EQUITY Bank • Your Listening, Caring Partner

Investor Presentation

First Half 2012 Results

EQUITY Bank • Your Listening, Caring Partner

Business Overview

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Equity Bank at a Glance

The DNA of our Strategy

Accessibility → **Affordability** → **Efficiency**

1 Pillar I: Unique distribution model

- Leveraging innovation and technology to improve proximity and reduce costs for our customers
  - 195 branches; 179% increase from 70 branches in 2007 to 195 in June 2012
  - 5,004 agents; 117% increase from June 2011
  - 1.78 MM mobile banking customers; 114% increase from June 2011

2 Pillar II: Customer centric approach

Broad customer base: high volume / low margin model

2007		June 2012
1.8 million customers 25% of Kenya's banked population	Equity Bank: 41% CAGR →	7.8 million customers 51% of Kenya's banked population

Low Cost Deposit | **Diversified Loan Book** | **High Transaction Income**

3 Pillar III: Culture aligned with business model

Formidable Brand

Most impactful brand on Kenyans and Highest Rated Brand in Kenya AAA+

State of the Art Technology

IT capability to process 300,000 transactions per minute and capacity to hold 35 million customers

Leader in Innovation

Best Initiative in Support of SME's & the Millennium Development Goals

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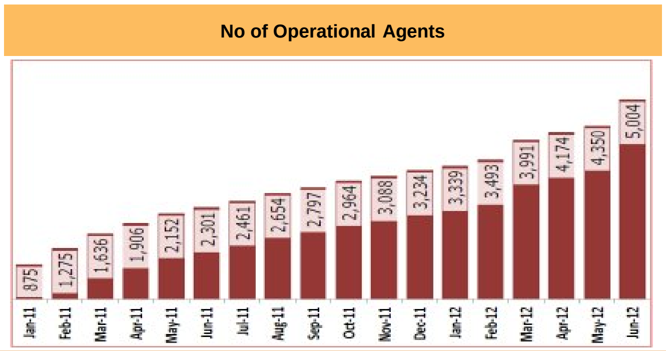
Key Initiatives / Strategy

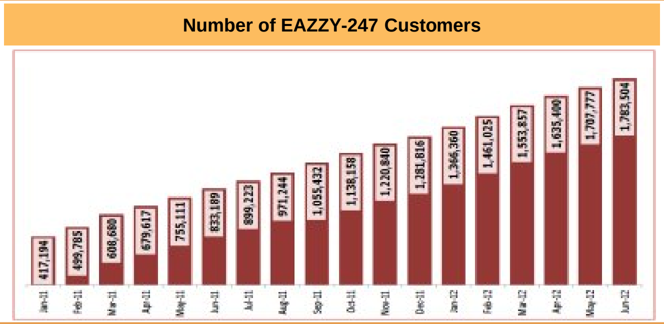
1 Continuing Roll-out and Embedding of Agency Banking

- The Bank embedded **the agency model in 2011** which allows the Bank to **leverage on third party infrastructure** for cash transactions
- Extremely **successful initiative** which has seen the **number of agents increase** from just **875 at the beginning of the year 2011 to 5,004** agents by June 2012 (c.472% increase)
  - Agency banking now contributes approximately 25% of all cash transactions



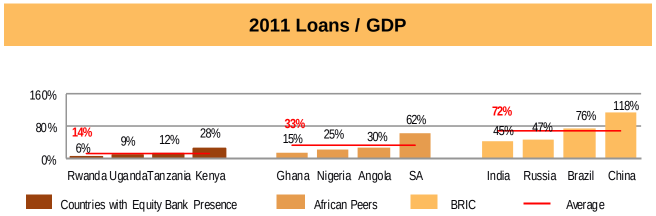
2 Enhancing Mobile Telecommunication Solutions / ICT Investment

- The Bank have made large investments in ICT and continue to enhance their mobile banking services / solutions
  - **Mobile banking customers** have **increased** from **417,194** in **January 2011** to **1,783,504** by end of June 2012 (c.327% increase)
  - Eazzy-247 connected to all the 4 telcos



3 Regional Expansion

- The Bank is uniquely positioned to benefit from growth in the East African Region and its banking sector
- Present in five countries in East Africa including: Kenya, Uganda, Rwanda, South Sudan and Tanzania
- The East African Community ("EAC") regional integration offers a unique opportunity to expand into neighboring regions where the Bank's successful banking model can be replicated



Source: BMI, IMF Financial Access Data, EUROMONITOR

Brand Development and Impact Investment

- Bank has embarked on a number of initiatives to create brand awareness and develop the local economy
- Wings to fly program: 3,486 scholarships awarded to bright needy students to date with a target of 10,000 by 2015
- Financial Literacy Training (FIKA) Program: 380,334 people trained already with target to train 1,000,000 people by 2014
- **Social initiatives help acquisition of new customers and increase loyalty of existing ones**

Best Bank in Kenya, 2011

Equity Bank, New Sustainability Champion – September 2011

<u>*GCR Rating 2011*</u>

Long term AA – "…very high credit quality"

Short term A1 + "…highest certainty of timely payment"

Best Managed company in finance and banking sector in 2012 - EUROMONEY

"Rated by Kenyans as the company that has made the greatest contribution towards the development of the Kenyan people."
- Business Daily 19 August 2011

Most impactful brand on Kenyans and Highest Rated Brand in Kenya AAA+

The African Investor names Equity as most innovative bank in 2012

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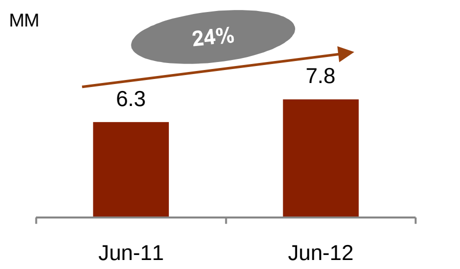
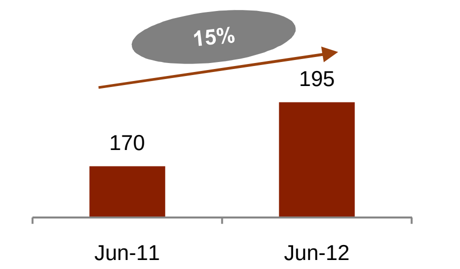
Our Regional Footprint: Traditional and Alternative Channels

