



Investor Briefing 1H 2013 Results

29 July 2013





EQUITY CENTRE



Update on Macroeconomic Environment



Key Macroeconomic Updates

- 1 Consistent pursuit of reforms brought about by the year 2010 Constitution leading to establishment of credible institutions e.g. Commission on Revenue Allocation, Office of the Controller of Budget, IEBC.
- 2 Segregation of the 3 arms of Government i.e. Bicameral Legislature, a devolved Executive & an independent Judiciary.
- 3 Inflation fears eased following recent above normal rainfall in most parts of the country.
- 4 Macroeconomic conditions are headed in the right direction: Poverty rate is on the decline – from 47% in 2005 to 34-42% currently according to the World Bank statistics.
- 5 Year 2013/14 Budget supporting vision 2030 will benefit SMEs and create an attractive environment for Foreign Direct Investments (FDI)
- 6 Continuation of CBK policies of maintaining macro economic stability in interest rates and exchange rates.
- 7 Global uncertainties arose as the US Federal Reserve Bank raised the prospects of slowing down on Quantitative Easing (reduced dollar supply), resulting in a stronger USD across the board and China experiencing a liquidity crisis, although the Central Bank quickly reversed the situation by extending liquidity.

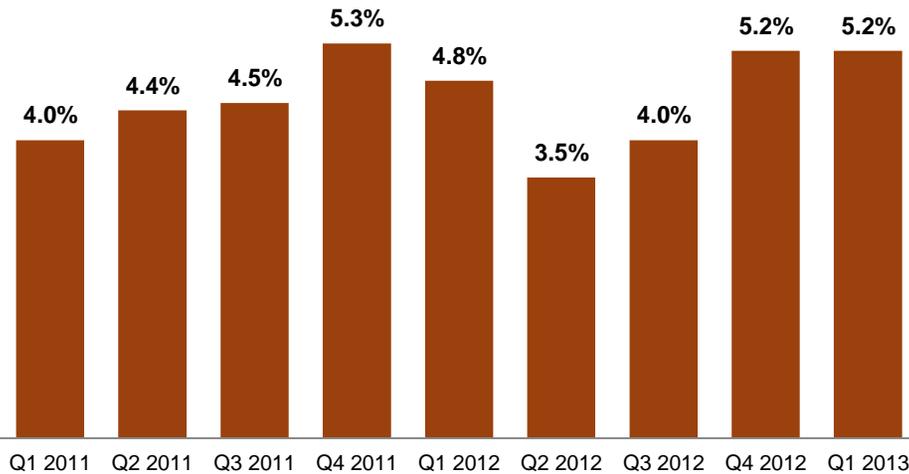
Source: World Bank

¹ Defined as the percentage of the population living below the national poverty line

