



Investor Briefing

Q3 2013 Financial Results

EQUITY CENTRE



Update on Macroeconomic Environment



Key Macroeconomic Updates



- 1 Boosted economic growth prospects in Kenya projected at 6.0% according to World Bank for 2014 fueled by a **new aggressive tax regime**, **rare earth minerals** discovery in Kwale County and recent **oil and natural gas discoveries** in Turkana County. Tullow oil discoveries estimate over 300 million barrels of oil equivalent and this has the potential to reduce poverty and improve people's lives.
- 2 **Favorable macroeconomic** environment and the **outlined expansionary policies** on government development expenditure will also stir growth in the economy.
- 3 Two newly discovered **water aquifers in Turkana** County are expected to improve livelihoods by spurring economic growth.
- 4 Kenyans enjoying early dividends brought about by the Several **Legislative reforms** in the 2010 constitution that include
 - Creating **devolution mechanisms** that seek to enhance fairness in sharing national resources with over KES 210 Bn going to the counties from the national budget.
 - Establishing mechanisms to ensure fairness in **land administration**
 - Reforming the **electoral system**
 - Seeking to facilitate government accountability by seeking to circumscribe the exercise of powers in the **3 arms of government**



Key Macroeconomic Updates



- 5 The IMF projects Kenya's **inflation** is likely to fall back to the government's target range of **3.5 to 7.5 percent** by early next year after prices were pushed higher by the new VAT.
- 6 **On the East African front**
There are growth prospects to be driven by the boom in **higher investment and savings, stronger export growth** driven by higher commodity prices, and a more harmonized regulatory and **political environment**.
- 7 **On the Global scene**
The IMF also cut its global growth forecast to 2.9% in 2013, down from its 3.2% projection in July. **For 2014, it now forecasts 3.6% growth**, down from its forecast of 3.8% in July primarily due to slowing growth in China, India, Brazil and other developing countries.
- 8 The slowdown in China is aimed at rebalancing its economy "toward (domestic) consumption" and away from exports while India and Brazil need to create a friendlier climate for business investment.

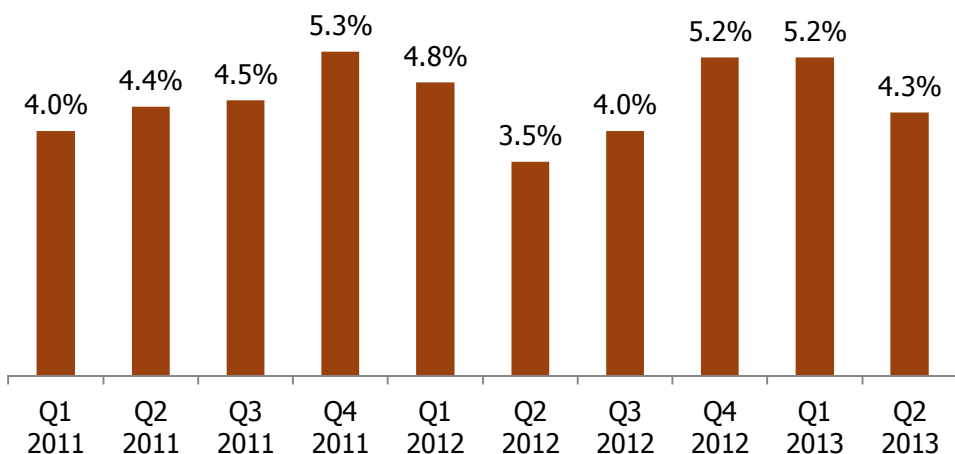
Source: World Bank

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

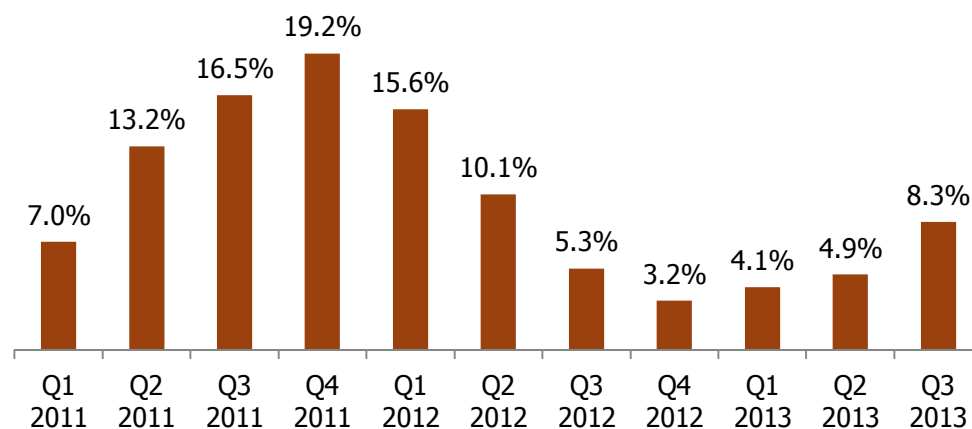


Performance in Macro Indicators

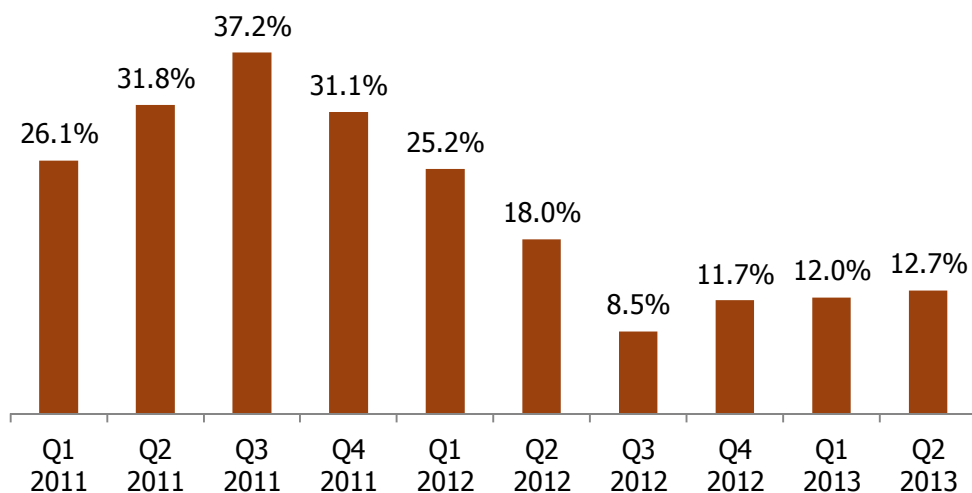
Real GDP Growth



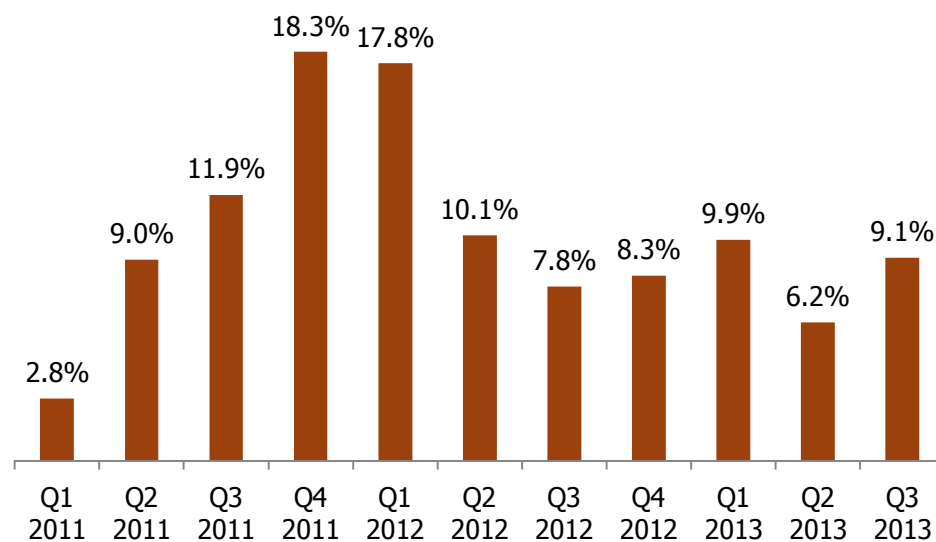
Inflation¹



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

5.6%

5.8%

IMF Previous

IMF Revised

GDP Per Capita Growth

2.6%

2.9%

IMF Previous

IMF Revised

Inflation

5.8%

5.2%

IMF Previous

IMF Revised

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

Source: IMF

Key Macro Variables Outlook

INFLATION

Inflation may remain at the current elevated levels but below double digits in the near term as government spending accelerates owing to increased funding needs for counties.

INTEREST RATE

Interest rates have been on the upward trajectory in the recent weeks driven by tight market liquidity. This is expected to flatten out in the short term.

EXCHANGE RATE

The exchange rate remains fairly stable although with threats from the widening trade current account deficit, as well as current interest and inflation rate differentials. This situation may be ameliorated by the Eurobond and the anticipated increase in the diaspora remittances

EQUITY CENTRE



Bank Profile



Business Summary

Bank Milestones

- Conversion to **commercial bank** in 2004
- Listed on the **Nairobi Stock Exchange** in August 2006, (and later the Uganda Securities Exchange).
- In 2008, Equity began its **regional expansion**, establishing subsidiaries in both Uganda and South Sudan
- Diversification** - The group owns Equity Investment Bank Ltd and Equity Investment Services Ltd, with a stock brokerage license, and Equity Insurance Agency Ltd, a Bancassurance subsidiary
- In 2013, Equity was awarded the **Pricing Transparency** award by MFTtransparency

Governance Structure

- Equity (and all its subsidiaries) abides by the recommended rules on good corporate governance as set out by the **Capital Markets Authorities** and the **Central Banks** in each jurisdiction
- The group Board comprised of 3 executive and **8 non-executives** (5 of whom are independent directors), with 2 alternates.

