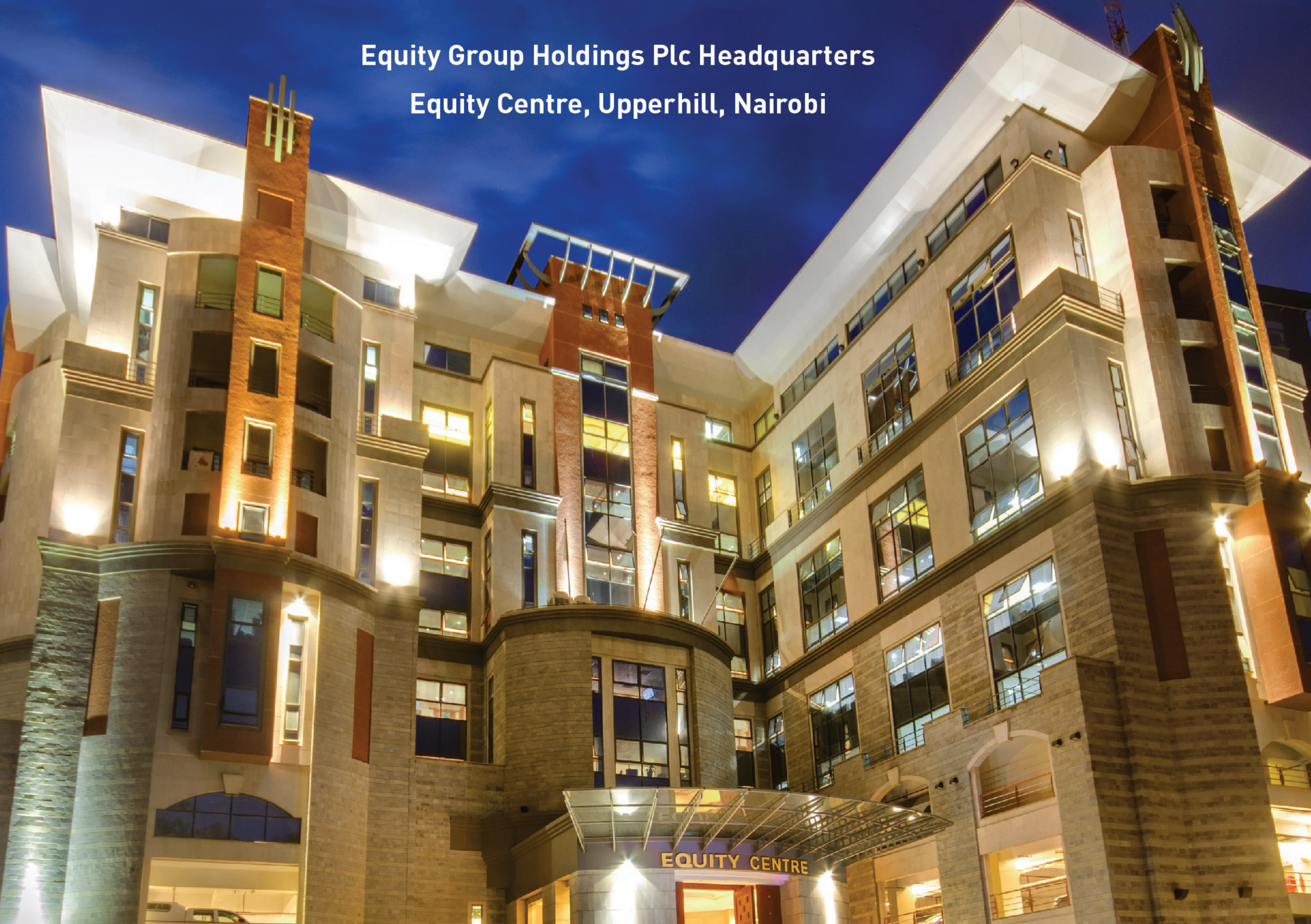
Investor Briefing

H1 2018 Performance



Equity Group Holdings Plc Headquarters

Equity Centre, Upperhill, Nairobi

Equity Group's Philosophies

Our Purpose
We exist to transform the lives and livelihoods of our people socially and economically by availing them modern, inclusive financial services that maximise their opportunities.

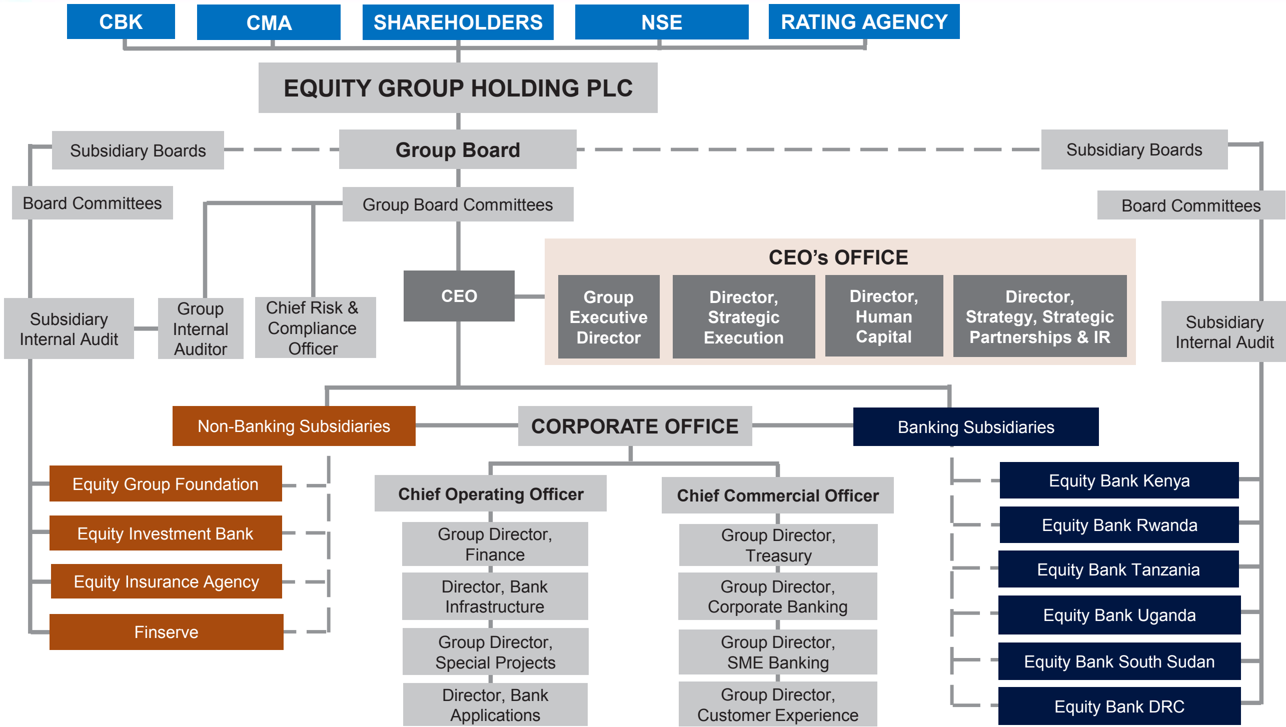
Our Vision
To be the champion of the socio-economic prosperity of the people of Africa.

Our Mission
We offer inclusive, customer-focused financial services that socially and economically empower our clients and other stakeholders.

Core Values
- Professionalism
- Integrity
- Creativity & Innovation
- Teamwork
- Unity of Purpose
- Respect & Dignity for Customers
- Effective Corporate Governance

Positioning Statement
Equity provides inclusive financial services that transform livelihoods, give dignity and expand opportunities.

Governance and Organizational Structure



Each subsidiary with own Board of Directors compliant with local regulations

Group Executive Management

James Mwangi, CBS
Group Managing Director &
Chief Executive Officer

Mary Wamae
Group Executive Director

Bhartesh Shah
Chief Operations Officer

Reuben Mbindu
Chief Officer, Human
Capital and Administration

Polycarp Igathe
Group Chief
Commercial officer

Brent Malahay
Group Director, Strategy,
Strategic Partnerships and
Investor Relations

James Mutuku
Group Director, Treasury

Julius Kayaboke
Group Director of
Customer Experience
and Product Management

Christine Browne
Group Director Legal Services
and Company Secretary

Bildard Fwamba
Chief Internal Auditor

Gerald Warui
Director, Operations
and Customer Experience

Elizabeth Gathai
Director, Credit

Philip Sigwart
Director,
SME Banking

Allan Waititu
Director,
Special Projects

John Wamai
Director, ICT–Enterprise Business
Systems and Services

Festus Njuki
Director, Enterprise
Infrastructure and ICT Services

David Nyamu
Director, Marketing

Group Executive Management

Samuel Kirubi
Managing Director,
Equity Bank Uganda

Anthony Kituuka
Executive Director,
Equity Bank Uganda

Addis Ababa Othow
Managing Director,
Equity Bank South Sudan

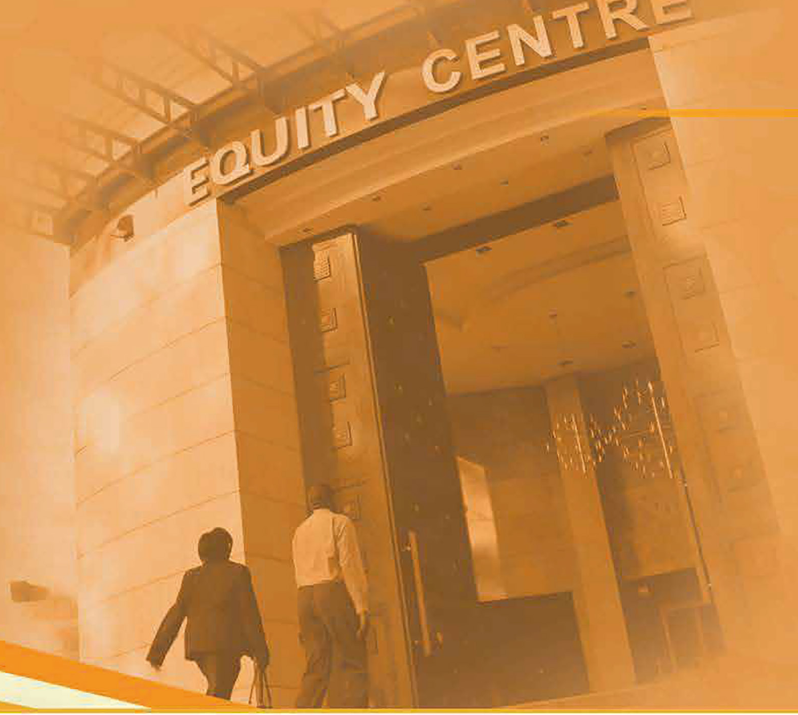
Hannington Namara
Managing Director,
Equity Bank Rwanda

Joseph Iha
Managing Director,
Equity Bank Tanzania

Célestin Muntuabu
Managing Director,
Equity Bank Congo

Jack Ngare
Managing Director,
Finserve Africa

Eric Karobia
Executive Director,
Finserve Africa



Macroeconomic and Operating Environment

Macro-economic & Operating Environment

	Interest Rates (Jul 2018)		FX (Local Currency v/s USD)		Inflation	GDP Growth
	CBR	Changes in Central Bank Rate (Year to Date)	15-Aug-18	Change Year to Date	Jul-18	(2018 Projected)
Kenya	9.0%	-100 Basis Points	101	2%	4.4%	6.2%
Tanzania	9.0%	-50 Basis Points	2,287	-2%	3.3%	6.8%
Uganda	9.0%	0 Basis Points	3,760	-3%	3.1%	5.8%
Rwanda	5.5%	0 Basis Points	878	-5%	0.6%	7.2%
DRC			1,638	-3%	29.8%	3.3%

- **Monetary policy supportive of economic growth** – Central bank rate reducing to stable across East Africa.
- **Exchange rate stability** – Relative to other emerging market currencies
- **Benign inflation** – Low inflation across East Africa
- **Strong economic growth outlook** - East Africa economic growth above 6% on average

Improvement in Macro-economic & Operating Environment

- **Strong economic growth outlook** – East and Central Africa one of the fastest growing regions in the world with economic growth expected to grow above 6% for the east Africa region
- **Strong investment in infrastructure supportive of operating environment** – Key market of Kenya Ease of Doing Business ranking improved from position 92 to 80
- **Improved political outlook** – elections in the East Africa region having taken place in 2016 and 2017 with improved political stability and outlook.

Equity Bank Business Model & Strategy – Post Interest Rate Capping(Adjusting and adapting to the new norm)

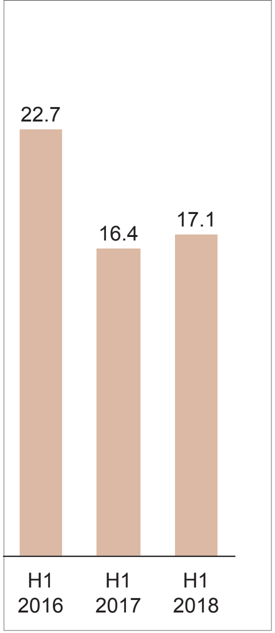
Focus areas:

1. Non-funded income growth
2. Treasury
3. Geographical and business diversification
4. Strengthening liquidity and balance sheet agility
5. Innovation and digitization
6. Efficiencies and cost optimization
7. Asset quality
8. Impact Investment & Social Brand Development

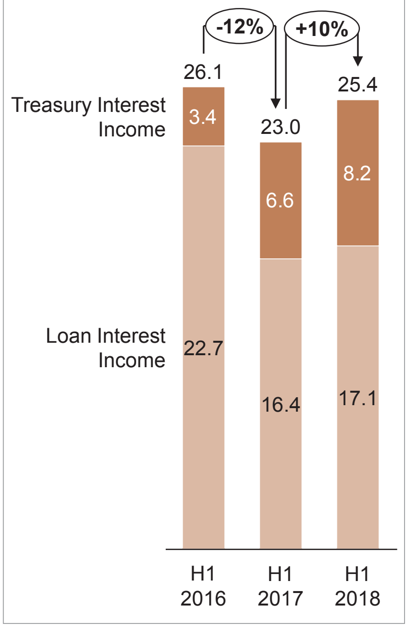
Focus Area 1: Non-funded income growth & contribution

In Kes Billion

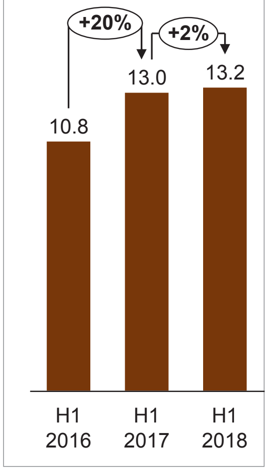
Loan Interest Income Growth Trend



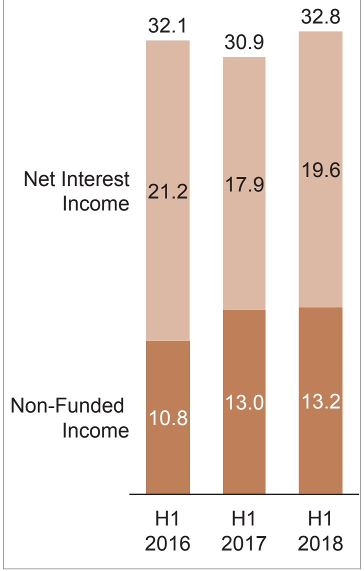
Total Interest Income Growth Trend



Non Funded Income Growth Trend



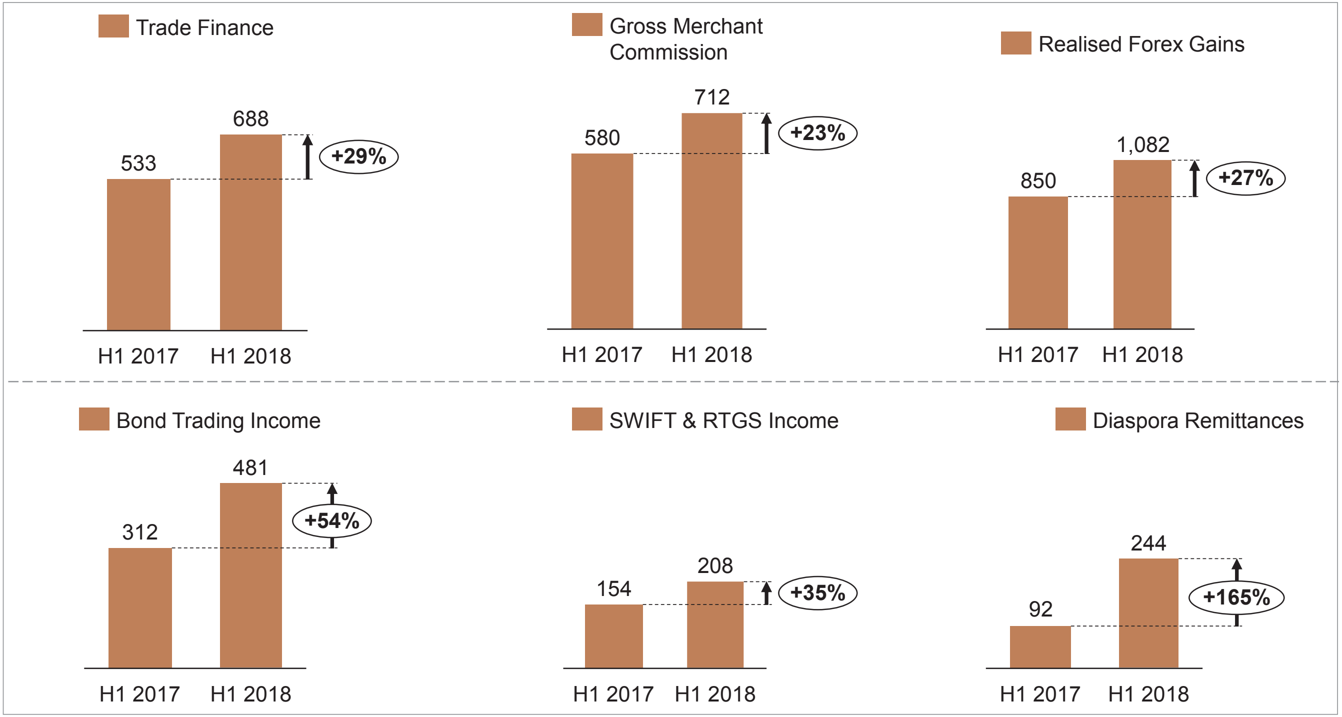
Contribution to Total Income



Focus Area 1: Growth of diversified streams of non-funded income

In Kes Million

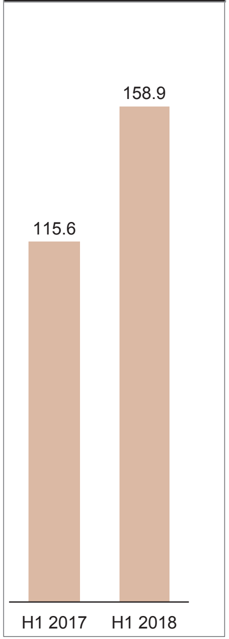
Fees & Commissions (Key Lines - Kenya)