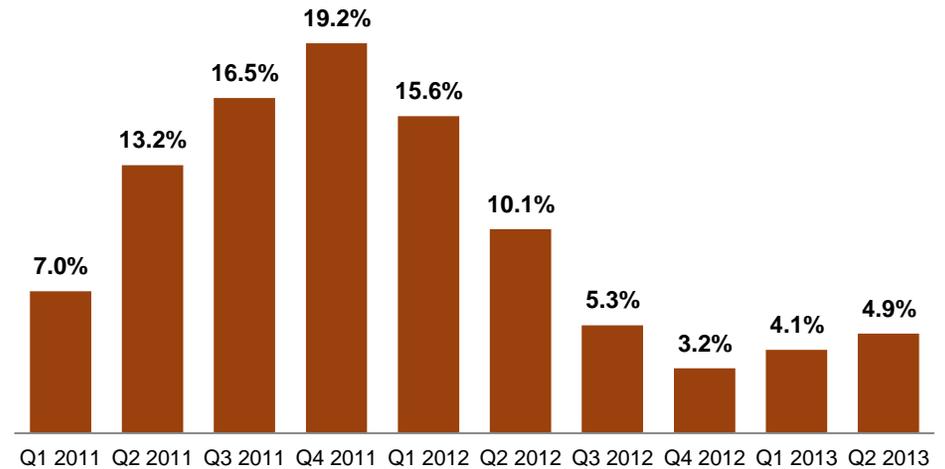


Consistent Performance in Macro Indicators

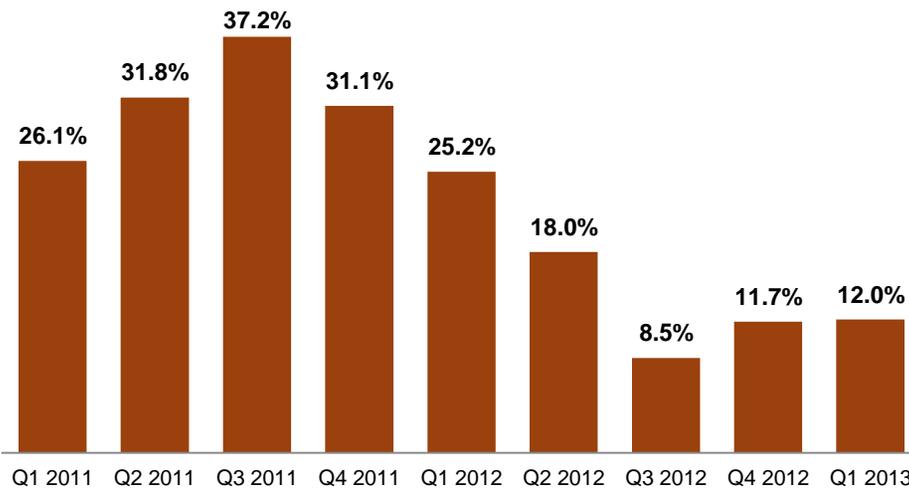
Real GDP Growth



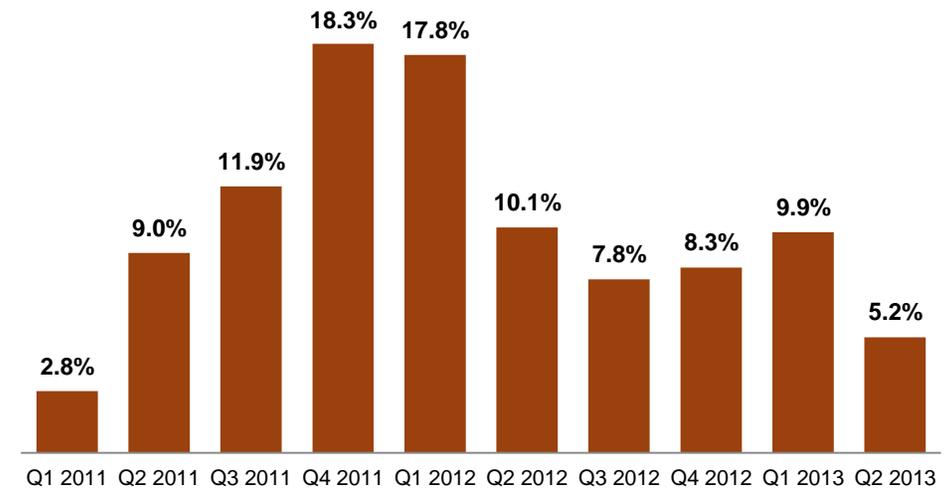
Inflation¹



Credit to the Private Sector²



91-Day T-Bill Rate



Source: Central Bank of Kenya, Kenya National Bureau of Statistics

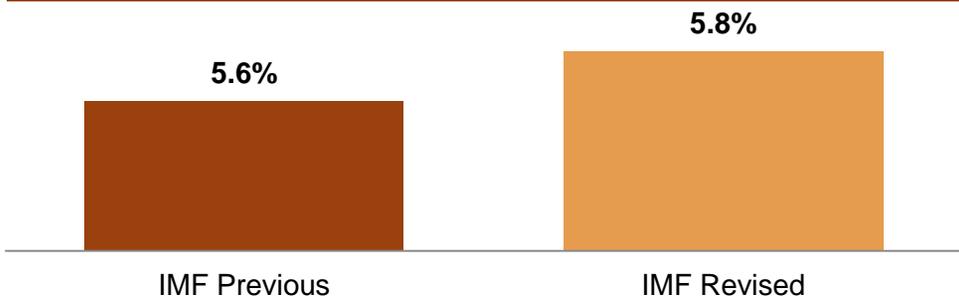
¹ Average annual CPI

² Annual change in domestic non-government credit

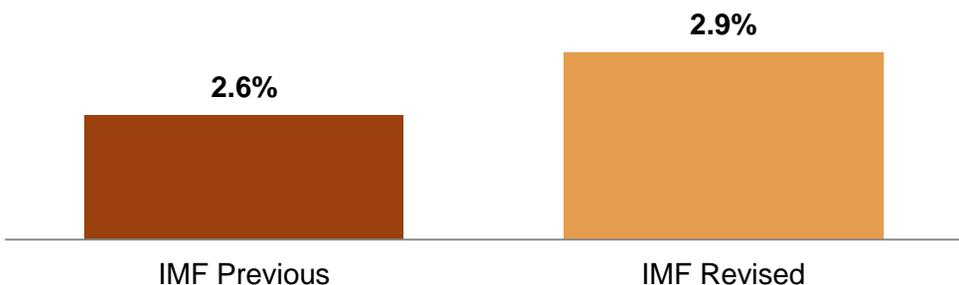


Increased Confidence in the Economy Post Elections

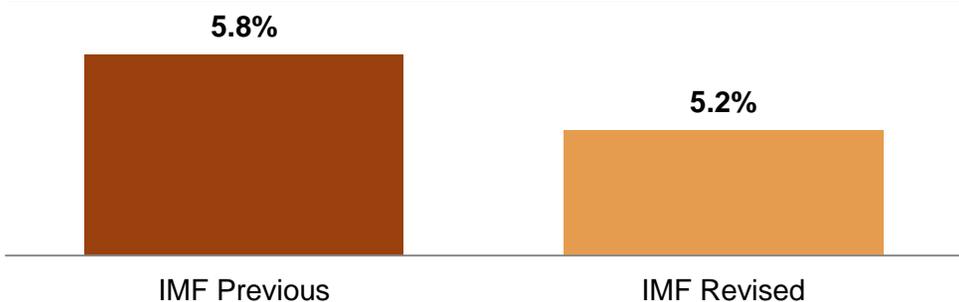
2013 Real GDP Growth



GDP Per Capita Growth



Inflation



- IMF Previous = IMF World Economic Outlook Report: October 2012
- IMF Revised = IMF World Economic Outlook Report: April 2013

Source: IMF

IMF Commentary

“Kenya has implemented major reforms under the 2010 Constitution that have so far allowed for a smooth political transition. Largely peaceful elections took place on 04-Mar-2013”...

...“Economic growth edged up in 2012 despite political uncertainty, the impact of the European crisis, and Somalia-related security concerns, and is expected to accelerate following the elections”...

...“Inflation has fallen below the mid-point of the government's inflation target range (5 ± 2 percent), from about 20 percent in November 2011.”