RECENT GCR RATINGS SEP 2013

- The accorded ratings reflect Equity Bank Limited's established domestic and regional franchise value, resilient financial performance, and its ability to adapt to changes and eventualities in the regional risk landscape.

Kenya Bank Analysis

Security class	Rating scale	Rating	Rating outlook
Long term	National	AA _(KE)	Stable
Short term	National	A1 _(KE)	

Long Service Directors

- Strong experienced management team with a clear and consistent strategy has positioned Equity as one of the most prominent players in the financial sector.



DR. JAMES MWANGI, CBS
- Chief Executive Officer & Managing Director
- Over 25 years of management experience



JULIUS KIPNG'ETICH
- Chief Operating Officer
- 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
- Over 14 years of experience in legal practice and joined the Bank in 2004



JOHN STALEY
- Chief Officer – Finance, Innovation and Technology
- Over 23 years of experience and joined the Bank in 2003



GERALD WARUI
- Director of Human Resource and Customer Experience
- Gerald has served in Equity Bank for 15 years



ALLAN WAITITU
- Director of IT and Innovation Center
- Over 21 years experience in information technology and banking



HILDAH MUGO
- Director of Operations
- Over 21 years of banking experience and joined Equity in 2004



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

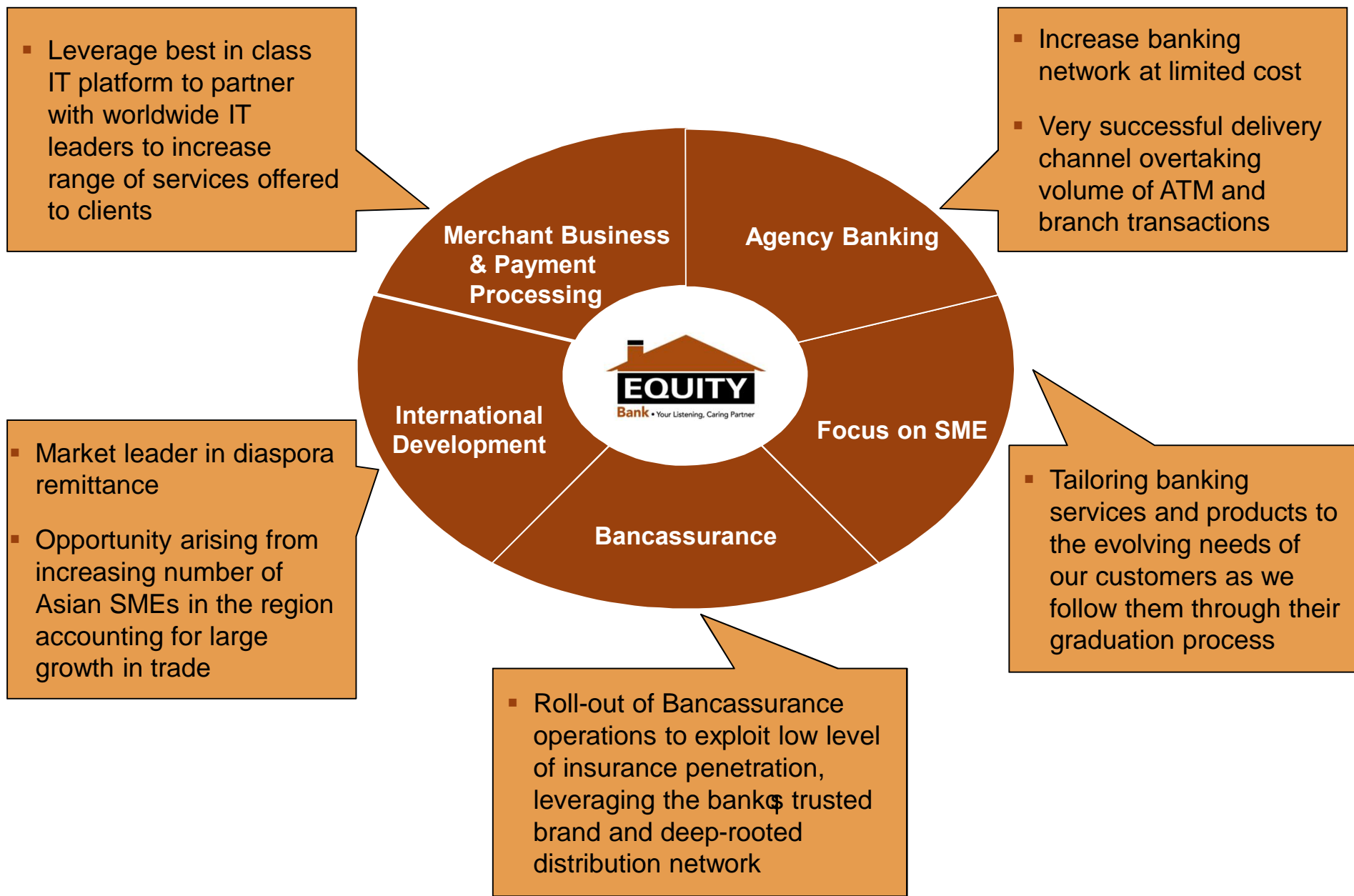
EQUITY CENTRE



Update on Strategic Initiatives



Equity Bank Strategic Initiatives



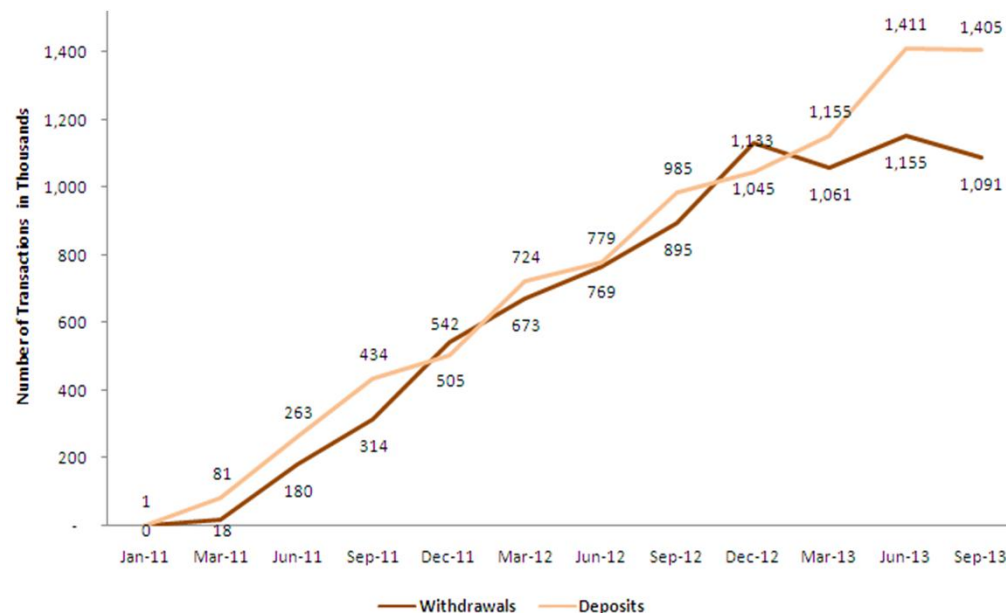


Agency Banking Model Continuing to Drive Growth

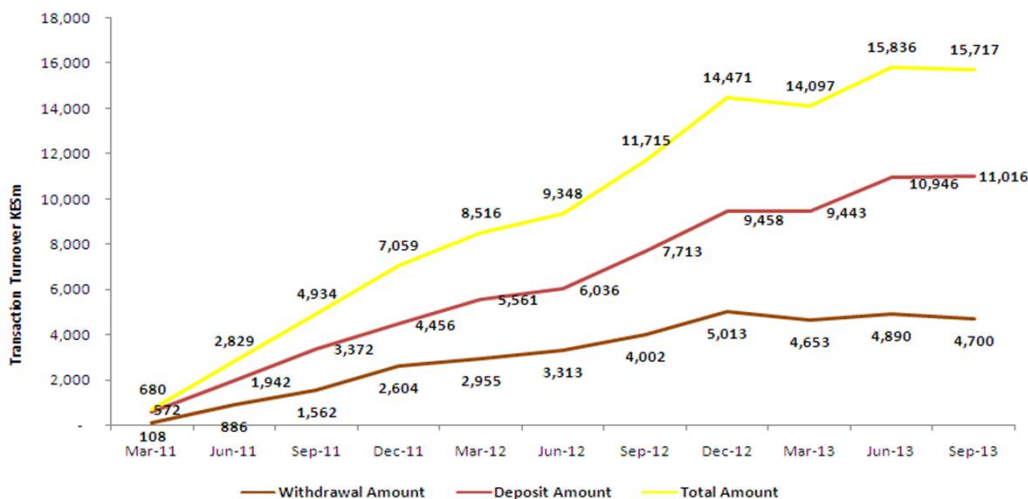
Key Initiatives

- Extremely successful initiative in Kenya . number of agents increased from 875 at the beginning of 2011 to 8,612 agents by September 2013. Over 60% growth year on year
- Scalable business model for regional expansion rolled out in Rwanda and Tanzania
- Variable cost model: leverage on 3rd party infrastructure and cash flows
- Currently doing Account opening origination, cash deposit and withdrawal, balance enquiries but with Potential to increase product offering
- Risk control and management using Equity Bank IT Infrastructure
- Has benefited the community, the agents and bank in various ways.