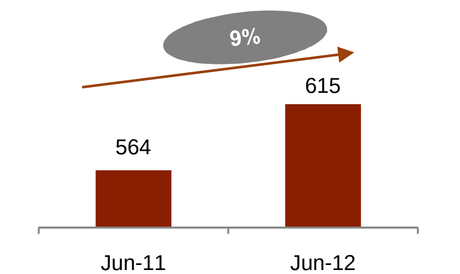
Number of Customers



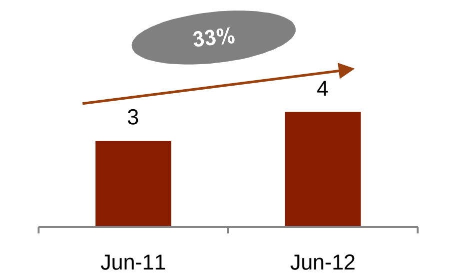
Number of Branches



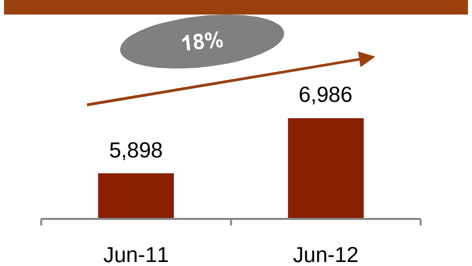
Number of ATMs



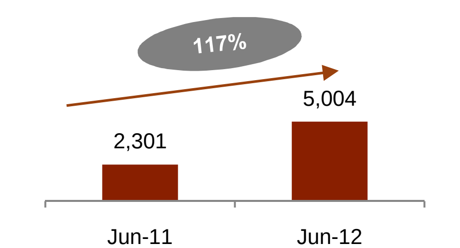
Number of Telcos Connected



Number of Staff



Number of Agents



Kenya
- Date Established: 1984
- No. of Branches: 140

Rwanda
- Date Established: 2011
- No. of Branches: 8

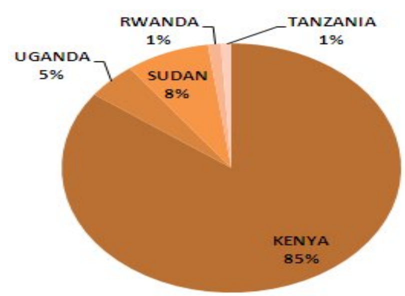
Tanzania
- Date Established: 2012
- No. of Branches: 4

Uganda
- Date Established: 2008
- No. of Branches: 38

South Sudan
- Date Established: 2009
- No. of Branches: 5

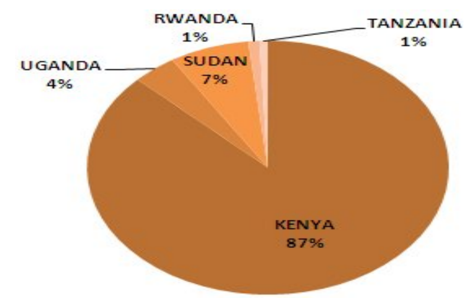
Split by Geography

Total Assets: June 2012



Total:
Kshs 219.89Bn

Total Revenue: June 2012



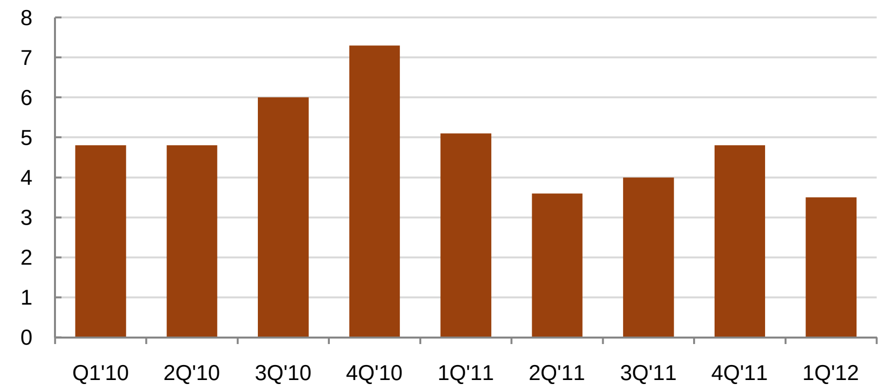
Total:
Kshs 17.6Bn

Slower Macro Growth: Amid Strong Long-Term Fundamentals

Macro-environment Overview

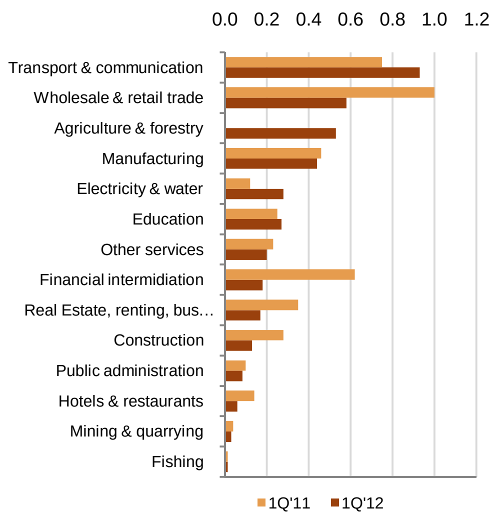
- ✓ Kenya's macro outlook is challenging; but positive growth still expected for 2012, with scope for slight improvement in 2013
- ✓ Real GDP growth slowed to 3.5% YoY in 1Q12, compared with 5.1% in 1Q11. Composition of growth implies that the impact of the sharp interest rate hikes in 4Q'11 was more pronounced than anticipated, particularly on financial services, construction, retail trade, and real estate activity. Agriculture showed some recovery – albeit weaker than anticipated, with the sector growing at 2.3% YoY in 1Q'12 (an improvement on zero growth a year earlier, but still weak).
- ✓ Positive news is that the Central Bank of Kenya (CBK) began its rate-cutting cycle on 5 July, 2012; which is positive for growth, partially because lower rates are likely to stem the slowdown in credit growth. However, downside to the growth outlook is in poor agricultural production, due to bad weather.
- ✓ The Kenyan shilling has held up strongly in early 2012, partially due to the CBK sustaining tight shilling liquidity YtD; and to sizeable financial inflows in 2Q'12, owing to the disbursement of a tranche of the IMF loan and a $600mn syndicated loan from three international banks.
- ✓ Strong growth in import demand, partly driven by credit growth, explains the deterioration of Kenya's C/A position in 2011. A slowdown in credit growth due to tight monetary policy would help slow import demand
- ✓ Imports fell to 37% of GDP in 1Q12, from 41% a year earlier; moreover, import growth slowed to 13% YoY in 1Q12, from 28% YoY in 1Q11. Softer import growth in 1Q12 helps explain the narrowing of the trade deficit to 22% of GDP in 1Q12, from 24% a year earlier
- ✓ In light of this challenging macro picture, the key issues concerning Kenyan banks relate to loan growth and asset quality, which are likely to be the turning points for the banks' performance in the short-to-medium term
- ✓ The Kenyan banking sector posted substantial growth of 31% YoY in 2011, and in 1Q12, sector loans grew by 4% QoQ

Kenya Real GDP Growth, % YoY



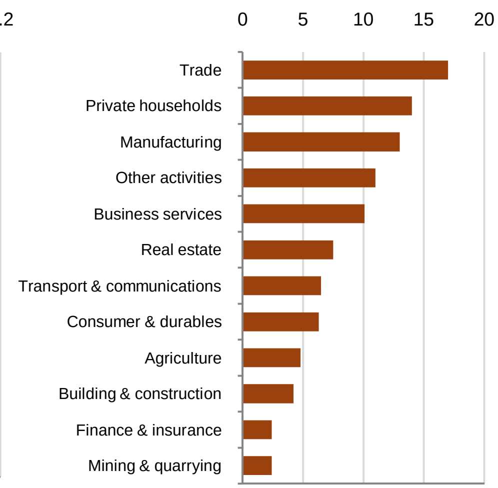
Source: National Bureau of Statistics

Kenya – GDP Sectoral Contribution



Source: National Bureau of Statistics ; Renaissance Capital estimates

Kenyan Composition of Private Credit, %



Source: National Bureau of Statistics ; Renaissance Capital estimates

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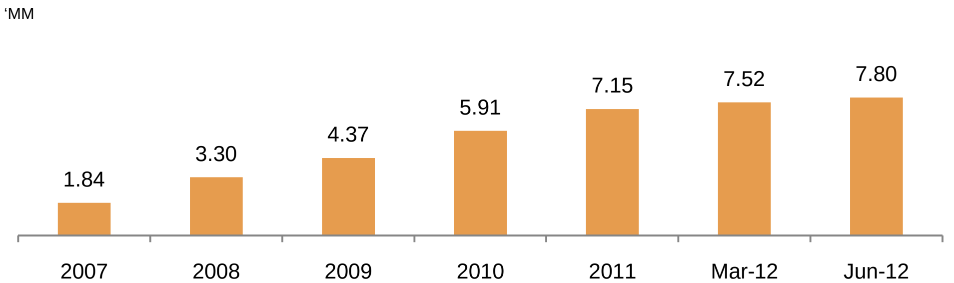
Savings Led Business Model …

