



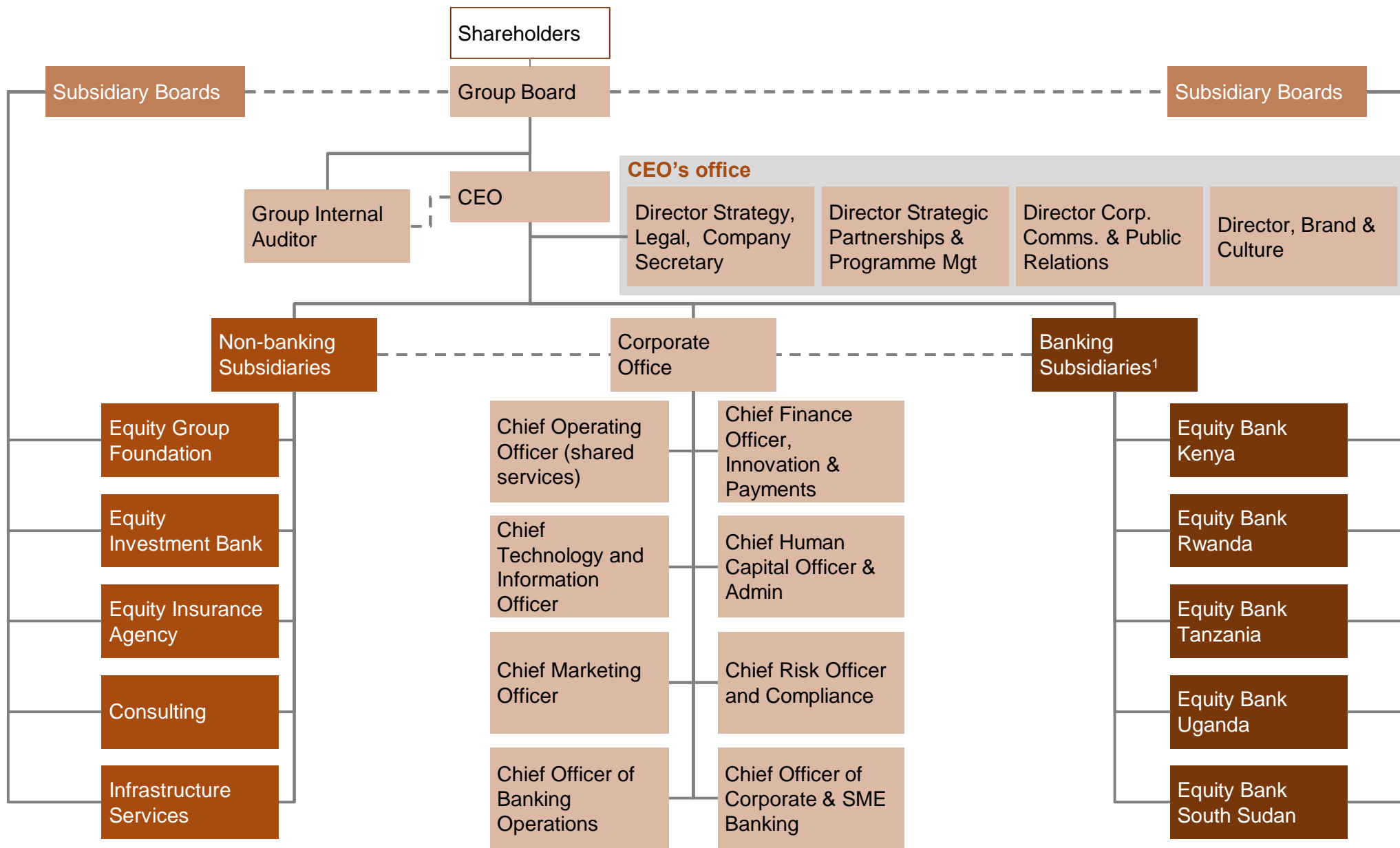
Investor Briefing & 2014 Performance

March 2015





1ST REGIONAL LISTED INVESTMENT GROUP HOLDING COMPANY



1 100% wholly-owned banking subsidiaries, each with own Board of Directors compliant with local regulations



MACRO ECONOMIC ENVIRONMENT

2014 provided an increasingly enabling macro-economic environment



◆ **STABLE ECONOMIC INDICATORS**

Interest Rates:

The government of Kenya successfully issued a US@2.7 billion sovereign Euro bond at very competitive rates and with an impressive uptake and subsequent trading. This has helped set a reliable benchmark.

Exchange Rate:

Over the last one year the Kenya shilling has demonstrated the most resilience and narrow volatility against the US Dollar compared to its peers.

Inflation Rate:

Inflation continued to decline towards middle single digit range with an outlook of further decline and stability

◆ **REGIONAL INTEGRATION**

Political will to regional integration gained momentum. Harmonization of regional policies is enhancing cross border trade and contributing to ease of doing business within the East Africa community.

◆ **INFRASTRUCTURE DEVELOPMENT**

The East Africa Region has witnessed unprecedented investment in infrastructure stimulating supply and investment led growth.

The standard gauge railway line, the gas pipeline from Mtwara to Dar es Salaam, the lapset corridor pipeline, port and road infrastructure the power generation projects, airports and ports together with massive road projects such as the 10,000 kilometer annuity road projects in Kenya all contribute to reducing the cost of doing business and making the region more competitive while increasing economic activities.



- ◆ **SECURITY**

Recent reduction of incidences of insecurity is creating a conducive environment for the revival of the tourism industry which has been in a slump over the last 2 years.

- ◆ **MIDDLE INCOME STATUS FOR KENYA**

The re-basing of the Kenya economy resulting into a middle income economy status has changed the narrative and perception of the region. The size of the economy is an attraction for the investors, changing risk and economic opportunity perception.

- ◆ **DIGITIZATION OF GOVERNMENT BUSINESS**

Kenya has emulated Rwanda in digitizing government. This is likely to contribute positively in reducing corruption and bureaucracy while enhancing efficiency, speed and reducing cost.

- ◆ **NATURAL RESOURCES**

The East African economies have in the past developed and grown on the back of agriculture. Recent discoveries of minerals and particularly oil and gas offers an opportunity of diversifying and fast tracking economic transformation, growth and development of the region as appropriate infrastructure is put in place to exploit natural resources.



◆ **SUSTAINED POLITICAL, SOCIAL AND ECONOMIC REFORMS**

The region has started enjoying reform dividends from being viewed as the most democratic and politically stable region in Africa. Economic, social and legal reforms are transforming the business environment relative to the rest of Sub-Saharan Africa.

◆ **GLOBAL ECONOMIC STATUS**

Low global economic growth characterised by low oil prices, favour the East Africa region which is a net importer of oil while regional high GDP growth rates makes the region attractive for investment relative to other regions

◆ **POSITIVE SENTIMENTS: NEW FAVOURABLE NARRATIVE OF THE REGION IS GAINING VISIBILITY**

- Nairobi the 7th most intelligent city in the world
- Nairobi and Watamu among the 10 world cities with the highest return on real estate
- Kenya among the 7 frontier markets, China, India, Mexico, Turkey, Indonesia, Malaysia
- Kenya projected to be among the fastest 3 emerging economies of the world in 2016 after China and Phillipines
- World Bank and IMF project Kenya's GDP to grow above 6% in 2016/2017
- World Bank Group country partnership strategy of US\$4 billion to support Kenya's development



Macro-economic Indicators - December 2014



Macro-economic Indicators	Kenya	Uganda	Rwanda	Tanzania
Current Account to GDP	-8.20%	-12.40%	-10.20%	-10.10%
FX Rate (USD/Local currency)	90.60	2643.87	687.37	1670.50
Private Sector Credit Growth	24.50%	11.0%	14.3%	13.7%
Real GDP Growth (2014 Estimates)	5.50%	5.40%	7.40%	6.90%
GDP USD Bn	55.24	21.48	7.45	33.23



Interest Rates - December 2014



Interest rates	Kenya	Uganda	Rwanda	Tanzania
91 Days T. Bill	8.61	10.97	4.62	12.17
182 Days T. Bill	8.91	11.47	5.23	13.84
364 Days T. Bill	10.33	12.57	6.49	14.05
Central Bank Rate	8.50	11.00	6.50	12.00
Inflation (CPI)	6.60	1.40	3.34	6.70
Interbank Rate	6.70	7.84	5.53	5.77



EQUITY CENTRE



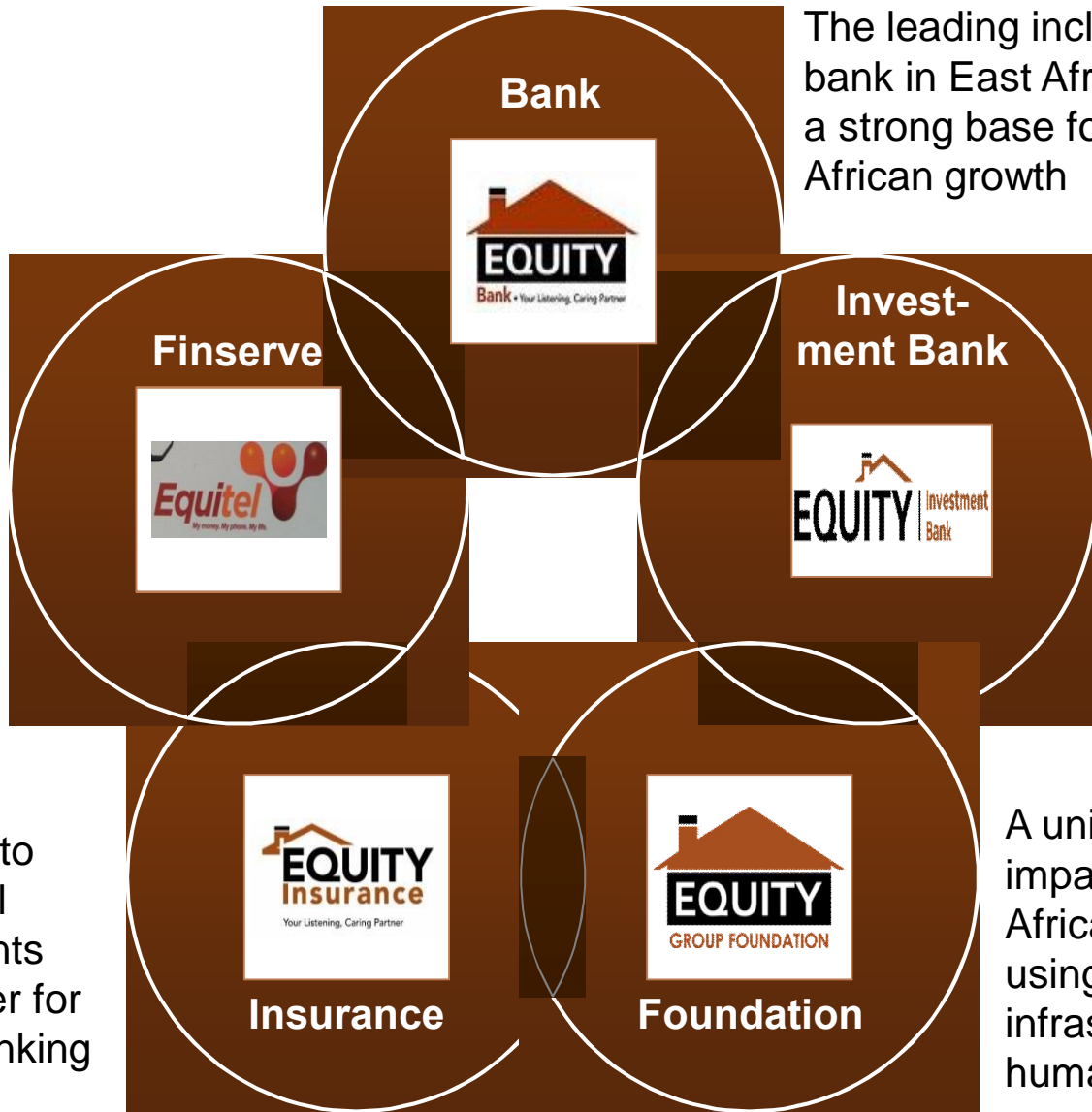
Equity Group at a Glance



Equity Group is comprised of five major components



A distinctive agile, convenient and secure mobile channel that seamlessly integrates and converges bank accounts and other financial products and services while providing value-add telecoms products and services



The leading inclusive bank in East Africa, with a strong base for pan-African growth

Investment services for our corporate clients: brokerage, custodial and advisory

Insurance products to deepen the financial inclusion of our clients while providing cover for risk mitigation of banking products

A unique approach to impacting the lives of African in our communities using the Bank's existing infrastructure, enormous human capital and Brand



Equity Group is now transitioning to Equity 3.0, our boldest step change that will take the bank to the next level



Equity 1.0:
Updated business model and strategy
 1994 . 2004
 Kenyan Building Society

Changed strategy to high-volume, low-value deposit-led model

Developed capacity of our people

Built culture and philosophy

Redefined and democratised banking in Kenya

Competition: Mattress

Equity 2.0:
Transformed legal and operational structure
 2004 . 2014
 East African Regional Bank

Changed legal and operational structure

Shifted technology, leading to major innovations in mobile / online banking

Scaled-up and diversified distribution network

Built social and economic brand

Attracted adequate talent and funding to build a strong organisation

Strengthened governance structure, enhanced capital base and listed the bank

Competition: Banks

Equity 3.0:
Transforming banking to “something you do”
 2014 . 2024
 Pan-African Bank