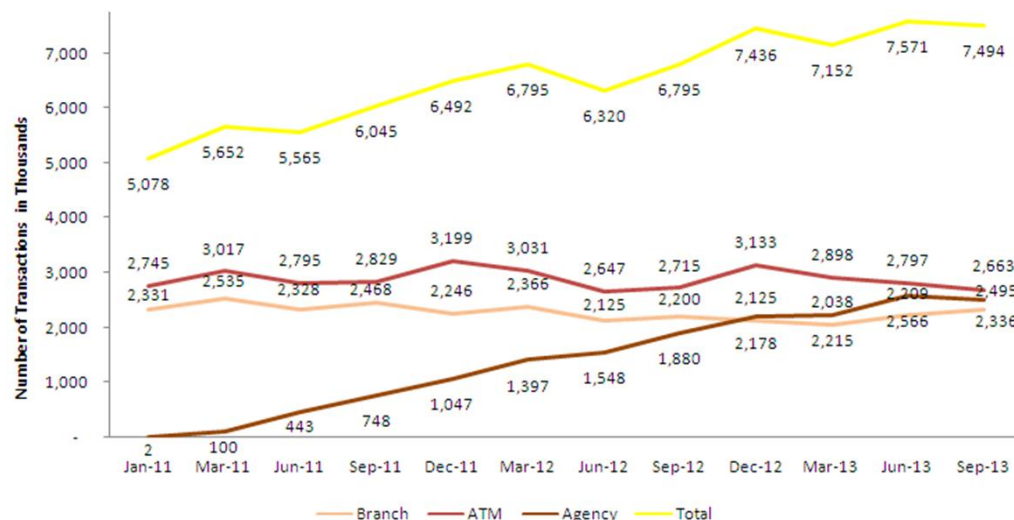
Transaction Volumes at the Agents



New Source of Low Cost Deposits...



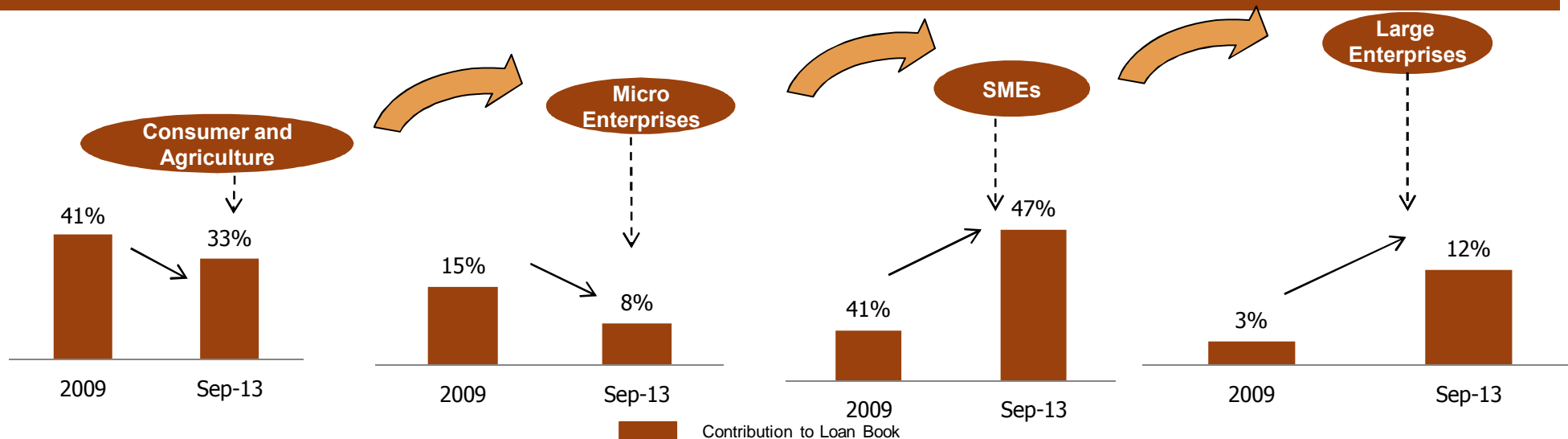
Agency accounts for a third of all cash transactions





Strategic Focus on SMEs to Nurture Client Evolution

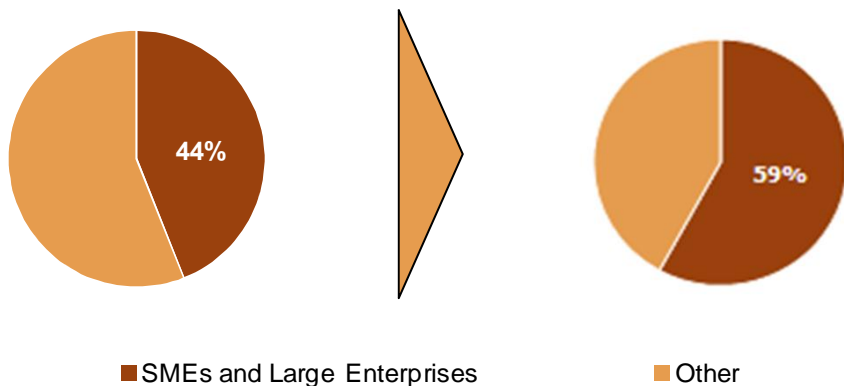
We Are Following Our Customers Evolution



Increased Focus on SME Loan Book

2009

September 2013



Key Strategic Initiatives

- Investment in 10 supreme centres to better serve our clients
- Recruitment of sector experts to support our SMEs
- With Kenya's middle income level increasingly growing, SME will be a key growth driver of the economy.
- More Multinationals are relocating from various parts of the world and establishing offices in Kenya and SMEs are expected to create a link between this Multinationals and the local business community.
- With bedrock of over 160,000 micro enterprises Equity bank has huge opportunity to graduate them into SMEs.



Increased Focus on Bancassurance

Bancassurance Division – Key Highlights

- Leveraging on:
 - low level of penetration
 - Banks distribution network of over 150 branches with a staff compliment of 183
 - Strong and trusted brand
- **Insurance Pillars:** Motor insurance, General insurance, Healthcare insurance, Pensions, Micro insurance, Life insurance, Agriculture

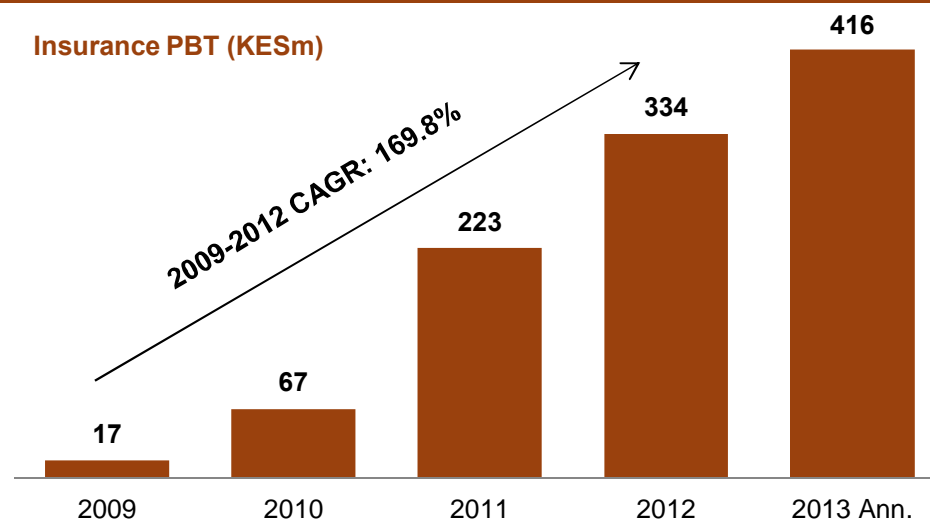
Insurance Industry Players in Kenya

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

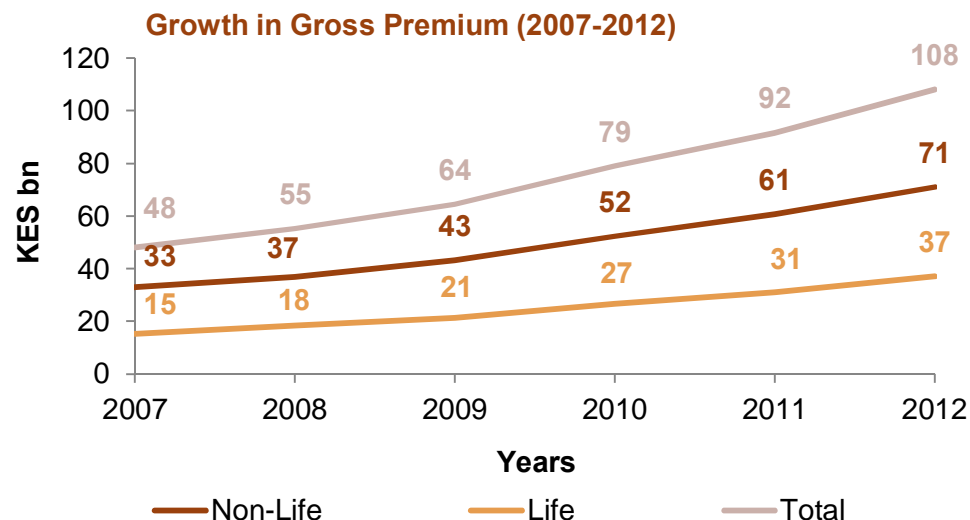
Source: AKI Report 2011/12

PBT Evolution

Insurance PBT (KESm)