Focus Area 2: Treasury

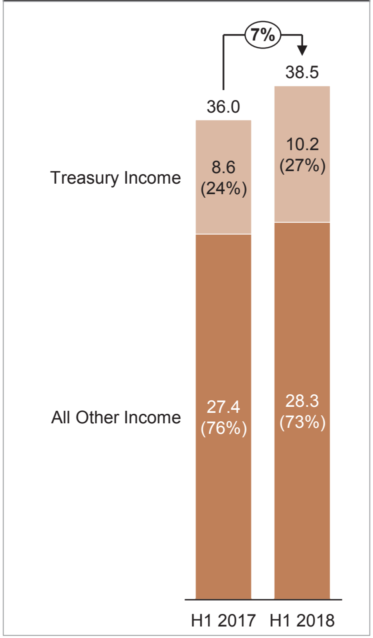
In KES Billion

Government Securities Portfolio



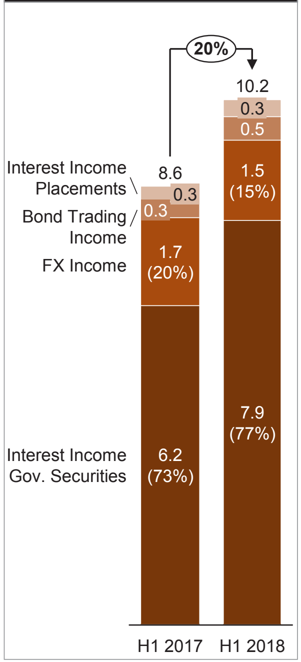
In KES Billion

Treasury Gross Income Contribution



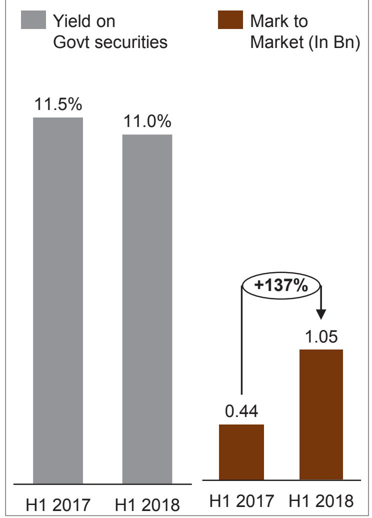
In KES Billion

Treasury Income Mix



Yield on Government Securities & Capital Gains

Declining yields highly compensated by mark-to-market gains on Government Securities



Note: Income calculation above is before funding costs

Focus Area 3: Geographical & business diversification

- Double digit growth in profitability by all non-Kenyan subsidiaries
- Enhanced PBT contribution to Group at 18%

In KES Billion

	Uganda	DRC	Rwanda	Tanzania	S. Sudan	EIA	Finserve	EIB	Total	EBKL	Contribution H1 2018	Contribution H1 2017
Deposit	19.6	38.1	17.6	20.2	5.3	-	-	-	**100.8**	303.5	25%	22%
Growth	*30%*	*37%*	*15%*	*18%*	*-12%*				*24%*	*5%*		
Loan	15.6	22.4	13.3	16.5	0.1	-	-	-	**67.9**	207.1	25%	22%
Growth	*41%*	*14%*	*30%*	*0%*	*-14%*				*18%*	*0%*		
Assets	28.2	49.7	23.8	28.7	8.6	0.7	1.9	0.8	**142.3**	410.4	26%	23%
Growth	*29%*	*27%*	*28%*	*15%*	*-10%*	*-11%*	*-6%*	*-23%*	*21%*	*3%*		
PBT	0.68	0.70	0.44	0.36	0.15	0.34	0.14	0.01	**2.8**	12.5	18%	13%
Growth	*24%*	*140%*	*58%*	*41%*	*224%*	*2%*	*52%*	*-81%*	*62%*	*10%*		

Focus Area 3: Geographical & business diversification

Transforming lives in Africa one Branch at a time

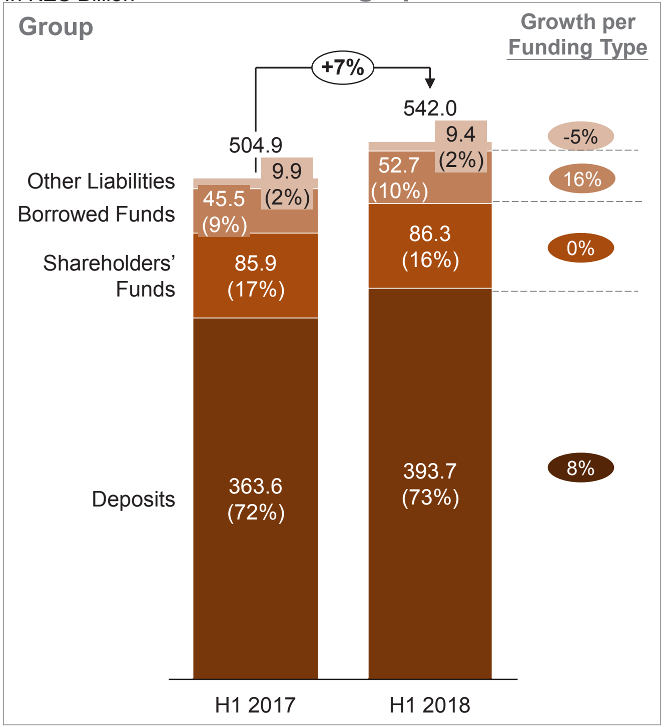
BRANCHES	**283**		
(a) Branches in Kenya	177	Nairobi	51
(b) Branches in Uganda	32	Kampala	17
(c) Branches in South Sudan	5	Juba	4
(d) Branches in Tanzania	15	Dar es Salaam	8
(e) Branches in Rwanda	13	Kigali	7
(f) Branches in DRC	41	Kinshasa	28

AGENT OUTLETS	**36,623**
POINT OF SALE TERMINALS (POS)	**20,342**
ATMs	**695**

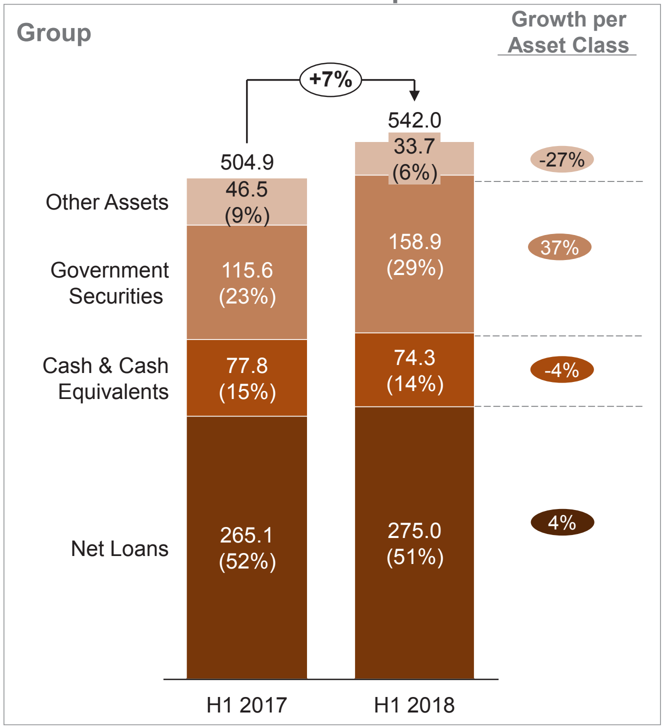
Focus Area 4: Balance Sheet Agility

In KES Billion

Funding Split



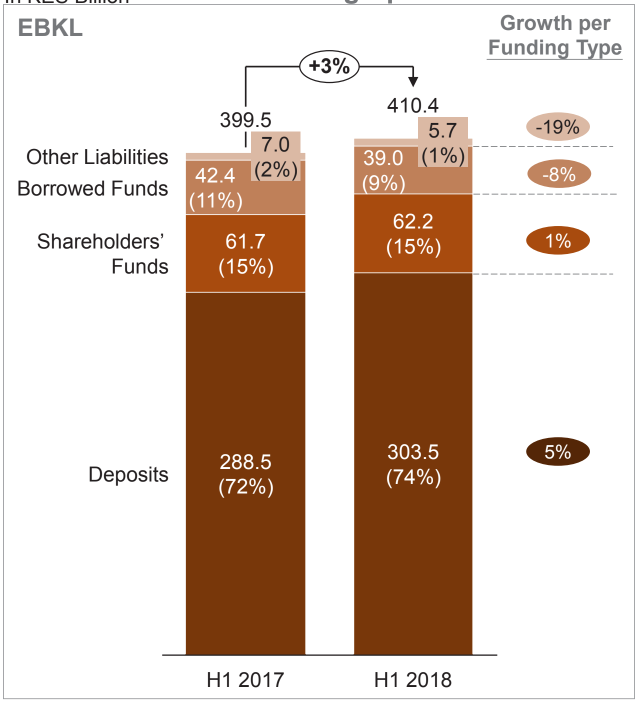
Asset Split



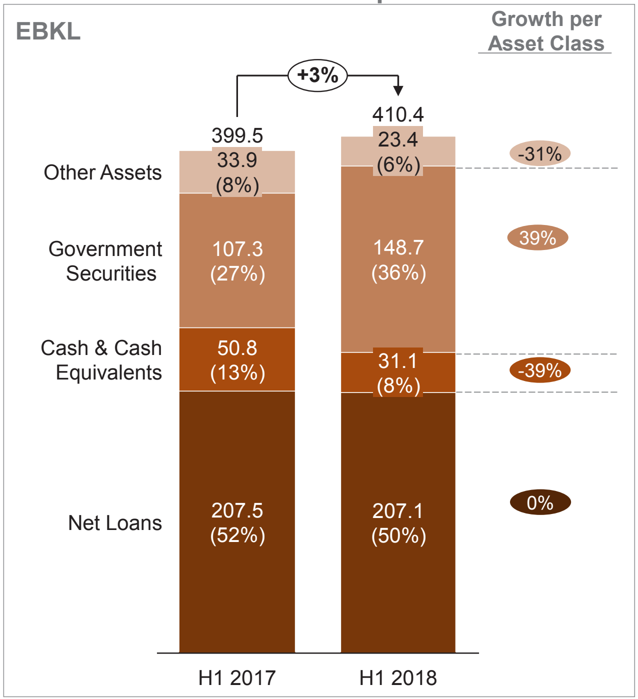
Focus Area 4: Balance Sheet Agility

In KES Billion

Funding Split



Asset Split



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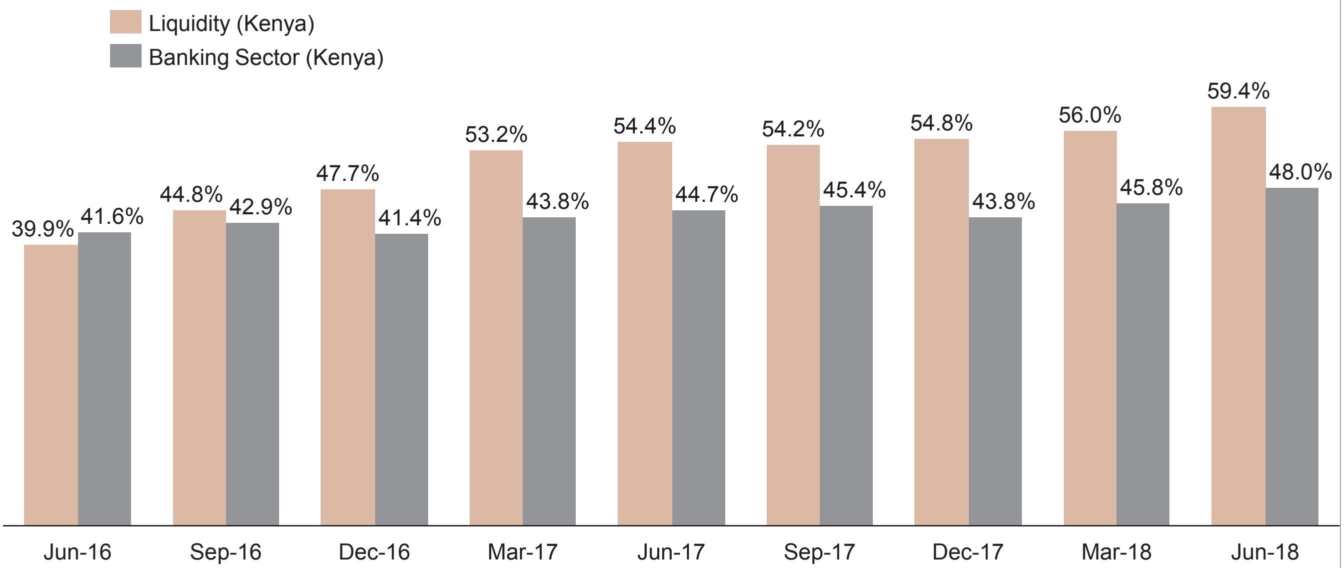
Focus Area 4: Balance Sheet Agility

59% of liquidity ratio makes the balance sheet agile for opportunistic growth & diversification strategies in case of change in the operating environment



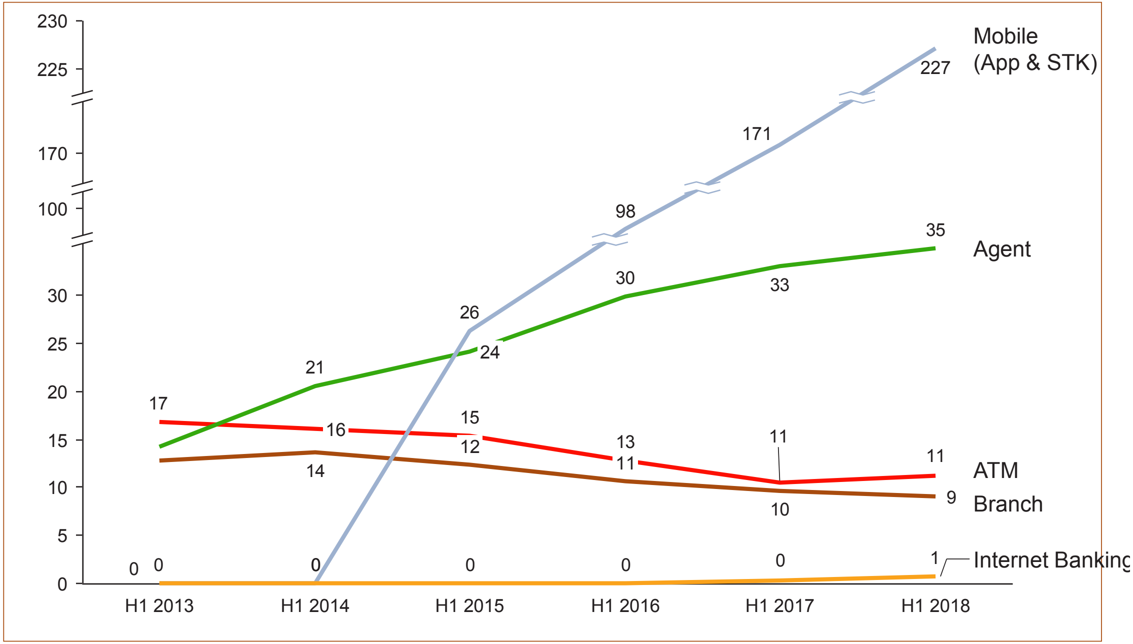
Source: CBK – Monthly Economic Indicators