Source: IMF Country Report: May 2013



EQUITY CENTRE

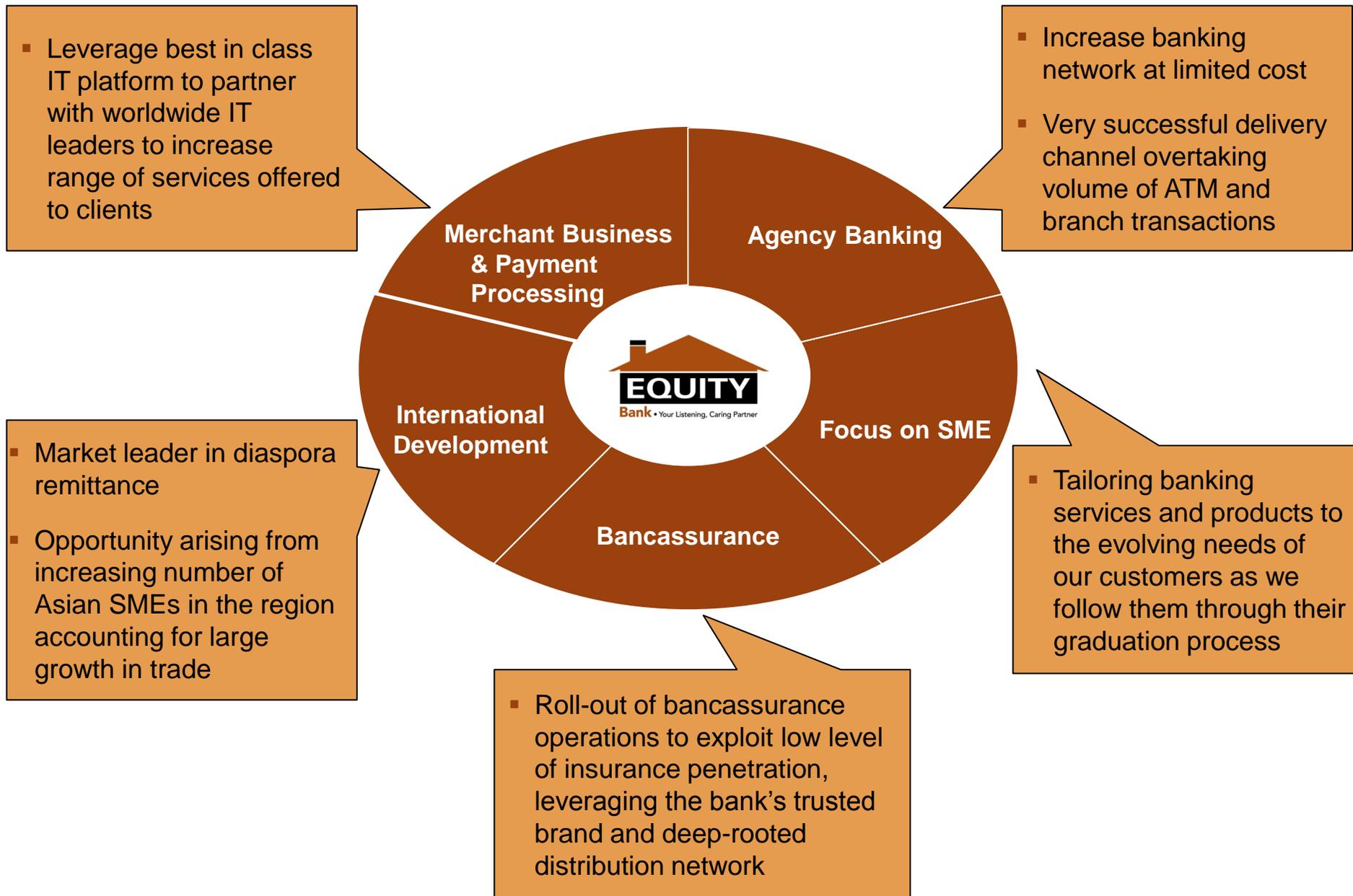


Update on Strategic Initiatives





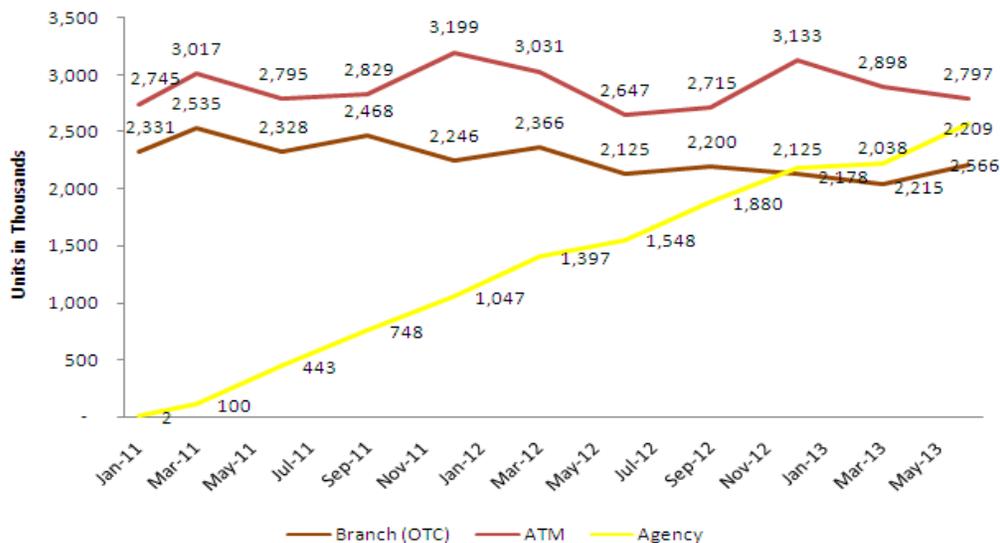
Equity Bank Strategic Initiatives



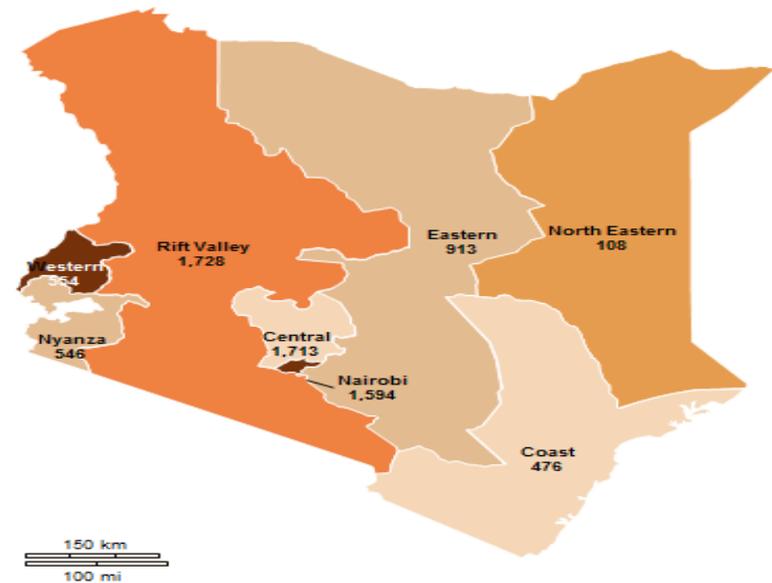


Agency Banking Model Continuing to Drive Growth

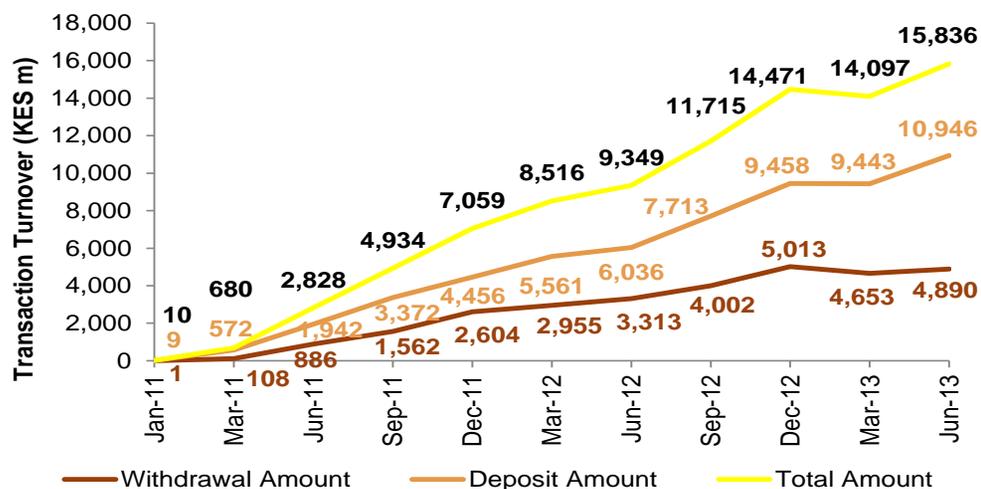
...And Key Driver of Growth



More Than 7,500 Agents Across Kenya



New Source of Low Cost Deposits...



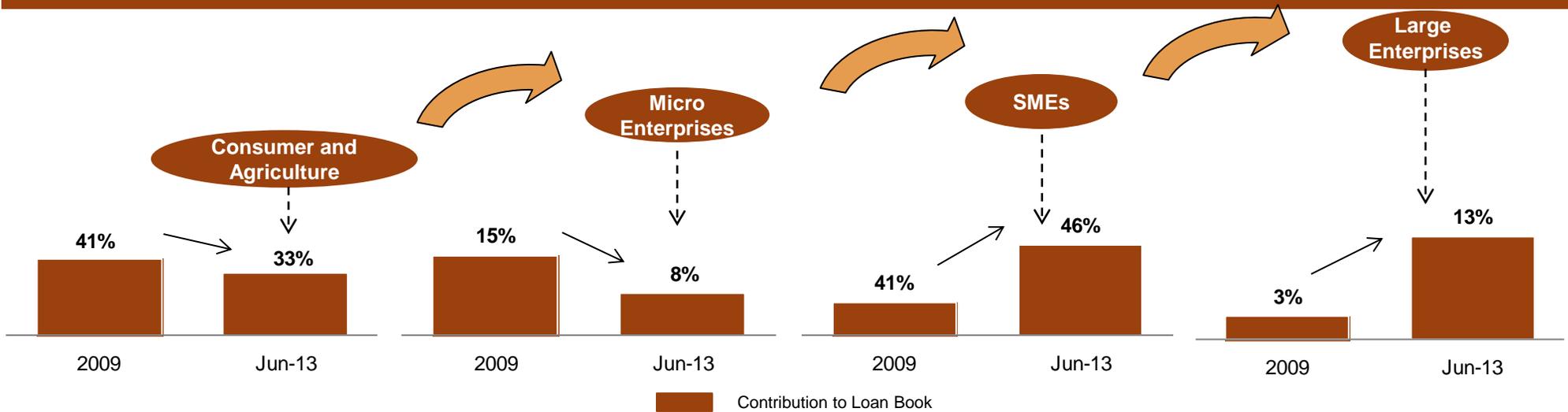
Key Initiatives

- Agency model started in 2011 allows the bank to leverage on third party infrastructure for cash transactions
- Extremely successful initiative in Kenya – number of agents increased from 875 at the beginning of 2011 to 7,632 agents by June 2013
- Scalable business model for regional expansion rolled out in Rwanda and Tanzania
- Variable cost model: no capex required, no rent, no staff cost, only commission to agents



Strategic Focus on SMEs to Nurture Client Evolution

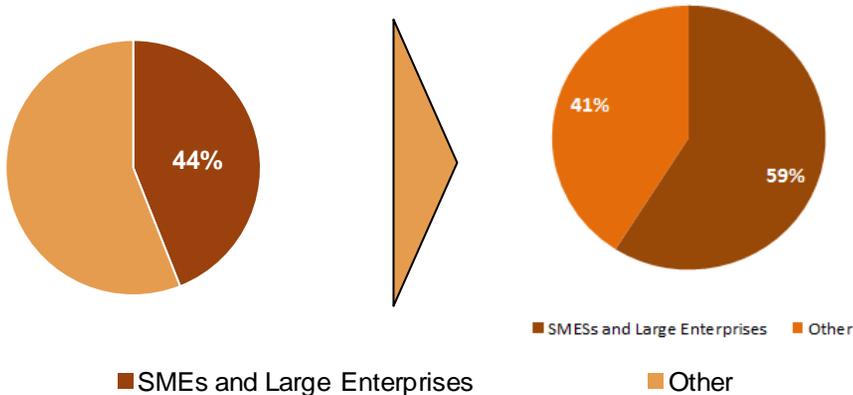
We Are Following Our Customers Evolution



Increased Focus on SME Loan Book

2009

June 2013



Key Strategic Initiatives

- Investment in **10 Supreme Centres** to better serve our SMEs
- Recruitment of sector experts to support SMEs
- Continued investment in capacity building for all relationship managers and officers
- Advisory services, mentorship and SME clubs for SMEs