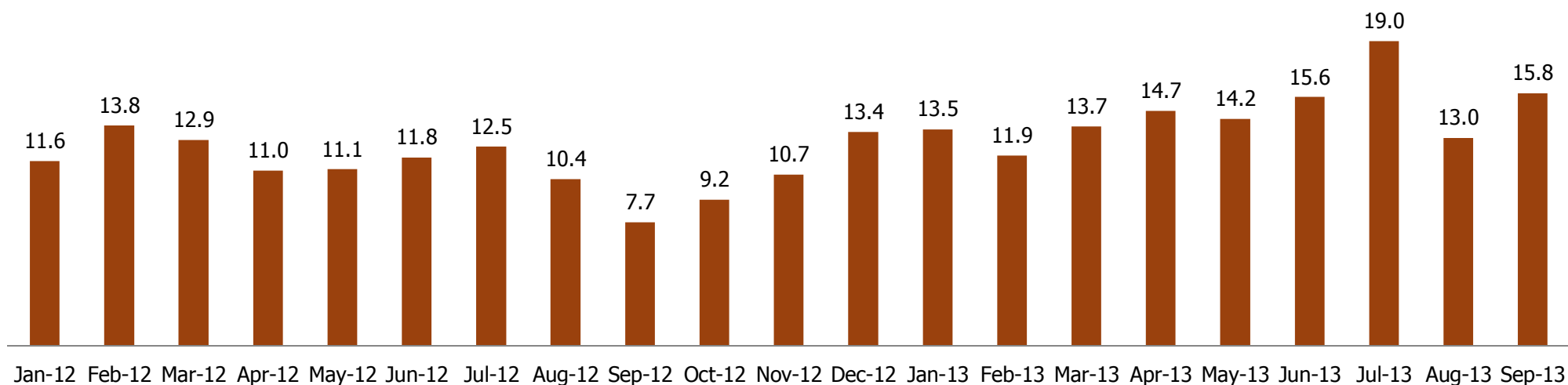
Trend in Kenyan Insurance Premium Growth – (KESbn)



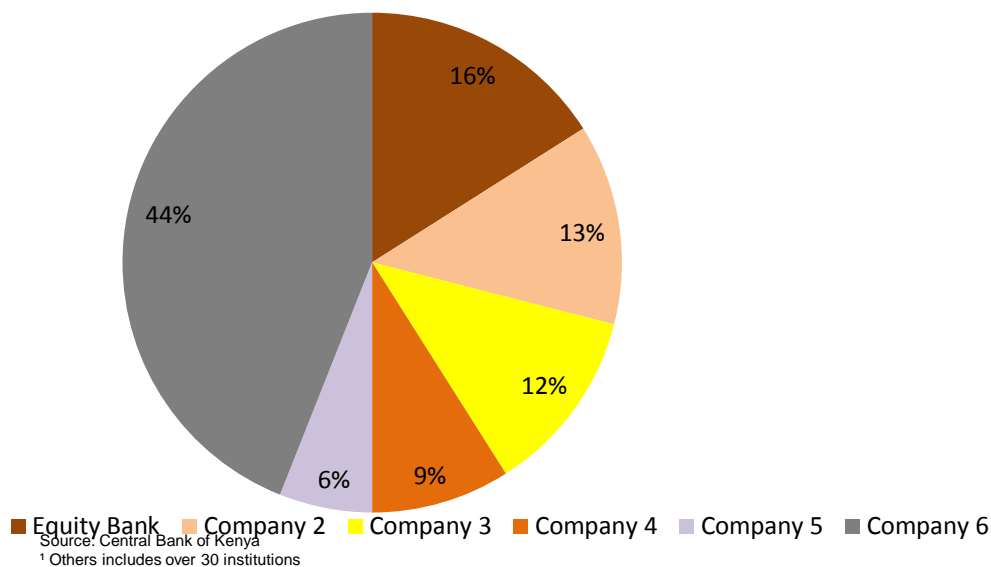


Consolidating International Linkages

Equity Bank Currently Leads Monthly Diaspora Remittances (USDm)



Market Share of Remittances



- Market leader with 16% market share
- As at Sep 2013, USD 131.5m from the diaspora was channelled into the country through Equity Bank
- 16.1% increase in the sector in 1H 2013 vs. 1H 2012



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

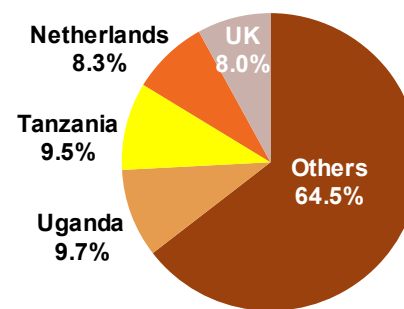
- China has been Africa's largest trade partner since 2009, with the volume reaching \$166.3bn in 2011 and nearly \$200bn in 2012
- Trading has increased by more than 30% on average over the past 10 years across a variety of sectors
- Equity Bank acknowledges the importance of the Kenya-China corridor, 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



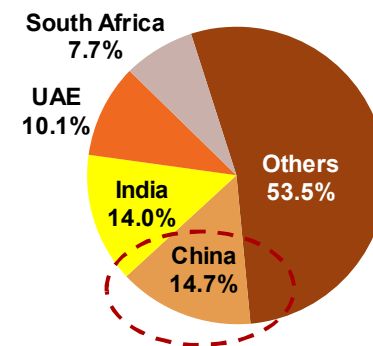
Kenyan Trade Flow Destinations - 2011

Main Destinations of Exports



Total: \$5.7bn

Main Origins of Imports



Total: \$13.8bn

Source: Euromonitor, Economic Intelligence Unit, Broker research



Payment Processing & Mobile Banking

Making Financial Services relevant to the poor by:

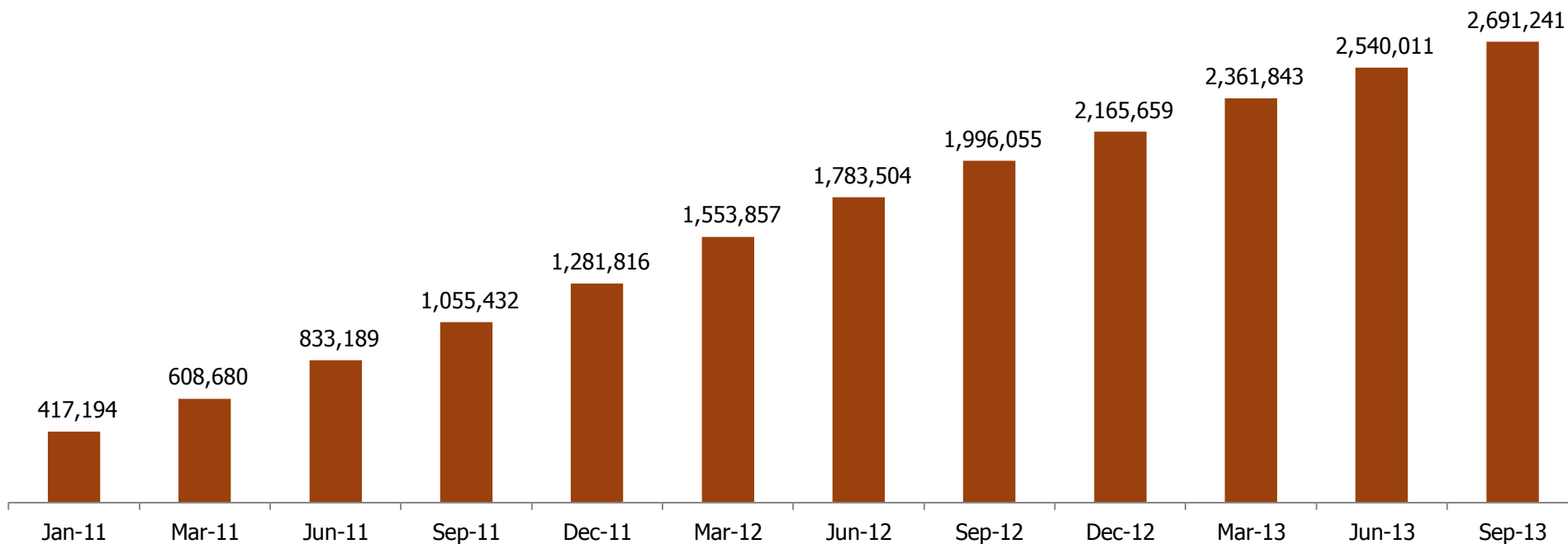
- ~Building bridges to cash
- ~Making E-money directly useful

Building a cash lite ecosystem through:

- ~Making our clients have more e-value than cash
- ~Enabling cashless businesses and supply chains
- ~Send and receive cash from anyone

Mobile Banking

~ Equity Bank's mobile banking Eazzy/247 customers reached 2.69M by September 2013





Payment Processing & Mobile Banking

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



EQUITY CENTRE



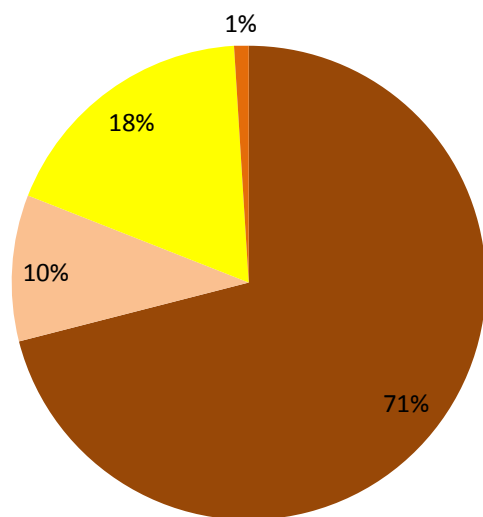
Q3 2013 Results and Key Financials



Structure & Funding Portfolio

	Sep-12	Sep-13	Growth
Liabilities & Capital (Bn)	KES	KES	%
Deposits	164.59	192.05	17%
Borrowed Funds	22.26	24.54	10%
Other Liabilities	6.13	4.12	(33)%
Shareholders' Funds	39.24	46.96	20%
Total Liabilities & Capital	232.22	267.67	15%

Funding Distribution



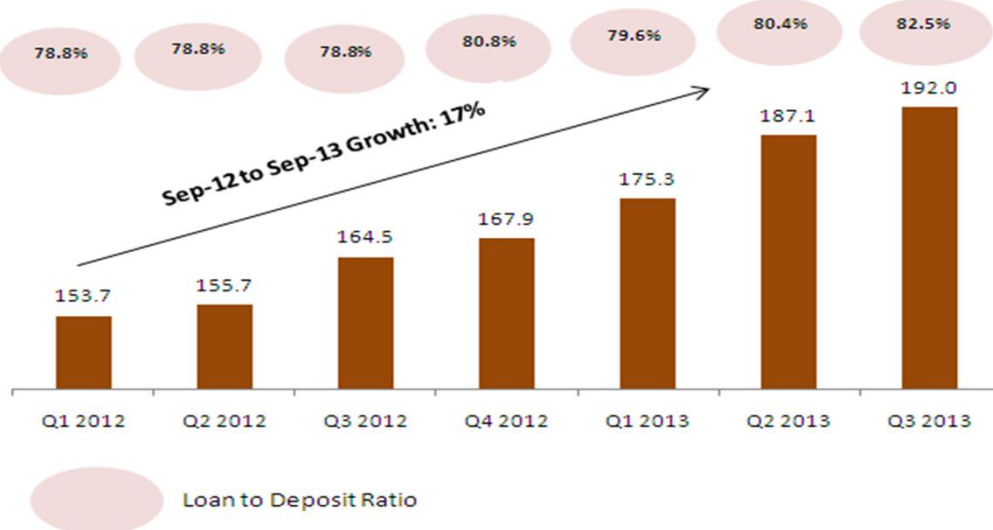
■ Deposits ■ Borrowed Funds ■ Shareholders Funds ■ Other Liabilities ■

- Shareholders Funds grew by 20% with growth mainly being driven by increase in revenue reserves
- Growth in deposits for the Group was 17% year on year with Kenya recording 14%, Rwanda 113%, Tanzania 213%, Sudan 11% and Uganda 28% growth rates
- The Borrowed funds consist of long term tenure funds sourced from international DFIs at low cost.



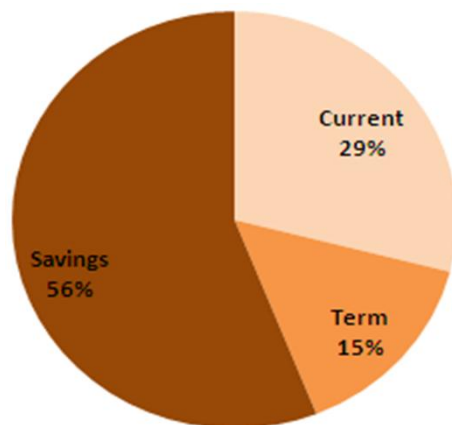
Sources of Funding

Deposits Evolution



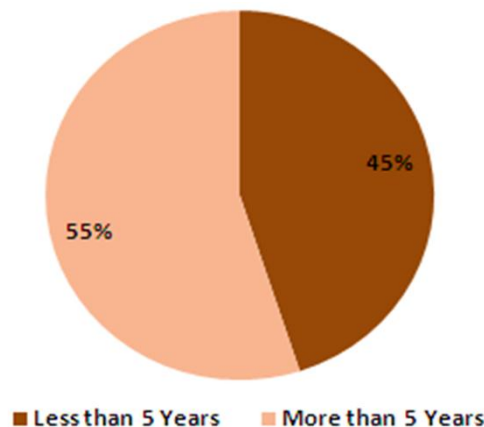
Q3 2013 Deposits Breakdown

By Type¹



Total: KES192.0bn

By Maturity¹



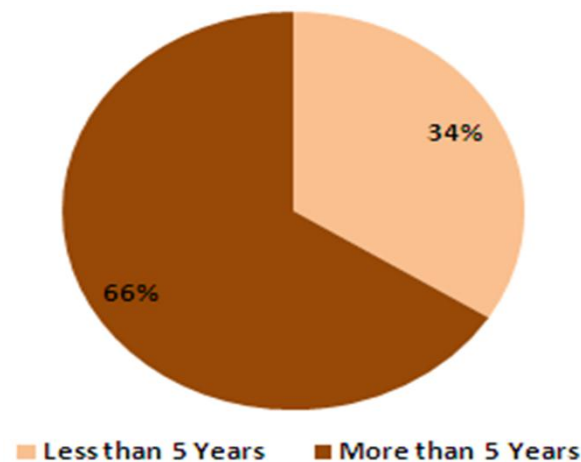
Total: KES192.0bn

1. Split based on Kenya only

Key Commentary

- Our deposits comprising 71% of total funding
- Term deposits accounted for 15% of deposits, Savings 56% and demand accounts 29% as at end of Q3 2012
- Share holders funds consist of over 18% of Total funding
- Long term offshore funds with average tenor of 7 years comprising 10% of funding
- Stable loan to deposits ratio