Leverage technology and innovation

Converge financial products and services

Seamlessly integrate channels to improve experience

Inclusion segmentation for focused strategic delivery

Scale brand visibility and loyalty

Re-design operating model for efficiency and high performance

Scaled regional expansion and continental presence

Competition: Cash and new entrants



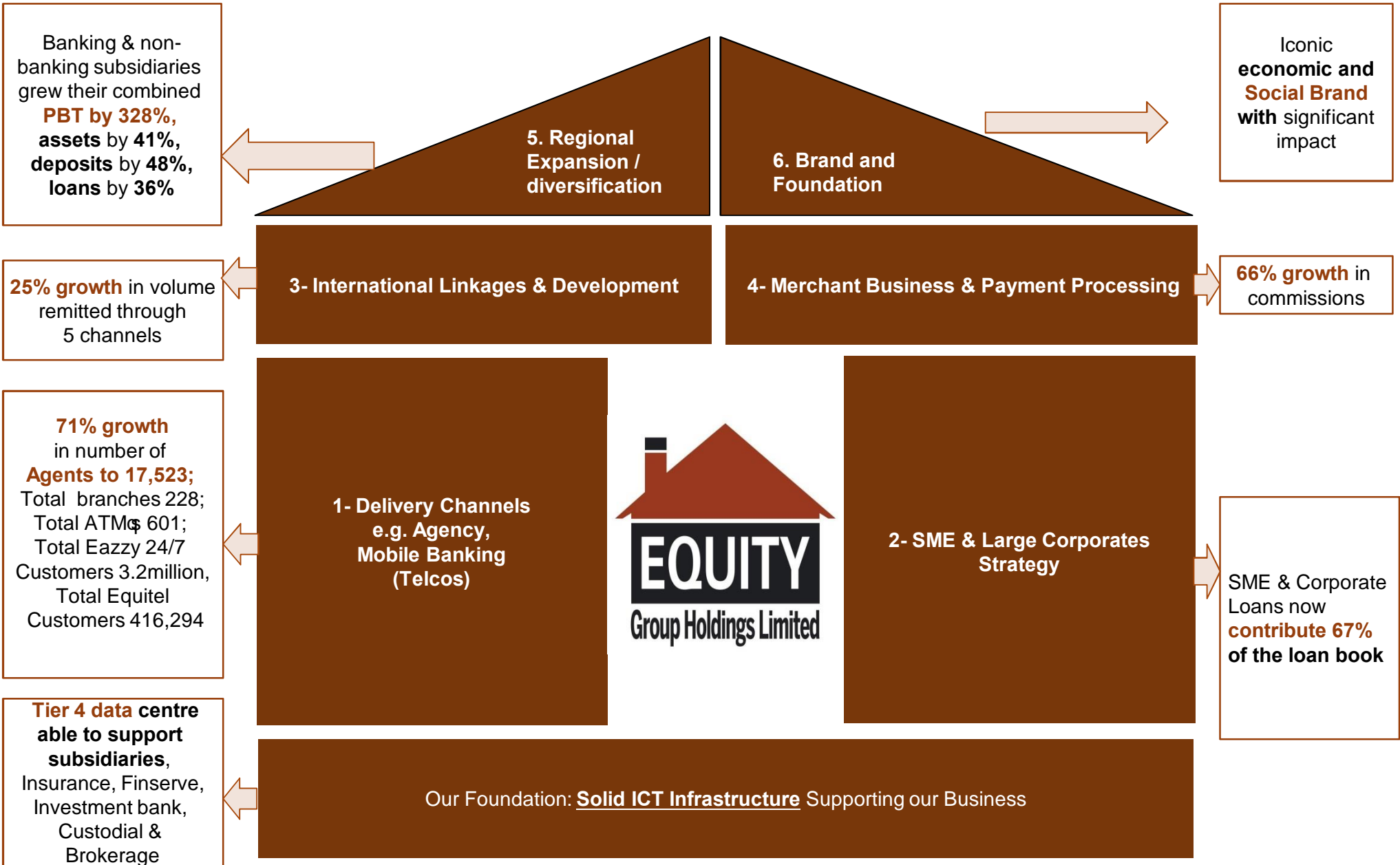
EQUITY CENTRE



Update on Strategic Initiatives



We have made solid progress on strategic initiatives to revolutionize customer experience





1

Continuous Growth in Agency Banking



Equity has invested in growing Agency Banking...

...which has led to a steady increase in the transactions at agents overtaking Branch and ATM

Number of agents increased to **17,523 agents. Over 70% growth y/y**

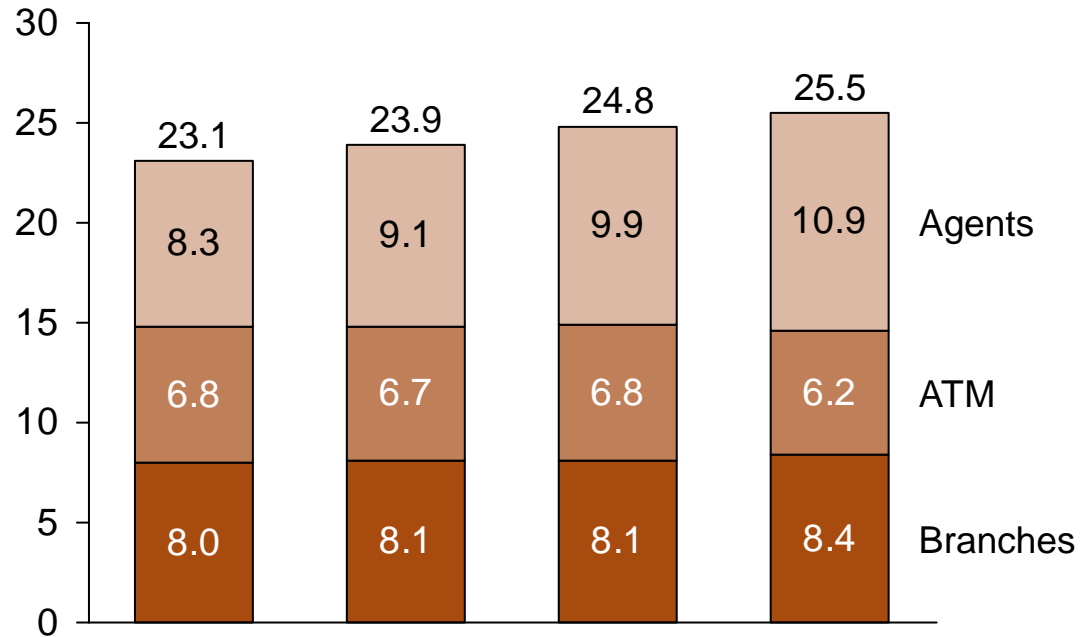
Model has accelerated **financial inclusion** and **access to banking services**

Variable cost model: leverage on 3rd party infrastructure and cash flows

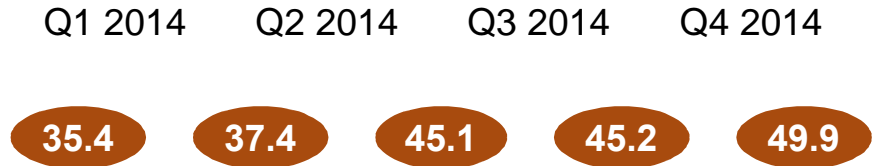
Currently doing **account opening origination, cash deposit and withdrawal, balance enquiries** but with potential to increase product offering to include insurance sales, air ticket sales, loan origination and telecom services

Transactions are real time-online

Transactions (millions)



Agency Deposit Amount (KSH Bn)



Agency Withdrawal Amount (KSH Bn)



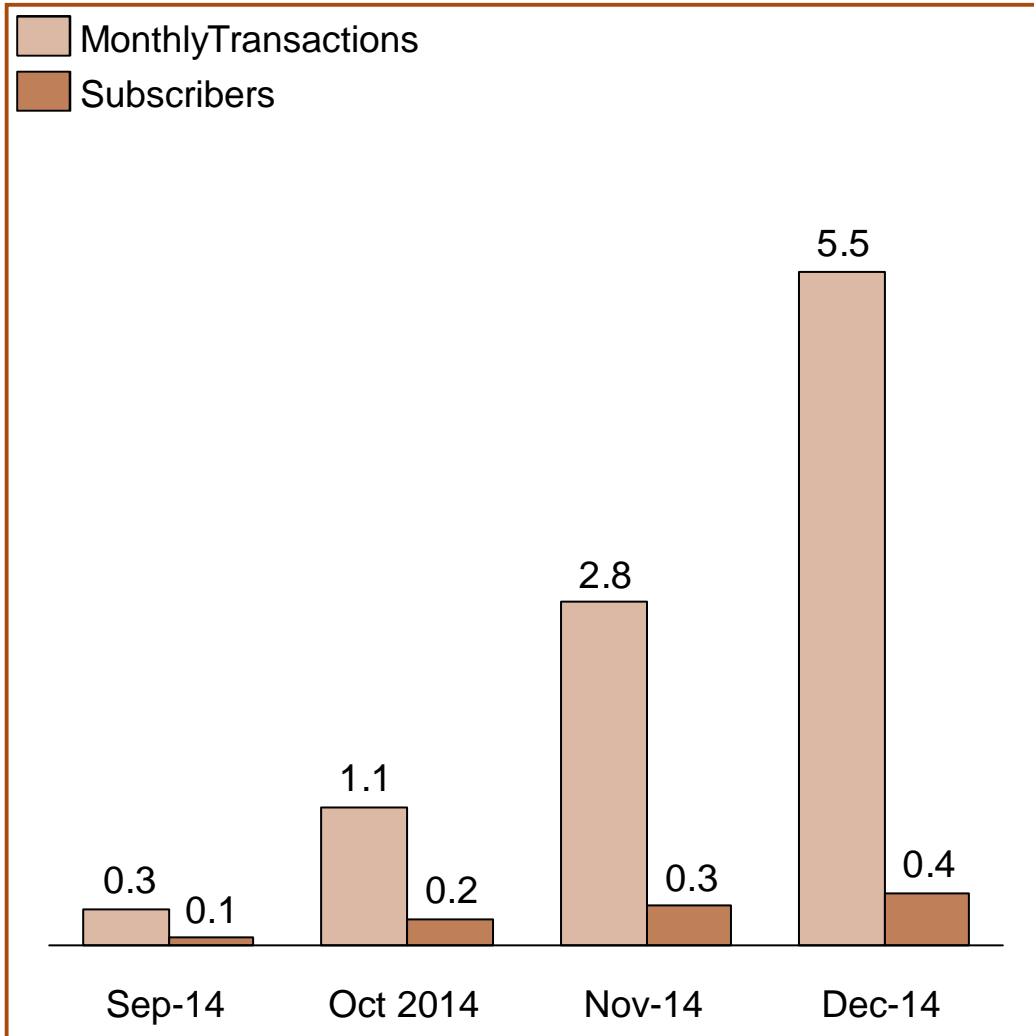


1

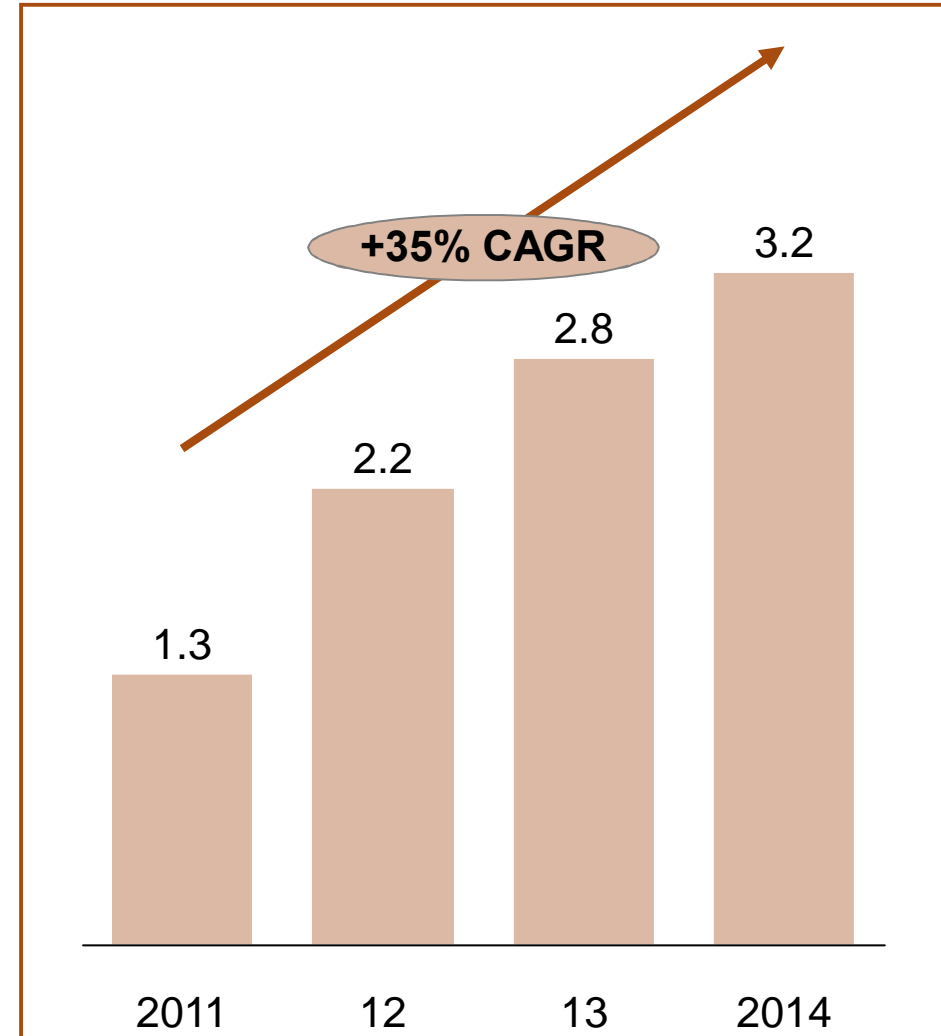
We are ramping up Equitel
...which has led to ~ 35% CAGR in Mobile Banking customers



Equitel Subscribers & Transactions (Million)

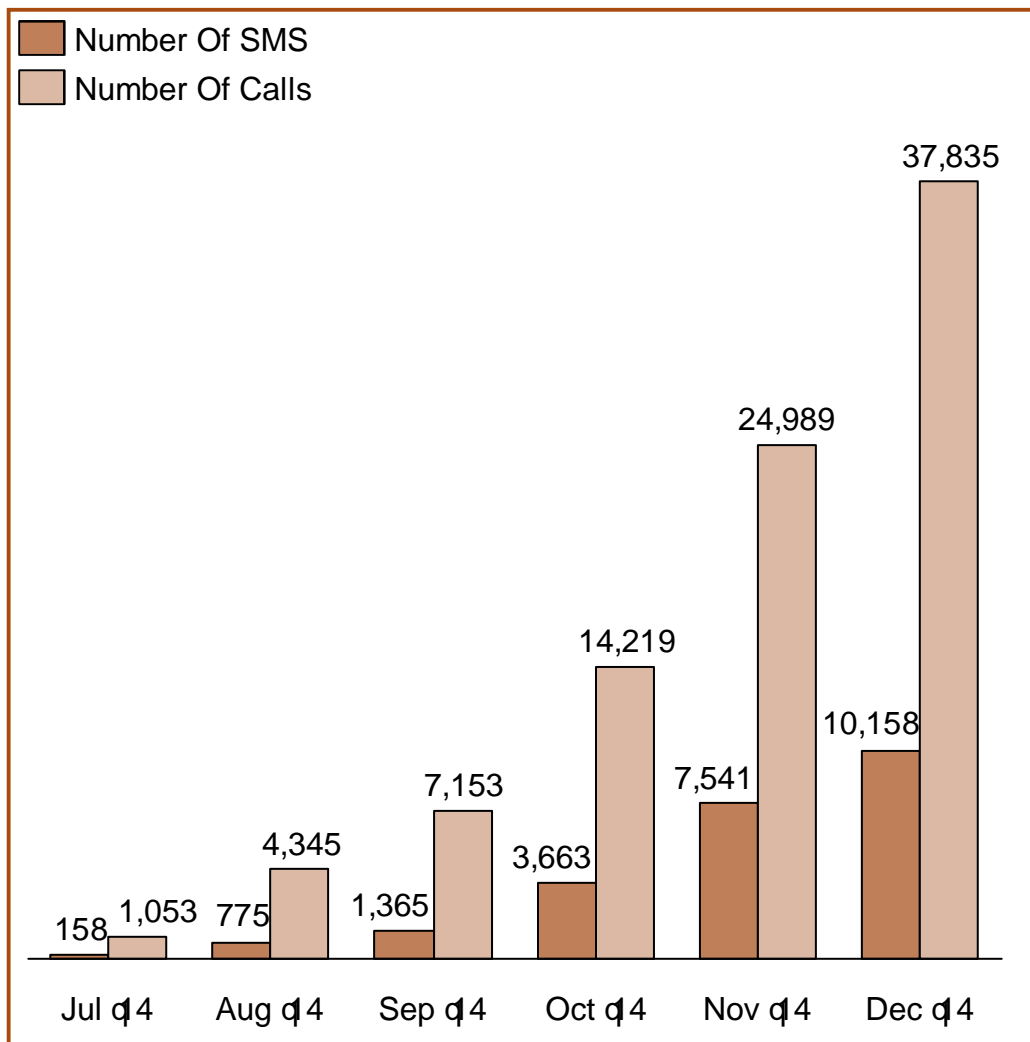


Eazzy 24/7 Subscribers (Millions)