Focus Area 5: Innovation and digitization

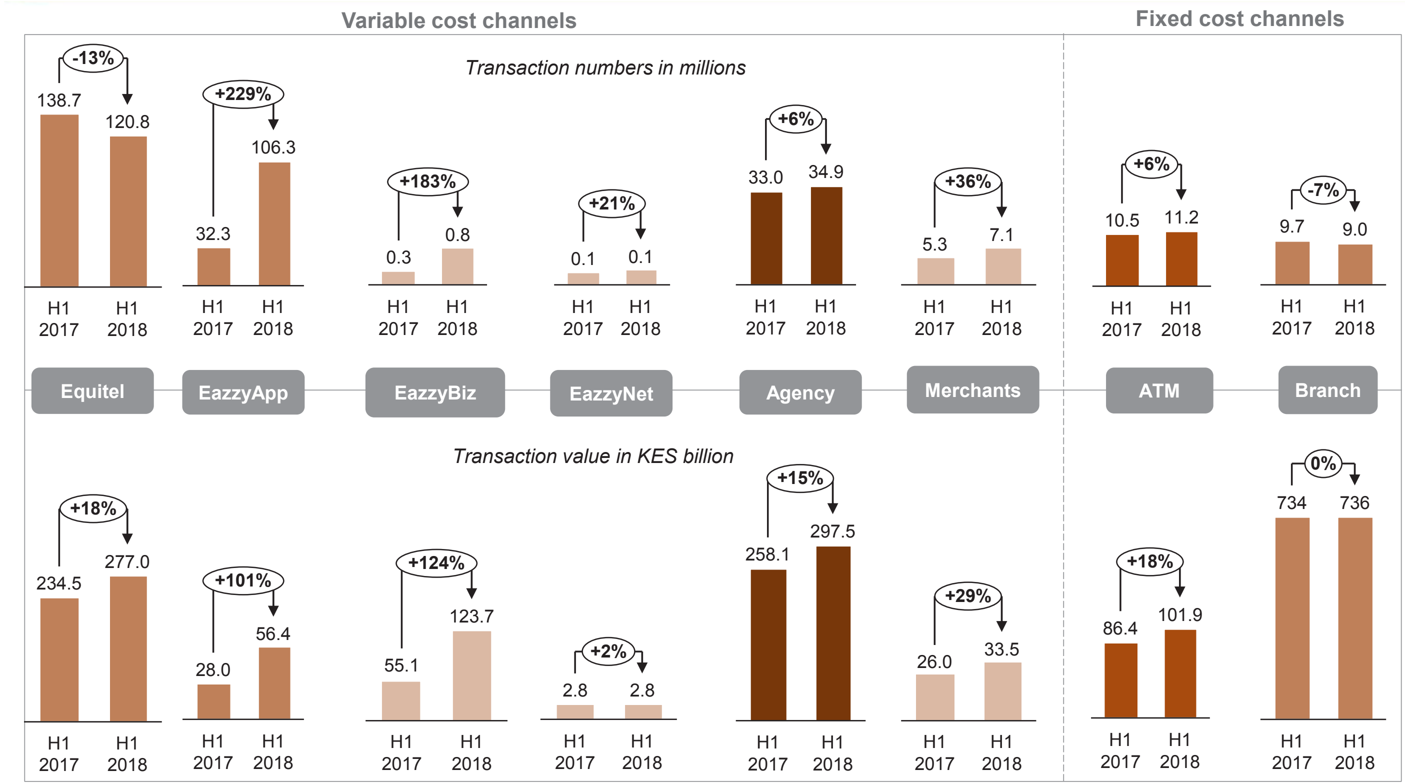
Transformation from a place you go to; to something you do

- Most transactions are now done using the digital channels which have continued to grow
- Transforming the cost structure of the bank from **fixed cost** to **variable cost** with minimal investments due to use of 3rd party infrastructure

Transactions in millions



Focus Area 5: Innovation and digitization
Leveraging off variable cost 3rd party infrastructure



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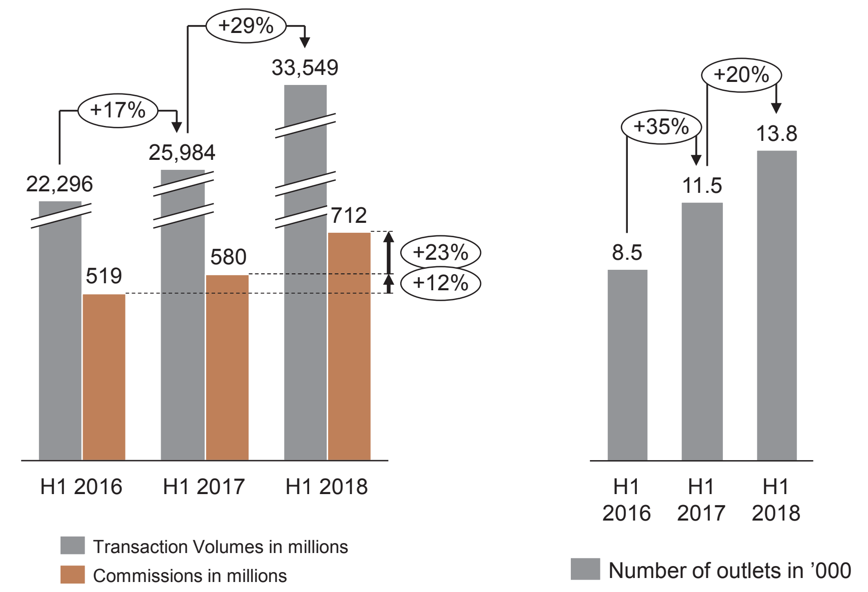
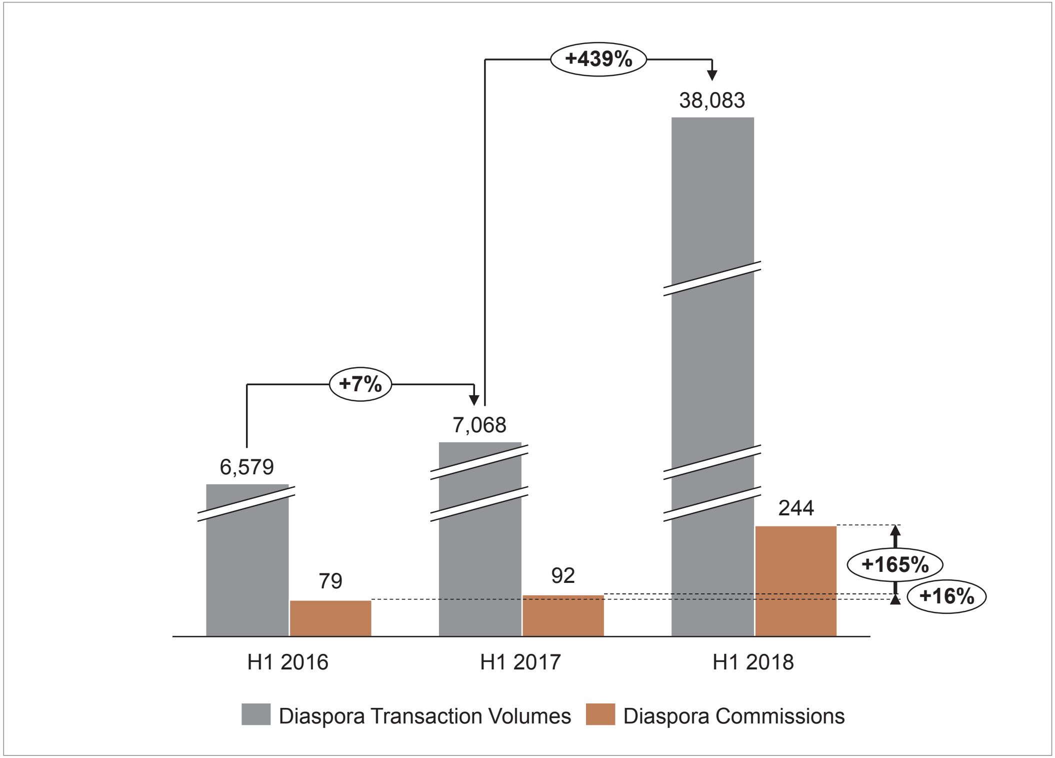
Focus Area 5: Fintech Innovations in Merchant Banking

- The use of a Universal POS that converges Mobile Wallets, Cards & Digital payments

- Equity is leading in **Acquiring and Issuing**
- **Best in class payment channel** services work well with merchants



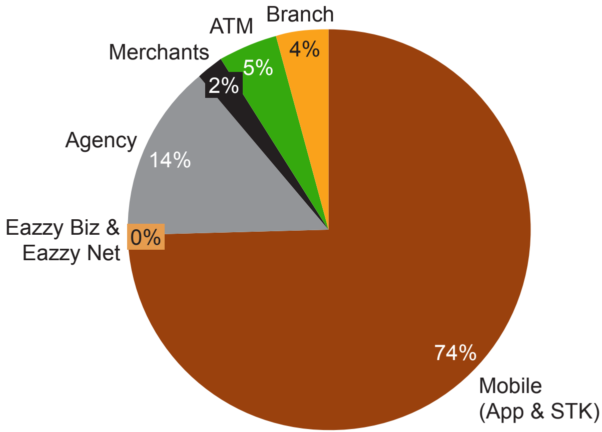
Focus Area 5: Fintech Innovations in Diaspora Remittances (KES millions)



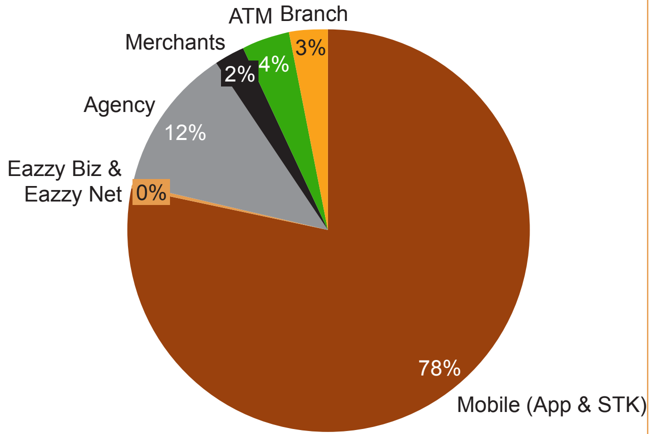
Focus Area 5: Fintech Innovation and digitization

97% of our Transactions outside the branch

H1 2017

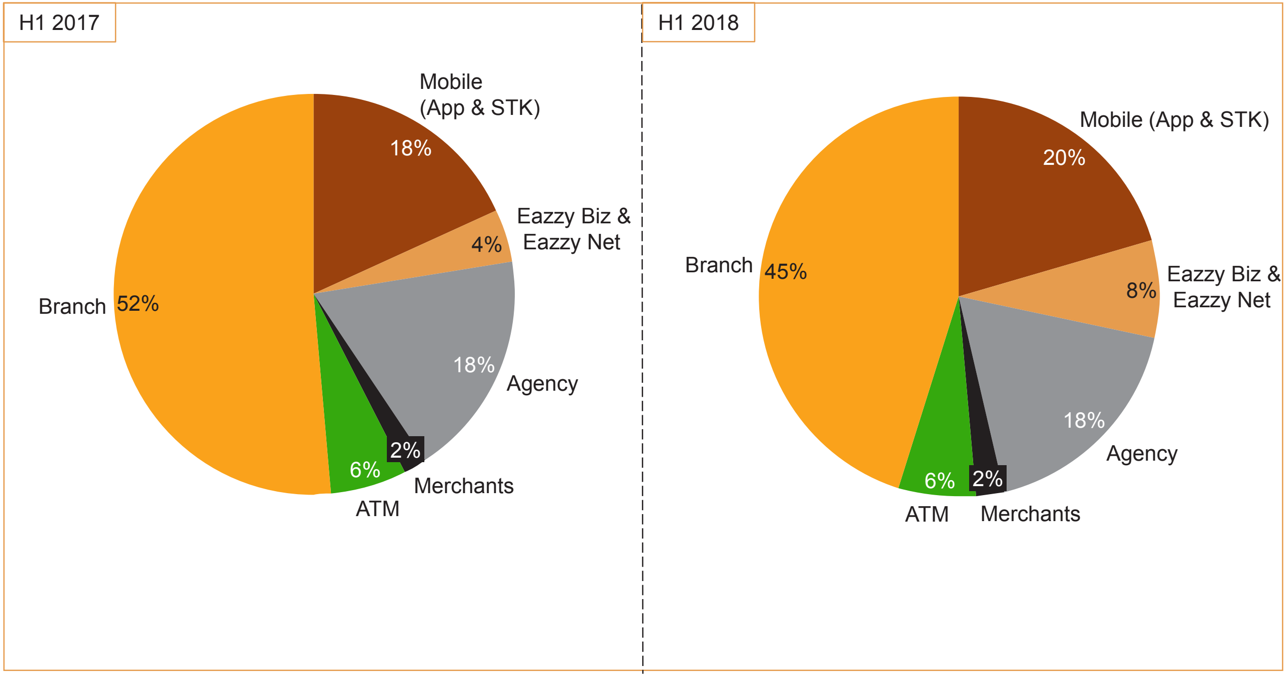


H1 2018



Focus Area 5: Fintech Innovation and digitization
55% of our Transactions Value outside the branch

Branches now handling high value transactions for SME, corporates, wealth management & advisory services



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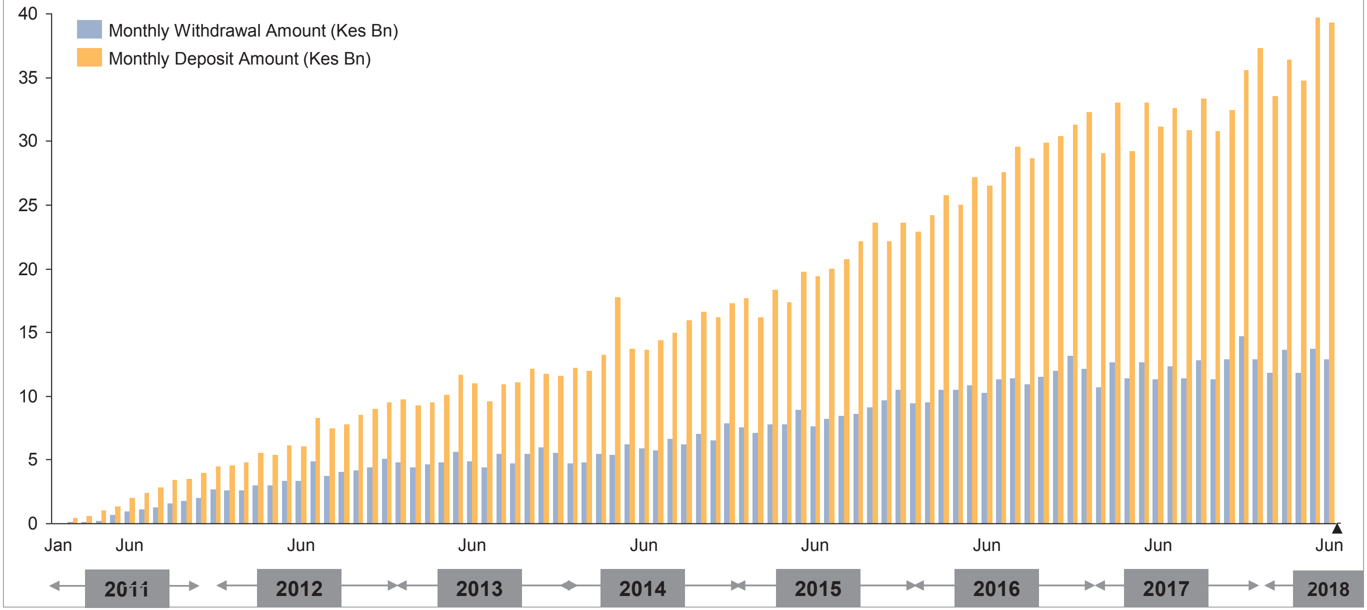
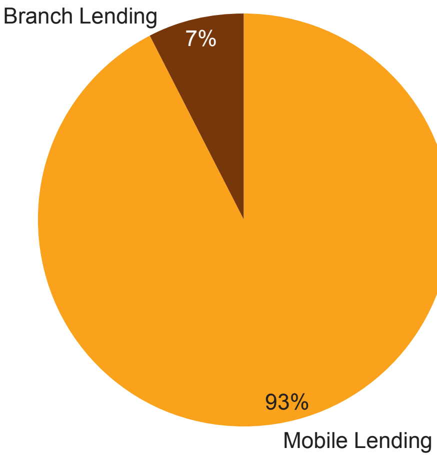
Focus Area 5: Fintech Innovation and Digitization
Agency model becoming a net deposit mobilizer

Agent Deposits growing an increasingly higher rate than **Agent Withdrawals** thus creating an **exponential growth in Net Cash Deposited**

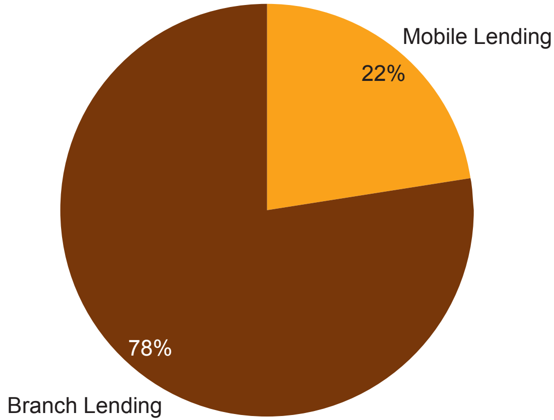


Focus Area 5: Fintech Innovation and Digitization
93% of our Loan Transactions via Mobile Channel

