



Investor Briefing

31 December 2012

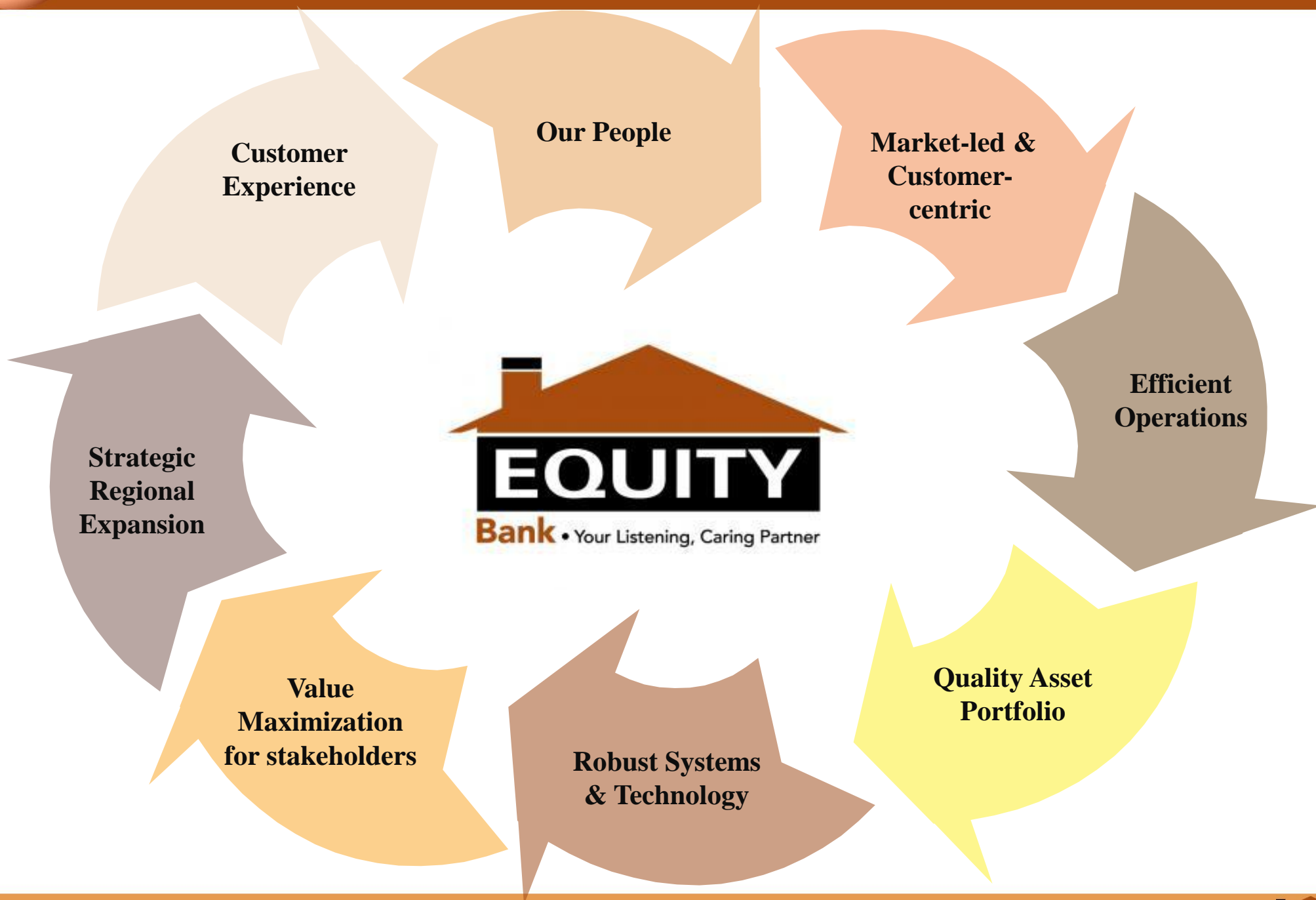
EQUITY CENTRE



Update on Key Initiatives



Critical Success Factors





Agency Banking Model Proving Successful – Key Driver of Growth

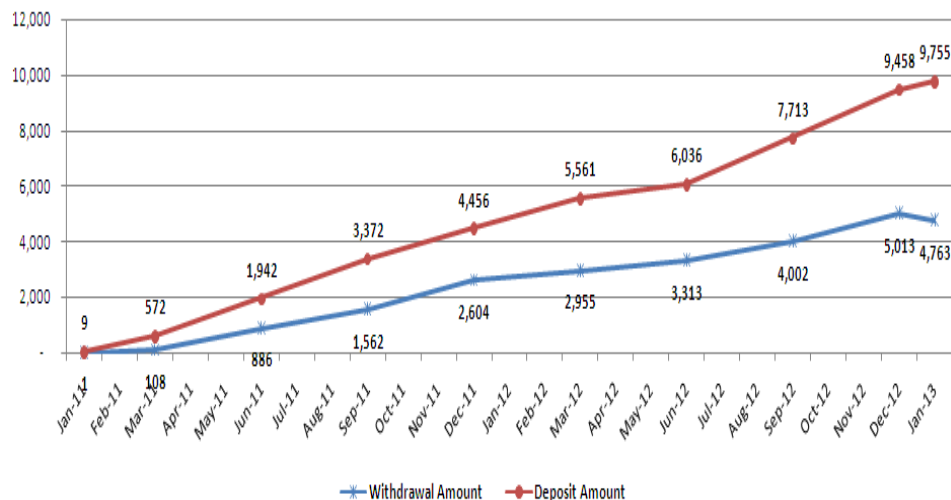
Key Initiatives

- Continued growth of agency network and transactions
- Agency network driving growth of deposit base in cost-effective model