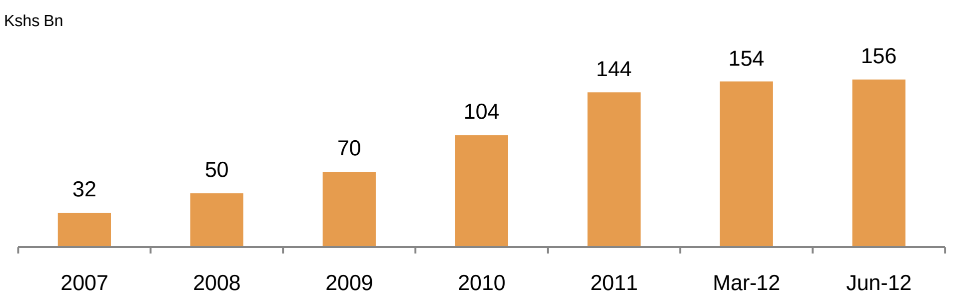
Deposit gathering drives lending

- Mass market, "bottom of the pyramid", banking model with 7.8 million customers
- Gathering large volumes of relatively small deposits resulting in low costs, stable funding
- Short-term small loans minimise cost of risk – customers incentivised to repay and up-size
- Generating high transaction volume at low cost for the customer
- Diversified and highly efficient methods of attracting customers with focus to provide easy access of banking services to customers at a low cost
  - Unrivalled mobile banking service ("EAZZY 24/7") with multiple instant banking functions available on the mobiles
  - Rollout of agency banking to get closer to customers in remote areas

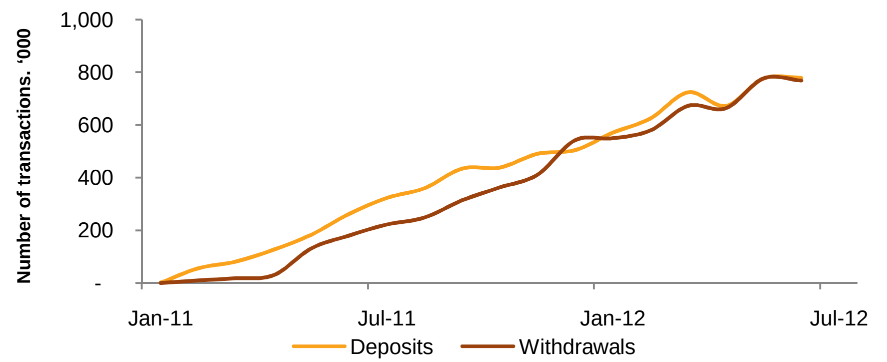
Customer Evolution



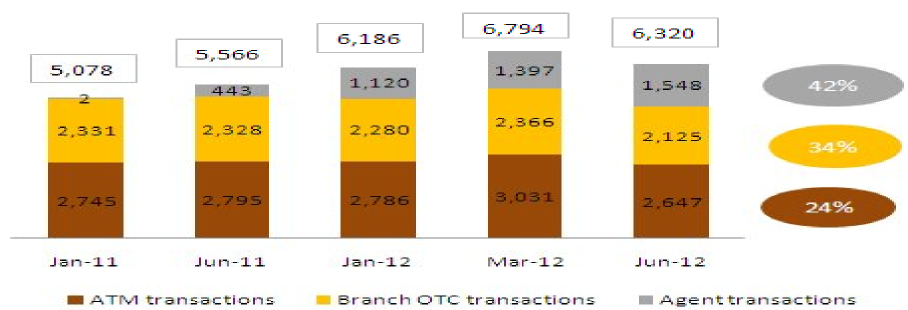
Deposit Evolution



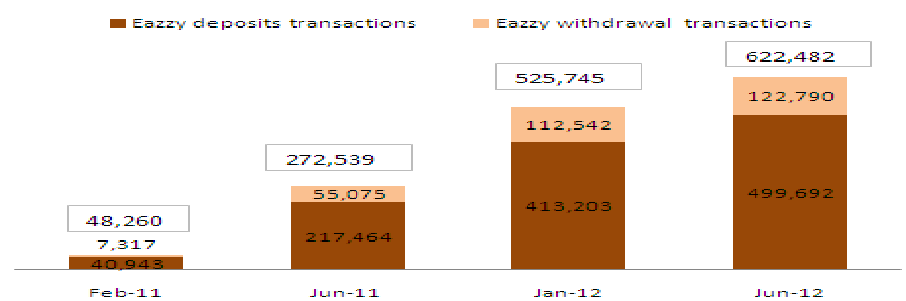
Agency Banking Transactions per Month



Number of Transactions per month, '000



Eazzy 24/7 Transactions

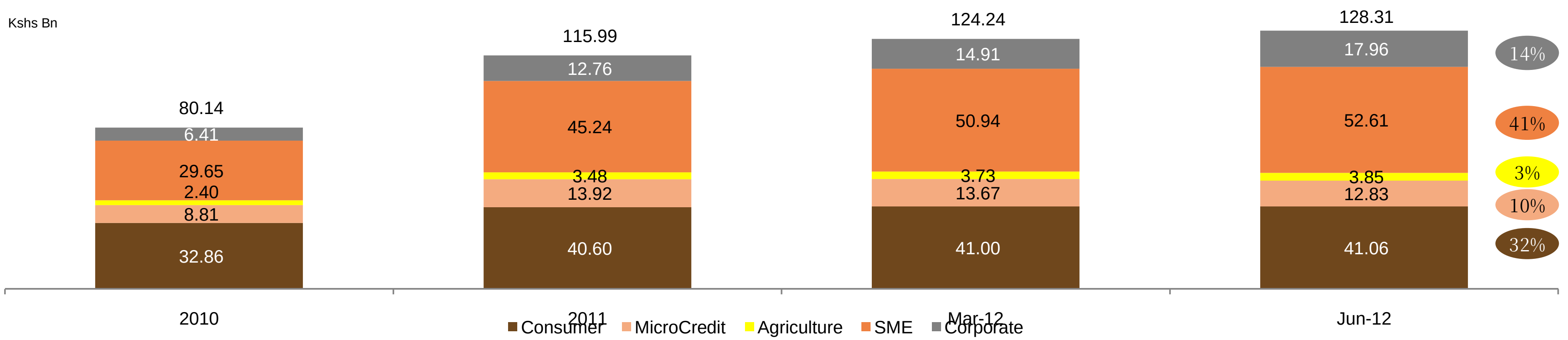


…Driving Loans to the following Segments

Consumer	Micro Enterprises	Agriculture	Small Enterprises	Medium Enterprises
• Personal unsecured loans to salaried employees of selected employers . • Employer a party to the loan agreement • **Repayment is deducted from employee's salary and paid directly to the Bank by the employer** • General purpose loans for e.g. school fees, medical expenses, purchase of house hold appliances • Average tenor 36 months	• Personal loans to individuals who may be in organized groups or to standalone individuals for income generating activities • **Lending to standalone individuals is secured by collateral e.g. household items** • **For lending to individuals within a group, the whole group is responsible for the repayment of each loan** – 'peer pressure' • Average tenor 6 – 12 months	• Loans to farmers for agricultural activities • The funds are paid direct to farm input suppliers e.g. fertilizers • **Repayment is from an organized trading organization** e.g. Kenya Tea Development Authority when produce is delivered to the factory • Average tenor 6 – 12 months	• Working capital facilities in the form of overdrafts but primarily term loans that match the trading cycle of the business **secured against tangible commercial & residential property; with clear sources of repayment** • Average tenor 5 years	• Similar business model to SME but with larger ticket balances • **Medium Enterprise is attracted through 'banking the value chain' model** as the majority of the supplies and distributors of large corporates and Equity Bank SME customers • Having the same bank improves the efficiency and security • Average tenor 5 years