Q3 2013 Funding Breakdown by Maturity¹

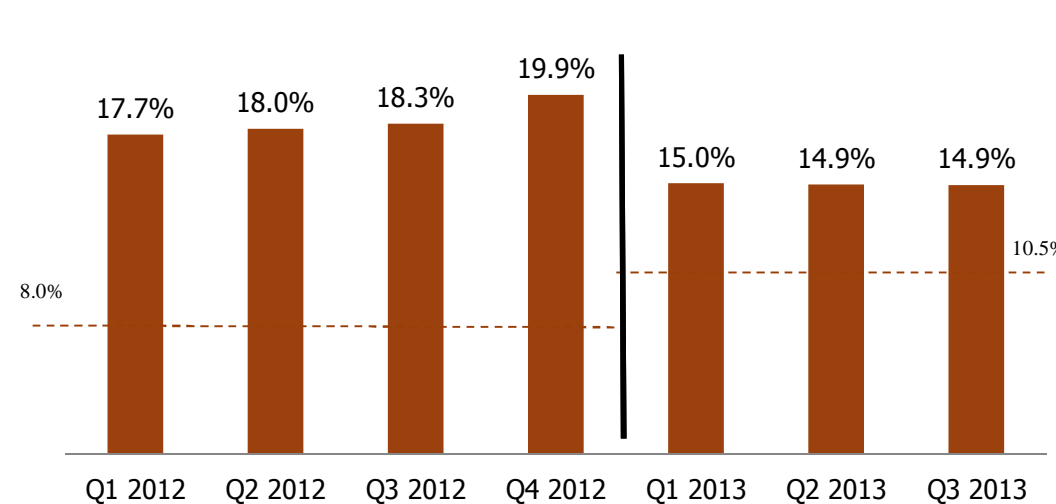


Total: KES 267.67 bn

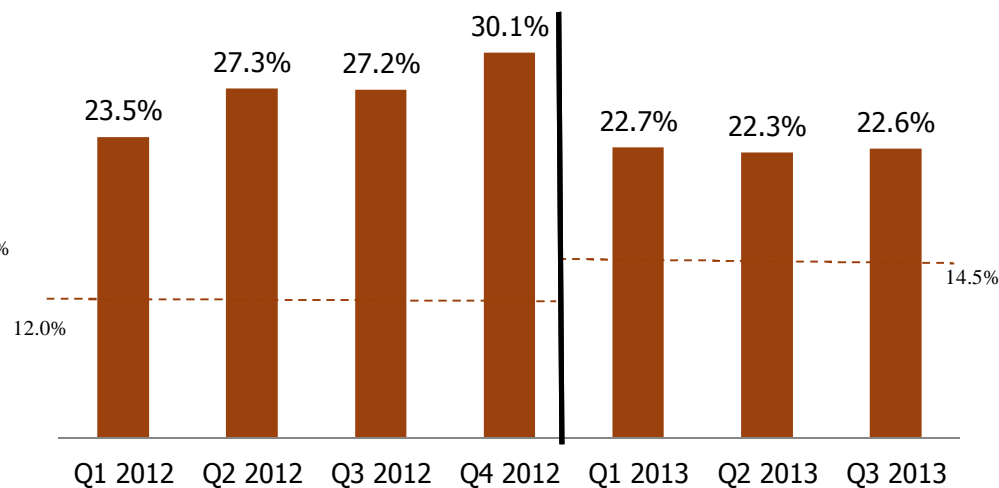


Capital Structure

Core Capital to Risk Weighted Assets

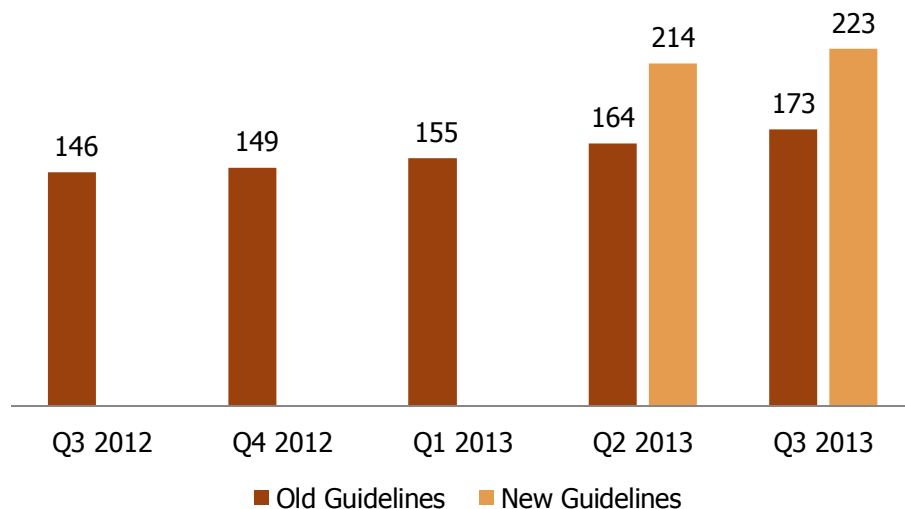


Total Capital to Risk Weighted Assets



Total Risk Weighted Assets Evolution (Kenya)

KESbn



1. Split based on Kenya only

Key Commentary

- The bank is well capitalised and increased its buffer allowance following the issuance of the new prudential guidelines in 2013
- Within the year, the Bank only takes in to account 50% of its revenue for Capital Adequacy computations. Total capital grew by 5.7% q/q to reach 50.1Bn.
- The new regulatory requirements Introduced **Market** and **Operational** risk as well as revised upwards the minimum regulatory capital ratios :
 - Core capital to total deposits ratio: from 8% to 10.5%
 - Core capital to total RWA: from 8% to 10.5%
 - Total capital to total RWA: from 12% to 14.5%

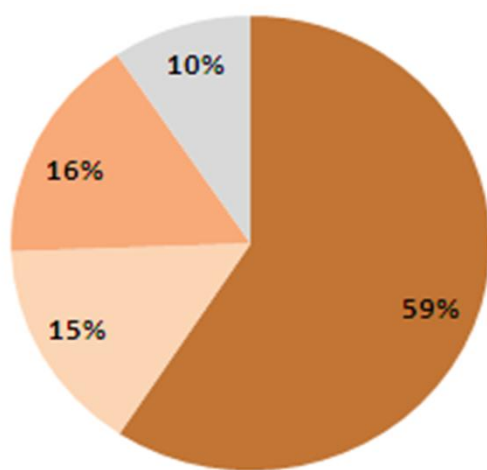


Structure & Asset Portfolio



	Sep-12	Sep-13	Growth
Assets (bn)	KES	KES	%
Net Loans	131.34	158.58	21%
Cash & Cash Equivalents	44.38	40.66	(8)%
Government Securities - HTM	27.28	33.70	24%
Government Securities - AFS	7.88	9.53	21%
Other Assets	<u>21.34</u>	<u>25.20</u>	<u>18%</u>
Total Assets	<u>232.22</u>	<u>267.67</u>	<u>15%</u>

Asset Distribution



- Total assets grew by 15% in the Group with a significant increase being achieved in Loans and Advances and Government Securities.
- Group net loans and advances grew by 21% with Kenya growing by KES 21.6bn, Sudan\$ by 73%, Rwanda 135% and Tanzania 250%
- The Balance Sheet is highly Liquid at 38% over the statutory liquidity minimum ratio of 20%
- Over 80% of assets are earning assets

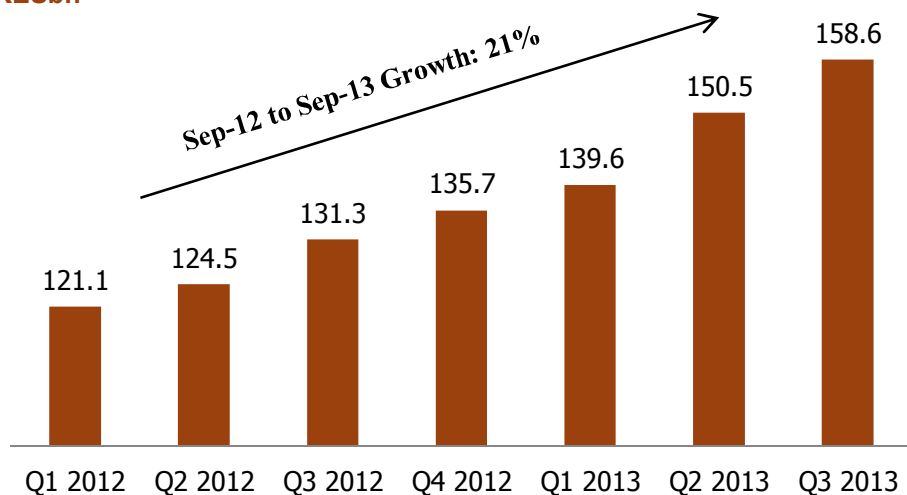
■ Net Loans ■ Cash & Bank Balances ■ Government Securities ■ Other Assets



Asset Creation

Customer Loans Evolution

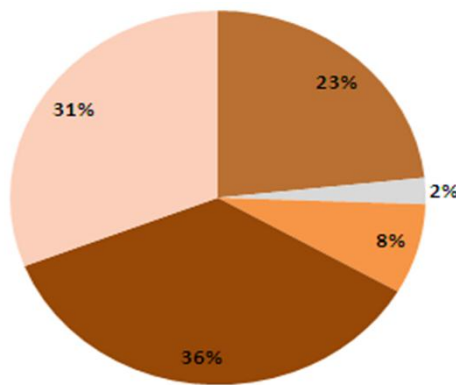
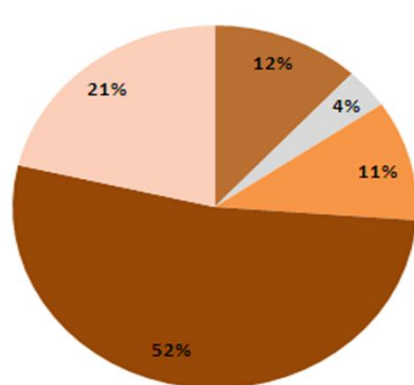
KESbn



Breakdown by Maturity

Q3 2013 Loan Book¹

Q3 2013 Assets



Less than 3 months 3 - 6 months 6 - 12 months 1 - 5 years Over 5 years

Total: KE158.6bn

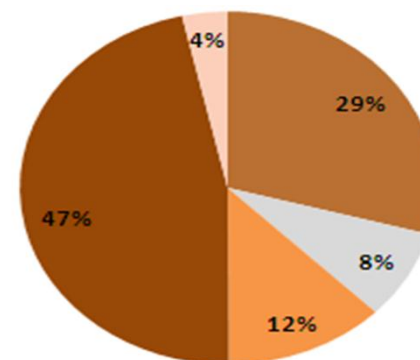
Total: KES 267.67bn

Key Commentary

- Continued growth in the loan book achieving a 21% growth YOY and 11% growth in loan accounts
- Growth in the quarter mainly driven by SME loans
- Loan book split into 5 client types: Consumer, Agriculture, Micro, SME and Large Enterprises
- Portfolio diversified across various economic sectors such as personal and house hold, trade and industry, transport & logistics, energy, agriculture and real estate

Q3 2013 Loan Book Breakdown By Customer Type

Total: KE158.6bn



Consumer Micro Enterprises Large Enterprises SME Agriculture

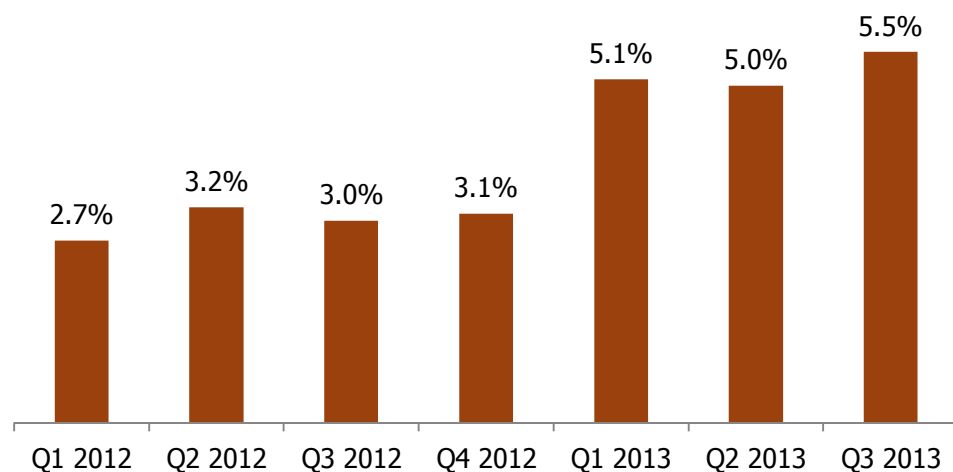
Diversification of loan book by sector has significantly reduced concentration risk

