down from 77.4%. The subsidiary increased its loan loss provision by 231% to Kshs.1,120,116 from Kshs.238,575 to enhance NPL coverage.

The Group has supported the strengthening of the balance sheet by enhancing the Group core capital to total deposit liability to 23.4% against a regulatory minimum requirement of 8% while core capital to total risk weighted assets stood at 18.7% against a regulatory minimum requirement of 10.5%.

Disrupting the business model, re-imagining the distribution channels, digitization, re-positioning the balance sheet and massive social impact investment in the Equity brand has strategically and uniquely differentiated Equity Bank Kenya. Convergence of products and services on omni channel has delivered unparalleled convenience and ease of banking. As a result, the market has rewarded Equity Group with a 10% growth in customer base from 9.7 million accounts to 10.7 million accounts. Customer deposits in Kenya have grown by 10% to Kshs.259 billion up from Kshs.236.4 billion at a time when the Kenyan banking sector has registered flat growth. Non-performing loans (NPLs) stand at 4.2% against an industry average of 8.4%. Equity Bank Kenya now commands 59% of industry agency banking transactions and 52% of industry merchant banking volume and is the only bank with secure SIM card based data encrypted mobile banking. As a result, Equity Bank Kenya has captured 10% of market share in total assets, customer deposits and loans. Return on Assets as a result has improved to 5.2% up from 5.1% while Return on Equity has improved to 27.3% up from 26.6%. The investing community has rewarded Equity Group Holdings with its market capitalization of Kshs.143.4 billion, as at 30th June 2016, constituting 25% of the total market value of the 11 banks listed in the Nairobi Securities Exchange.

On its 2016 Global ranking of the world's top 1000 banks, the Banker has ranked Equity Group as the 8th Best Bank in the world on return on assets, 34th Best Bank in return on capital, 43rd best on soundness measured on capital asset ratio, 835th largest bank in the world and the fastest growing large bank in Africa. Similarly, Equity was awarded the Most Innovative Bank in Africa and the bank with the Best Mobile Banking Service in Africa by The Banker. Euro Money 2016 awards have ranked Equity Group as Africa's Best Bank. Think Business ranked Equity Bank Kenya as the Best Bank overall, Best Tier 1 Bank, Best Bank in SME Banking, Best Bank in Retail Banking, Best in Agency Banking, Best Microfinance Bank, and runners up best bank in asset finance, internet banking, mortgage finance, product marketing and customer satisfaction. The strength of Equity was further affirmed by Global Credit Agency (GCR), which maintained the credit rating of the Bank at AA- (long-term and A1+ (short-term) and rating outlook of Stable in August 2016.

FUTURE OUTLOOK

Uptake of the mobile channel during the year grew by 115% with 2,196,000 clients having registered on the Equitel platform. Equitel mobile transactions grew by 271% during the year to reach 97.8 million up from 26.4 million transactions. The value of transactions grew to Kshs.149.3 billion up from Kshs.16.4 billion a growth of 811% reflecting the increasing confidence in and acceptance of digital money.

Agency banking transaction grew by 24% while value of such transaction grew by 37%. Merchant banking transactions grew by 37% signifying growing acceptance of third party delivery channels. While the variable cost at third party delivery channels have experienced impressive growth, traditional delivery channels of branches and ATMs have recorded a transaction decline of 17% and 12% and their respective value of transactions declining by 8% and 9% respectively.

The emerging trend on customer preferences offers the Group an opportunity for cost optimization and better deployment of resources. The excess physical space at branches is being deployed for relationship banking, cross selling and marketing initiatives, which has seen the rise of bancassurance, brokerage services and custodial services. The SME business has given rise to enhanced treasury business, Forex trade, and trade finance business while enhancing deposit mobilization through current accounts and term deposits complimenting savings accounts funding.

The regional and diversification strategy have offered an opportunity for deepening and widening the market reach while at the same time allowing benefits of economies of scale, while reducing sovereign risks and impact of national market shocks. Harmonization of micro economies and policy pursuits within the region have resulted in converging with minimal divergence as reflected by growth rates, interest rates, exchange rates and inflation. This market dynamic has allowed ease of execution of a common Group strategy in a seemingly single market environment.

With size the Group has managed to widen the depth and breadth of its governance and leadership structure. The scope of opportunities within the Group have given rise to better attraction, development and retention of high performing staff and diversified opportunities for shadow positioning to grow the next generation of leaders and effectively manage succession planning.

Going forward the Group will roll out more innovative products, deepen focus on the SME sector while deepening presence in the East Africa region. The Group is aware it has to contend with the challenges of a slowing down sub-Sahara Africa, the global impact of Brexit, slow growth in China and geopolitical challenges in South Sudan and proposed interest capping in Kenya.

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