Gross loan Composition

1Q2012 YTD growth: 7%
1H2012 YTD growth: 10%



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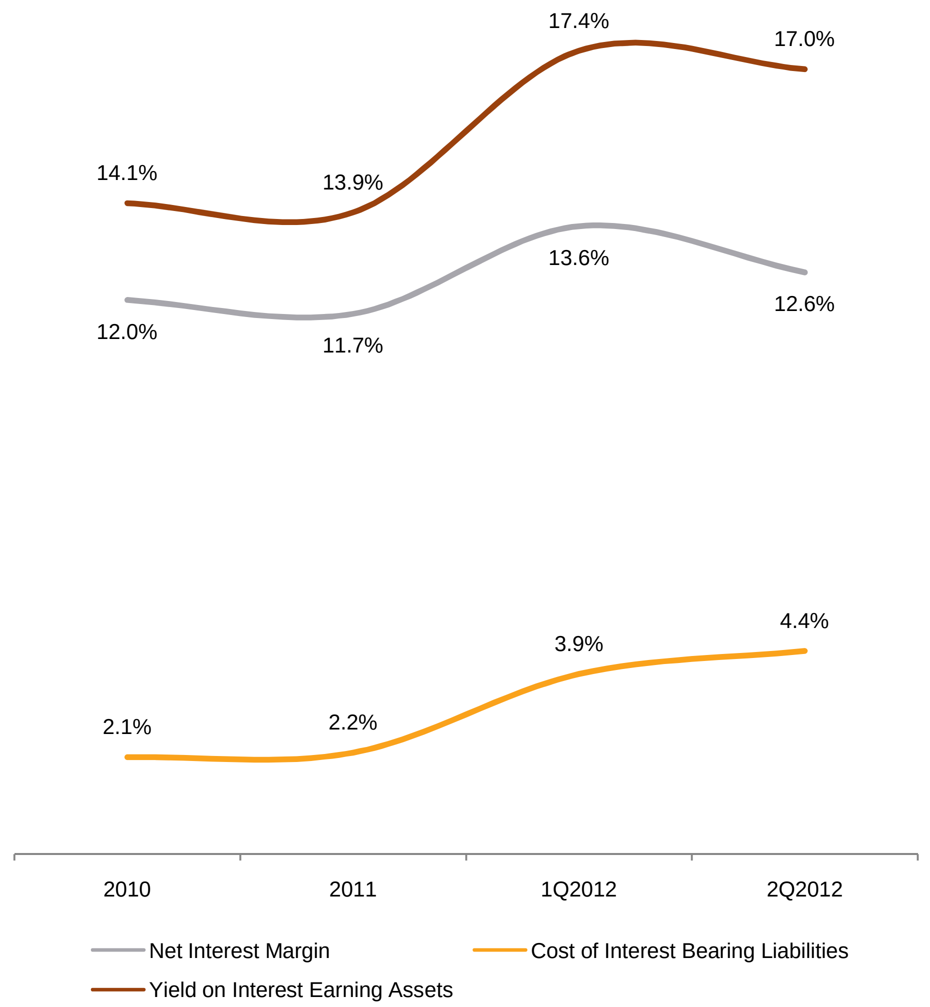
Financial Performance

Sustained Net Interest Margin

Strong, Sustainable Margins

- At 12.6% in Q2 2012 the Net Interest Margin has remained at a historically high level although it decreased compared to Q1 2012
- Asset yields remained high in the current elevated interest rate environment, although they came off slightly primarily due to lower yields on the Bank's government bond portfolio
- Cost of interest bearing liabilities continued pushing up as customers looked for higher returns on their deposits
  - However, the Bank's underlying business model of collecting large volume, small ticket savings & short term deposits ensured that cost of funding remained at manageable level
- Equity Bank continues to maintain its focus on customer acquisition in an efficient manner on both asset and liability sides to maintain an attractive net interest margin
- In addition, Equity Bank has focused on subordinated debt to improve interest margins

Net Interest Margin Evolution

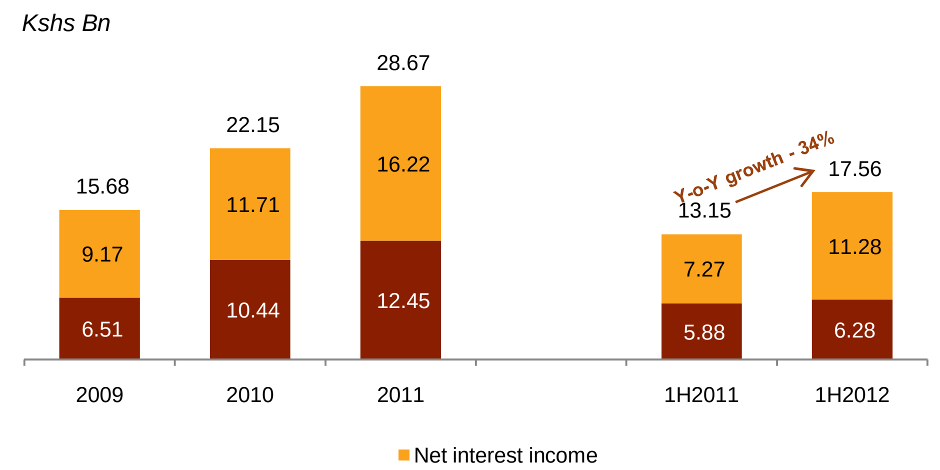


Profitability Drivers – Strong Revenue Generation Model

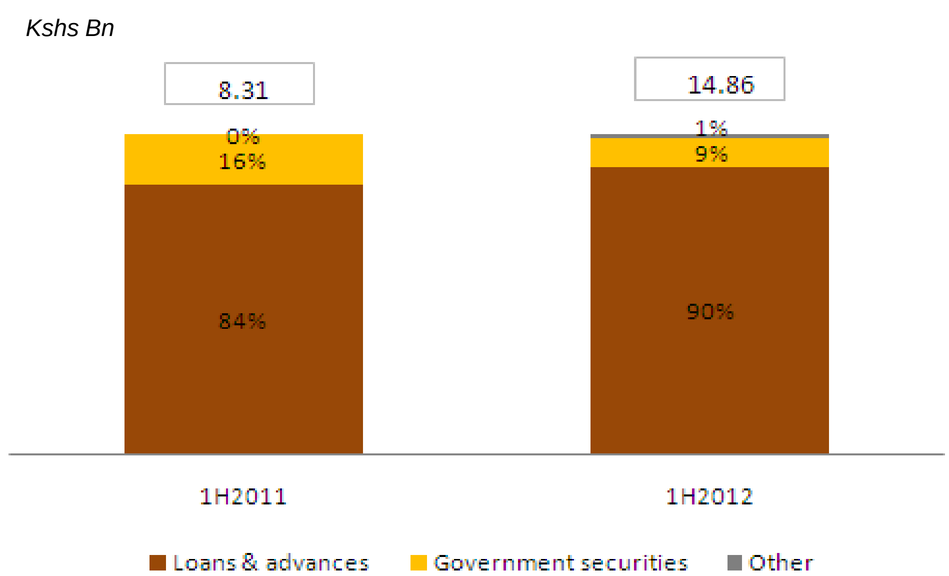
Strong Growth Driven by Interest Income

- Total income increased by 34% to Kshs 17.56 Bn in 1H2012, predominantly driven by an increase net interest income (55%)
  - Net Interest income growth was predominantly driven by the year-on-year increase in customer loans and expanding margins
- At 36%, non-interest income remained a significant portion of total income
  - Non-interest income grew only by 7% year-on-year to Kshs 6.28 Bn primarily due to the decrease in fees on new loans (LACE) as lending slowed in 1H2012 and lower trading in government securities