1. Split based on Kenya only

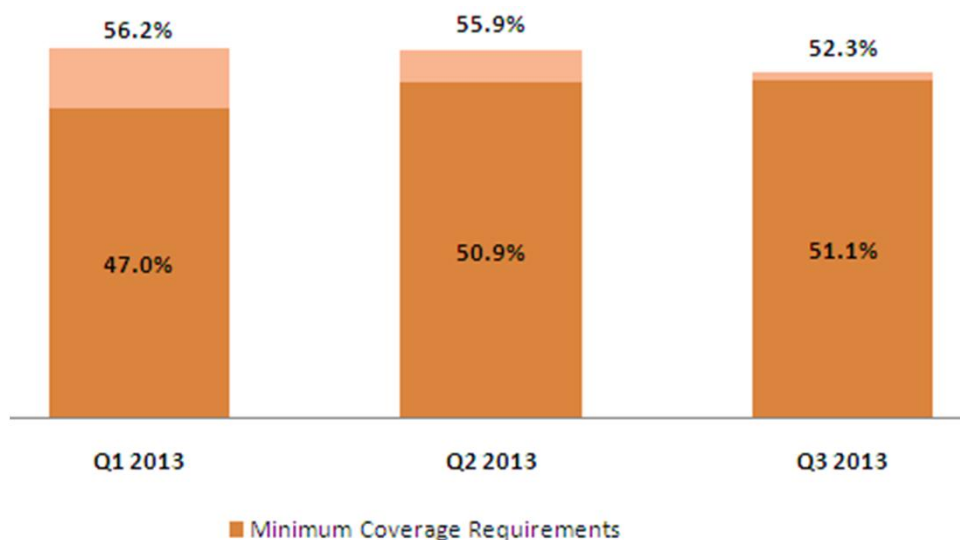


Impairments

Asset Quality Trend (Gross NPL to Gross Loans)



Coverage Ratio Evolution¹

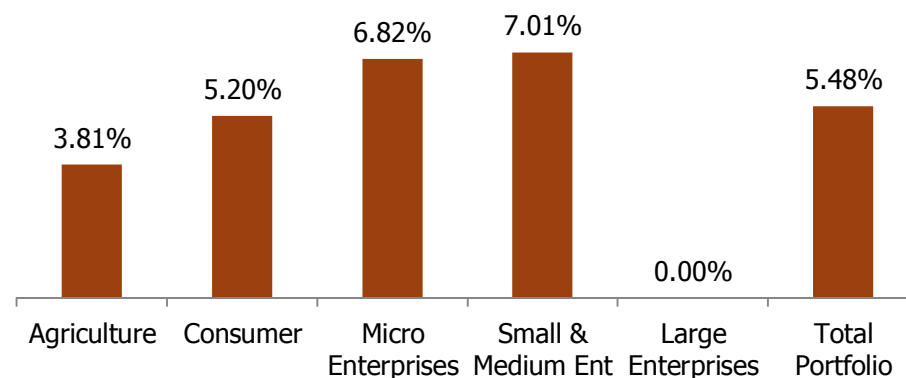


1. Under CBK rules

NPL Ratio Evolution

- Impacted by the challenging macro-economic conditions across all target markets and region, main reasons being:
 - With the new devolved structures, SMEs continued to experience delayed government payments
 - Continued strain in South Sudan economy arising from oil exportation challenges
- New prudential guidelines requiring longer observation period hence the position may hold for next 6 months
- Loan book well provisioned to cushion against any adverse macro shocks and any other unforeseen uncertainties

Gross NPL Ratio By Sector Q3 2013

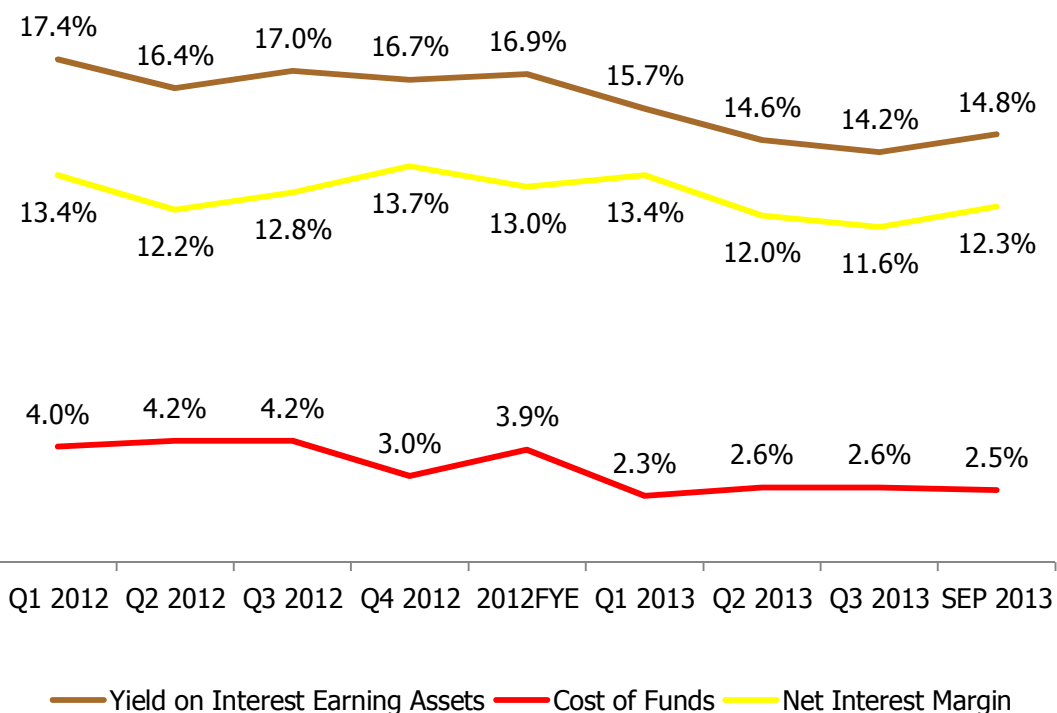




Net Interest Margin & Revenue

Net Interest Margin

High stable NIMS despite tough economic conditions and unstable interest rate environment

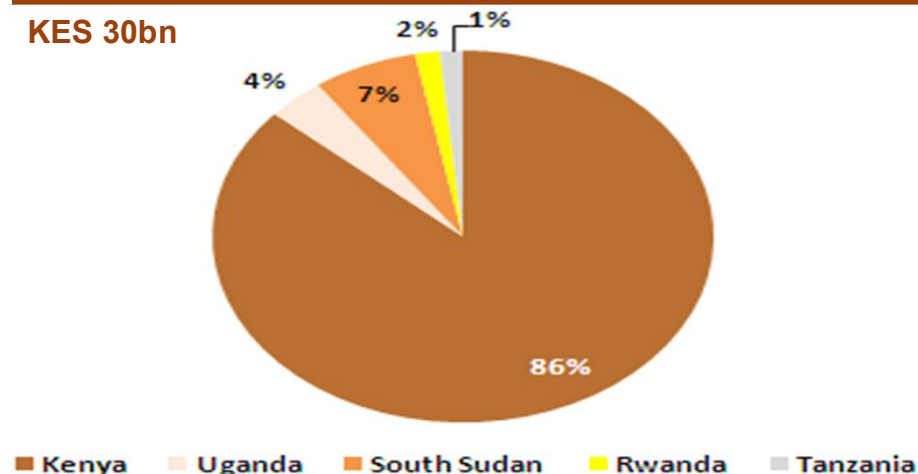


Revenues

- Net Interest Income grew by 14% while non interest income grew by 12% YOY
- Forex income contributed 5% of total income in the group after closing at KES 1.36bn as at Sep-13
- Fees and commission income due to loans grew by 25% YOY to close at KES 3.2bn contributing 10% of total income