H1 2018 Transaction count



H1 2018 Transaction value



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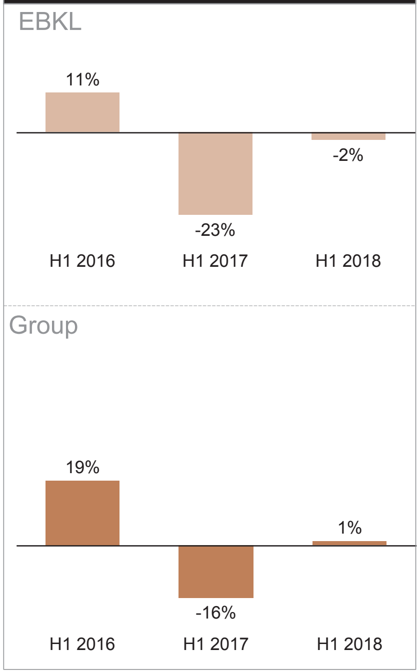
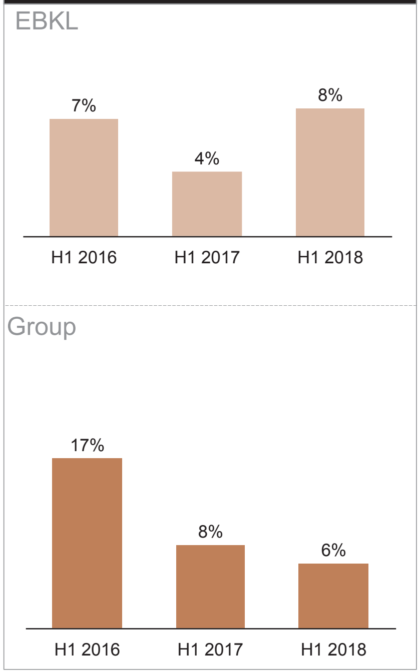
Focus Area 6: Efficiencies and cost optimization

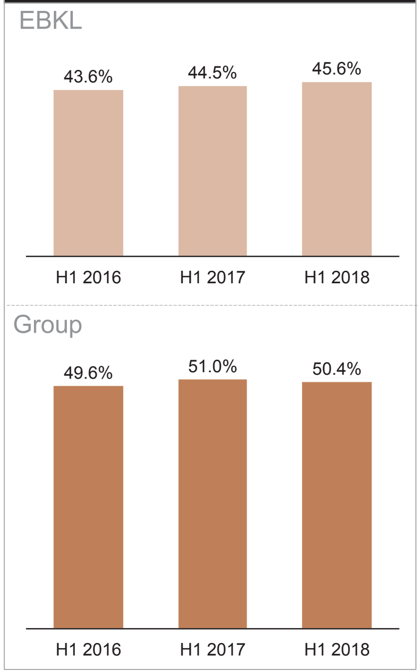
Staff Cost Growth Trend



Other Expenses Growth Trend
(excluding staff cost and Loan Loss Provision)



Cost to Income Ratio Trend
(excluding Loan Loss Provision)



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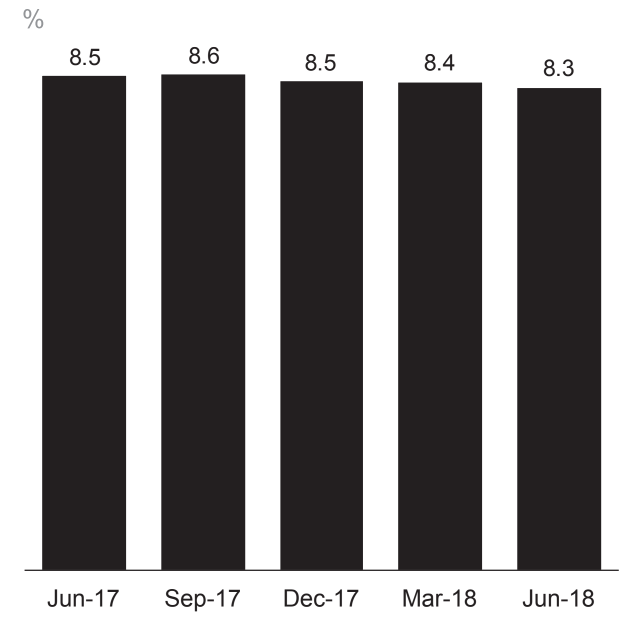
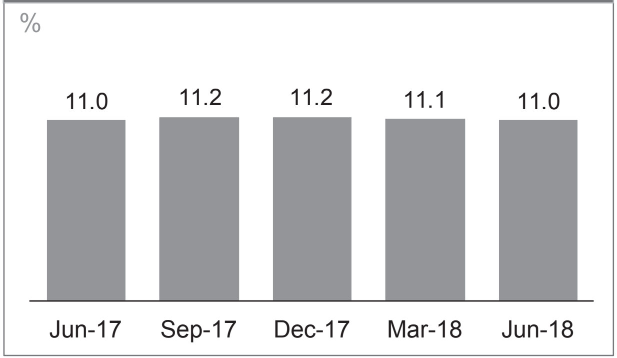
Focus Area 6: Efficiencies and cost optimization

Group

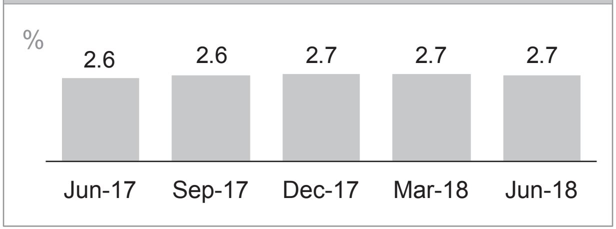
Net Interest Margin



Yield on Interest Earning Assets



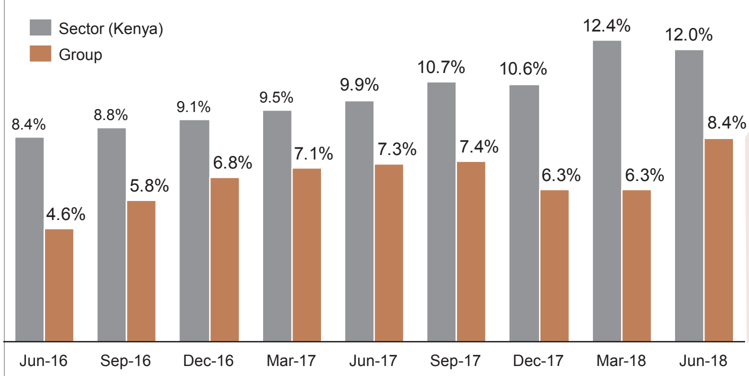
Cost of funds



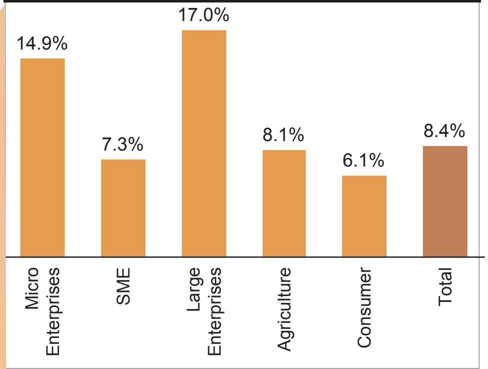
EQUITY Group Holdings Plc

Focus Area 7: Asset quality (Group)

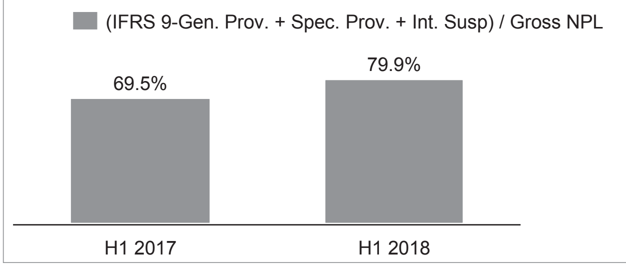
NPL's – Sector vs EGH Plc as at H1 2018



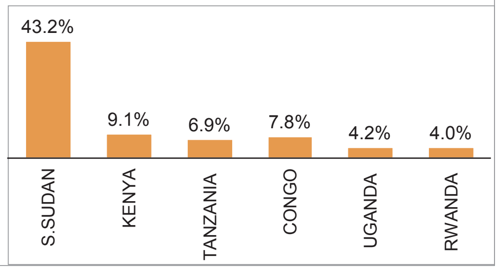
NPL per sector as at H1 2018



NPL Coverage



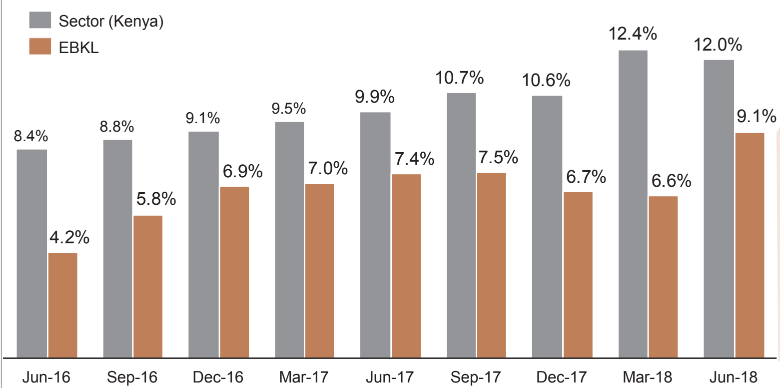
NPL per Country as at H1 2018



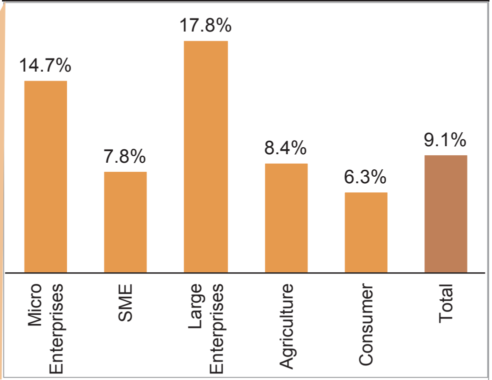
NB: The sector NPL of 12.4% is for April 2018

Focus Area 7: Asset quality (Kenya)

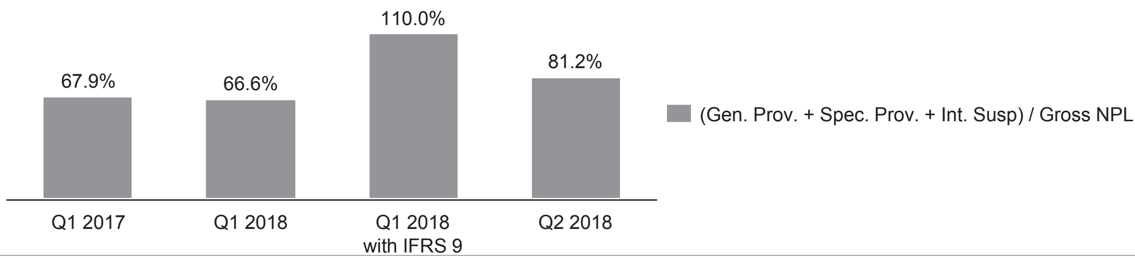
NPL's – Sector vs EBKL as at H1 2018



NPL per sector as at H1 2018



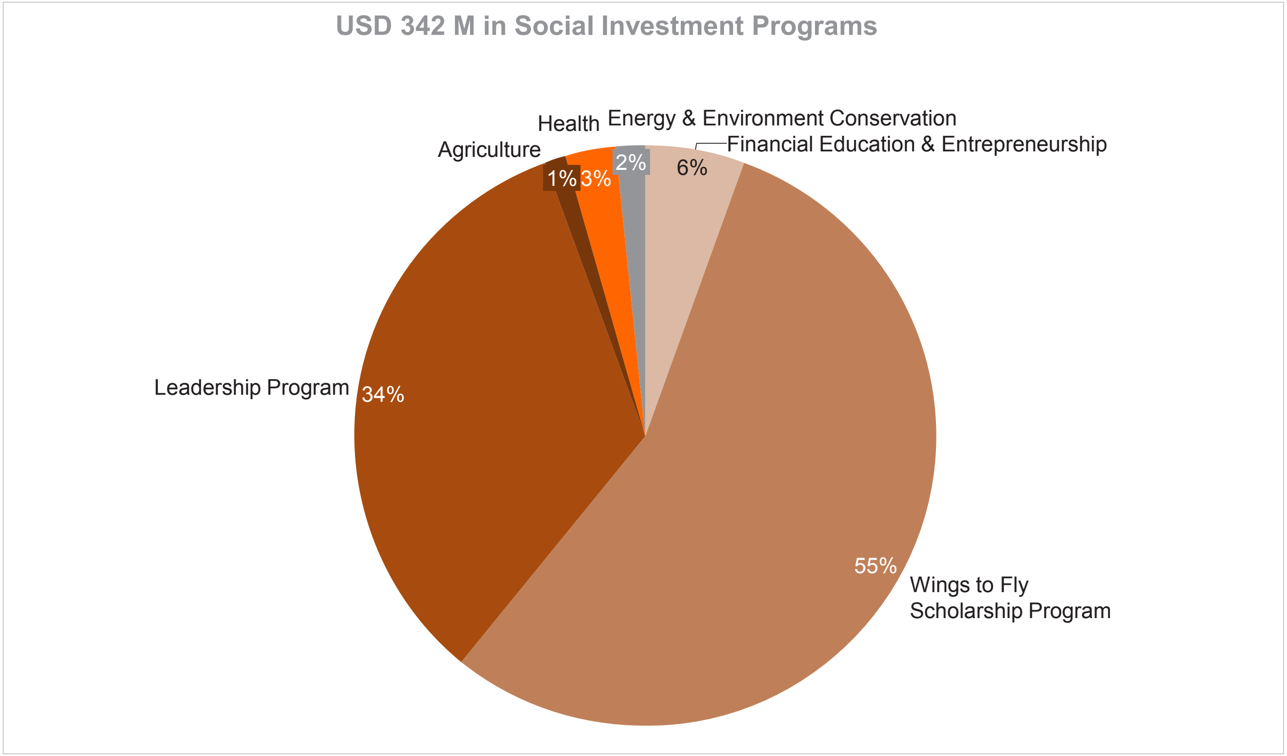
NPL Coverage



NB: The sector NPL of 12.4% is for April 2018

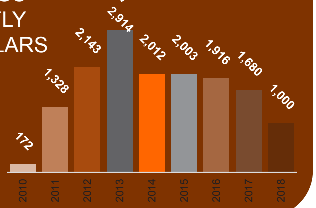
EQUITY Group Holdings Plc

Focus Area 8: Impact Investment
Impact & Social Investment Programs



Focus Area 8: Impact Investment
Shared Prosperity Business Model and its Social Impact

TOTAL WINGS TO FLY SCHOLARS **15,168**



2017 GRADUATING CLASS

- 94% secondary school completion
- 69% attained university entry grades
- 86% take on school and community leadership roles

600,000 PEASANT FARMERS TRANSFORMED TO AGRI-BUSINESSES

2,616 MEDIUM-SIZED FARMERS SUPPORTED

10,641

UNIVERSITY SCHOLARS

461 attending or alumni of global universities

EQUITY GROUP FOUNDATION

1,657,587

Women and Youth Trained in Financial Education

USD 0.36M Accessed in Loans

USD 24M Cumulative Savings

Content availed through mobile channel

- Mobile & digital learning tools for Scholars
- MAMA for mothers
- Financial Education
- Wikipedia

1Million

Trees planted

40,000

Clean energy products distributed

USD

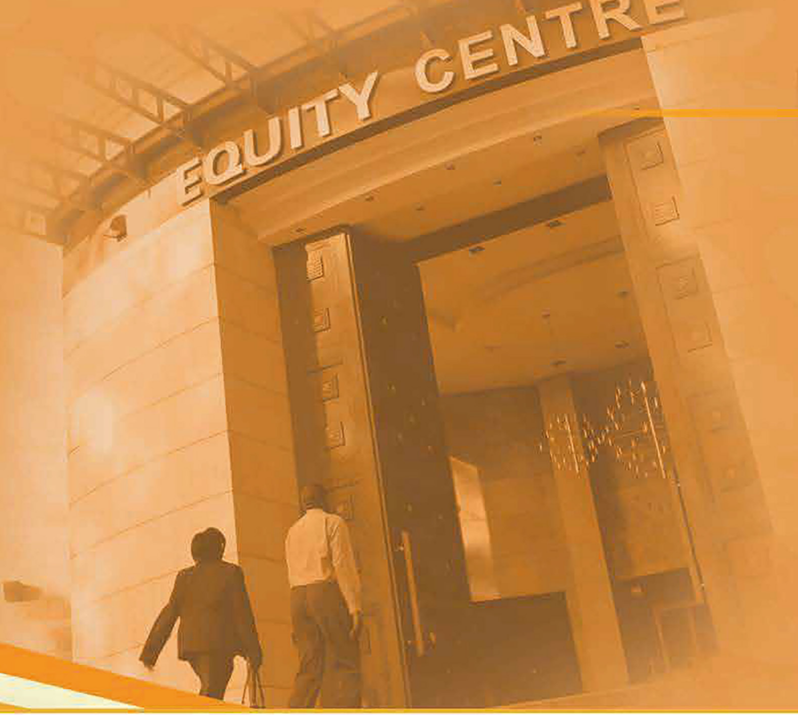
342,033,497

TOTAL FUNDS RAISED FOR CURRENT PROGRAMS

39,070

MSMEs Trained

USD 50M Accessed in Loans



Business Validation

Global Ratings and Accolades

MOODY'S	**Equity Bank Credit Rating** National Rating: Aa3.ke/KE-1 Global Rating: B2 Rating Outlook: Stable. Same as the sovereign rating
GCR GLOBAL CREDIT RATING CO.	**Equity Bank Credit Rating** Long Term Rating Scale AA- Short Term Rating Scale A1+ Rating Outlook: Stable
The Banker TOP 1000 WORLD BANKS 2017	**Position 11 globally** on Return on Assets **Position 37 globally** on Soundness (Capital Assets Ratio) **Position 45 globally** on Profits on Capital **Position 806 globally** Largest Bank
EUROMONEY AWARDS FOR EXCELLENCE 2018	**Equity Bank** **Kenya's Best Bank**