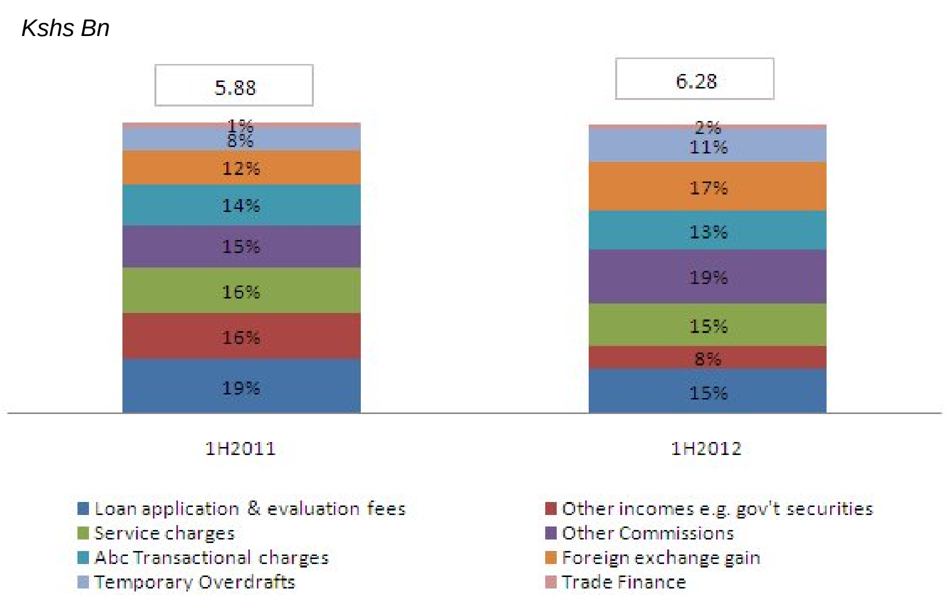
Total Income



Gross Interest Income



Non-interest Income

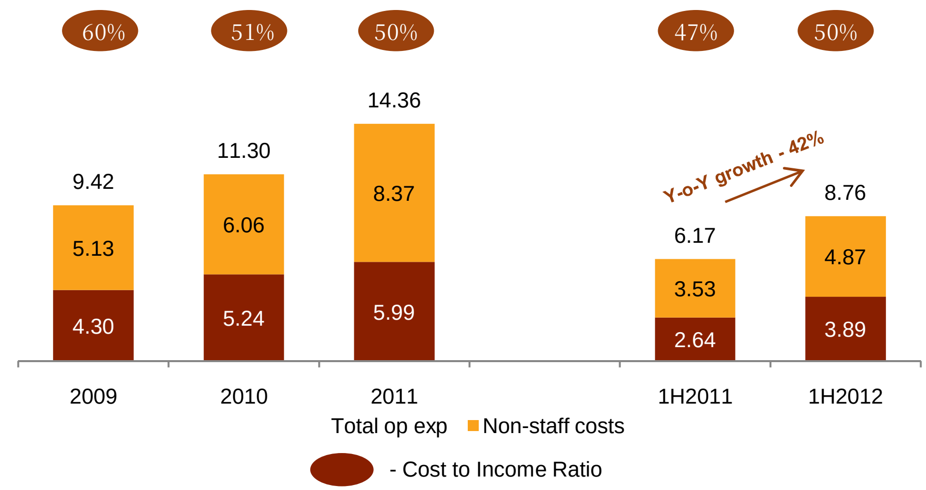


Profitability Drivers – Low Operating Expenses and Improved Efficiency

Increasingly Efficient Operations

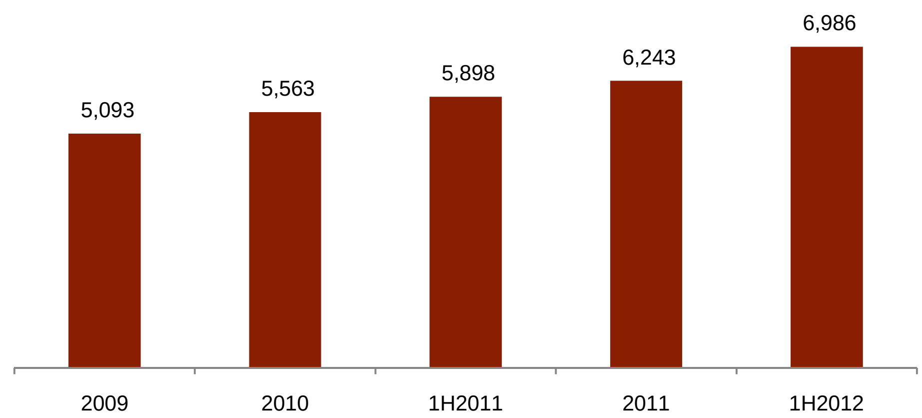
- Operating expenses increased by 42% in 1H 2012 to Kshs 8.76 Bn, driven by continuing investments for future growth:
  - Investments in information technology infrastructure
  - Investments in regional subsidiaries
  - Additional branches opened during the year which resulted in regional branch network increase from 170 to 195 since June 2011
- Despite the significant increase in operating expenses, in 1H2012 the maintained its Cost to Income Ratio at 50%, the same level as during FY201
- Management continues to focus on developing innovative ways to optimize operational efficiency whilst yet providing unrivalled service
  - For example, outsourcing important transactional banking functions to agents allows for a substantial expansion of the business while maintaining costs under control