Increased Focus on Bancassurance

Bancassurance Division – Key Highlights

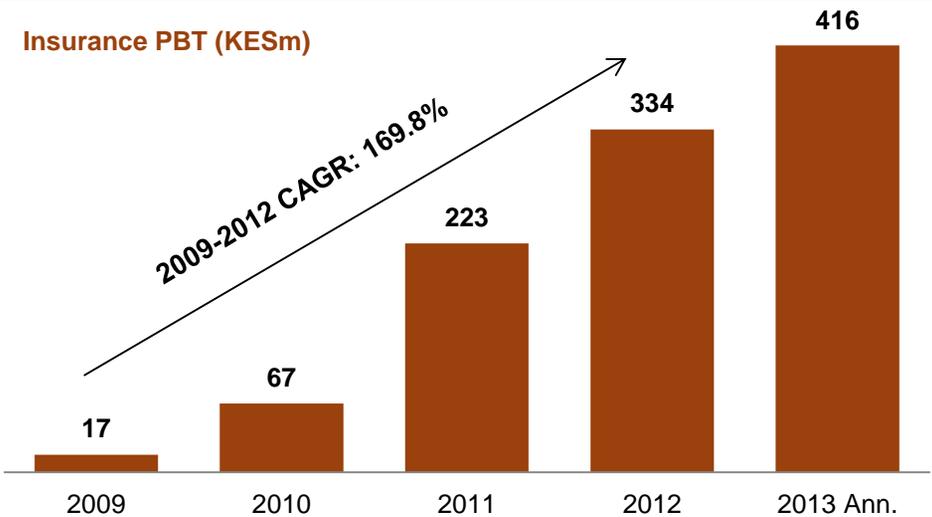
- Number 2 insurance intermediary in terms of premium, volumes and profitability
- Operations started at the beginning of 2008 with a pilot process in 4 branches
- Equity Bank currently distributes insurance products through a network of over 150 branches with a staff compliment of 183

Insurance Industry Players in Kenya

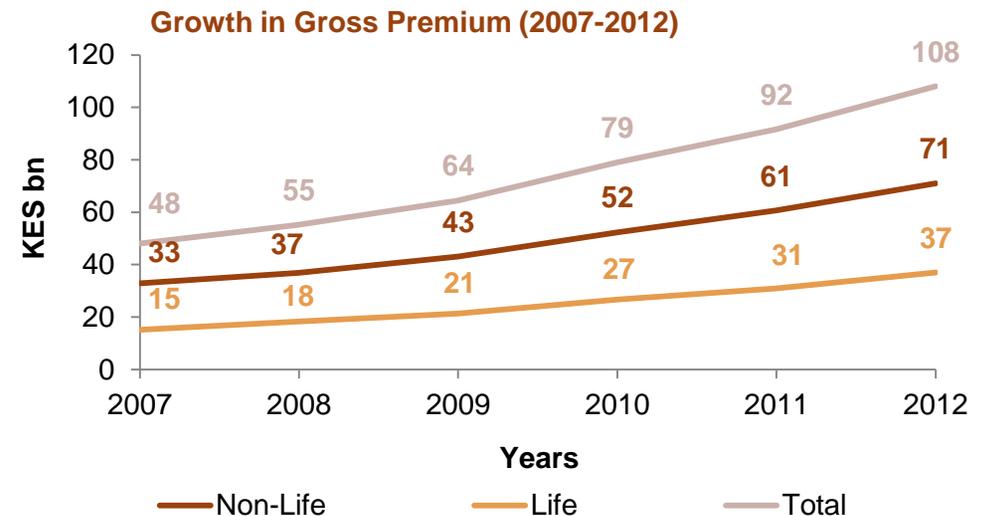
Year	2007	2008	2009	2010	2011
Insurance Companies	43	42	44	46	45
Agents	2,665	3,356	3,076	4,223	3,668
Brokers	201	141	137	163	141

Source: AKI Report 2011/12

PBT Evolution



Trend in Kenyan Insurance Premium Growth – (KESbn)



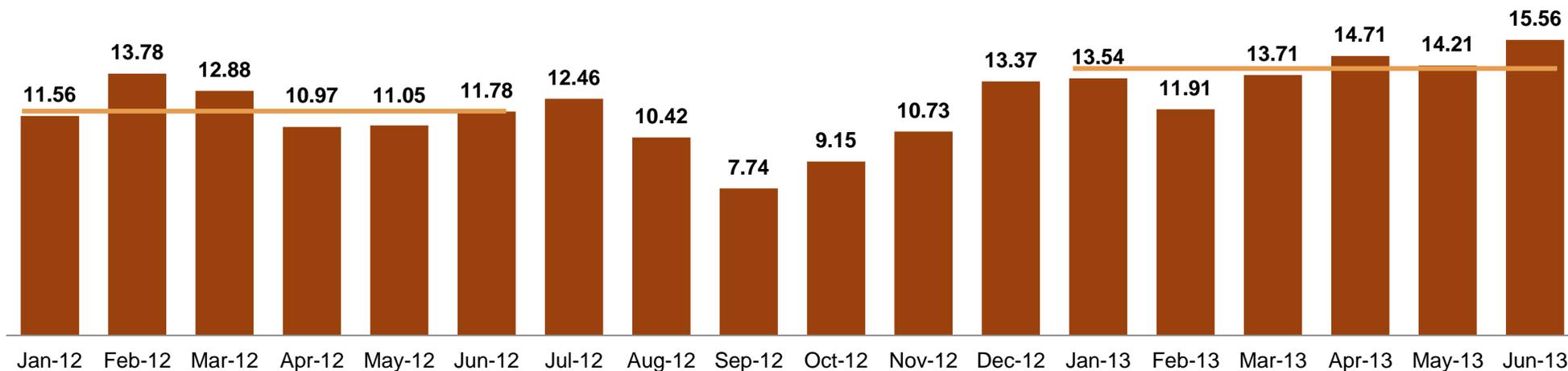


Consolidating International Linkages

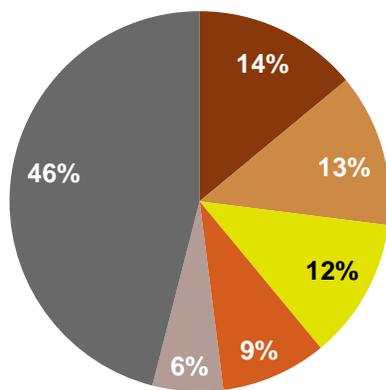
Equity Bank Currently Leads Monthly Diaspora Remittances (USDm)

1H 2012 Average: USD12.0m

1H 2013 Average: USD13.9m



Share of May Remittances



■ Equity Bank ■ Company 1 ■ Company 2 ■ Company 3 ■ Company 4 ■ Others¹

- Market leader with 14% market share
- During 1H2013, USD 83.64m from the diaspora was channelled into the country through Equity Bank
- 16.1% increase in the sector in 1H 2013 vs. 1H 2012

Source: Central Bank of Kenya
¹ Others includes over 30 institutions



Asia: A New Reality in Africa

There are a large number of growing Chinese businesses in the region who require funding to further expand

China-Africa Relationship and Equity Bank Opportunities

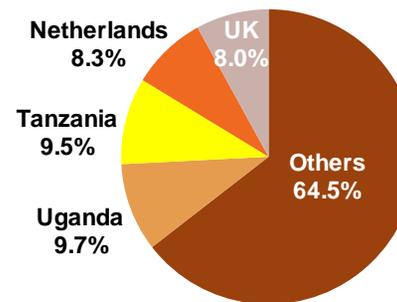
- China has been Africa's largest trade partner since 2009, with the volume reaching \$166.3bn in 2011 and nearly \$200bn in 2012
- Trading has increased by more than 30% on average over the past 10 years across a variety of sectors
- Equity Bank acknowledges the importance of the Kenya-China corridor, especially in the import business of the SME clients
- In order to facilitate and foster further business opportunities, Equity Bank has addressed the following key initiatives:
 - Partnerships with key financial institutions in China e.g. SWIFT banking with banks in China and a partnership with China Union Pay
 - Dedicated Chinese relationship managers to engage with clients in Kenya and East Africa
 - Collaborative Debt Relationship with China Development Bank