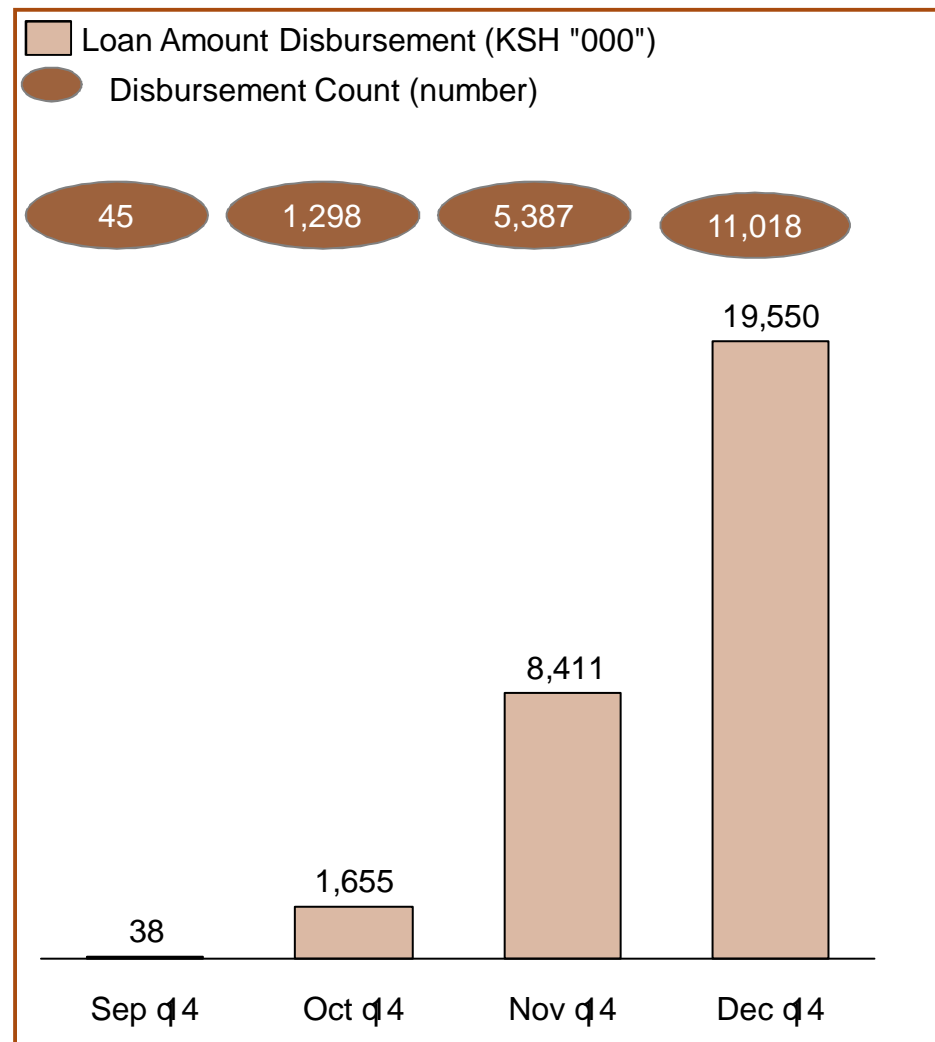




Equitel Calls & Text Messaging Volumes (“000”)



Equitel Loan Disbursements Pilot Project

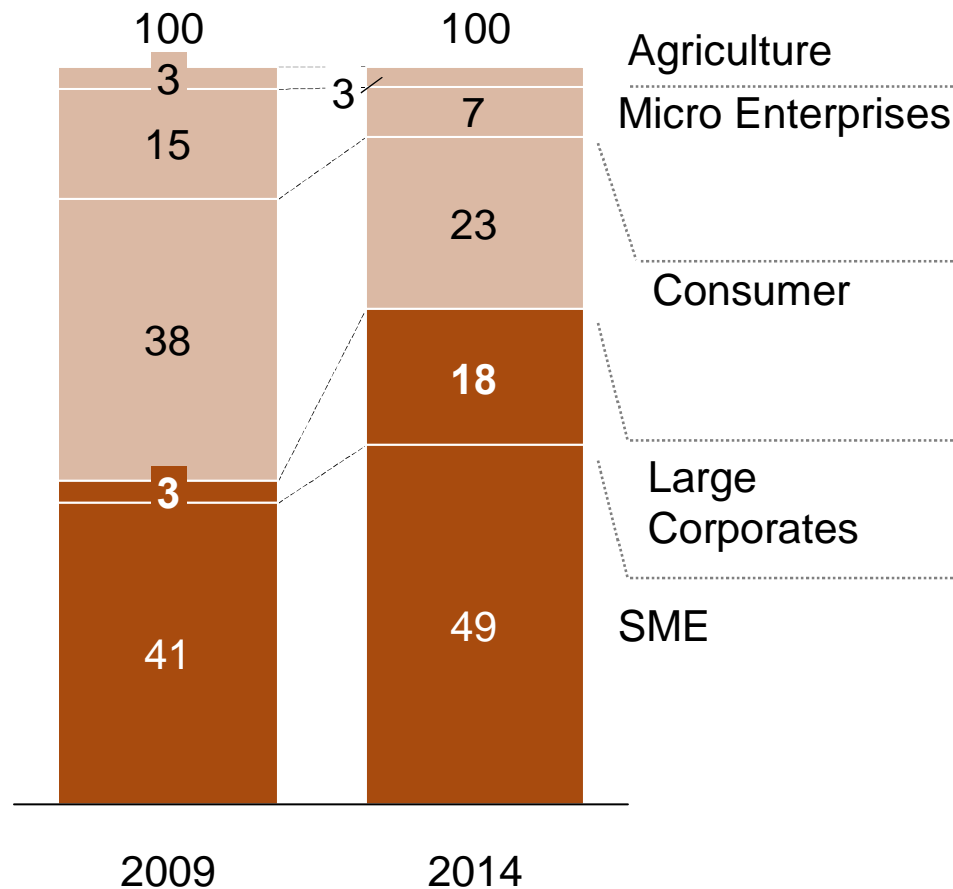




② We have focused on supporting SME's & Corporates

Share of loan book by segment

Percent



Details

Still a core area but now a reduced part of the loan book

Still a core area but Improving macroeconomic environment driving evolution of micro enterprises into SMEs

Consumer remains a core area but contribution now a reduced portion of the loan book

Focusing on value chain & clusters within large enterprises

Increased lending to **SME as a proportion of the loan book**
Enhancing delivery by hinging on **Value Chains and Clusters**

Focusing on SMEs & Corporates has contributed to a **higher quality loan book** that has led to a **1% reduction in NPL's** between 2013 and 2014

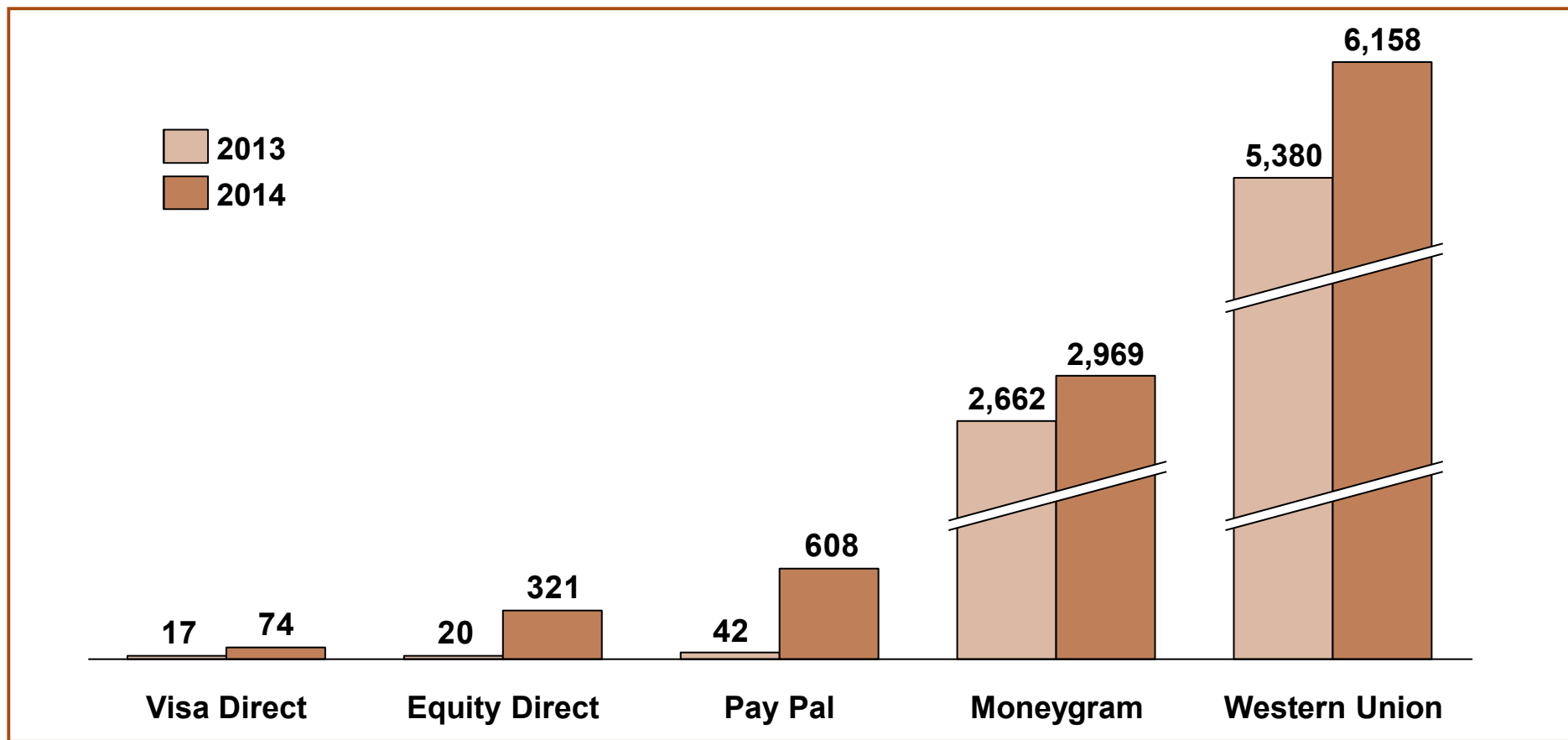


3

Under the Diaspora Remittances Initiative, International Linkages will also drive this growth



Equity Bank Diaspora Remittances by Channels
KSH %Million+



Contributing to an overall foreign exchange income growth of 26%



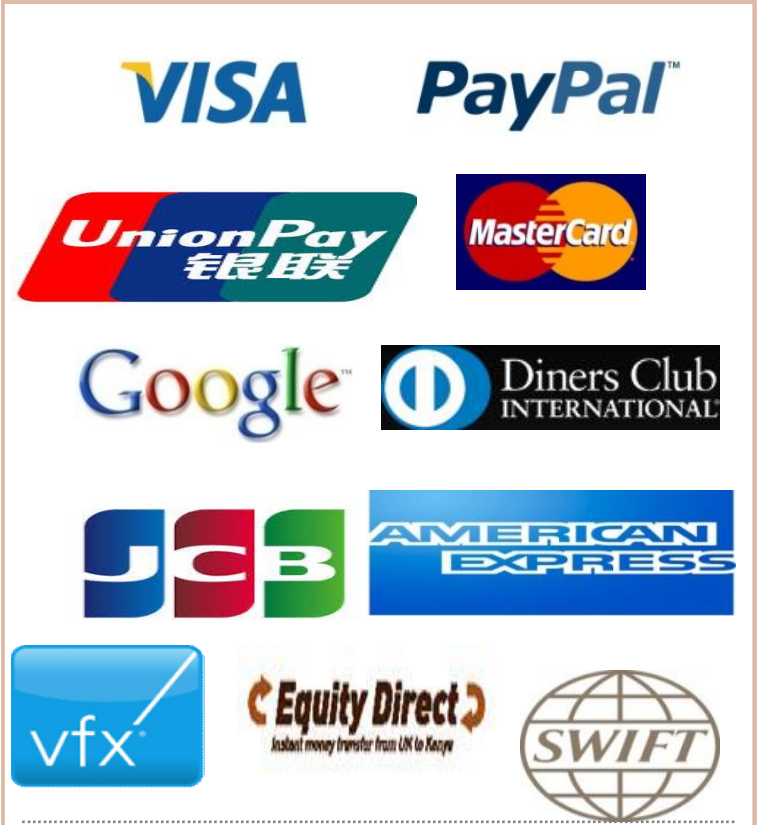
4

We are building on our momentum in Payment Processing and Merchants...