Global Ratings and Accolades

Superbrands – East Africa's Choice 2017-18	Brand	Equity Bank has been recognised for the last 10 years consecutive since 2007 as the Top Banking Superbrand in Kenya and in East Africa in 2008 and 2009
Business Excellence Awards 2018	Brand	**EABC Chairman's Award**- Overall Best Regional Company **Best East African Company**- CSR **Best East African Company**- Financial services (1st Runners up)
Banker Africa East Africa Awards 2018	Brand	**Best Commercial Bank** – East Africa **Best Commercial Bank** – Kenya **Most Innovative Bank** – Kenya
	Product	**Best Digital Offering** – East Africa
	Leadership	**Banker of the Year** – Dr. James Mwangi CEO Equity Bank for the second year in a row

EQUITY Group Holdings Plc

2018 National Banking Awards and Accolades

Think BUSINESS BANKING AWARDS 2018

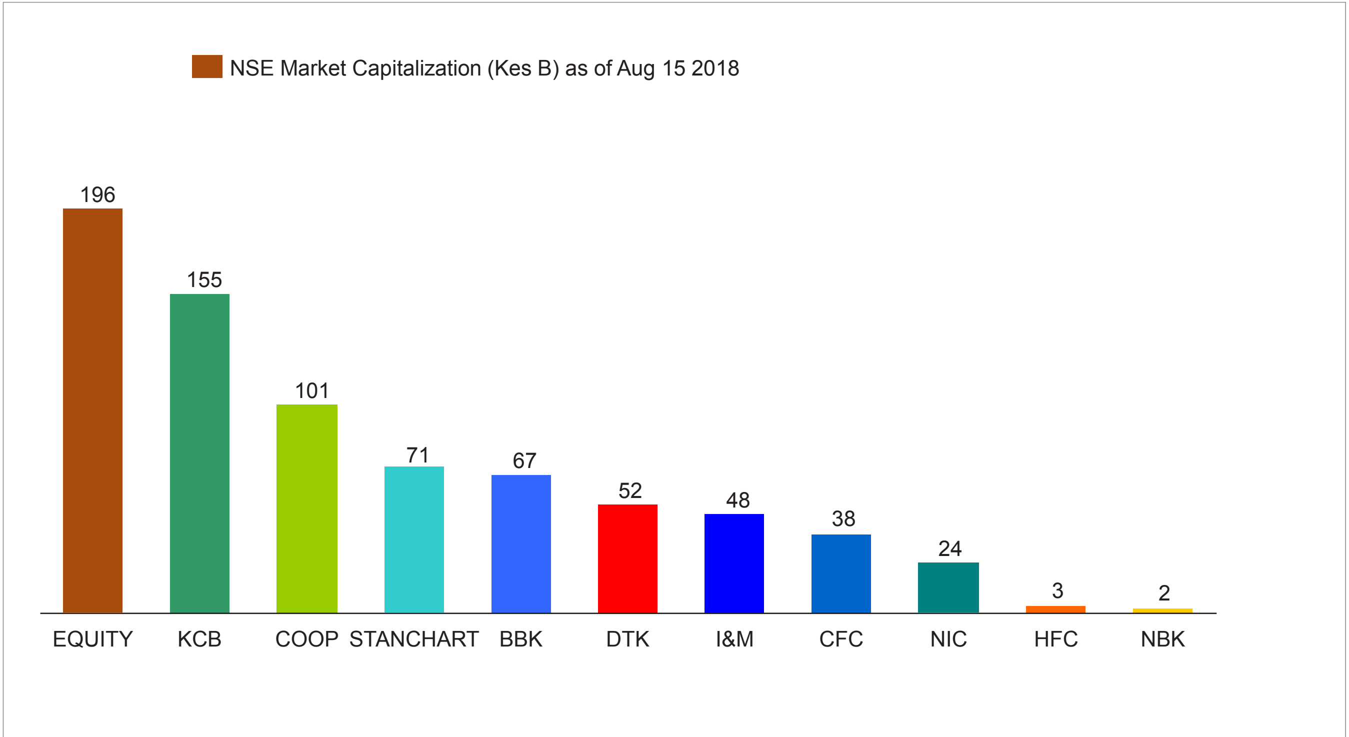
Best Bank in Kenya for the 7th time.

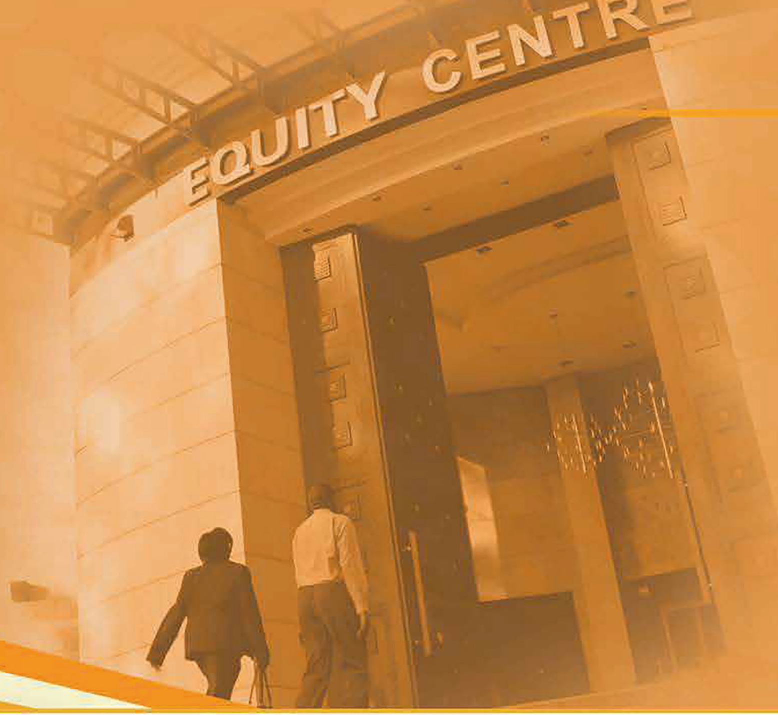
Total Awards won in 2018 - 22

Brand	1. Overall Best Bank in Kenya 2018 2. Best Bank in Tier 1 3. Best bank in Sustainable Corporate Social Responsibility 4. The Most Customer-centric Bank 5. The Bank with the Lowest Charges for Individuals
Franchise Segmentation	1. Best Bank in SME Banking 2. Best Bank in Retail Banking 3. Best Bank in Agency Banking 4. Best Bank in Mobile Banking 5. Best Bank in Digital Banking 6. Best Commercial Bank in Micro-Finance 7. Best Bank in Corporate Banking - 2nd Runners Up
Product	1. Best Bank in Internet Banking 2. Best Bank in Asset Finance 3. Best Bank in Product Marketing 4. Best Bank in Product Innovation - 1st Runners Up 5. Best Bank in Mortgage Finance - 1st Runners Up 6. Best Bank in Trade Financing - 1st Runners Up 7. Best Bank in Agriculture and Livestock Financing - 2nd Runners Up 8. Special Judges Awards for Product Innovation - Equity Afia
Leadership	1. Chief Executive Officer of the Year: Dr. James Mwangi for the second year in a row 2. Outstanding Young Banker of the Year: Daniel Gachau for the second year in a row from Equity Bank

2018 National Banking Awards and Accolades

Market Validation Market Capitalization





Intermediation & Financial Performance

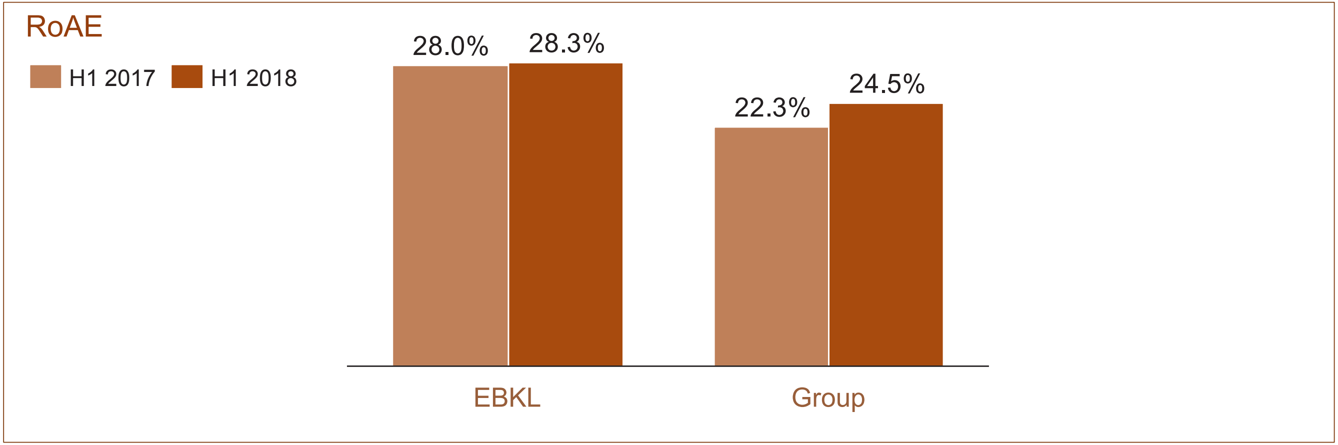
Balance Sheet

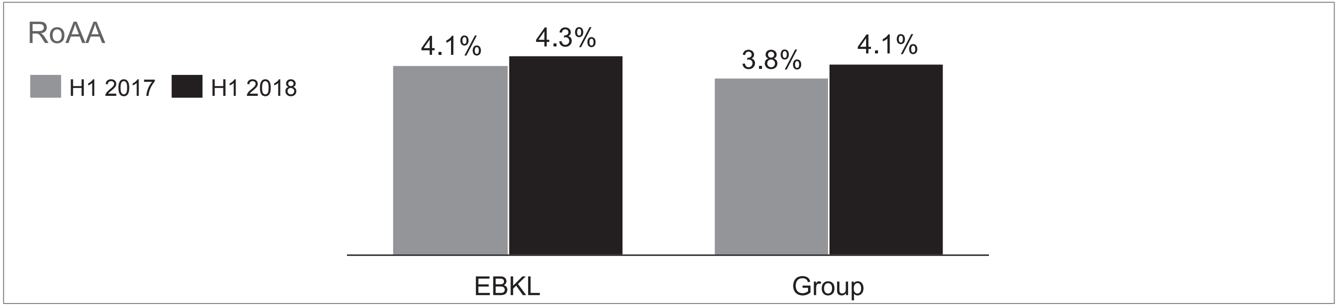
KES (Billion)		GROUP	
	H1 2017	H1 2018	Growth
Assets			
Net Loans	265.1	275.0	4%
Cash & Cash Equivalents	77.8	74.3	-4%
Government Securities	115.6	158.9	37%
Other Assets	46.5	33.7	-27%
Total Assets	**504.9**	**542.0**	**7%**
Liabilities & Capital			
Deposits	362.8	393.7	9%
Borrowed Funds	45.5	52.7	16%
Other Liabilities	10.7	9.4	-13%
Shareholder’s Funds	85.9	86.3	0%
Total Liabilities & Capital	**504.9**	**542.0**	**7%**

Growth in PAT

	GROUP		
KES (Billion)	H1 2017	H1 2018	Growth %
Interest Income	23.0	25.4	10%
Interest Expense	-5.1	-5.8	14%
Net Interest Income	**17.9**	**19.6**	**9%**
Non-Funded Income	13.0	13.2	2%
Total Income	**30.9**	**32.8**	**6%**
Loan Loss Provision	-1.9	-0.8	-58%
Staff Costs	-5.2	-5.2	1%
Other Operating Expenses	-10.6	-11.3	6%
Total Costs	**-17.6**	**-17.3**	**-2%**
PBT	**13.3**	**15.5**	**16%**
Tax	-3.9	-4.5	13%
PAT	**9.4**	**11.0**	**18%**

RoAE and RoAA Trend





Ratios - Banking Subsidiaries

RoAE		
Subsidiary	H1 2017	H1 2018
EBKL	28.00%	28.28%
EBUL	33.28%	29.58%
EBRL	14.93%	16.63%
EBTL	11.72%	16.50%
DRC	5.71%	16.41%
EBSSL	-6.82%	8.97%

RoAA		
Subsidiary	H1 2017	H1 2018
EBKL	4.10%	4.30%
EBUL	4.91%	4.28%
EBRL	2.27%	2.71%
EBTL	1.48%	1.86%
DRC	0.91%	2.11%
EBSSL	-2.31%	3.49%

Cost-to-Income Ratio		
Subsidiary	H1 2017	H1 2018
EBKL	44.45%	45.57%
EBUL	55.92%	58.70%
EBRL	61.33%	54.11%
EBTL	67.15%	61.29%
DRC	83.77%	68.20%
EBSSL	143.28%	71.07%

Cost-to-Asset Ratio		
Subsidiary	H1 2017	H1 2018
EBKL	6.00%	5.37%
EBUL	9.82%	7.85%
EBRL	7.89%	6.61%
EBTL	6.95%	5.50%
DRC	12.30%	10.42%
EBSSL	7.63%	8.59%

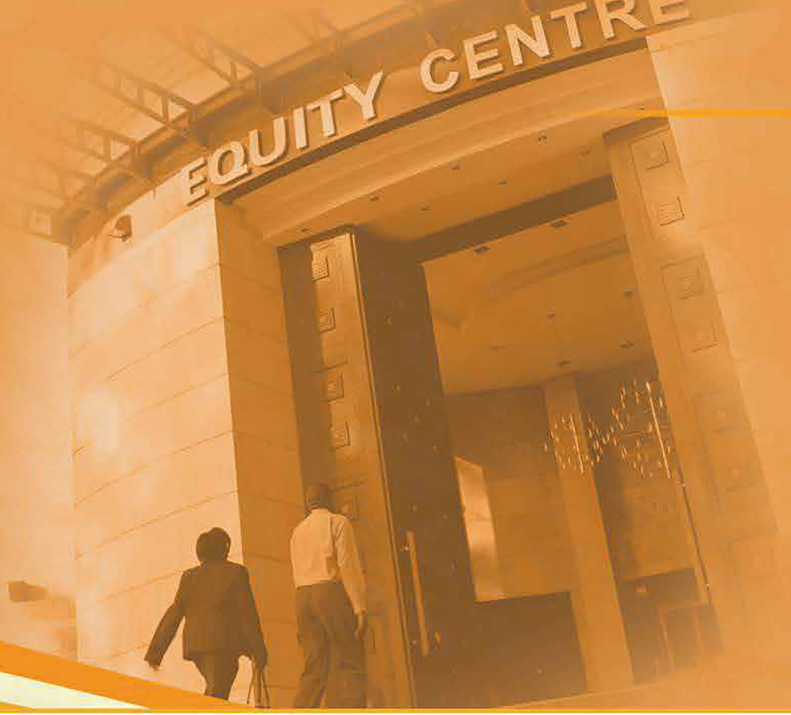
Financial Ratios

	EBKL H1 2017	EBKL H1 2018	Group H1 2017	Group H1 2018
Profitability				
Yield on Loans	11.4%	11.3%	12.3%	12.4%
Yield on Government Securities	11.4%	11.1%	11.5%	11.0%
Yield on Interest Earning Assets	10.7%	10.8%	11.0%	10.9%
Cost of Deposits	2.2%	2.2%	2.4%	2.4%
Cost of Funds	2.6%	2.6%	2.6%	2.7%
Net Interest Margin	8.1%	8.3%	8.5%	8.3%
Cost to Income Ratio (with provisions)	50.6%	46.7%	57.0%	52.8%
Cost to Income Ratio (without provision)	44.5%	45.6%	51.0%	50.4%
RoAE	28.0%	28.3%	22.3%	24.5%
RoAA	4.1%	4.3%	3.8%	4.1%
Asset Quality				
Cost of Risk	1.4%	0.2%	1.4%	0.6%
Leverage				
Loan / Deposit Ratio	71.9%	68.3%	72.9%	69.9%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	15.3%	14.6%	19.6%	18.3%
Total Capital to Risk Weighted Assets	16.1%	14.7%	20.4%	18.4%
Liquidity				
Liquidity ratio	54.4%	59.4%	51.1%	57.1%