Subsidiary Contribution to Revenue

KES 30bn

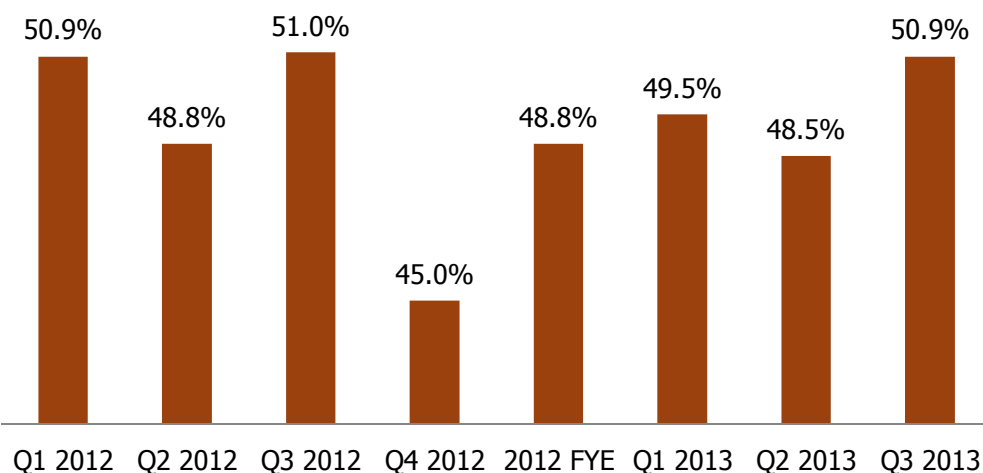




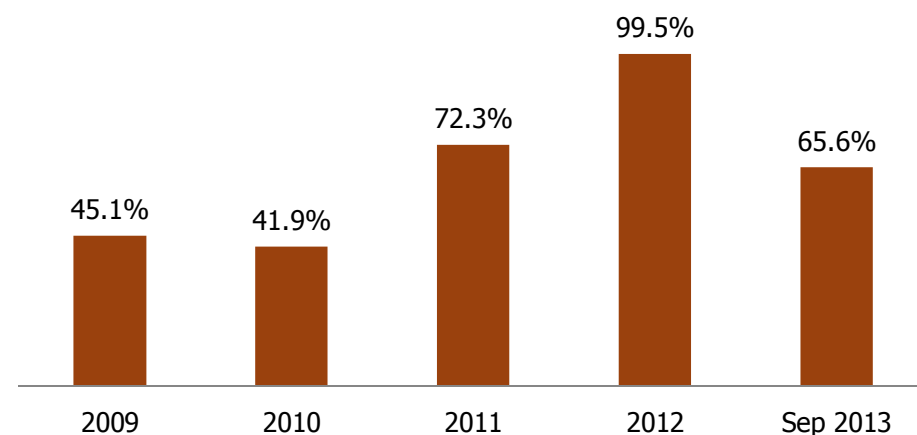
Costs



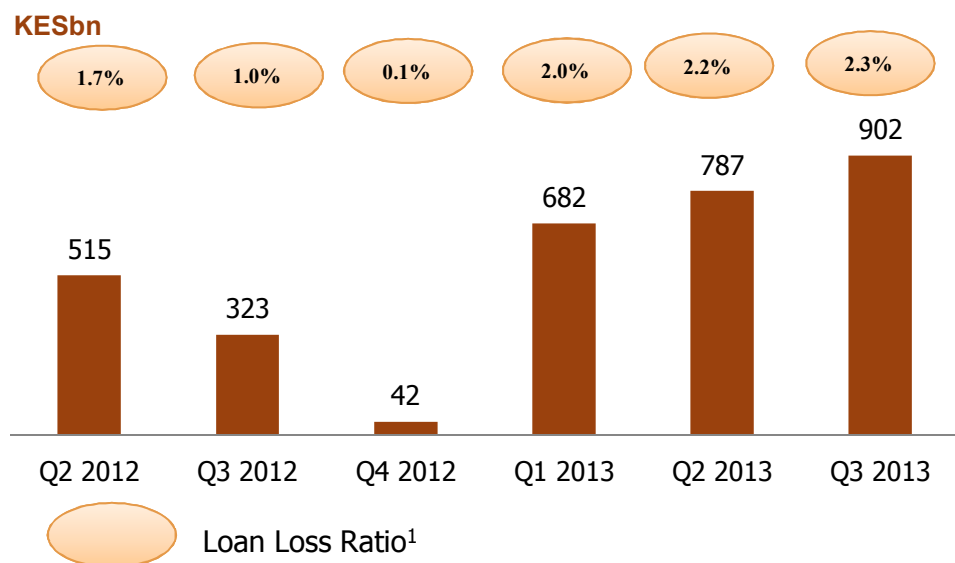
Cost to Income Ratio



IFRS Coverage Ratio Evolution²



Loan Loss Provisions Evolution



Key Commentary

- **Continued focus on cost management**
- Operating expenses increased yoy due to expenses related to physical upgrades of some of our branches to accommodate SME customers
- Cost management expected to be further enhanced by operationalization of the Hyperion planning tool
- CIR ratio expected to be stable in the short term but expected to further reduce in medium term and long term as dividends from agency banking, investments in Payment systems and ICT continue to accrue.

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

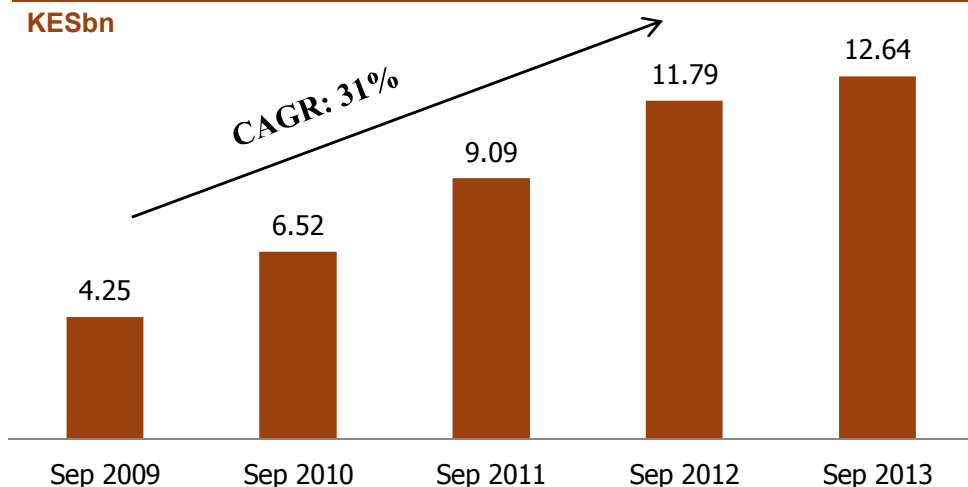


Profitability

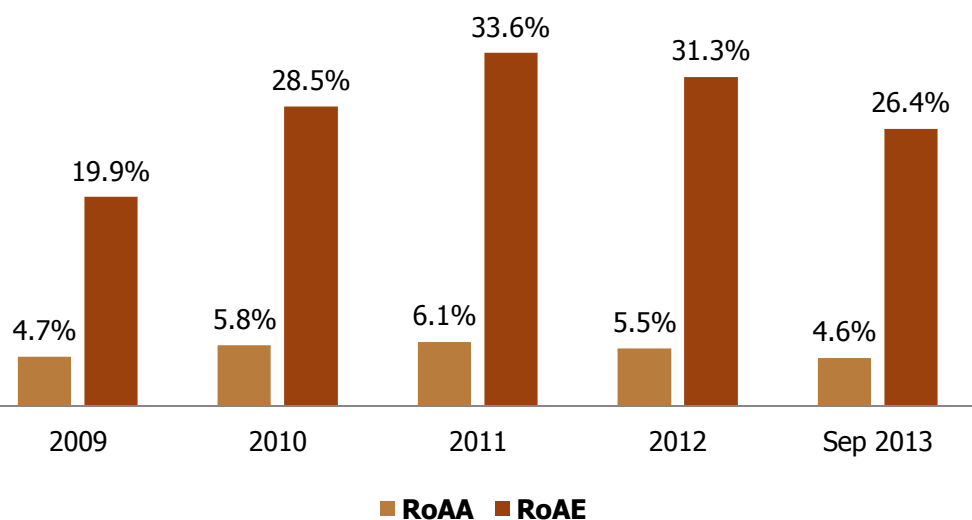
PBT Evolution¹

KESbn

CAGR: 31%



RoAA / RoAE Evolution



Key Commentary

- Group Profit before Tax grew by 7.2% YOY to KES12.6bn, mainly impacted by the reduction in lending rates, and cost of investments in Mobile Banking, Agency Banking, Merchant Payments Systems and ICT. Kenya profitability grew by 10%.
- Continued focus on profitability with a Return on Equity of 26.4%, given the strong capital base (15% CT 1 ratio)
- Potential to continue growing at faster rate arising out a huge customer base and increasing wallet share per customer

2014 Outlook

- The growth momentum is expected to be maintained on the backdrop of the current stable macro-economic environment and the huge investments the bank has made in ICT, mobile and agency banking, and the growth in the SME portfolio



Q3 2013 Performance: Income Statement

KESm	September 2012	September 2013	September 2013 vs. September 2012
Interest Income	22,671	23,560	4%
Interest Expense	(5,438)	(3,848)	(29)%
Net Interest Income	17,233	19,712	14%
Other Income	9,420	10,554	12%
Total Income	26,653	30,266	14%
Provisions	(1,566)	(2,371)	51%
Staff Costs	(5,860)	(6,698)	14%
Other Operating Expenses	(7,531)	(8,710)	15%
Total Costs	(14,957)	(17,779)	19%
Exceptional Items	97	152	57%
PBT	11,793	12,639	7%
Tax	(3,492)	(3,734)	7%
PAT	8,301	8,905	7%
Key Ratios			
NIM	12.9%	12.3%	
C/I Ratio	50.2%	50.9%	
Cost of Risk	1.70%	2.15%	
RoAE	30.1%	26.4%	
RoAA	5.2%	4.6%	



THANK YOU

Dr James Mwangi, CBS
Group Managing Director & CEO

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Web site: www.equitybankgroup.com