Chinese Trade Flow as a % of Kenyan GDP



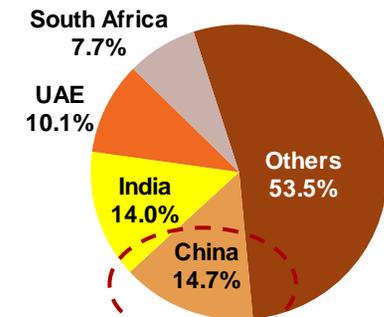
Kenyan Trade Flow Destinations - 2011

Main Destinations of Exports



Total: \$5.7bn

Main Origins of Imports



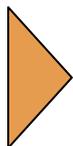
Total: \$13.8bn

Source: Euromonitor, Economic Intelligence Unit, Broker research



Payment Processing and Merchant Business

Well positioned to significantly increase volumes of merchant payment transactions



- Partnership with MasterCard to introduce PayPass™ Enabled Cards to increase financial inclusion and boost EMV migration efforts in the region



- Equity Bank's PayPal Withdraw Service to withdraw available funds from the PayPal account to the Equity Bank account

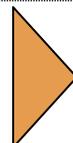


- Visa Personal Payments: innovative, fast and affordable money transfer service in Africa



- Equity Bank teamed up with global leader in technology Google to develop BebaPay, the first and currently the only public service commuter payment card in the region

Card schemes

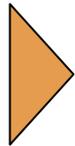




MONEY TRANSFER SERVICES



Well positioned to significantly increase volumes of merchant payment transactions



- EAZZY 247, SWIFT, WESTERN UNION, MONEYGRAM



Strengthened Governance & Leadership

Recent appointment of John Staley as CFO of the group displays depth of management expertise within Equity Bank



Dr. James Mwangi, CBS

- **Chief Executive Officer & Managing Director**
- Holds a Bachelor of Commerce degree and is a Certified Public Accountant
- Over 25 years of management experience



Julius Kipng'etich

- **Chief Operating Officer**
- Holds a Masters of Business Administration degree and Bachelor of Commerce degree Accounting Option.
- Over 18 years of management experience. He joined Equity Bank board in 2004 and management in 2012.



Mary Wamae

- **Director of Corporate Strategy & Company Secretary**
- LLB degree, Diploma in Law & Certified Public Secretary
- Over 14 years of experience in legal practice and joined the Bank in 2004



John Staley¹

- **Chief Officer – Finance, Innovation and Technology**
- MSc. in Applied & Computational Mathematics, BSc. in Physics; qualified Chartered Accountant
- Over 23 years of experience



Dr. Helen Gichohi, MBS

- **Managing Director, Equity Group Foundation**
- Ph.D. in Ecology, MSc in Biology, BSc in Zoology
- Helen joined Equity management in 2012



GERALD WARUI

- **Director of Human Resource and Customer Experience**
- Certified Public Accountant (CPA K) and a graduate of Advanced Management.
- Gerald has served in Equity Bank for 15 years



Allan Waititu

- **Director of IT and Innovation Center**
- Graduate of Advanced Management Programme
- Over 21 years experience in information technology and banking
- Joined Equity in 2003



MICHAEL WACHIRA

- **Director of Treasury and Marketing**
- Holds a Bachelor of Science degree in Economics and a MSc in Investment Management.
- Over 16 years of experience and joined Equity in 2009



HILDAH MUGO

- **Director of Operations**
- Holds a MBA - strategic management and a Bachelor of Business Administration.
- Over 21 years of banking experience and joined Equity in 2004



ISAAC MWIGE

- **Director of Relationship Banking**
- Holds a Masters degree in International Business Administration, Bachelors of Business Administration
- Over 16 years of banking experience and joined Equity in 2012



ELIZABETH GATHAI

- **Director of Credit**
- Holds a MBA, Bcom (Finance), CPA(K).
- Over 12 years of banking experience and joined Equity in 2001



JUMAANE TAFAWA²

- **Executive Director, Equity Investment Bank**
- Holds an MPA in International Development from Harvard University,
- Over 11 years experience. Jumaane joined Equity in 2012



WINNIE NJAU-MBUGUA

- **Executive Director, Equity Insurance Agency**
- Holds a Bcom (Insurance), ACII
- Over 19 years of banking experience and joined Equity in 2007

1. South African
2. American



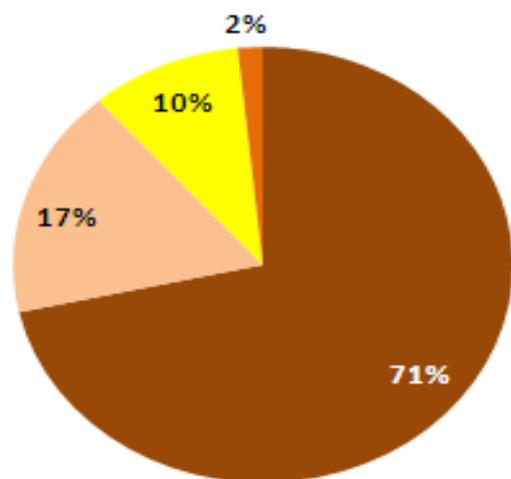
1H 2013 Results and Key Financials



Structure & Funding Portfolio

	Jun-12	Jun-13	Growth
Liabilities & Capital (Bn)	KES	KES	%
Deposits	155.68	187.07	20%
Borrowed Funds	22.73	25.61	13%
Other Liabilities	5.67	4.23	(26)%
Shareholders' Funds	35.80	44.67	25%
Total Liabilities & Capital	219.89	261.58	19%

Funding Distribution



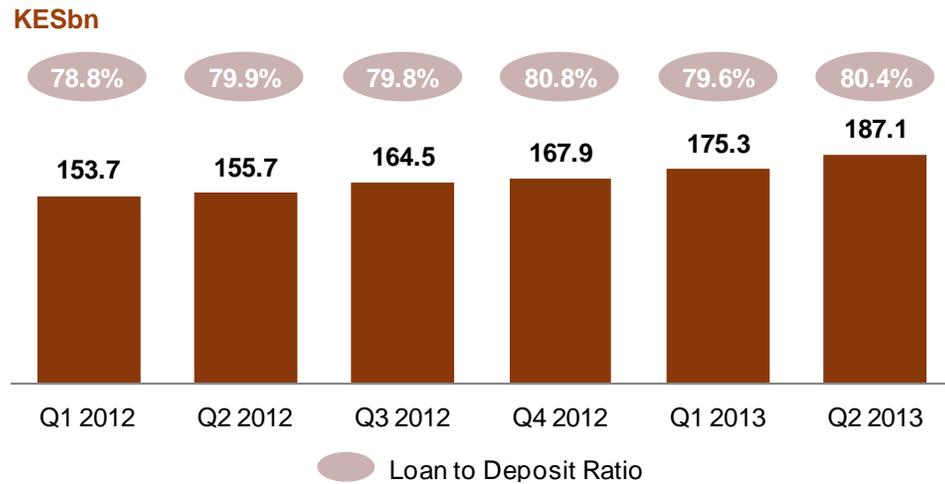
Balance sheet continues to be predominantly funded by low cost deposits

■ Deposits ■ Shareholders' Funds ■ Debt Funding ■ Others Liabilities



Sources of Funding

Deposits Evolution

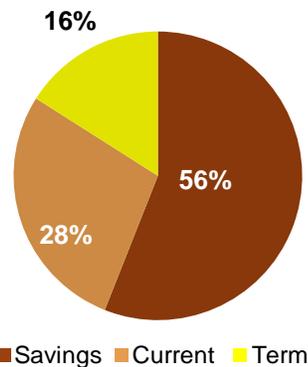


Key Commentary

- Strong growth in deposits achieved in 1H 2013 despite tough trading conditions
- Growth in deposits enhanced by agency mobilisation
- Focus on low cost savings and current accounts
 - Further reduction in cost of funds expected in 2H 2013
- Stable loan to deposits ratio
- Significant liquidity