2018 Outlook – Group

	Group	
	2018 Outlook	H1 2018 Actual
Loan Growth	10% - 15%	3.8%
Deposit Growth	5% - 15%	8.3%
Net Interest Margin	8.5% - 10%	8.3%
Non Funded Income Mix	42% - 45%	40%
Cost to Income Ratio	48% - 52%	50.4%
Return on Equity	22% - 25%	24.5%
Return on Assets	3.8% - 4.5%	4.1%
Cost of Risk	0.8% - 1.2%	0.6%
NPL	4% - 5.5%	8.4%
Subsidiaries Contribution (Assets)	25% - 30%	26%
Subsidiaries Contribution (PBT)	20% - 25%	18%

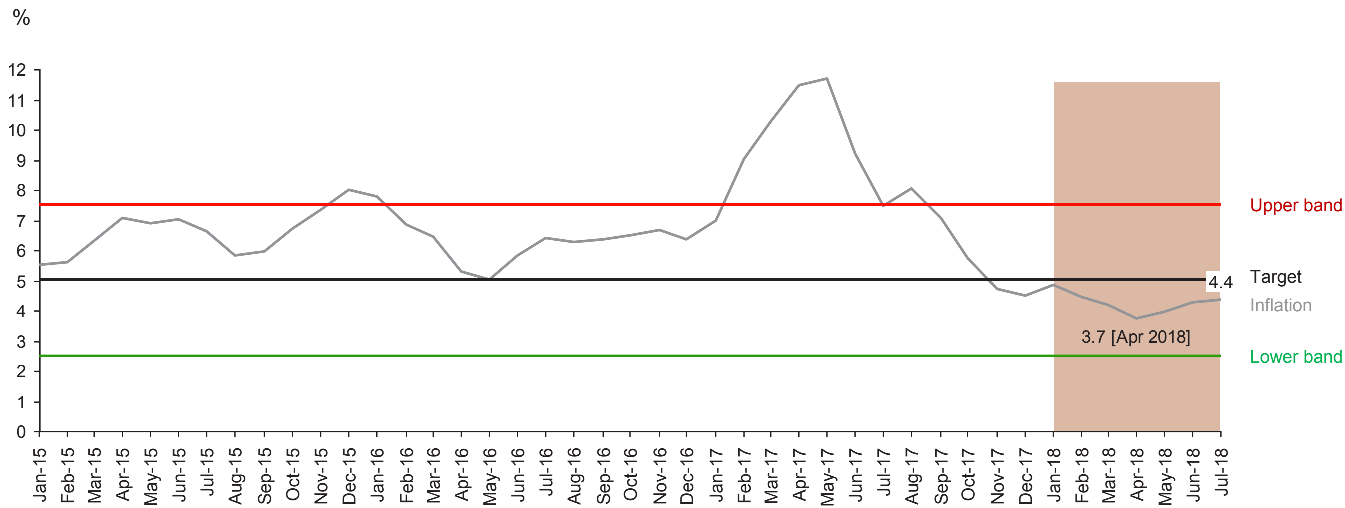
Appendix



Macroeconomic Environment Indicators & Trends - Kenya

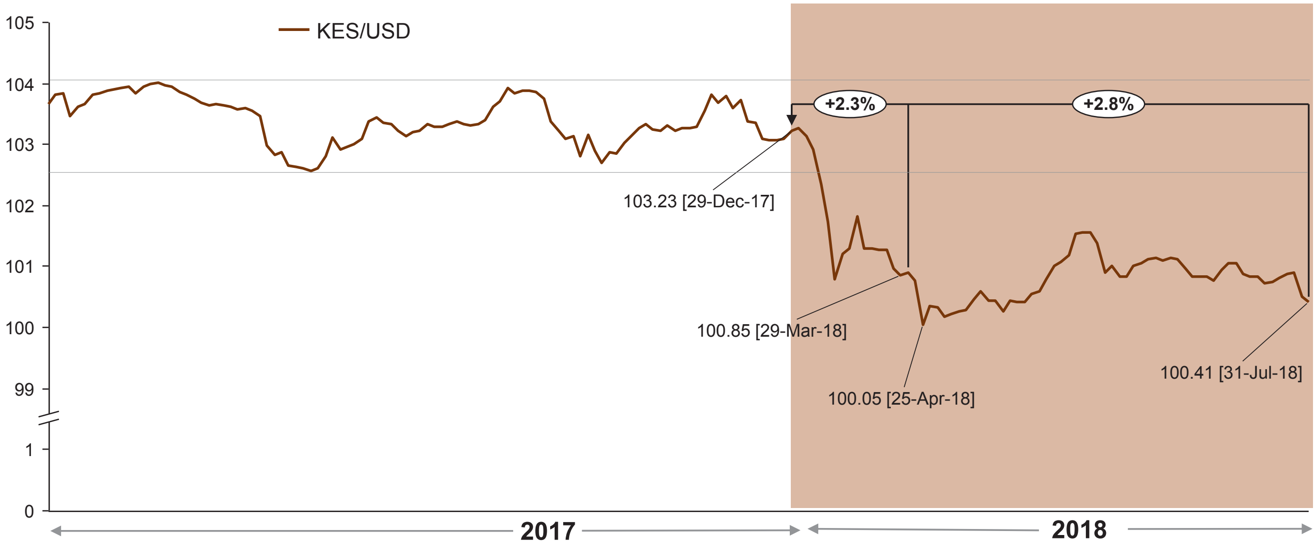
Inflation – Kenya

- Inflation below the targeted rate and still within the targeted range for the whole of the year. Kenya posted a marginal increase to 4.35% from the most recent low level of 3.7% but the economy continues to defend the inflation recovery made towards end of 2017.
- There is expected bumper harvest & inflation is not expected to rise.



Foreign Exchange – Kenya

Driven by easing of **political rivalry** and **improved diaspora remittances** the shilling is expected to **remain relatively stable** against the dollar. The Kenya Shilling has during the second quarter maintained the **2.3%** gain achieved in the **first quarter** and added an extra 0.5% gain to close **Jul 2018 with a cumulative gain on 2.8%.** The shilling closed on Jul 2018 at KShs 100.41, from KShs 103.2 as at the end of December 2017.



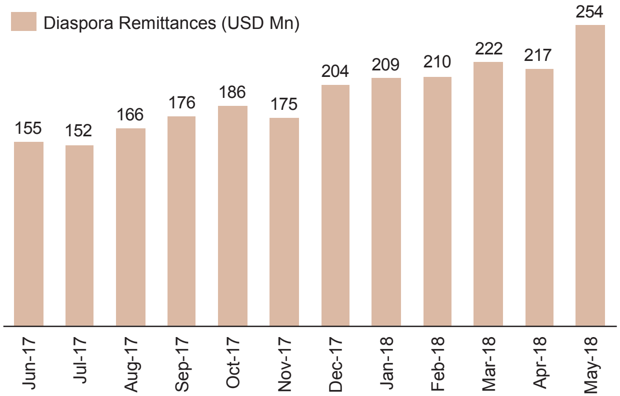
Foreign Reserves – Kenya

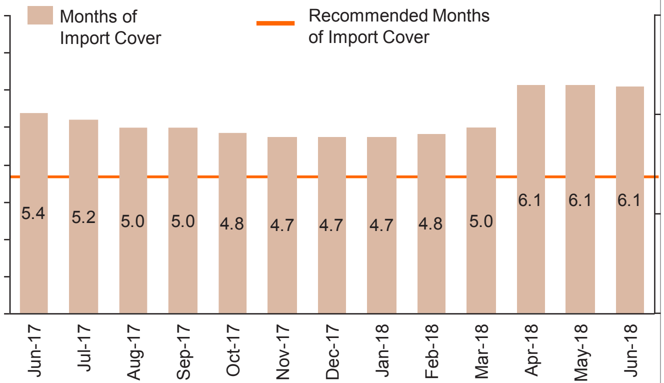
Although average prices of Crude Oil in the international markets have significantly recovered since Jun 2017 this threat is muted by the improving FX reserves thus aiding the Shilling to strengthen

Improving FX reserves is as a result of increase in Diaspora Remittances

FX reserves remain above the recommended 4 months.

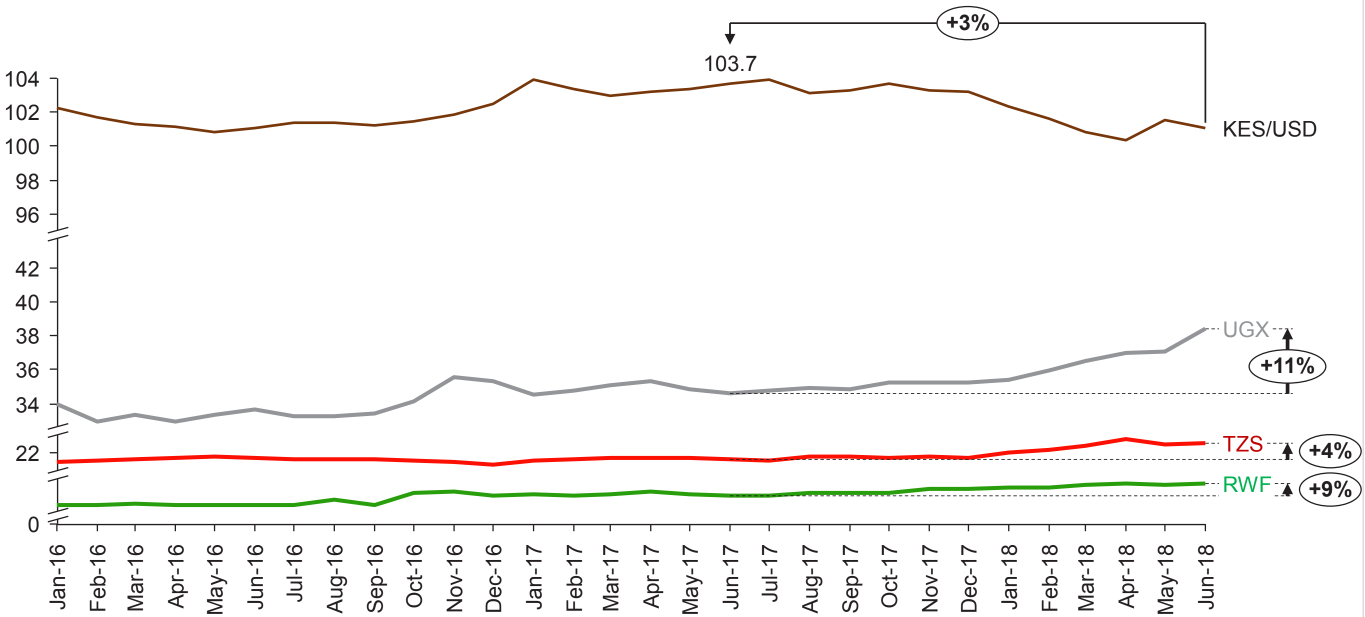
Crude Oil Prices





FX – Selected East Africa Countries

KES has gained ground against her East African peers and **against the USD** YoY



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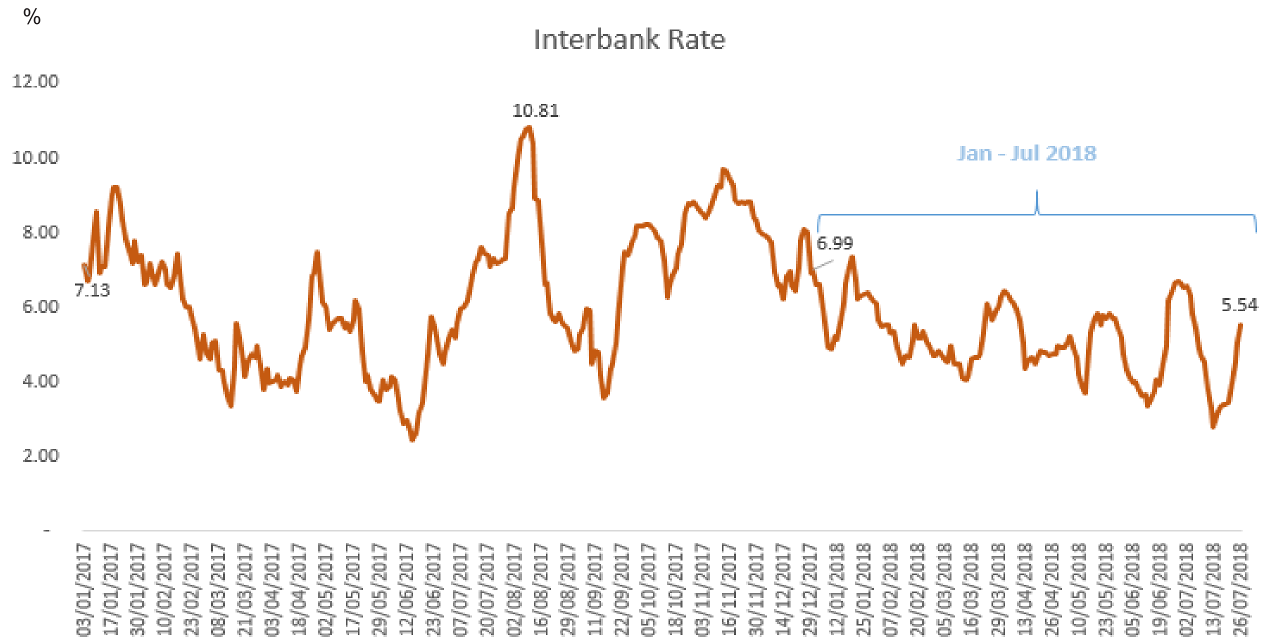
Interbank Rates – Kenya
Market Liquidity

The year has so far been characterized by increasing market liquidity



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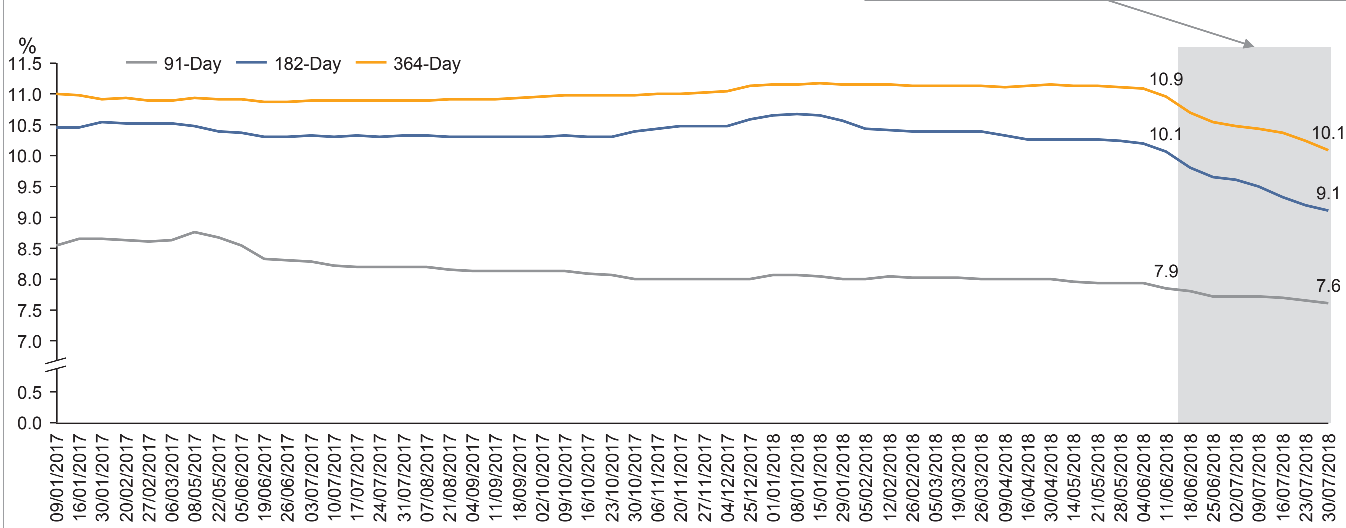
Treasury Bill Rates – Kenya
A Shift in Tenor Preference

Financial institutions seem to be shying away from long tenors in order to flee up liquidity in preparation to any possible repeal of interest rate law repeal

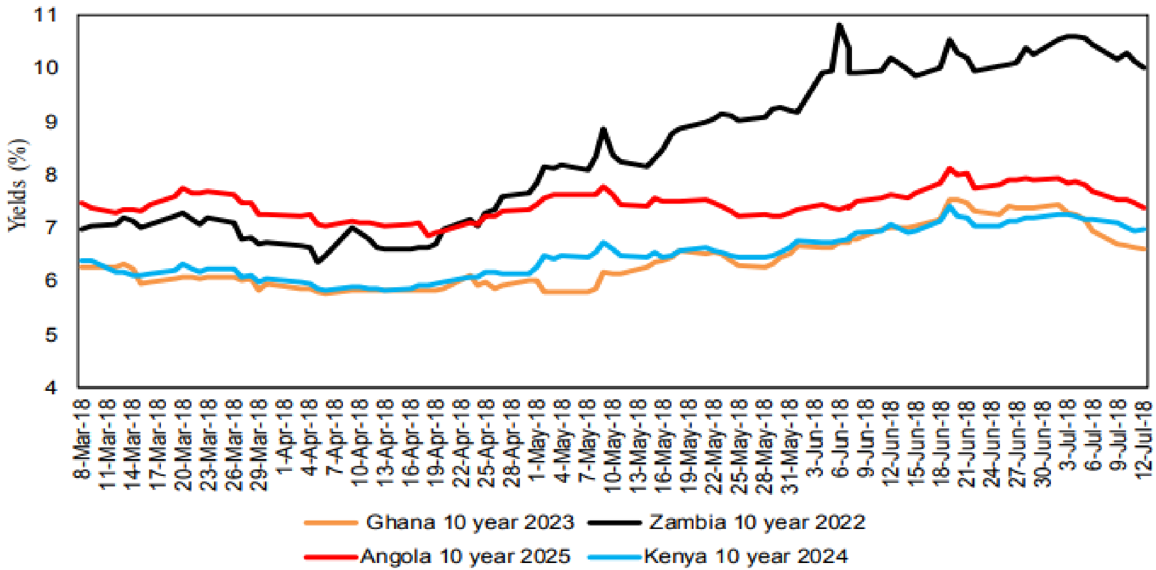
Government declares intentions to repeal interest rate law during 2018/19 budget reading



International perspective on Kenyan sovereign risk

Yields on 10 year Eurobonds in Selected African Countries

Kenyan Eurobond yield lower than other African Eurobond yields indicating lower default risk perception in the international market.