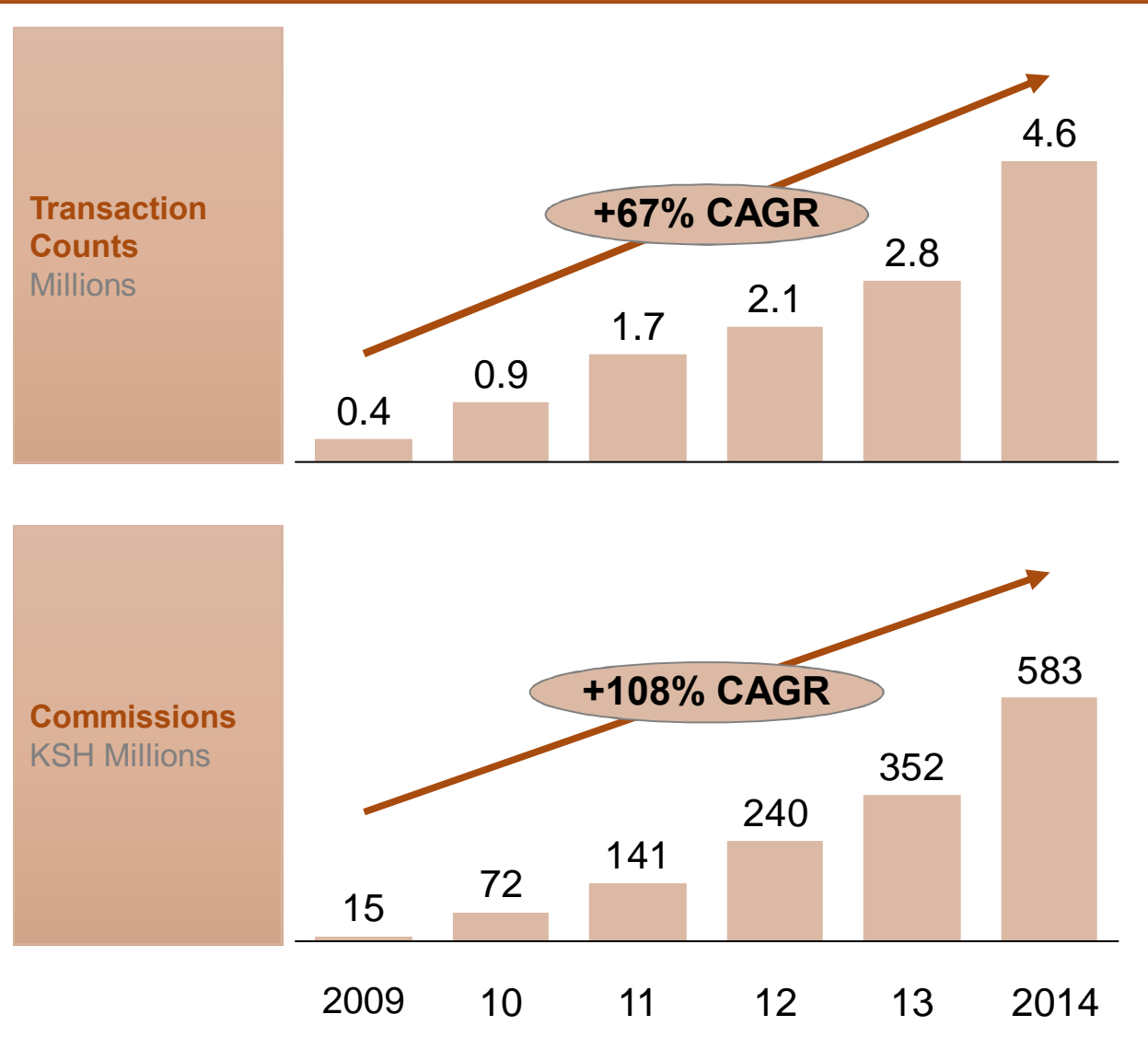


We have partnered with key payment companies...

...which has allowed us to grow our number of transactions and commissions



Equity is leading in **Acquiring and Issuing**
Best in class payment channel
 services work well with merchants
 Achieved **66% growth in commissions** from prior year





Regional Expansion & Diversification



KSH %Billion+(unless otherwise noted)

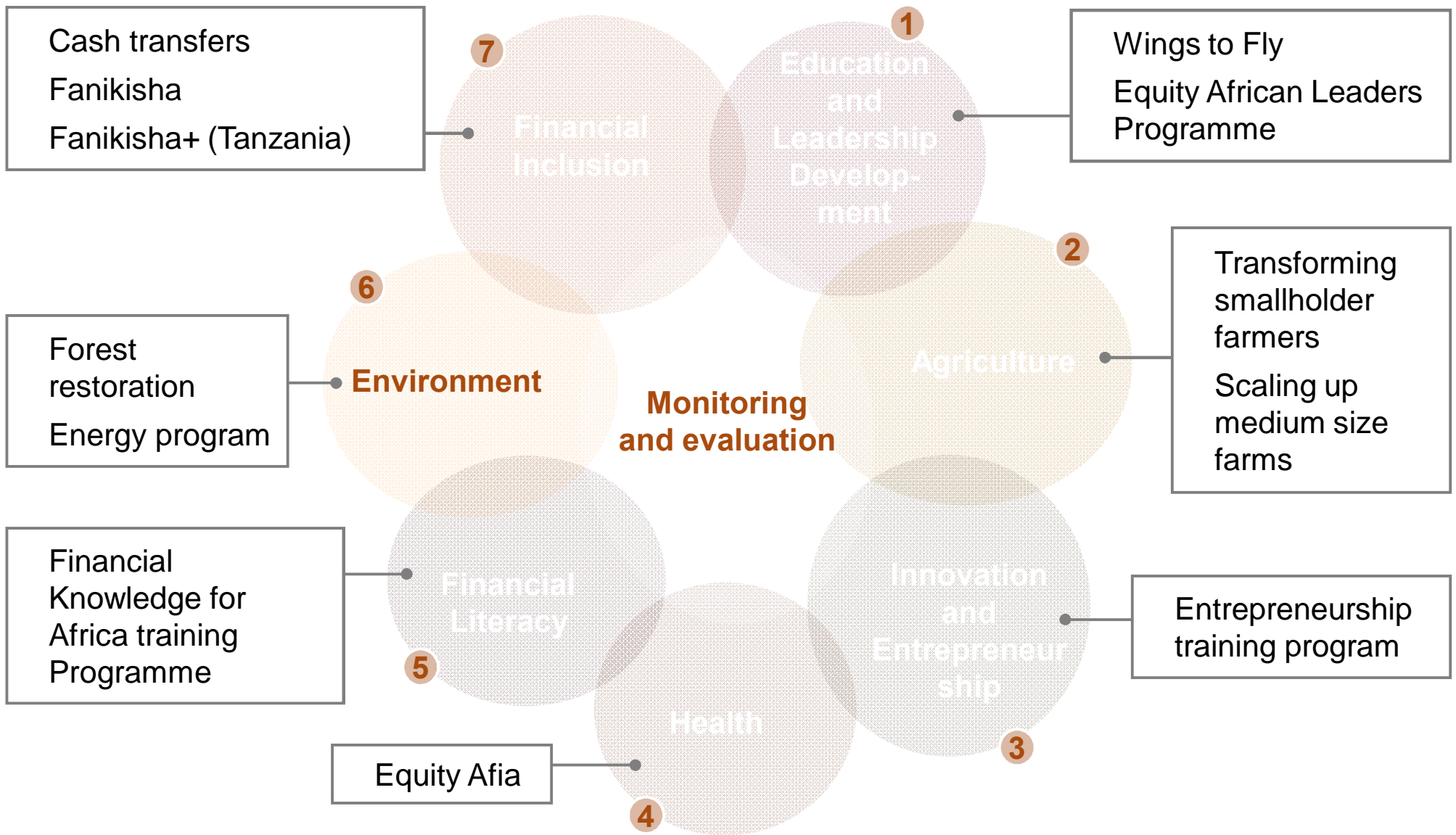
**Banking
Subsidiaries
(Uganda,
S. Sudan,
Tanzania,
Rwanda)**

Business drivers	2013	2014	Growth
Customers (number)	1,014,191	1,220,491	20%
Deposits	37.2	55.2	48%
Loan Book	19.3	26.2	36%
PBT	0.25	1.07	328%
Total Assets	50.0	70.7	41%



6

We have developed an economic and social Brand through the Foundation...





6 ... with tangible and scalable impact to date



GRADUATING CLASS



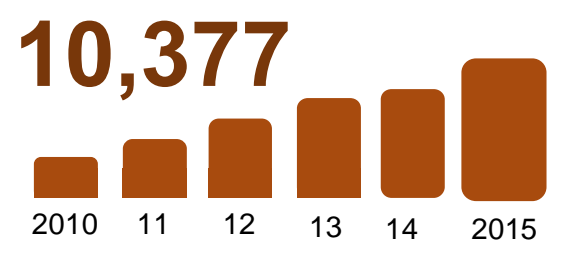
	2013	2014
Completion	98%	98%
Achieved university entry grades	94%	92%
Achieved A-grade	34%	45%



YOUTH EMPOWERMENT THROUGH LOANS IN PARTNERSHIP WITH GOVERNMENT YOUTH FUND;

KES 12 billion in loans to youth

TOTAL WINGS TO FLY SCHOLARS



WOMEN & YOUTH

1,260,486



Kenyan women and youth completed the financial literacy training in financial knowledge for Africa (FiKA) programme.

11,500

Entrepreneurs trained



500,000 Subsistence farmers converted to agri-businesses



University Scholars

2,000 SCHOLARS

Of which 190 are placed in top global universities



TOTAL FUNDS SPENT ON PROGRAMS

KES 1,123,847,885

EMPOWERING WOMEN THROUGH FANIKISHA

KES 27 billion in loans to women





EQUITY CENTRE



Financial Performance

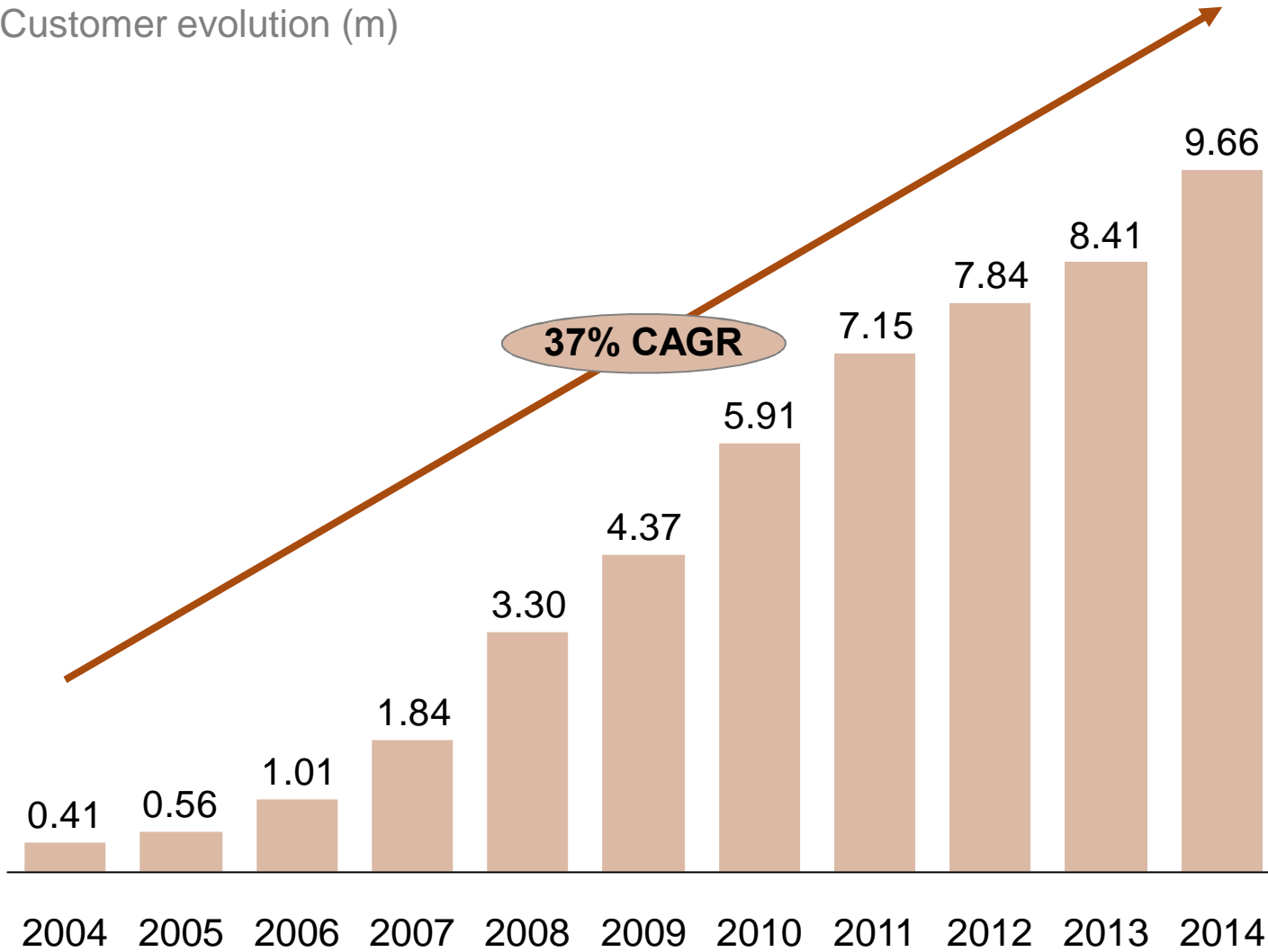


We have grown our customers to 9.7M, driven by our distinctive value proposition and channels



Equity has grown customer numbers substantially ...