Operating Expenses* and Cost to Income Ratio



* - excl. loan loss provision

Average number of staff

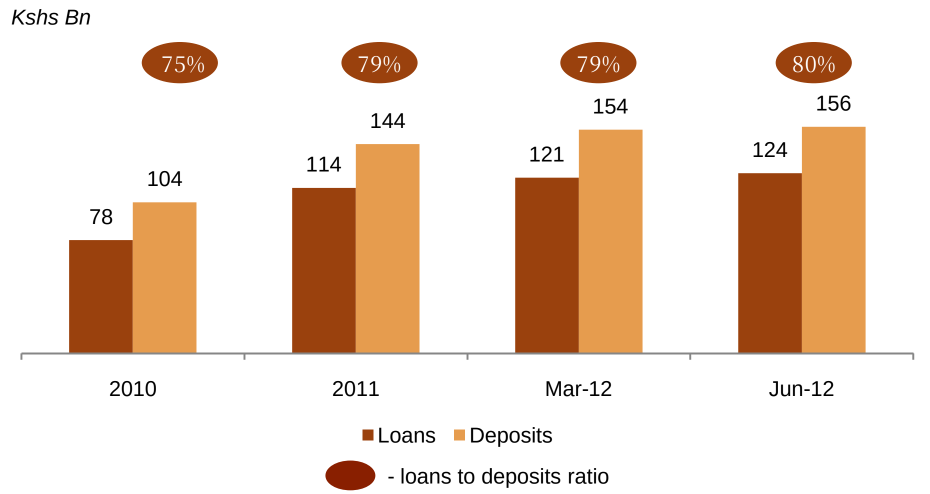


Robust, Liquid Balance Sheet

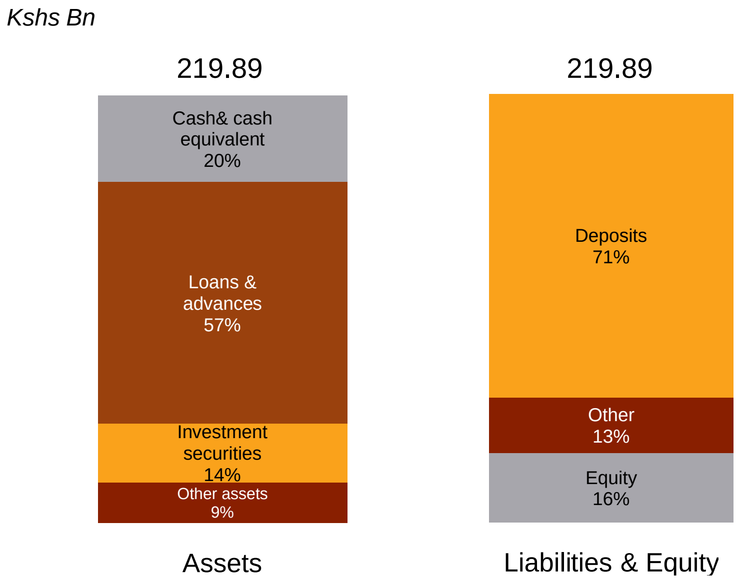
Strong, Liquid Balance Sheet

- The Bank continued to maintain a strong and liquid balance sheet at the end of 1H2012
  - Core Tier 1 Ratio was 18% and total capital adequacy at 27%
  - Deposits remained the primary source of funding, with the loan to deposit ratio at 80%
  - Cash and cash equivalents amounted to 20% of total assets
- The strengths of its balance sheet allows the Bank to continue its growth despite the increased uncertainty in the macro environment and to capture quality opportunities that arise

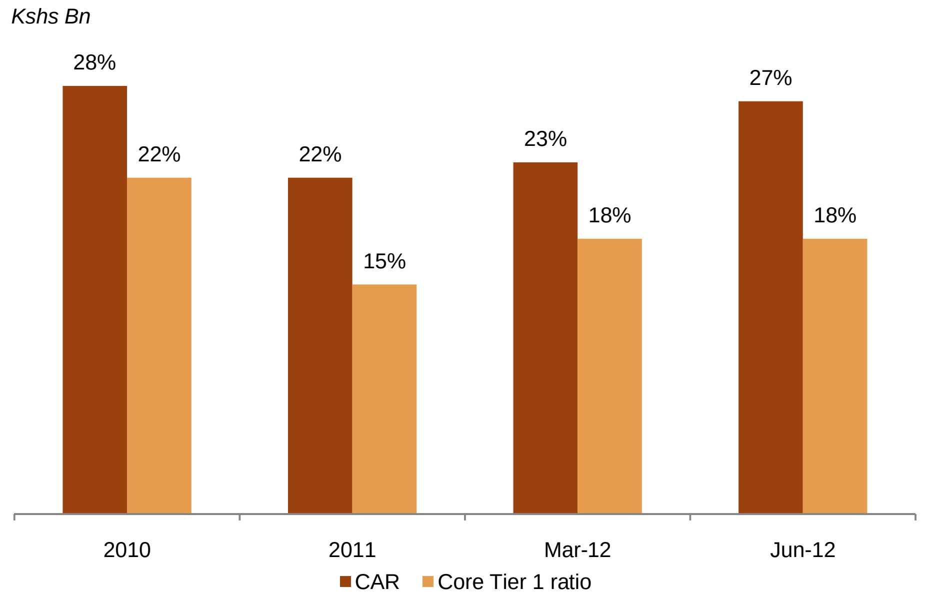
Loans and Deposits



Strong ALM and Diversification



Capital Adequacy



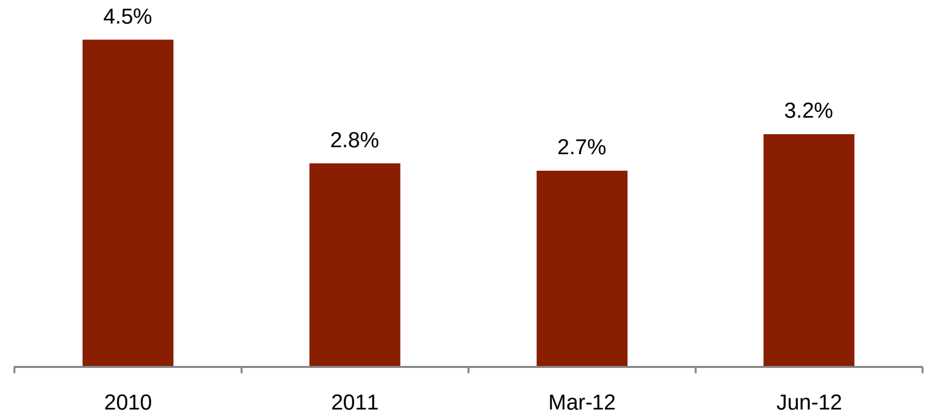
1. Other Assets includes Finance lease receivables, Tax recoverable, Prepaid leases, Deferred tax assets, Investment securities, PP&E, Due from related parties, Investments in associates, Intangible assets & goodwill and "Other assets"; Other liabilities includes Borrowed funds and "Other liabilities"
2. Based on net customer loans

Sound Asset Quality

- The NPL ratio has increased by 50bps to 3.2% as more customers became overdue on their repayments in the current macroeconomic environment
- Despite the increase in NPLs, the Bank maintained its conservative loan loss provisioning policy and kept its NPL coverage ratio* at 73%, approximately the same level as at the end of 1Q2012
- Closeness to, and deep understanding of, its customer base as well as its robust risk management system allow the bank to effectively manage credit risk even in these more uncertain periods as experienced recently