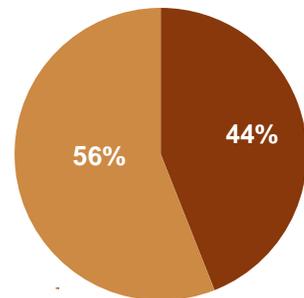
Q2 2013 Deposits Breakdown

By Type¹



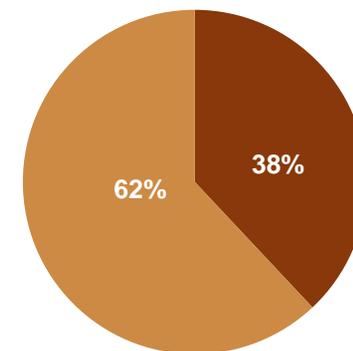
Total: KES187.1bn

By Maturity¹



Total: KES187.1bn

Q2 2013 Funding Breakdown by Maturity¹



Total: KES 261.60bn

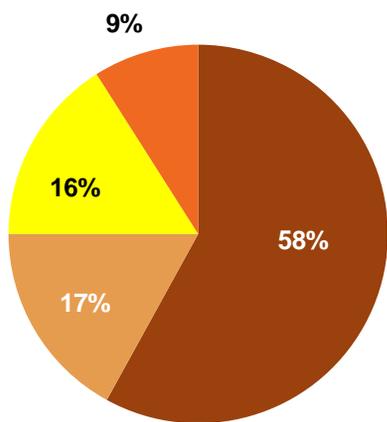
1. Split based on Kenya only



Structure & Asset Portfolio

	Jun-12	Jun-13	Growth
Assets (bn)	KES	KES	%
Net Loans	124.46	150.48	21%
Cash & Cash Equivalents	44.24	45.68	3%
Government Securities	30.14	41.77	39%
Other Assets	<u>21.05</u>	<u>23.65</u>	<u>14%</u>
Total Assets	<u>219.89</u>	<u>261.58</u>	<u>19%</u>

Asset Distribution



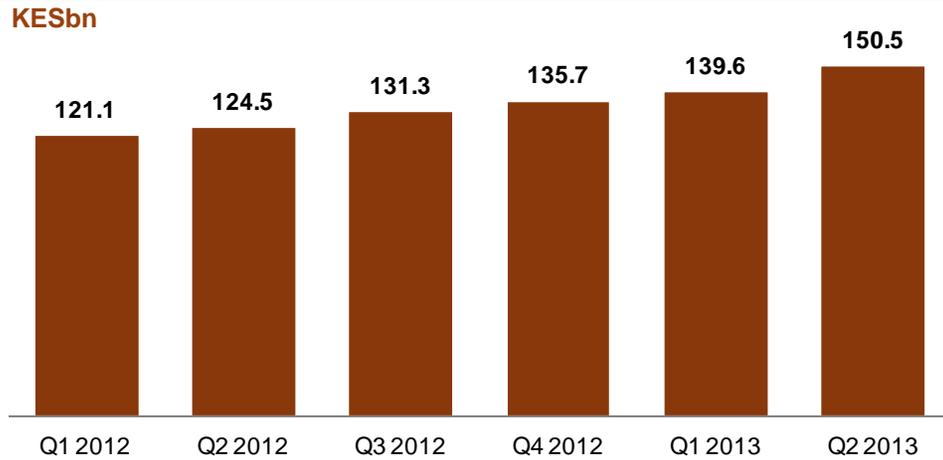
■ Net Loans
 ■ Cash & Cash Equivalents
 ■ Government Securities
 ■ Other Assets

- Liquid balance sheet with a liquidity ratio of 41%
- Over 80% of assets are earning assets



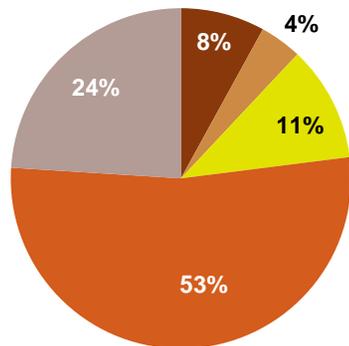
Asset Creation

Customer Loans Evolution



Breakdown by Maturity

Q2 2013 Loan Book¹



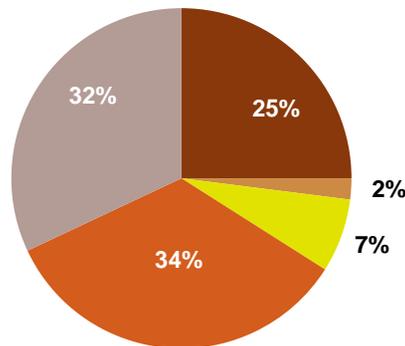
Total: KE150.5bn

■ Less than 3 Months
■ 1-5 Years

■ 3-6 Months

■ More than 5 Years

Q2 2013 Assets



Total: KES 261.6bn

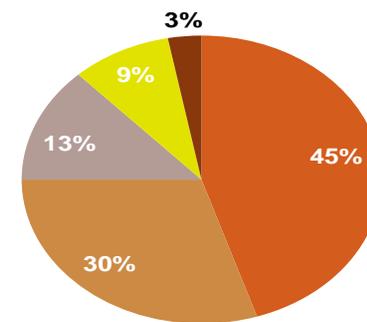
1. Split based on Kenya only

Key Commentary

- Continued growth in the loan book which over compensates the reduction in lending rates
- Reduction in interest rates enhanced repayments and reduced NPL ratio
- Attributable to the recent decrease in interest rates that has increased the appetite for credit towards the end of the quarter
- Growth in the quarter driven by SME loans
- Strategy focused on Retention and Graduation process of clients

Q2 2013 Loan Book Breakdown By Customer Type

Total: KE150.5bn



■ Agriculture

■ Consumer

■ Micro Enterprises

■ Small & Medium Ent

■ Large Enterprises

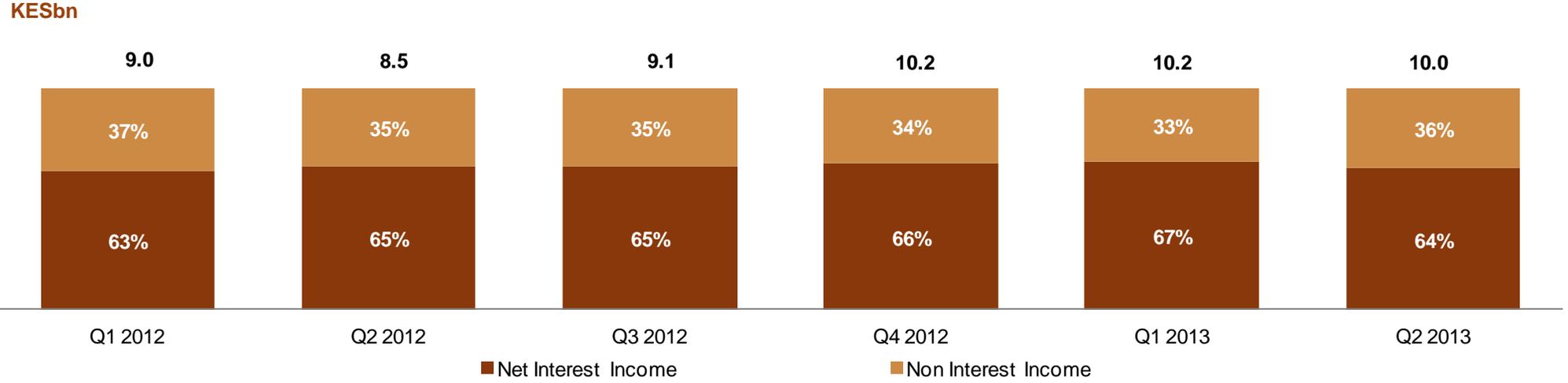
Diversification of loan book by sector has significantly reduced concentration risk