Customer evolution (m)



...who are served across channels



Equity branches



Mobile banking



POS terminals



Equity branch ATMs



Self-service kiosks



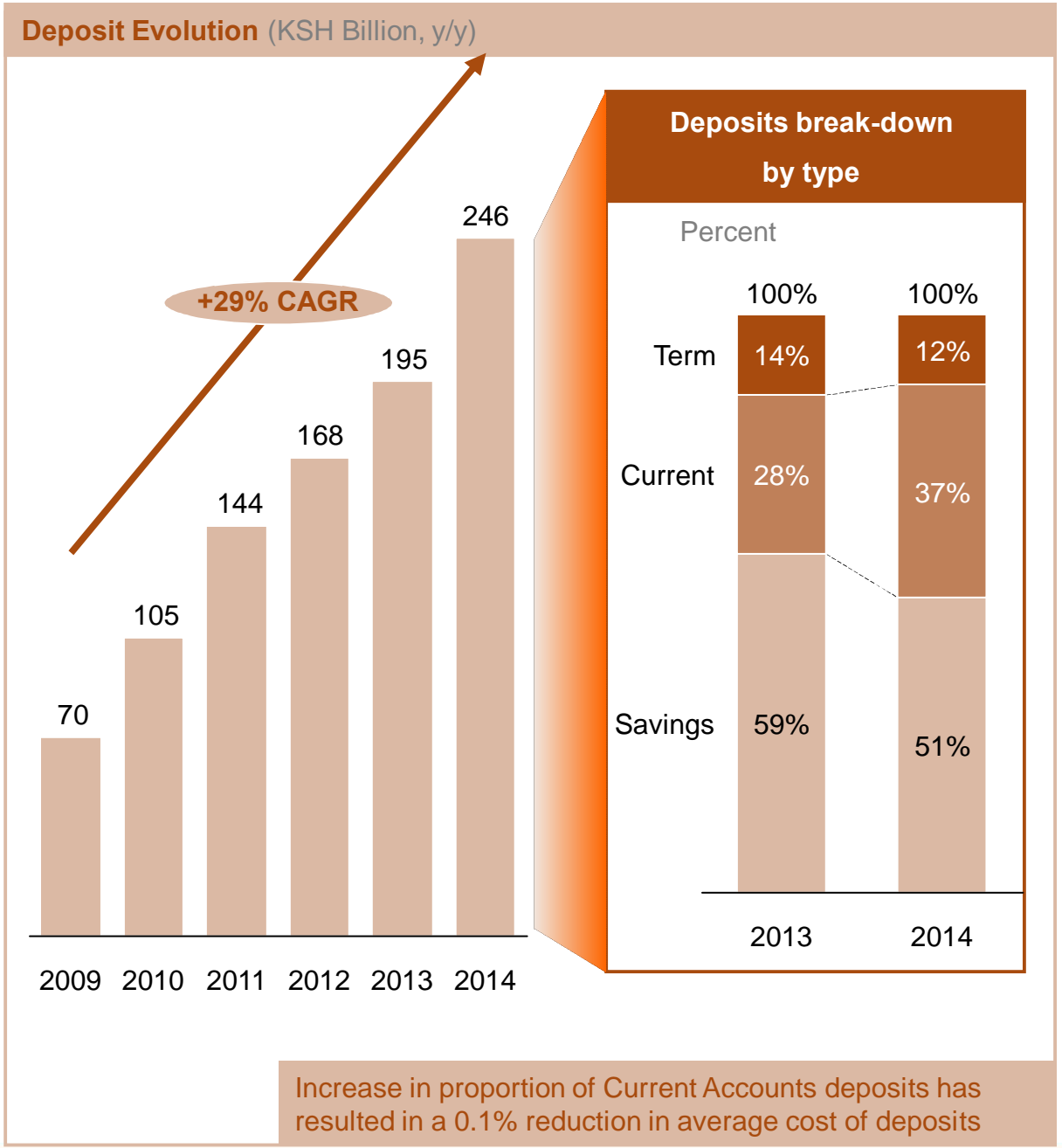
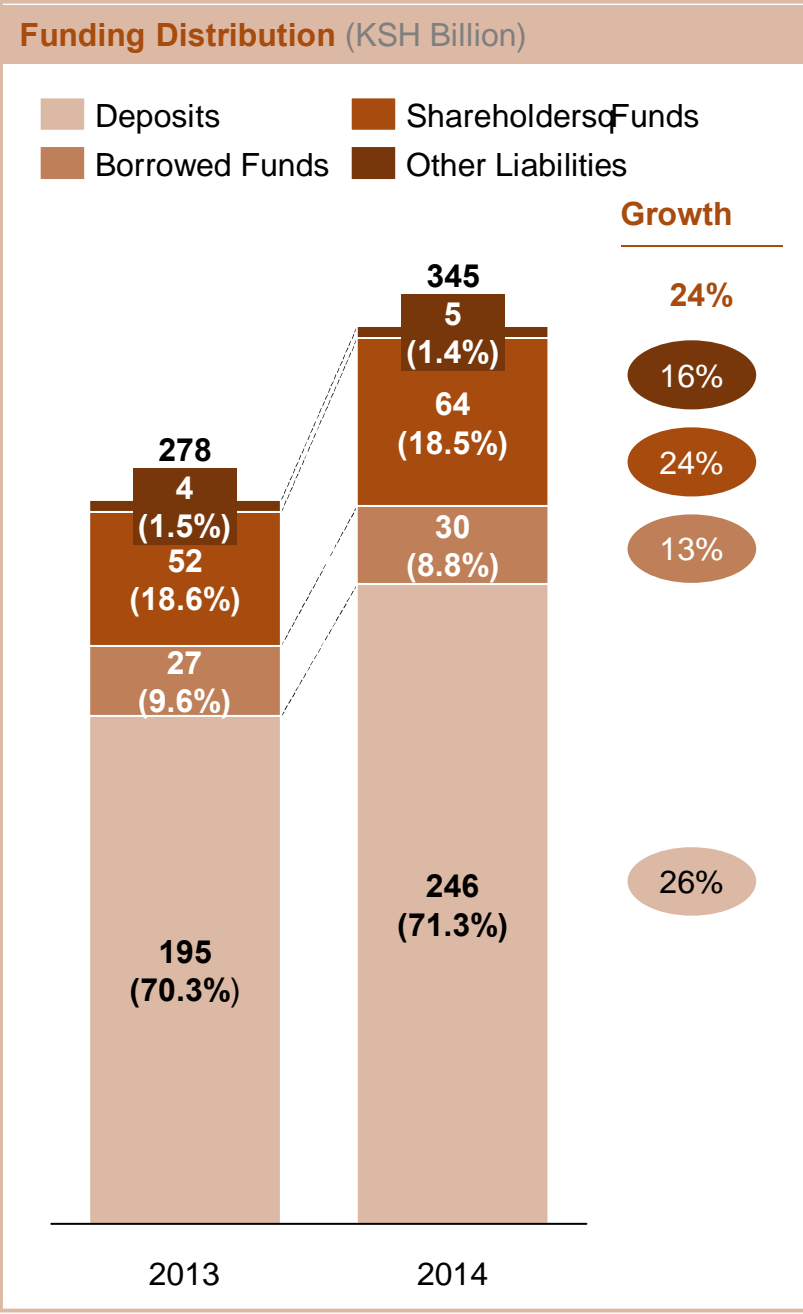
Internet banking



Equity agencies

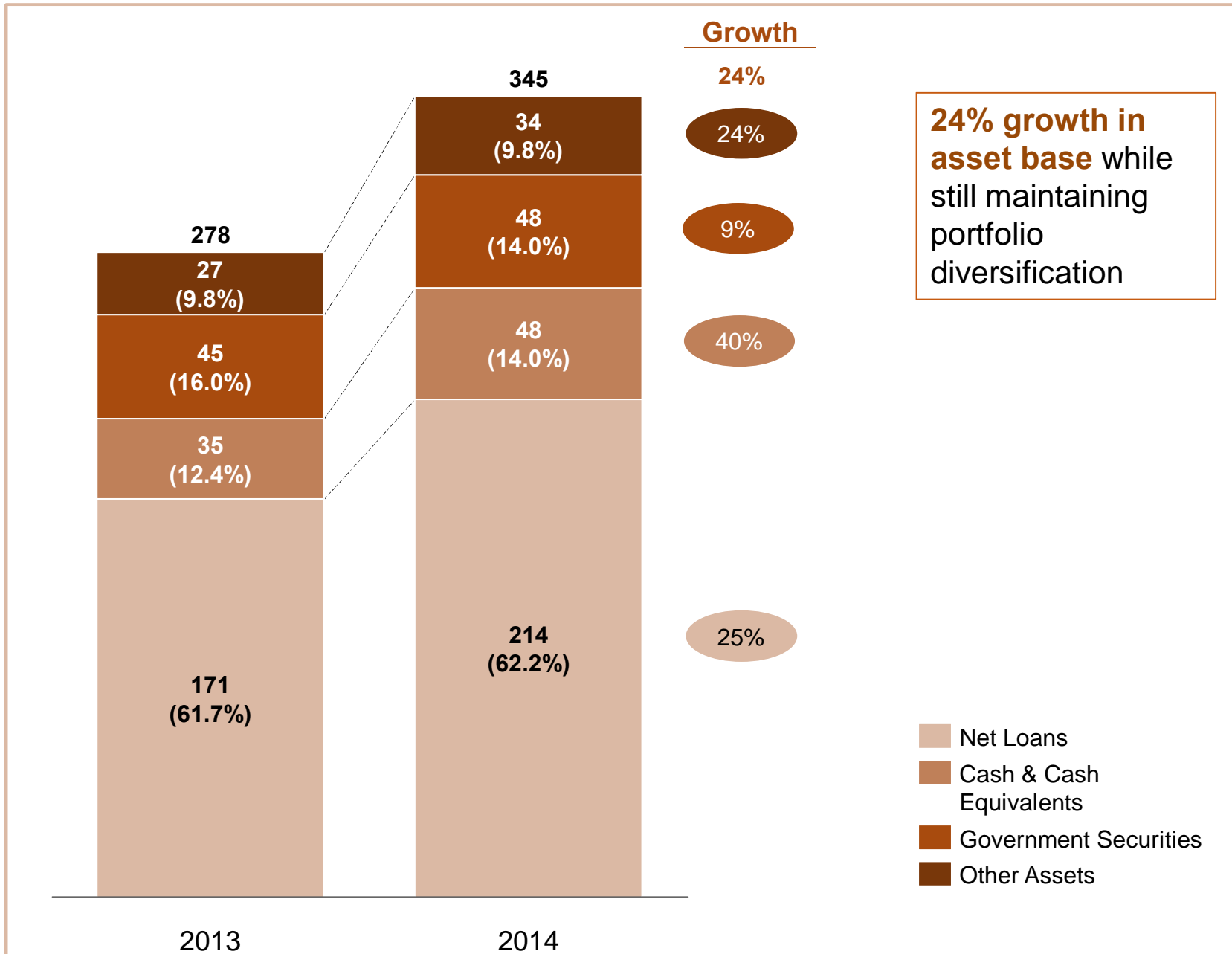


This has enabled us to increase funding





And to increase Assets to KSH 345 Billion

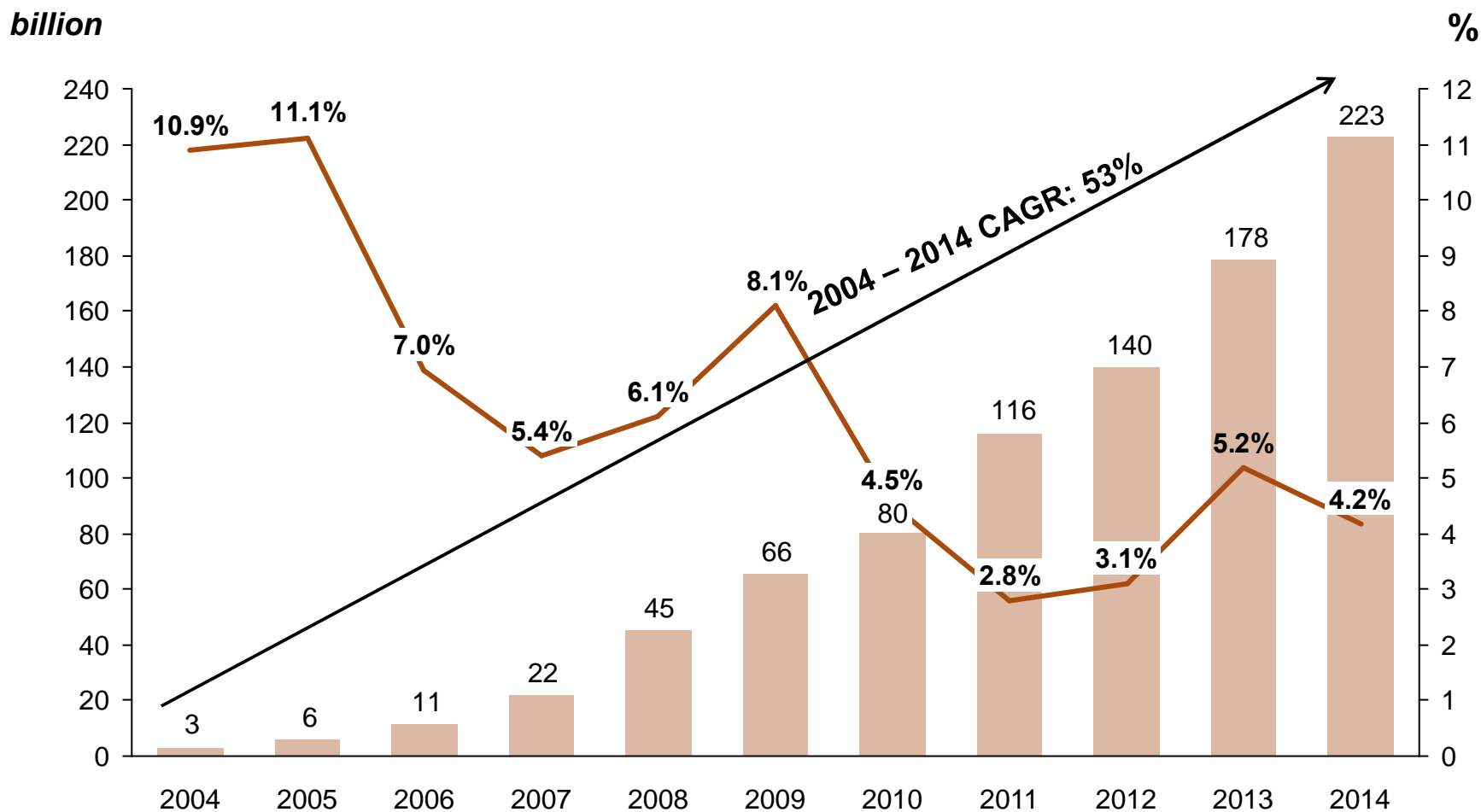




Gross Loan Growth vs. NPL Ratio

Consistently Growing the Loan Portfolio while at the same time maintaining high Quality

— NPL Ratio
■ Loan (KES bn)