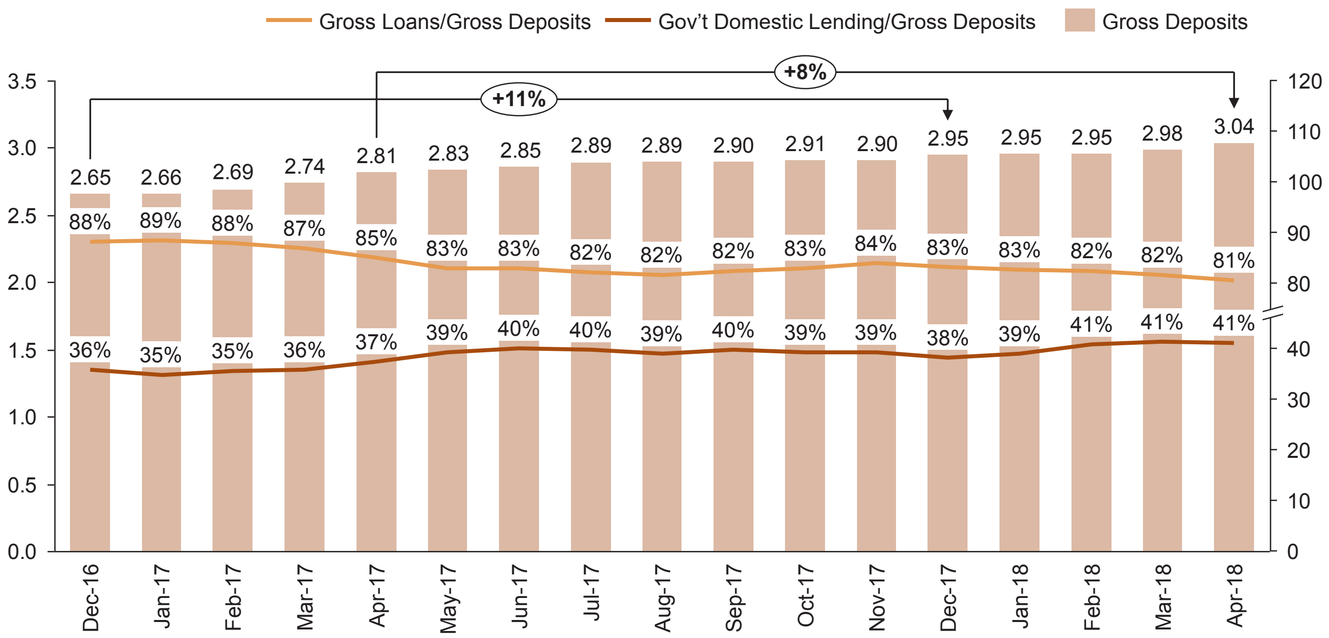


Source: CBK

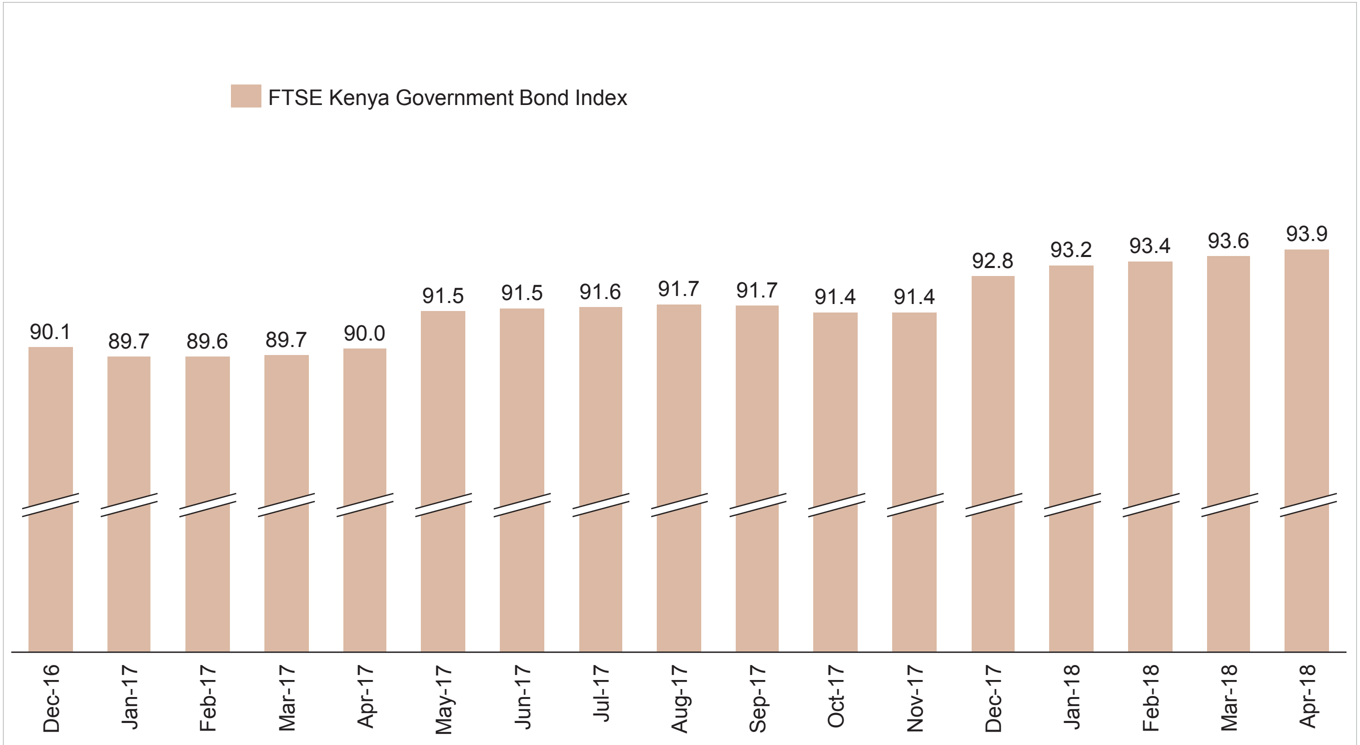
EQUITY Group Holdings Plc

Government & Private Sector Competing for Credit
The making of a structural shift

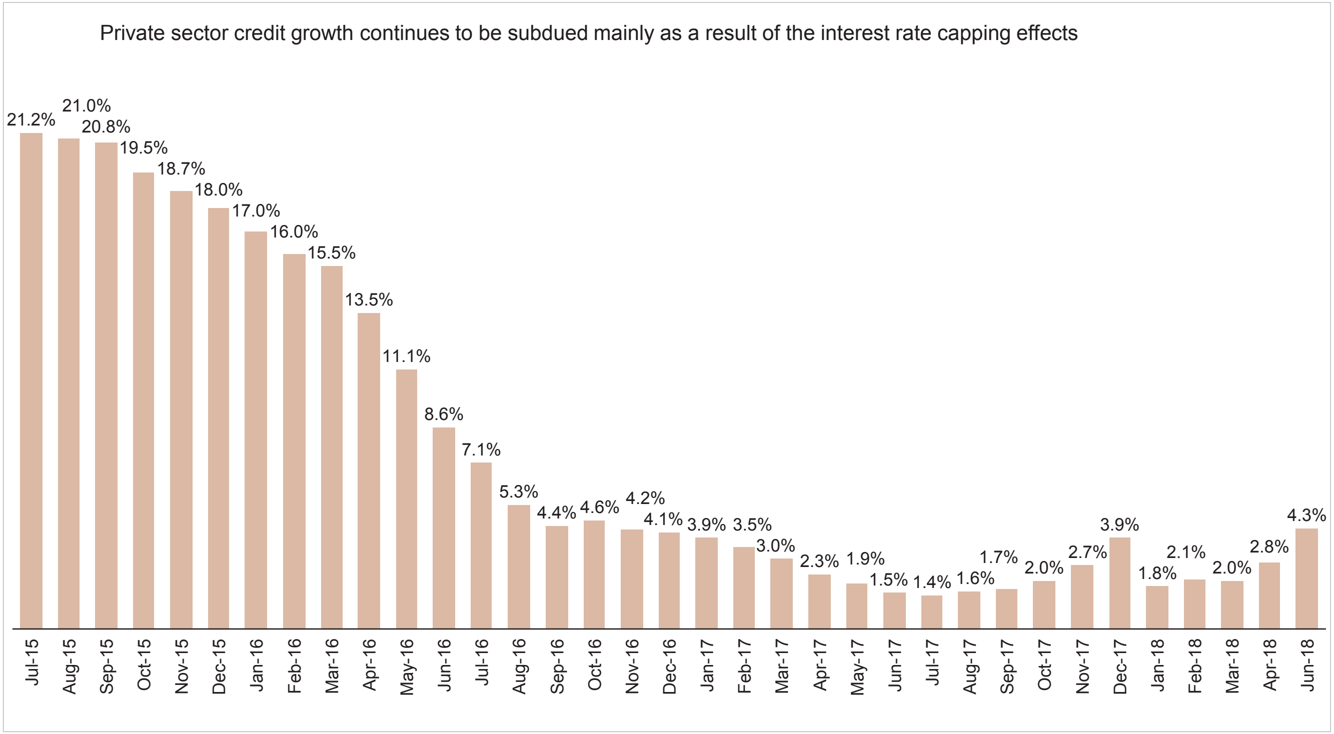
Credit availability maintains a healthy growth pattern but the inability of the interest rate regime to price risks coupled with a growing public debt continues to disenfranchise the private sector for credit access.



Kenya Government Bond Index

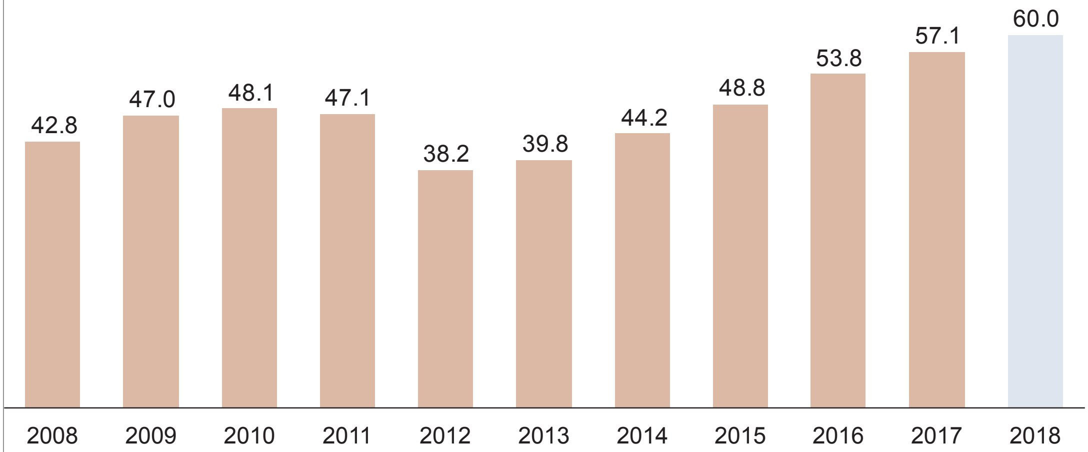


Private Sector Credit Growth Trend



Debt to GDP

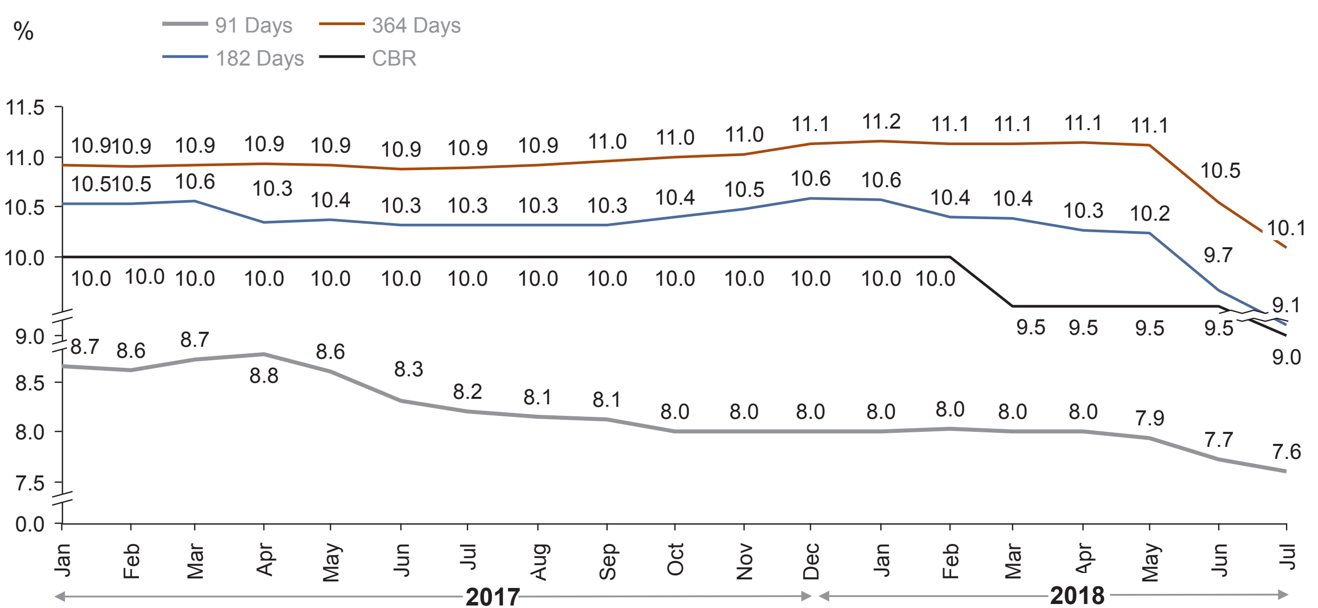
Kenya recorded a government debt equivalent to 57.1 percent of the country's Gross Domestic Product in 2017. This is expected to continue increasing trending at around 60 percent in 2018 and 65 percent in 2020.



Source: Trading Economics

Interest Rates - Kenya

The Monetary Policy Committee (MPC) met on 30th Jul and reduced the Central Bank Rate (CBR) by 50 basis point to 9.0% from 9.5% in a response to a below-potential economic output.

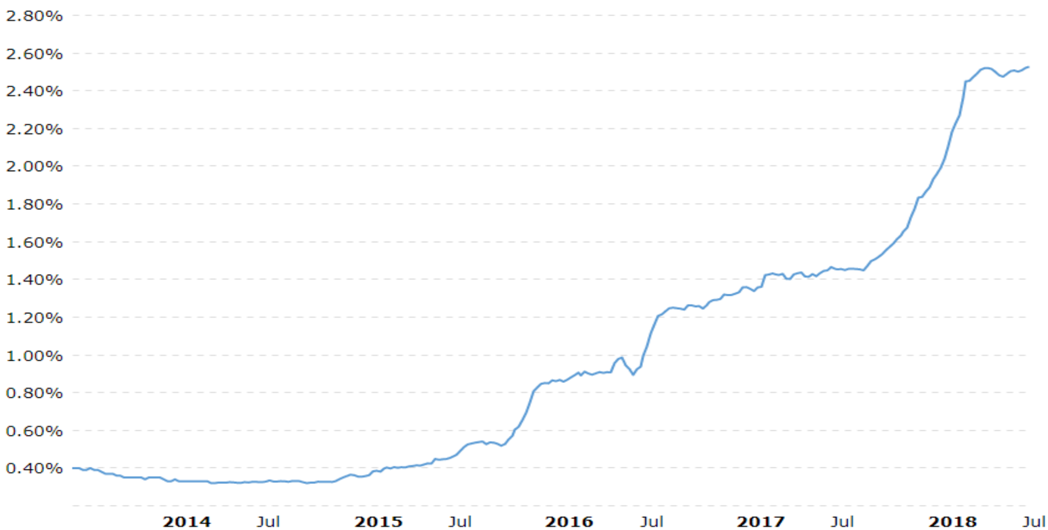


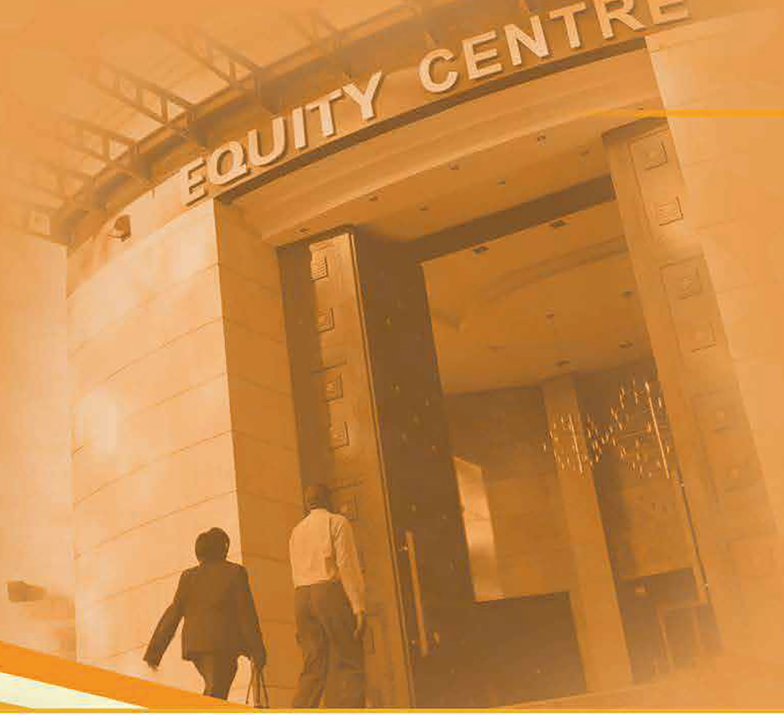
Global Interest Rates

USD Interest rates continue maintaining a growth trajectory adding pressure to Net Interest Margins for Kenyan banks with USD Debt.