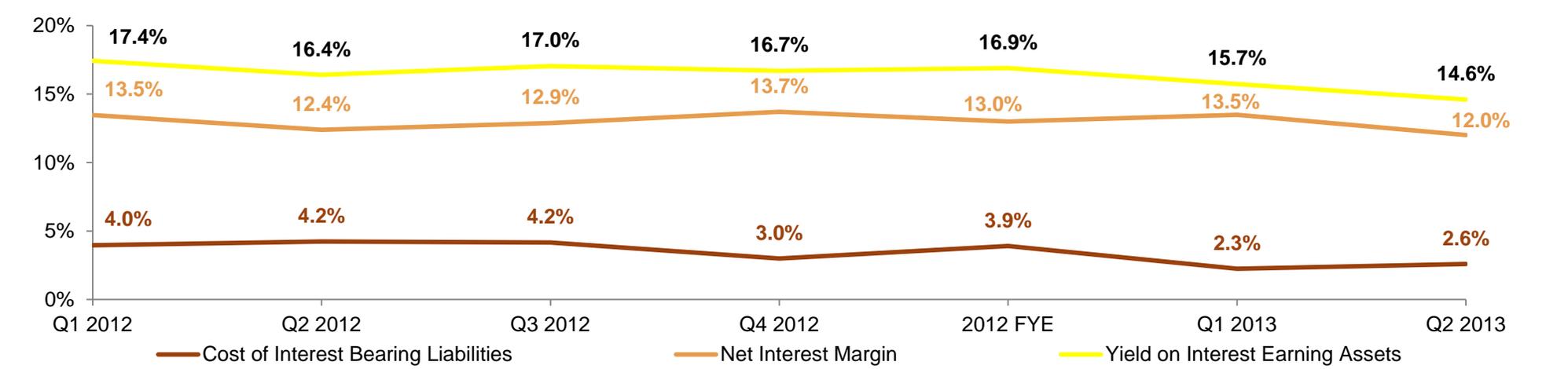
Revenues

Strong revenue performance despite softness in trading conditions due to uncertainties around elections and new government structures

Total Income Evolution



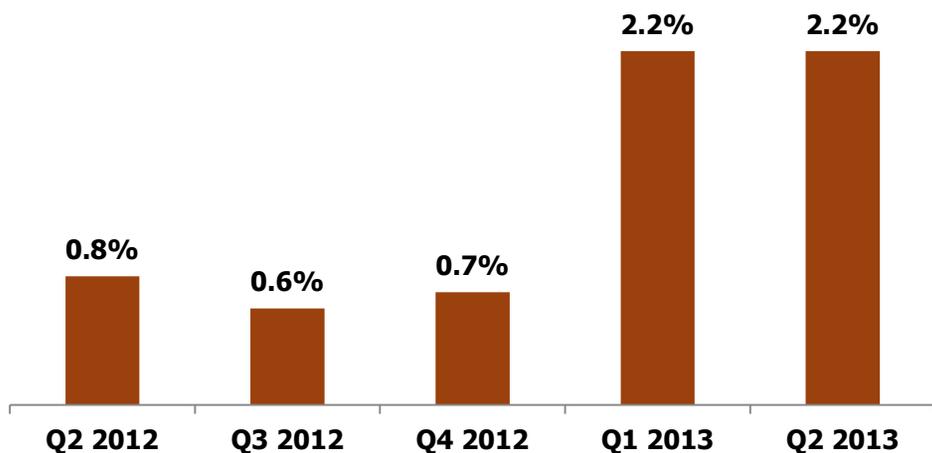
Net Interest Margin Evolution



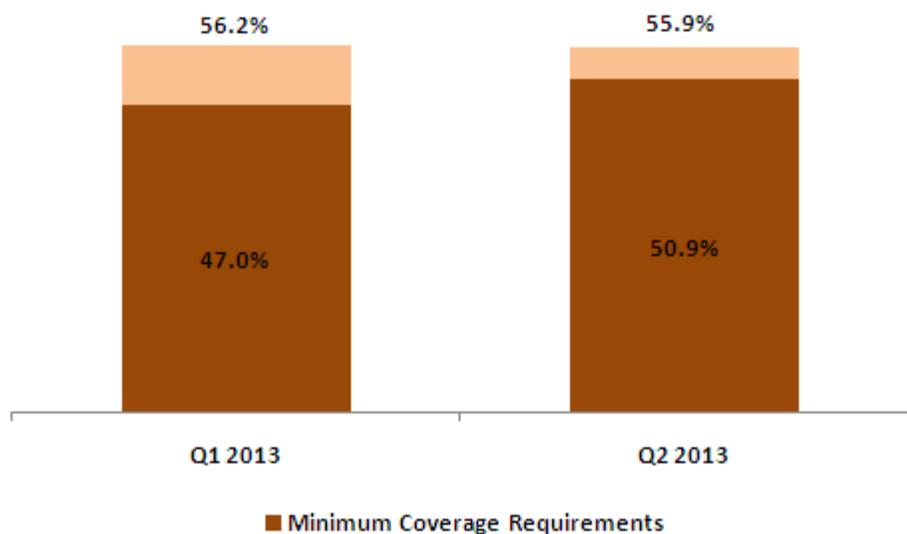


Impairments

Asset Quality Trend (Net NPL to Gross Loans)



Coverage Ratio Evolution¹



1. Under CBK rules

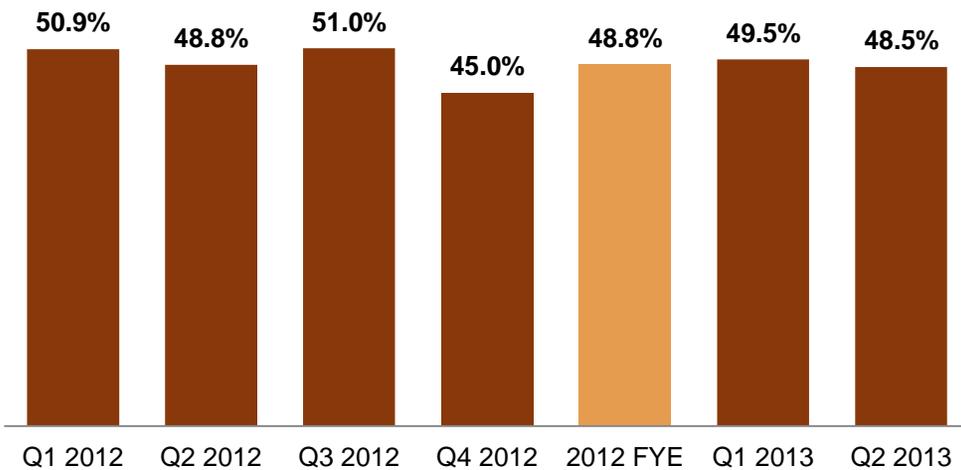
NPL Ratio Evolution

- Maintained asset quality despite SMEs which were negatively impacted by late payments from Kenyan government since Dec 2012, Disruption of oil flow in South Sudan over the last 1.5 years and Uganda and Rwanda suspension of donor support
 - High level of security attached to these loans
- New prudential guidelines requiring longer observation period
- Loan book well provisioned to cushion against any adverse macro shocks and any other unforeseen uncertainties**
- Equity Bank undertook strategic decision in 2012 to increase provisions above prudential guidelines given macro uncertainties**