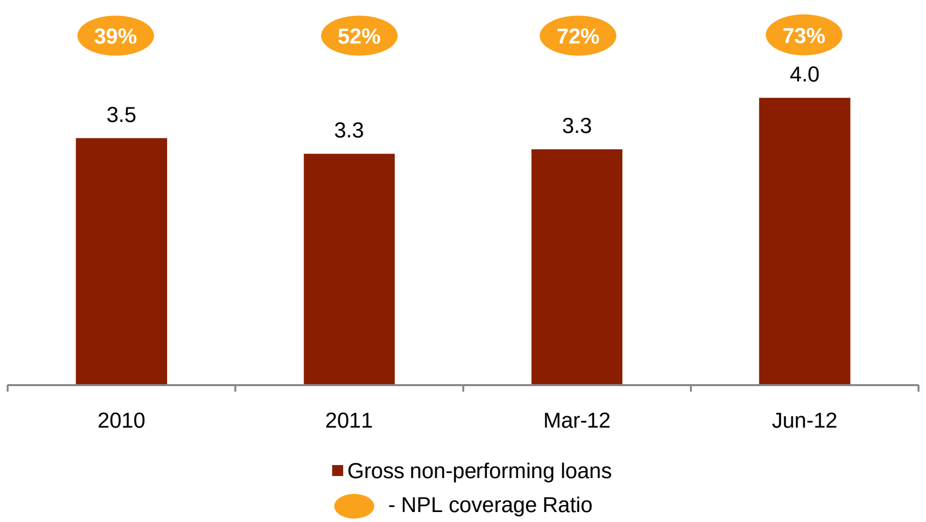
NPL Ratio

Gross NPLs / Gross Customer Loans



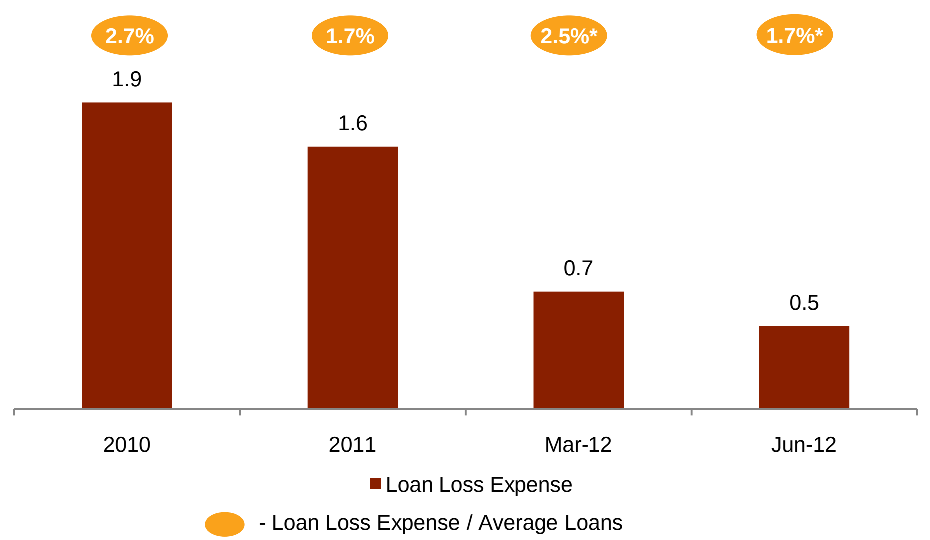
Non Performing Loans and NPL Coverage Ratio*

Kshs Bn



Loan loss expense

Kshs Bn



* - coverage of NPLs by specific provisions prescribed by prudential guidelines

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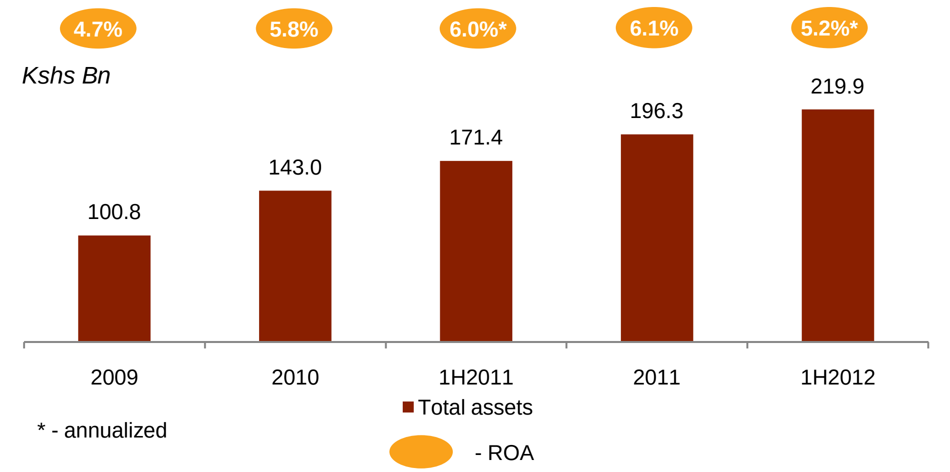
Continually Delivering High Profitability

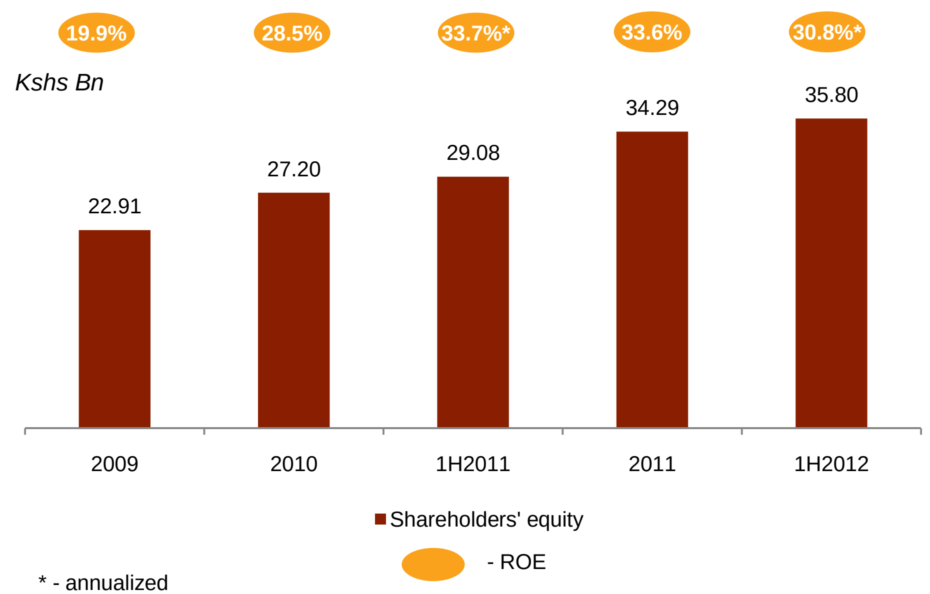
Continued High Profitability

- Returns on assets and shareholders' equity remained high despite the more difficult operating environment
- Profit before Tax of Kshs 7.62 Bn in 1H2012 represented an increase of 29% compared to 1H2011