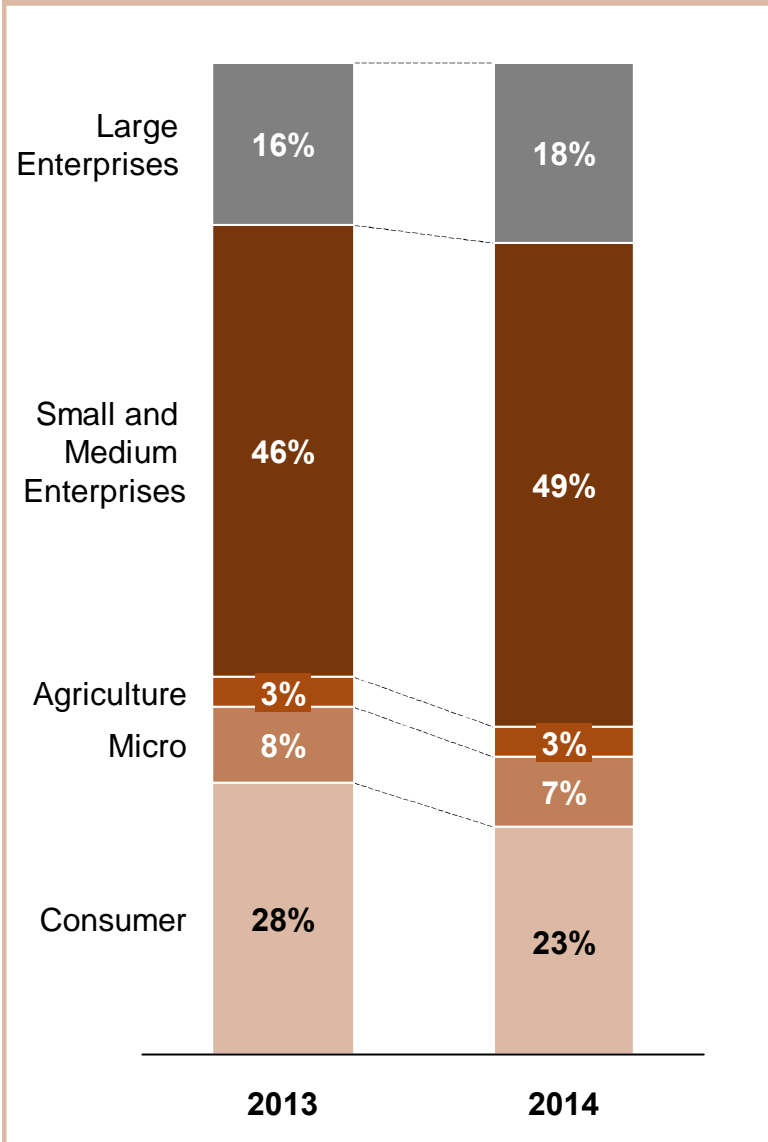
At YE 2014: 76% of the loan book was in local currency and 24% was in foreign currency
At YE 2013: 83% of the loan book was in local currency and 17% was in foreign currency



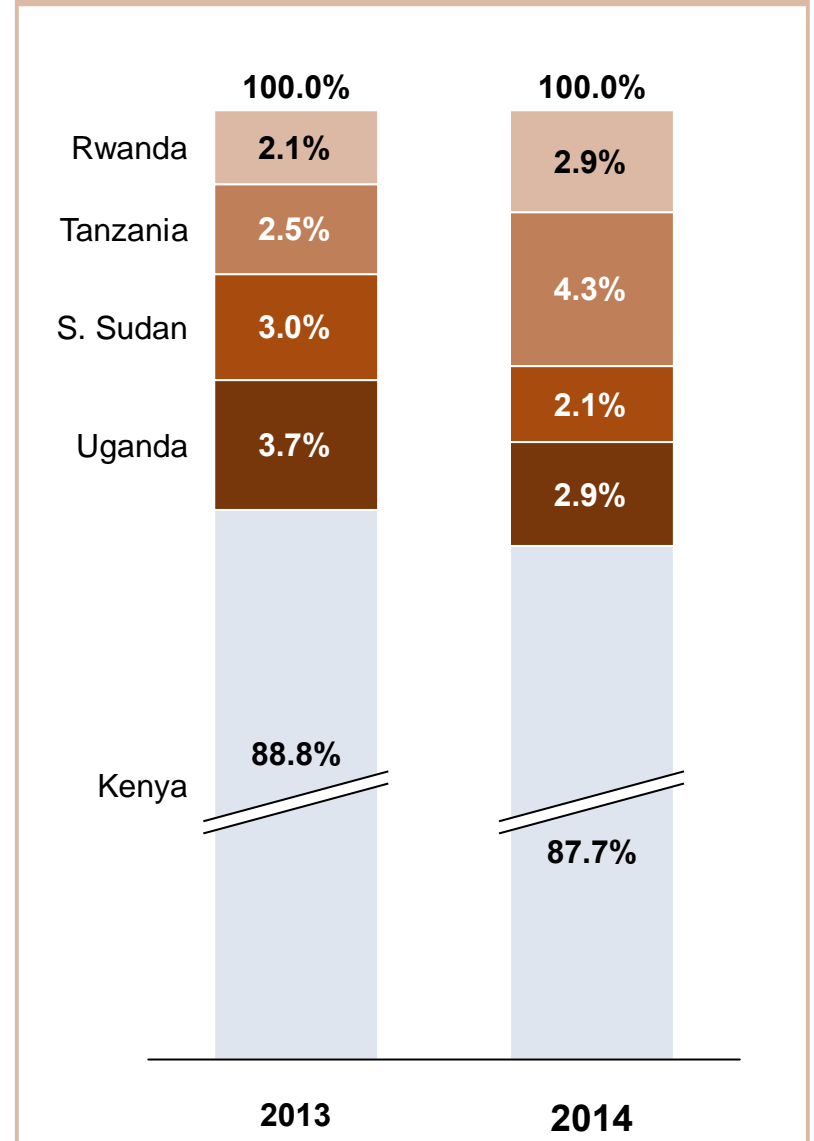
Loan book by Segment and Entity



Split across Segments

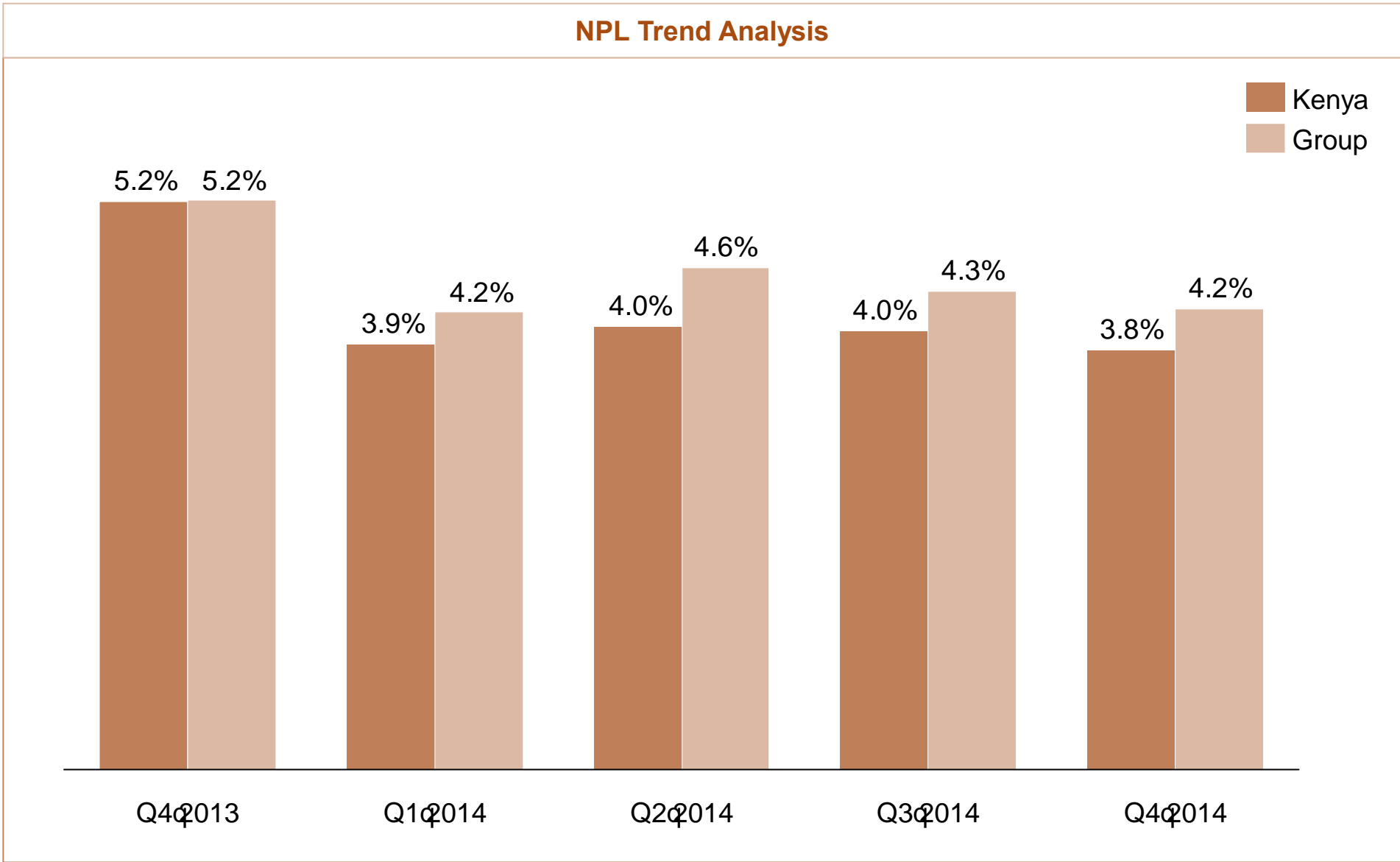


Split across the entities within the Group





NPL Trend



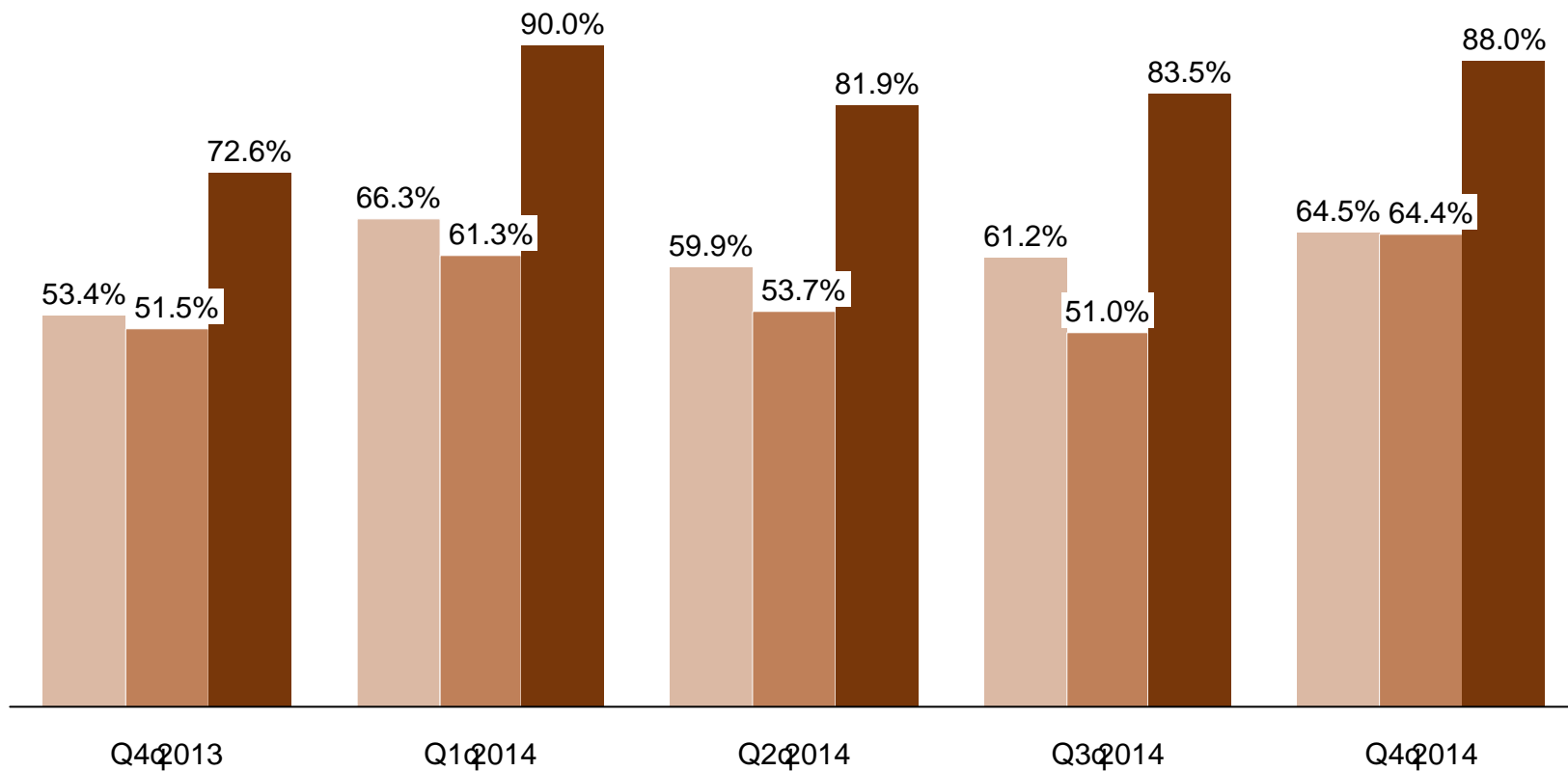


Coverage



Coverage Analysis

- CBK: (Spec. Prov. + Int. Susp) / Gross NPL
- IFRS: Impairment per IAS39 / Gross NPL
- (Gen. Prov. + Spec. Prov. + Int. Susp) / Gross NPL



Cost of Risk:

1.56%

0.72%

0.58%

0.63%

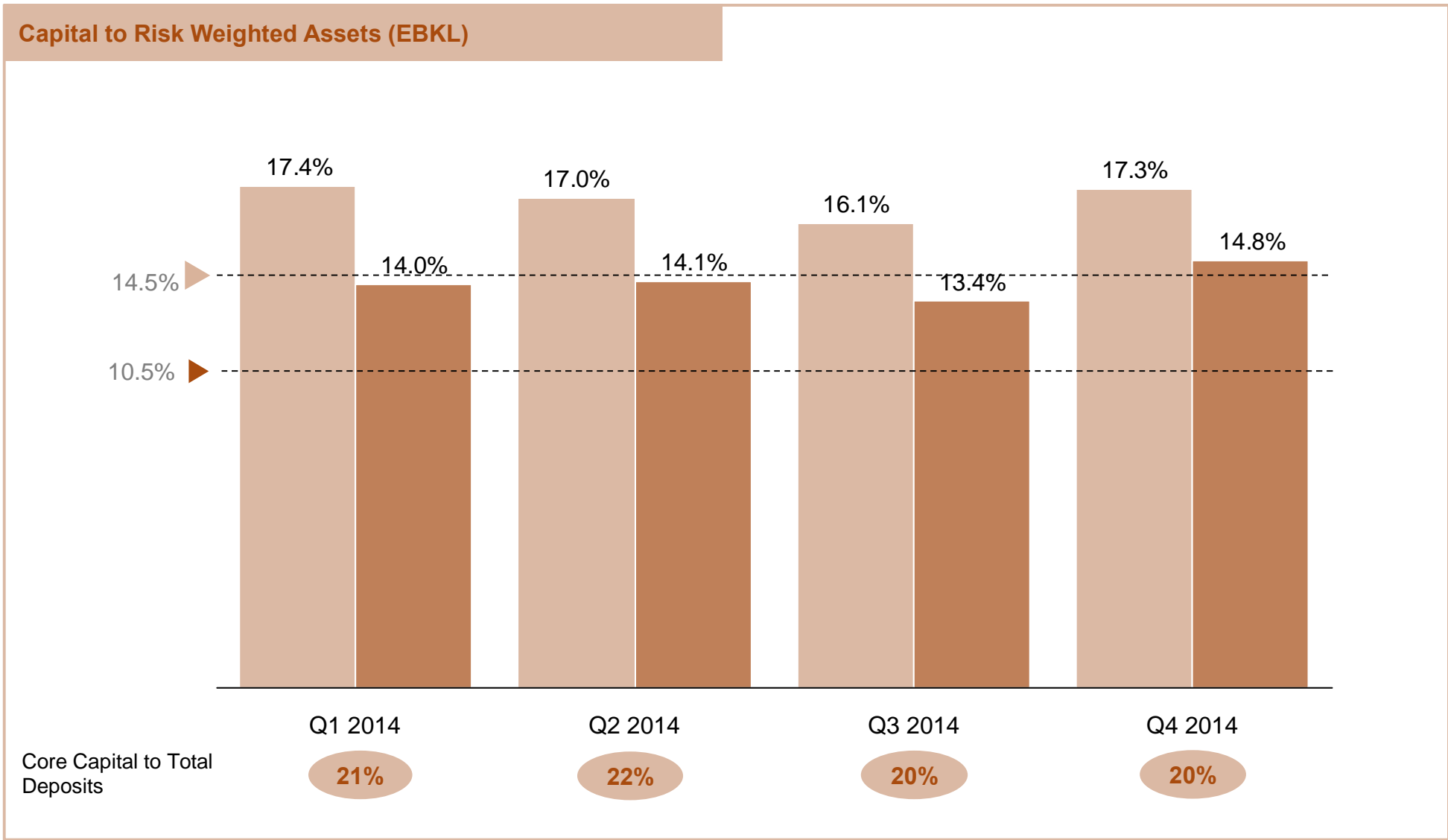
0.83%



... enabled by strong capital management



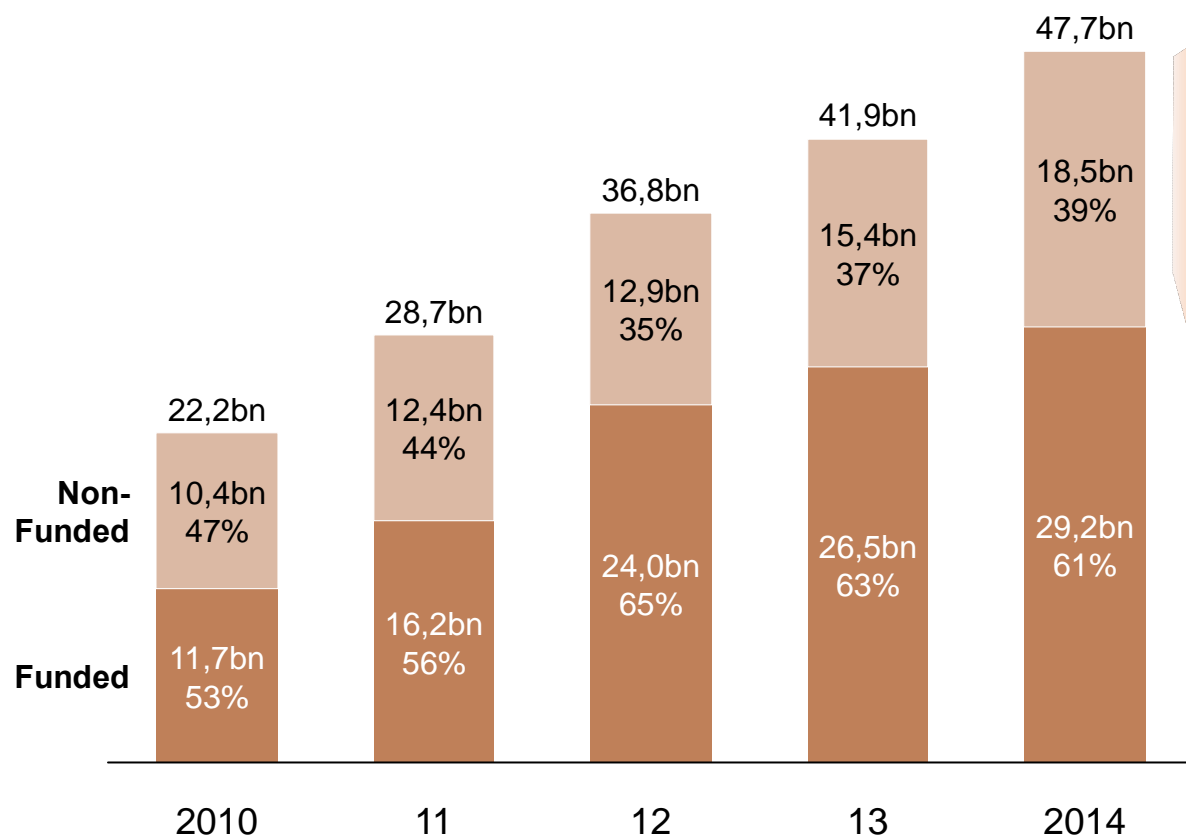
- Total Capital to TRWA
- Core Capital to TRWA
- ▶----- Regulatory minimum Total Capital to TRWA
- ▶----- Regulatory minimum Core Capital to TRWA



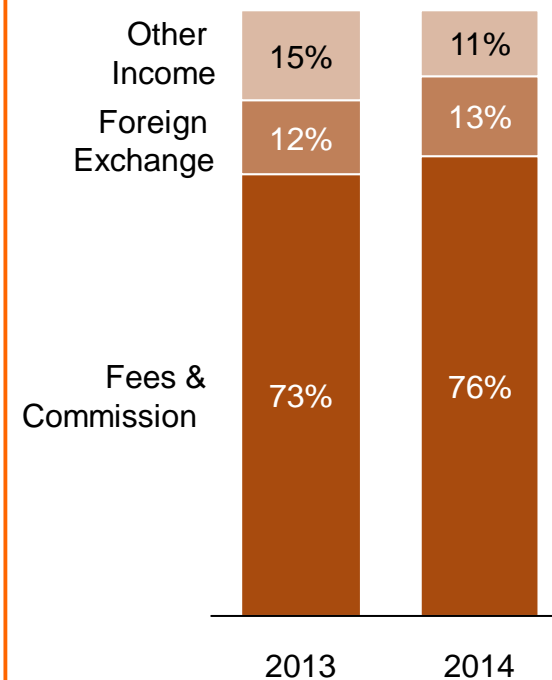


Both funded and non-funded income are significant

Funded and Non-funded Income



Non Funded Income by Type



Highlights

Non Funded Income: grew by 20% yoy due to growth in loan book and alternate business channels

Funded Income: Interest income grew by 11% yoy due to growth in loan book; Interest expenses grew by 15.0% yoy due to increase in borrowed funds and rise in customer deposits

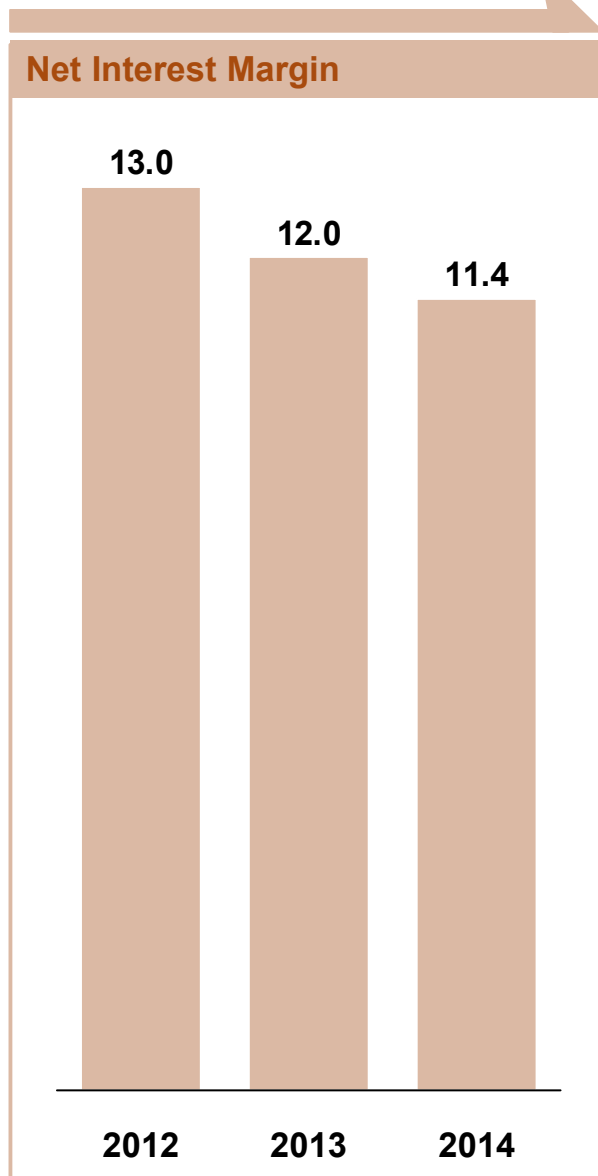


Net interest margin has declined slightly, driven by a lower yield on interest ...

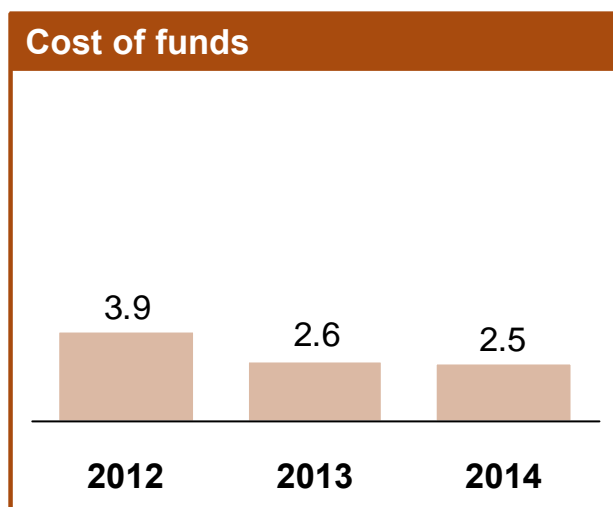


Percentage

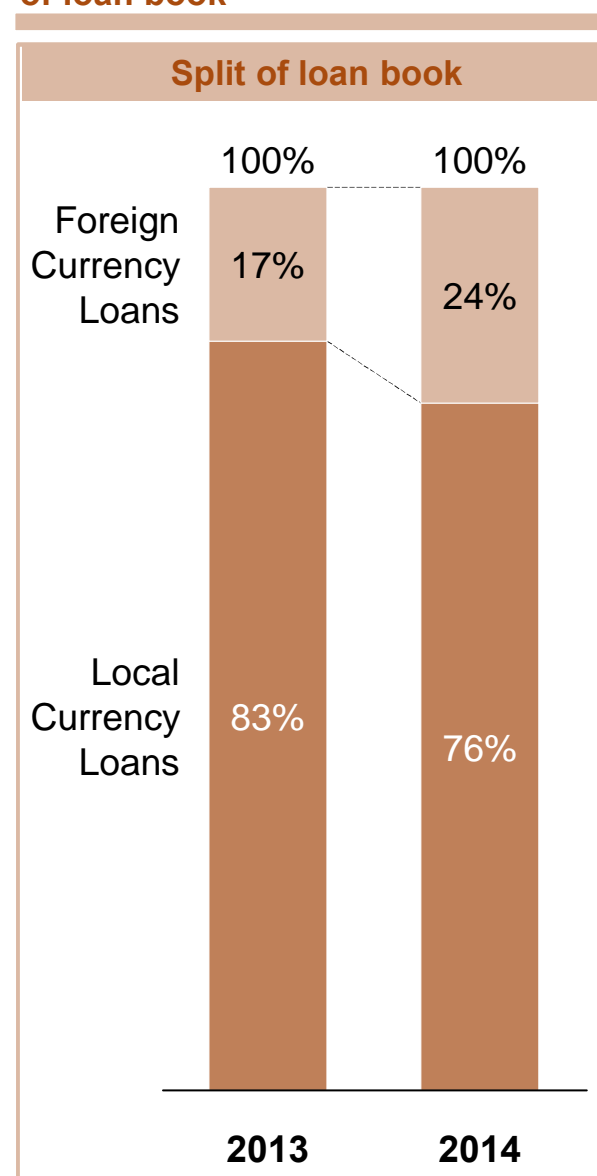
Net Interest Margin over time ...



... driven by a decline in yield on interest



... due to increase in foreign portion of loan book

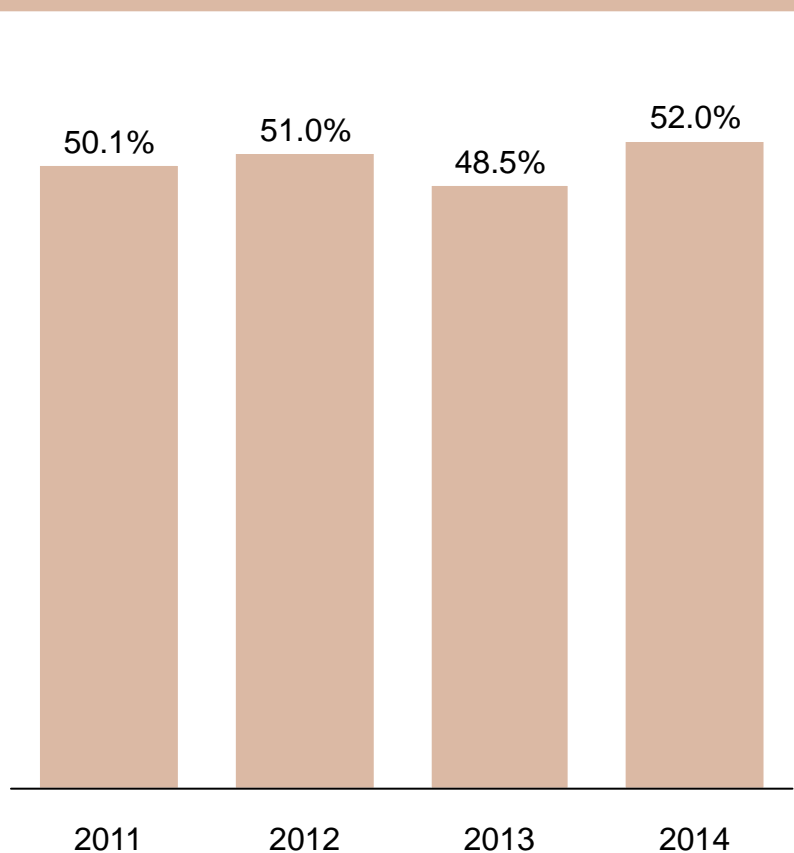




... PBT has grown at ~26% (CAGR)



Cost to Income Ratio Evolution



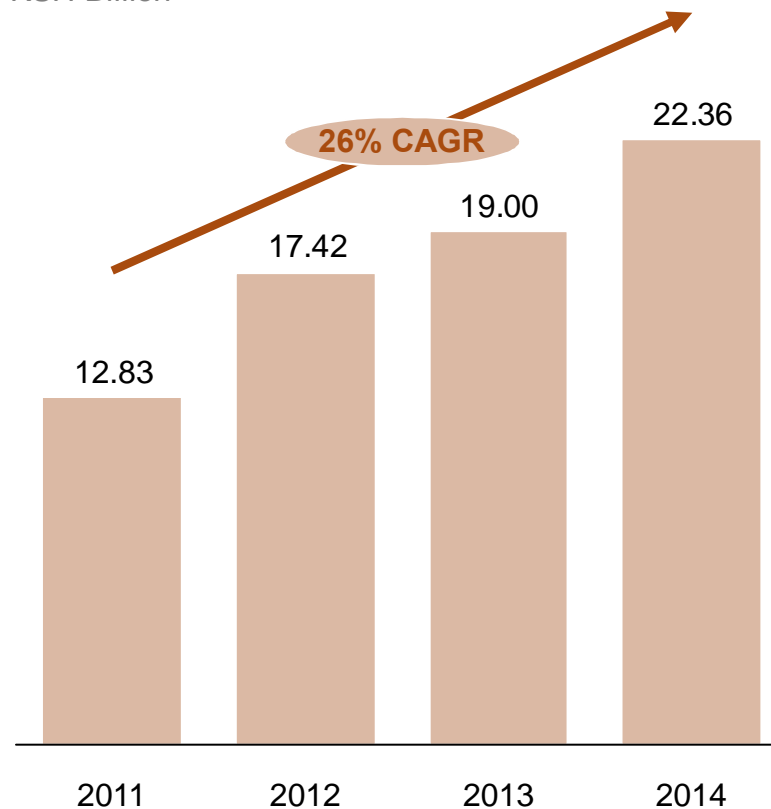
Total Operating Income up 14% y/y

Operating expenses up 16% y/y.