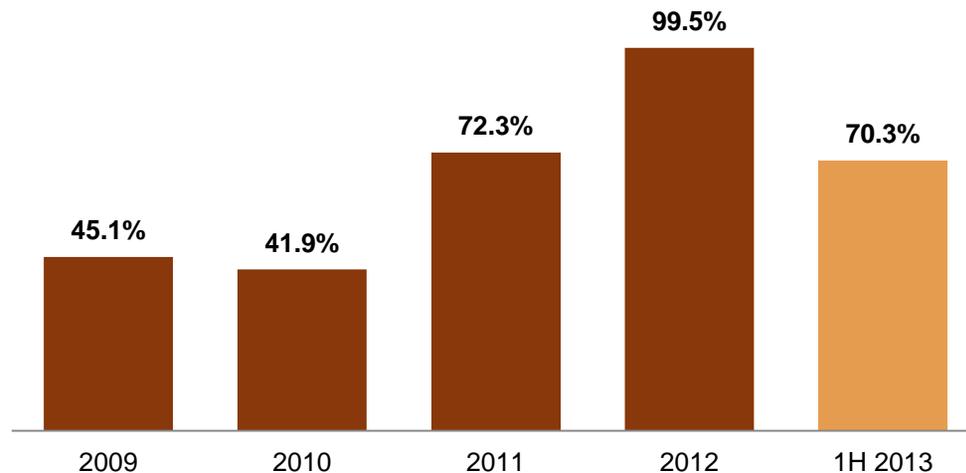


Costs

Cost to Income Ratio

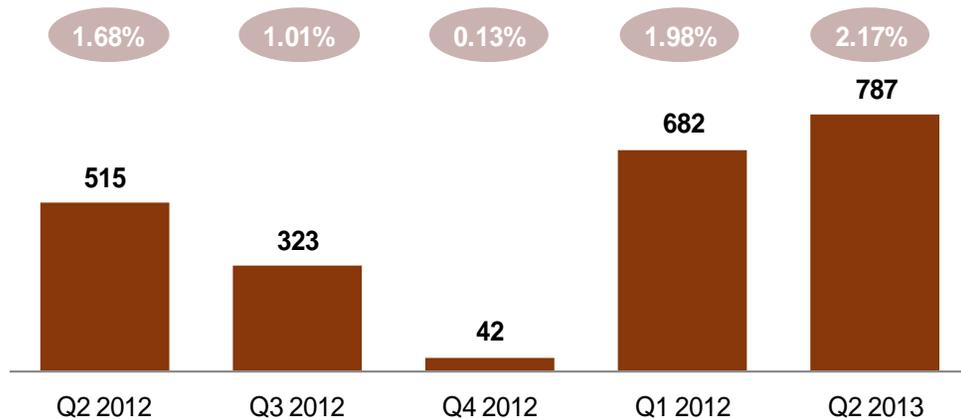


IFRS Coverage Ratio Evolution²



Loan Loss Provisions

KESbn



Loan Loss Ratio¹ (%)

Key Commentary

- Continued focus on cost management
- Q2 2013 C/I ratio 1% lower than Q1 2013
 - Driven by increased benefits derived from the agency model
- Q4 2012 impacted by bonus deferral provisions
- NPLs expected to decrease in 2H 2013
- Loan Loss Ratio remains stable

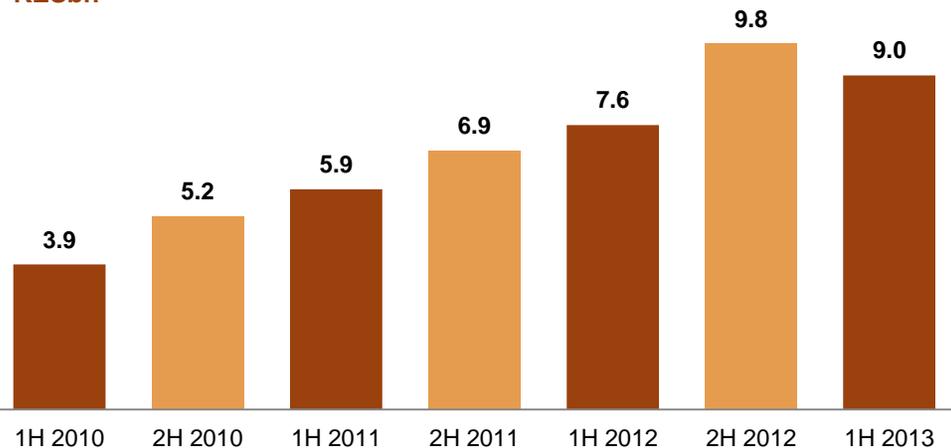
1. Calculated as loan loss provision / average net loans
 2. Defined as IFRS Balance Sheet Provisions/Gross NPLs



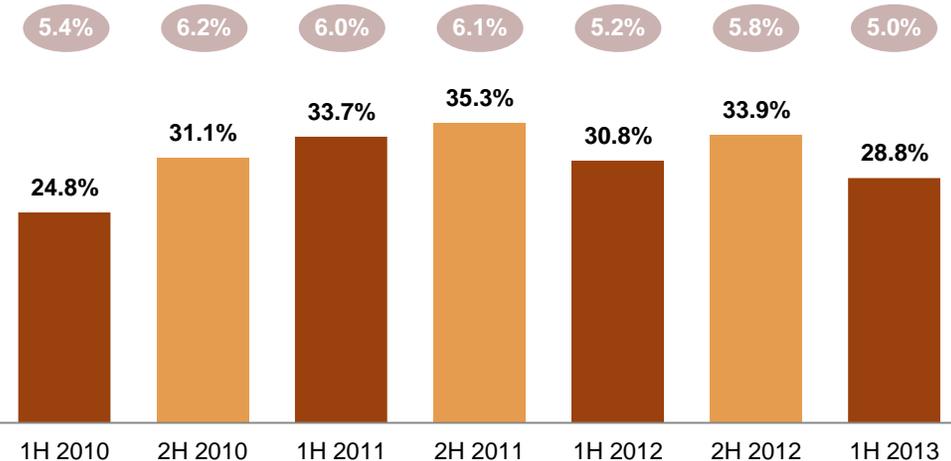
Profitability

PBT Evolution¹

KESbn



RoAE Evolution



RoAA

1. Profit before tax after exceptional items

Key Commentary

- Solid performance in 1H 2013, achieving 17% growth in PBT vs. 1H 2012
- Continued focus on profitability with a Return on Equity of 29% together with strong capital base (15% CT 1 ratio)
- Return on Assets consistently higher than 5% for last 6 halves
- Profitability in 1H 2013 impacted by reduced economic activity during election period and reduction in the central bank rate by 1% from 9.5% to 8.5%
- New products introduction from strategic initiatives and stabilisation of interest rates expected to drive growth
- Solid performance in Kenyan operations: 21% growth
- Slow down in Regional operations impacted by :
 - Uncertainty in South Sudan as a result of termination of oil exportation
 - Uganda and Rwanda suspension of donor budgetary support



1H 2013 Results - Summary

Key Highlights

- Solid performance in 1H 2013 achieving 17% growth in group PBT vs. 1H 2012, despite reduced economic activity attributable to the elections and reduction in interest rates
 - Solid performance in Kenyan operations: PBT up 21%
 - International operations results impacted by disruption in South Sudan and investment for growth in Rwanda
- Continued focus on profitability with RoE of 29% despite strong capital base
 - RoA in excess of 5%
- First institution to adopt new regulatory guidelines. Well capitalised with a CT1 ratio in excess of 15%
- 2% reduction in the prime lending rate in 2013 to 17%, resulting in NIMs contracting by 0.4% in 1H 2013
- Reduction in Cost/Income ratio driven by agency model and investment in technology
- Continued focus on loan book quality. NPLs expected to reduce in 2H 2013

Key Figures

	1H June 2012	1H June 2013	% Change
Income (KES bn)	17.6	20.2	+15%
PBT (KES bn)	7.6	9.0	+17%
PAT (KES bn)	5.4	6.3	+17%
NIM	13.0%	12.6%	
Cost / Income	49.9%	49.0%	
Loan Loss Ratio	2.09%	2.05%	
RoE	30.8%	28.8%	
RoA	5.2%	5.0%	
CT1 Ratio	18% ¹	15%	
NPL Ratio	3.13%	4.98%	

¹ Under old prudential guidelines



Solid 1H 2013 Performance: Income Statement

KESm	1H June 2012	1H June 2013	1H June 2013 vs. 1H June 2012
Interest Income	14,859	15,712	5.7%
Interest Expense	(3,581)	(2,445)	(31.7)%
Net Interest Income	11,278	13,267	17.6%
Other Income	6,284	6,975	11.0%
Total Income	17,563	20,242	15.3%
Provisions	(1,244)	(1,469)	18.1%
Operating Costs	(8,760)	(9,923)	13.2%
Exceptional Items	62	100	61.3%
PBT	7,622	8,951	17.4%
Tax	(2,219)	(2,643)	19.1%
PAT	5,403	6,308	16.7%
Key Ratios			
NIM	13.0%	12.6%	
C/I Ratio	49.9%	49.0%	
Cost of Risk	2.09%	2.05%	
RoAE	30.8%	28.8%	
RoAA	5.2%	5.0%	



Global Ranking Top 1000 Banks July 2013

The Banker
TOP 1000
WORLD BANKS 2013

GLOBAL BANKING INSIGHT

	Tier 1 Capital	Asset Size	Soundness (Capital Asset Ratio)	Capital Deployment Efficiency	Asset Deployment Efficiency
Equity Bank Global Ranking	999	976	94	12	4



THANK YOU

Dr James Mwangi, CBS
Group Managing Director & CEO

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