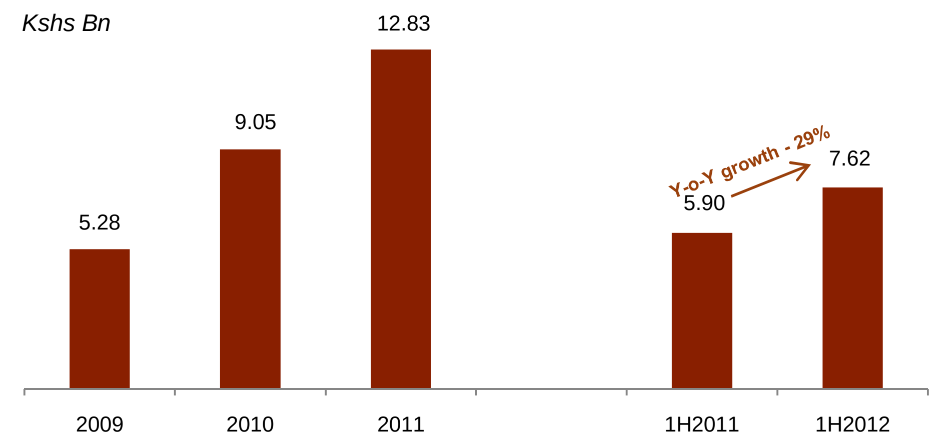
Total Assets and ROA



Shareholders' equity and ROE



Profit Before Tax



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Key Highlights of Q2 2012

Financial Performance Highlights

	June 2011	June 2012	
Profit Before tax	**Kshs 5.90 Bn**	**Kshs 7.62 Bn**	Strong year on year PBT growth of 29%
Profit After Tax	**Kshs 4.74 Bn**	**Kshs 5.40 Bn**	Growth of 14% in PAT reflecting the increased tax rate of 30% in 2012 compared to the 20% in prior years after exhausting the 5 years benefit of listing
Return on Equity	**33.7%**	**30.8%**	Sustained strong ROE driven by focus on core business and efficiency
Earnings Per Share	**2.56 KES / share**	**2.92 KES / share**	Growing returns to shareholders
Net Interest Margin	**11.9%**	**13.1%**	Increasing margins sustained by low-cost and efficient funding base
Cost-to-Income	**47%**	**50%**	Increase in cost income ratio reflecting set up costs in 2012 related to the new subsidiaries in Tanzania & Rwanda. In addition, there was an increase in branch network from 170 to 195
Net Loans	**Kshs 97.71 Bn**	**Kshs 124.46 Bn**	Strong year on year growth of 27%
NPL Ratio	**4.2%**	**3.2%**	Improved asset quality despite growth in loan book, reflecting sound risk management practices
NPL Coverage	**51%**	**73%**	Increased loan loss provisioning that underpin conservative and proactive risk management
Deposits	**Kshs 130.08 Bn**	**Kshs 155.68 Bn**	20% growth in deposits reflecting the sustainability of the savings led business model.

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Appendix

Top Notch Corporate Governance and Management

Corporate History and Development

1984
- **Equity Bank was founded** as Equity Building Society in **October 1984**

1994-95
- **Complete overhaul of firm's strategy** and operations in exchange for avoiding dissolution having been declared technically insolvent by Kenya Central Bank **which led to the Bank's rebirth**
  - Mission drift and **re-engineering of the business model**
  - Focus on Bottom of the Pyramid – **emphasis on savings**
- **James Mwangi** was **hired** as **Finance Director** and **embarked on key initiatives** which quickly contributed to the **company's turnaround**

1997-02
- Capacity building in people, processes and procedures
- **Focus on Efficiency** through computerization
- **Capital raising** – AfriCap, 16% shareholding **US$1.6 MM**

2004-06
- **James Mwangi** appointed as **CEO in 2004**
- Re-engineering and transformation to an inclusive financial services provider through conversion to a commercial bank
- **US$10 MM Private Placement** – British American, 16%
- **Listing of Equity Bank** on the **Nairobi Stock Exchange**, with an initial valuation of **KSH6.3 Bn** in August 2006

2007-08
- Consolidation through **recapitalization** – Helios EB (OPIC, IFC, George Soros, CDC) - **US$185 MM**
- Diversification & Regional Expansion
- Social entrepreneurship – Brand repositioning through social investments

2012
- **Transformation** into retail bank **considered as inspirational success story**
  - Received **multiple accolades and awards** globally
    - **James Mwangi named African Banker** of the Year in 2010 and 2011, **Best Bank in Kenya 2011 by Euromoney**
    - **Dr James Mwangi named Ernst & Young World Entrepreneur of the year 2012 in Monte Carlo, Monaco**

Management Team

Dr. James Mwangi, CBS
Chief Executive Officer & Managing Director
- Holds a Bachelor of Commerce degree and is a Certified Public Accountant
- Over 22 years of management experience

Mary Wamae
Director of Corporate Strategy & Company Secretary
- LLB degree, Diploma in Law & Certified Public Secretary
- Over 13 years of experience in legal practice and joined the Bank in 2004

John Staley
Director of Mobile Banking and Payment Innovations
- MSc. in Applied and Computational Mathematics, BSc. in Physics; qualified Chartered Accountant
- Over 22 years of experience

Paul Njaga
Chief Finance Officer
- MBA (Finance), Bachelors degree (Hons) in Economics, and is a Certified Public Accountant
- Over 16 years of banking experience

Allan Waititu
Director of IT and Innovation Center
- Graduate of Advanced Management Programme
- Over 20 years experience in information technology and banking

Corporate Governance

- Board of Directors comprise of 11 Non–Executive Directors and one Executive Director
- All Board members are vetted before appointment to take into account professional qualifications, integrity and track record
- The Board conducts a self evaluation exercise in keeping with highest international standards which focuses on the role and responsibility of the Board, structure, functions and processes, meetings among other critical areas
- The Board has established 7 committees to assist in guiding the direction of the Bank
  - These are Audit, Credit, Risk Management & ALCO, Governance, Nominations and Staff Remuneration, Tendering & Procurement, Strategy & Investment, Executive Committees
- All the committees are governed by charters setting out their mandates and authority

Summary Balance Sheet

	June 2011	June 2012	Growth
Assets (Bn)	**KES**	**KES**	**KES**
Net Loans	97.71	124.46	27%
Cash & Bank Balances	30.40	44.24	46%
Government Securities	27.46	30.14	10%
Other Assets	15.78	21.05	33%
Total Assets	**171.35**	**219.89**	**28%**
Liabilities & Capital (Bn)			
Deposits	130.08	155.68	20%
Borrowed Funds	8.44	22.73	169%
Other Liabilities	3.75	5.68	51%
Shareholders' Funds	29.08	35.80	23%
Total Funding	**171.35**	**219.89**	**28%**

Stability & Compliance

	June 2012	Statutory Requirement	Excess
Core Capital to Total Deposits	19%	8%	11%
Core Capital to Risk Weighted Assets	18%	8%	10%
Total Capital to Risk Weighted Assets	27%	12%	12%
Liquidity Ratio	39%	20%	19%

Summary Profit & Loss

	June 2011	June 2012	Growth
Revenues (Bn)	**KES**	**KES**	**KES**
Total Interest Income	8.31	14.86	79%
Less: Total interest Expense	1.04	3.58	244%
Net Interest Income	**7.27**	**11.28**	**55%**
Total Non Interest Income	5.88	6.28	7%
Total Income	**13.15**	**17.56**	**34%**
Expenses (Bn)			
Staff costs	2.64	3.89	47%
Loan Loss Provision	1.15	1.24	8%
Other Expenses	3.52	4.87	38%
Total Operating Expenses	**7.31**	**10.00**	**37%**
Profit Share from Associate	0.06	0.06	0%
Profit Before Tax	**5.90**	**7.62**	**29%**
Taxation	1.16	2.22	91%
Profit After Tax	**4.74**	**5.40**	**14%**
Efficiency Ratio			
Cost / Income ratio	47%	50%	6%

EQUITY

Key Financials and Ratios

	2009	2010	2011	June 2012
Key Financials (Bn)	**KES**	**KES**	**KES**	**KES**
Total Assets	100.81	143.02	196.29	219.89
Customer Loans	63.33	78.30	113.82	124.46
Customer Deposits	69.84	104.43	144.17	155.68
Shareholders' Equity	22.91	27.20	34.29	35.80
Net Profit	4.23	7.13	10.33	5.40
Profitability				
NIM	12.8%	12.0%	11.7%	13.1%
Cost to Income Ratio	60%	51%	50%	50%
ROE	19.9%	28.5%	33.6%	30.8%
ROA	4.7%	5.8%	6.1%	5.2%
Asset Quality				
NPL Ratio	7.7%	4.5%	2.8%	3.2%
Cost of Risk (bps)	187	261	166	104
NPL Coverage	41.0%	39.0%	52.0%	73%
Liquidity / Leverage				
Loan / Deposit Ratio	90.7%	75.0%	79.0%	80.0%
Statutory Liquidity Ratio	32%	40%	37%	39%
Capital Adequacy Ratio				
Tier 1 Ratio	24%	22%	15%	18%
Capital Adequacy Ratio	31%	28%	22%	27%

THANK YOU

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