C/I ratio without provisions and exceptional expenses is 51% for Group and 47% for Company

PBT evolution

KSH Billion



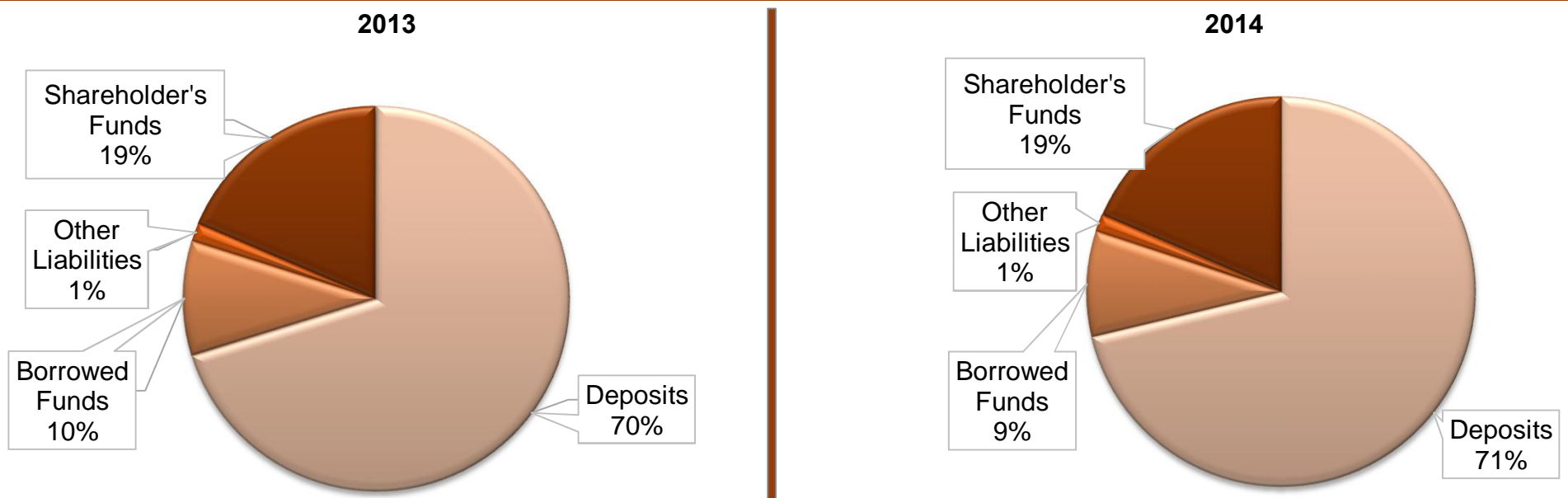
The **growth in Profit** is largely attributed to increased diversification of income streams including income from commissions and earnings from foreign exchange trading, diaspora remittances and Merchant Banking



Broad base liabilities & funding sources

	2013	2014	Growth
Liabilities & Capital (Bn)	KES	KES	%
Deposits	194.8	245.6	26%
Borrowed Funds	26.7	30.2	13%
Other Liabilities	4.3	5.0	16%
Shareholders' Funds	51.6	63.8	24%
Total Liabilities & Capital	277.7	344.6	24%

Funding Distribution





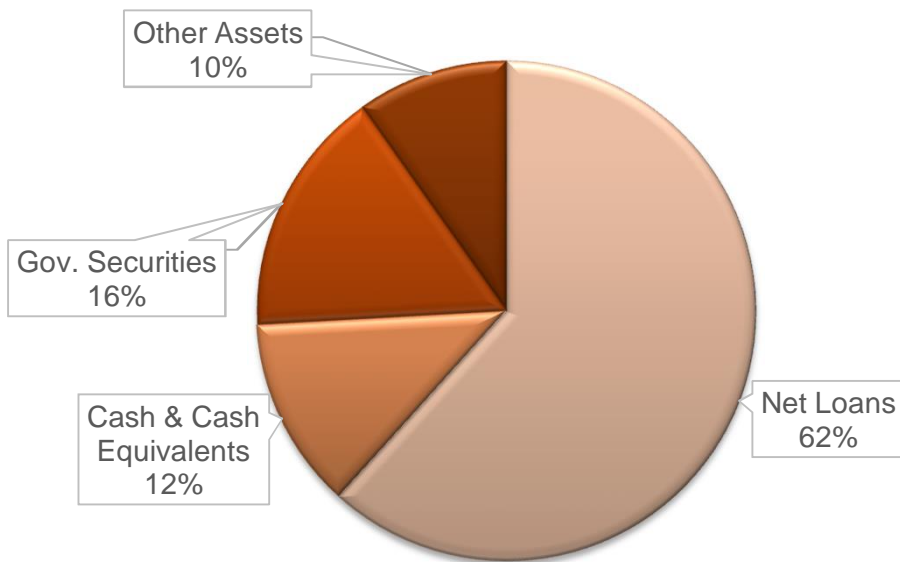
Asset Portfolio & Distribution



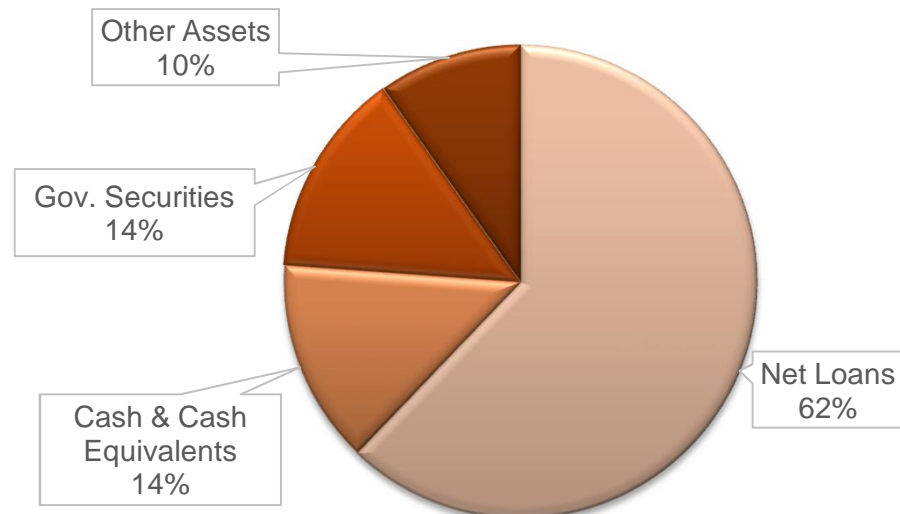
	2013	2014	Growth
Assets (bn)	KES	KES	%
Net Loans	171.4	214.2	25%
Cash & Cash Equivalents	34.5	48.2	40%
Government Securities	44.6	48.4	9%
Other Assets	27.3	33.8	24%
Total Assets	277.7	344.6	24%

Asset Distribution

2013



2014





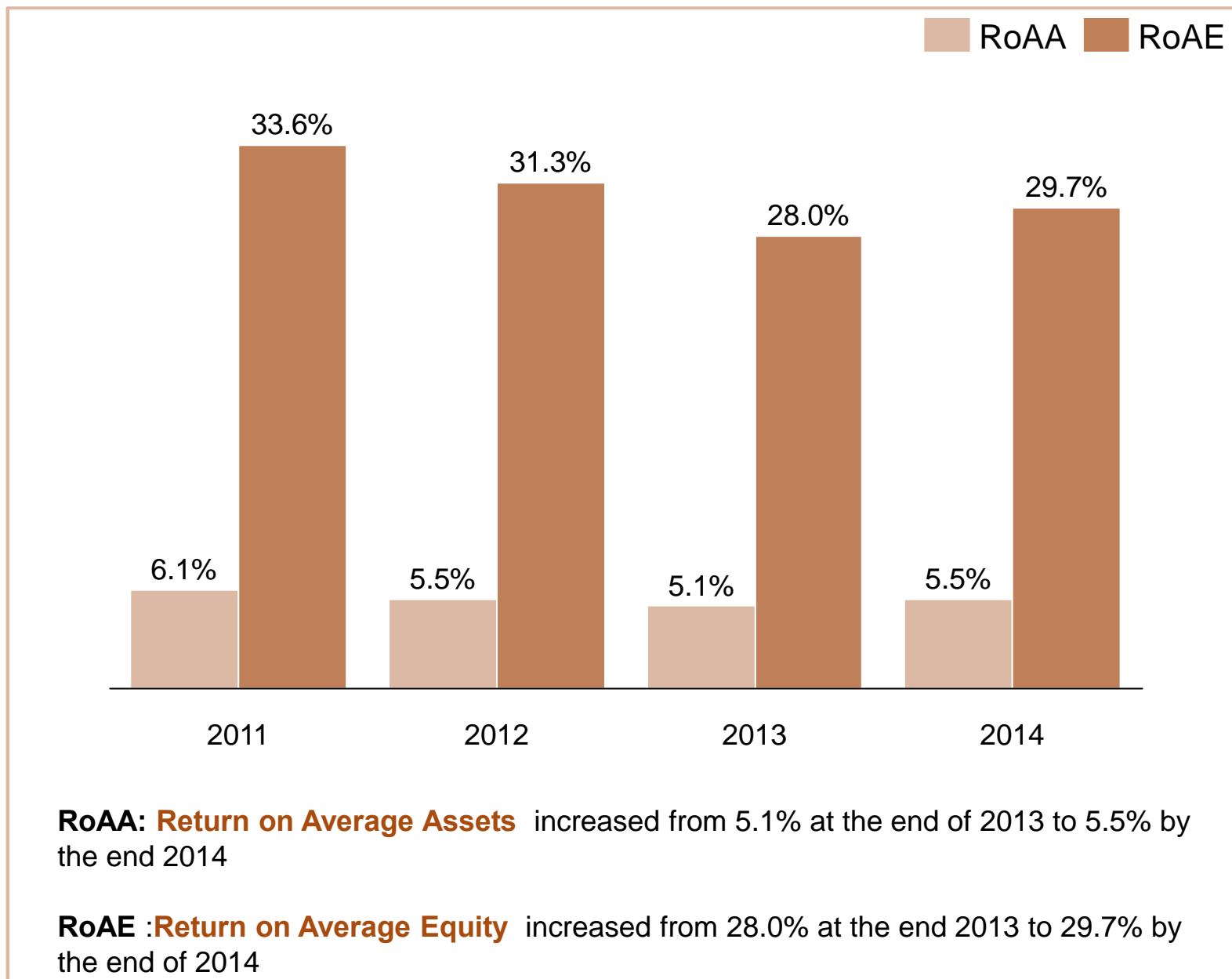
Delivering 29% Growth in PAT for the Group



<i>KES (billion)</i>	2013	2014	Growth
Interest Income	31.9	35.4	11%
Interest Expense	(5.4)	(6.2)	15%
Net Interest Income	26.5	29.2	10%
Other Income	15.4	18.5	19%
Total Income	41.9	47.6	14%
Loan Loss Provision	(2.4)	(1.6)	(33)%
Staff Costs	(9.0)	(10.8)	20%
Other Operating Expenses	(11.3)	(13.4)	19%
One-off Expenses	-	(0.8)	-
Total Costs	(22.7)	(26.3)	16%
Exceptional Items	(0.2)	1.1	
PBT	19.0	22.4	18%
Tax	(5.8)	(5.2)	(10)%
PAT	13.3	17.2	29%
Dividends	5.6	6.7	20%



... improving RoAA and RoAE





Positive Financial Ratios



	Company	Company	Group	Group
	2013	2014	2013	2014
Profitability				
NIM	12.7%	11.8%	12.0%	11.4%
Cost to Income Ratio (with provisions)	49%	51%	54%	55%
Cost to Income Ratio (without provision)	44%	48%	49%	52%
RoAE	27.1%	29.8%	28.1%	29.7%
RoAA (before transfer of banking business)	5.6%	6.4%	5.1%	5.5%
Asset Quality				
Cost of Risk	1.21%	0.68%	1.56%	0.83%
Liquidity / Leverage				
Loan / Deposit Ratio	96.3%	92.7%	88.0%	87.2%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	14.6%	14.8%		
Total Capital to Risk Weighted Assets	22.2%	17.3%		
Core Capital to Deposits Ratio	21.9%	19.6%		



Equity has earned substantial accolades and recognition in 2014

Equity's Awards and Recognition



2014-Top Banking Brand in Kenya



Equity's Global Credit Rating



Equity Bank Limited			
Kenya Bank Analysis			
Security class	Rating scale	Rating	Rating outlook
Long term	National	AA ⁻ _(KE)	Stable
Short term	National	A1 ⁺ _(KE)	

Equity's International Rankings



EQUITY BANK	Tier 1 Capital	Asset Size	Soundness Capital Asset Ratio	Capital Deployment Efficiency	Asset Deployment Efficiency
Global Rank	999	976	112	8	4



THANK YOU

Dr James Mwangi, CBS

Group Managing Director & CEO

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