Equity Bank remains vigilant on its gross yields on USD Loans so as to adjust with any shift in cost of USD funds.

USD 6 Month LIBOR





Macroeconomic Environment - Eastern Africa

2018 Economic Outlook – East Africa

Uganda

a) Economic performance generally remained strong in 2017 and is projected to reach 5.9% in 2018, up from 4.8% in 2017

b) Both headline and core inflation declined to 2.1% and 1.7% respectively

c) The Bank of Uganda CBR rate has been trending down for the last 2 years

d) Private sector credit which remained subdued throughout FY2016/17 is beginning to show some signs of recovery

e) The rate of non-performing loans across the banking sector has dropped from a high of 10.5% in December 2016 to a low of 5.6% in December 2017

Rwanda

a) Rwanda’s economy is expected to grow by 7.2 per cent in 2018 riding on the services sector, agriculture and a rebound in construction activities (IMF) up from 6.1 in 2017

b) Inflation is expected to be around 5.0 percent in 2018, slightly up from 4.9 percent in 2017

2018 Economic Outlook – Eastern Africa

Tanzania

a) Tanzania's GDP growth slowed to 6.8 percent in the first half of 2017 from a 7.7 percent expansion in the same period in 2016

b) Inflation in Tanzania remains moderate and foreign exchange reserves have increased substantially

c) In January 2018, the IMF stepped up its warnings against economic slowdown in Tanzania, saying the government needs to take urgent measures to reverse the downward trend.

d) GDP data shows strong growth, but other high frequency data suggest a weakening of economic activity

e) Tax revenue collections are lower than expected and credit growth has stagnated reflecting in part banks' rising non-performing loans (NPLs)

f) low budget implementation, a challenging business environment,

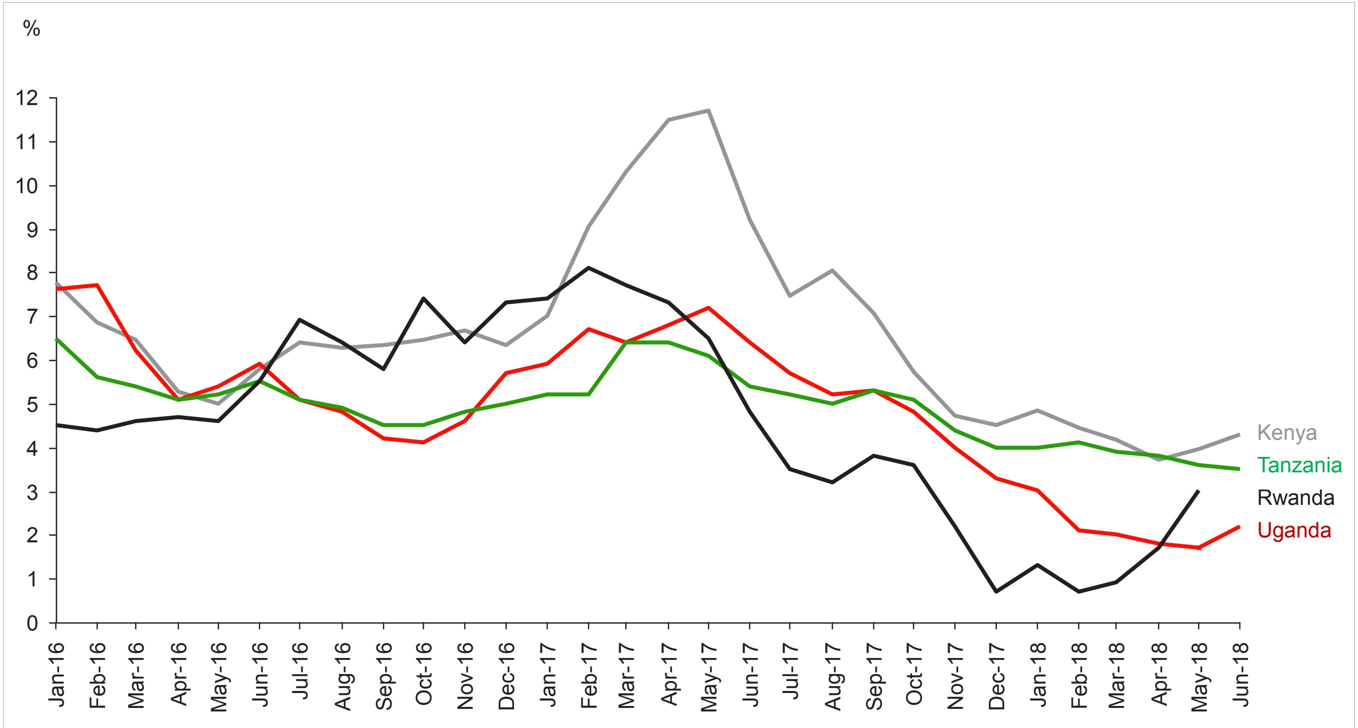
DRC

a) The economy is on track for a mild recovery. Economic growth is forecast growth of 3.3% in 2018,

b) Mining output for key commodities including copper and cobalt expanded at a sharper pace in the January–February period

c) High inflation and political uncertainty may weigh down on investment, consumption and output levels

Inflation – Selected East Africa Countries



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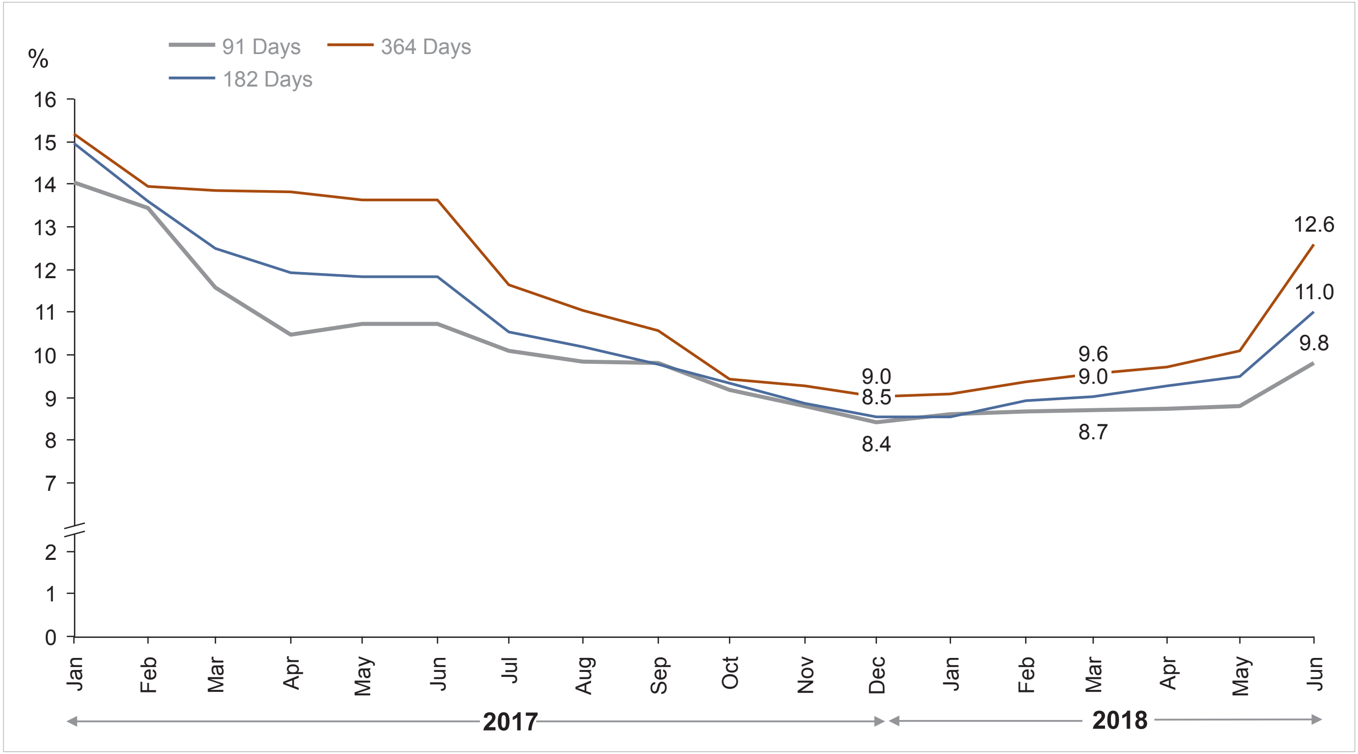
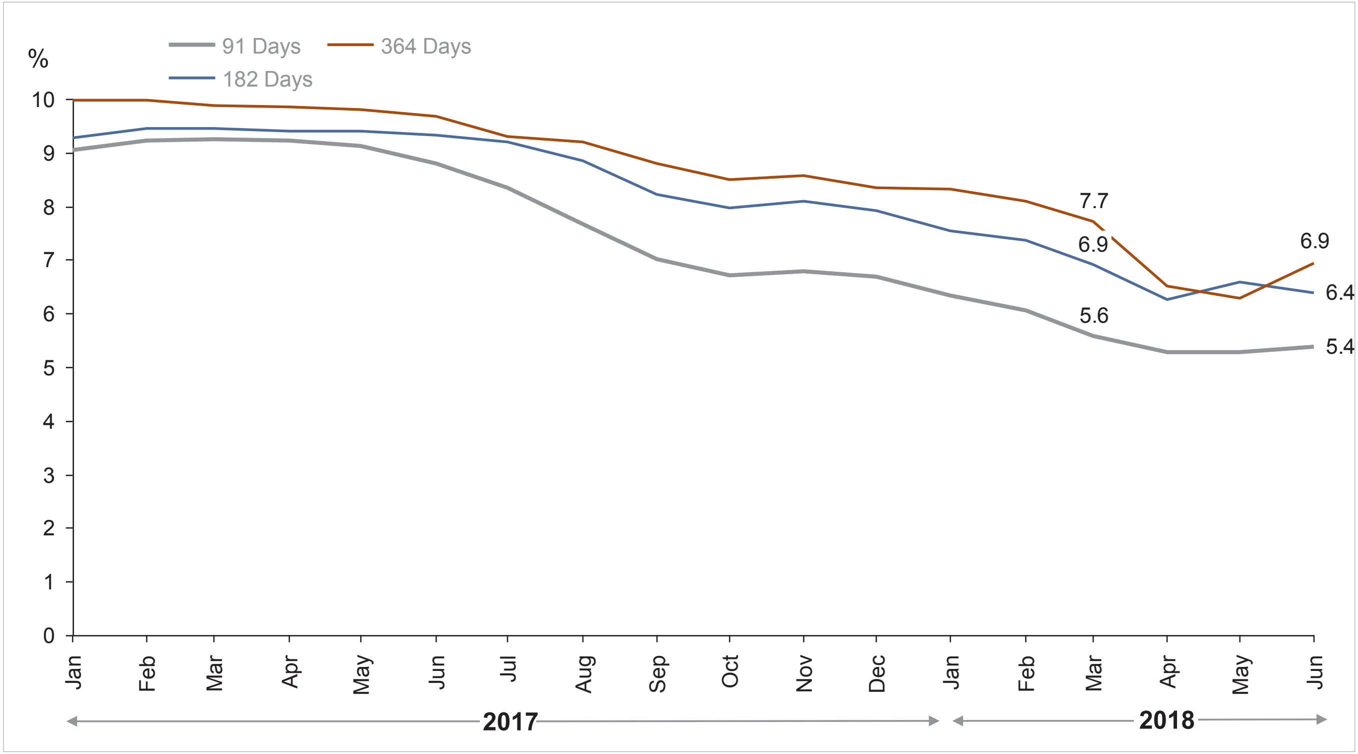
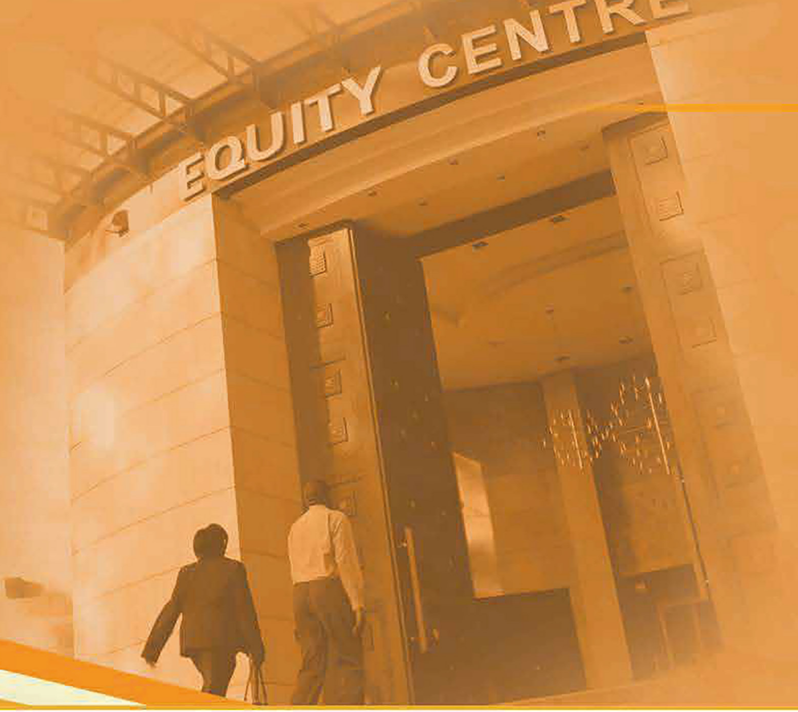
Interest Rates - Uganda



Interest Rates - Rwanda





Macroeconomic Environment Indicators & Trends - Kenya

2018 Economic Outlook

Inflation

- Kenya's year-on-year inflation increased to 4.28% in June from 3.95% in May mainly due to higher prices of food and non-alcoholic beverages and housing and utilities. Economists forecast inflation to average 5.4% in 2018.

Foreign exchange rate

- The Kenyan shilling shot up in value against the USD amid renewed political stability, which has led to a resurgence in strong capital inflows; increased flow in Diaspora remittances & growth in tourism.

Interest Rates

- Interest rate capping has resulted in low interest rates and subdued private sector credit growth
- Proposed amendments to interest rate cap

GDP

- The macro-economic environment has improved with CBK projecting GDP growing at 6.2% in 2018, up from 4.8% in 2017
- Q1 2018 GDP growth at 5.7% compared to Q1 2017 GDP growth of 4.8%

2018 Economic Outlook

Political climate

a) Positive political environment after the President and the leader of the opposition agreed to work together

b) Enhanced and improved security after all travel advisories lifted

c) Government focus on Big Four; low cost housing, manufacturing, food security & affordable universal health

d) Recent crackdown on corruption has seen improved public and investors confidence

Financial markets

a) Long term investors re-entering the market to take advantage of the valuations which are still historically low

b) Improved investor expectations due to a macro economic environment characterized by low inflation & stable exchange rate

2018/2019 Budget

a) Big Four's budgetary allocation of over 400 Billion asserts the Government's commitment to the ambitious economic development plan.

b) Establishment and budget financing on Kenya Mortgage Refinance Company, KMRC, to offer long term financing to financial institutions is expected to correct asset-liability mismatch as well as offer the much needed liquidity in the sector.

Ring fencing the Big Four in 2018 National budget

Positive highlights

- Manufacturers will be allowed an effective deduction of 130% on electricity costs.
- Proposed repealing of Section 33D (interest rate capping) of the Banking (amendment Act) 2016.
- Collaboration and co-operation between the President and the Opposition to defeat corruption, negative ethnicity, tribalism and divisive politics
- Fiscal Policy Reforms: A combination of policy and administrative reforms targeted at boosting domestic revenue mobilization and reduce the fiscal deficit
- Prioritizing the Agriculture sector and enhancing food and nutrition security through various tax exemptions for the sector
- ICT Sector: VAT exemptions on parts for the assembly of computers thereby encouraging local assemblies of computers

OUR INSPIRATION

That when years turn our vision dim and gray,
we shall still see beauty in the tired wrinkles of our faces and shall take confort out of the fact and knowledge that when we were given the opportunity, we did all we could to empower our people to exploit opportunities and realise their full potential on the road to economic prosperity.

Group Holdings Plc

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