- Agency deposits greater than branch deposits as at Dec-2012
 - Limited cannibalisation
- Effective risk management and strong focus on control systems
- Opportunity to increase product suite
- Scalable business model for regional expansion
- Rolled out in Rwanda and Tanzania

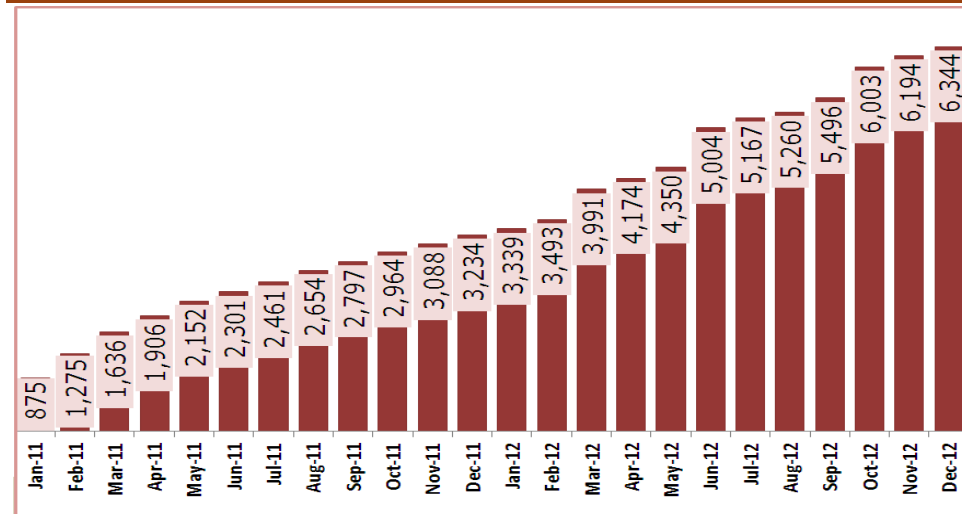
Agency Banking Transactions

In Millions of Kenya Shillings

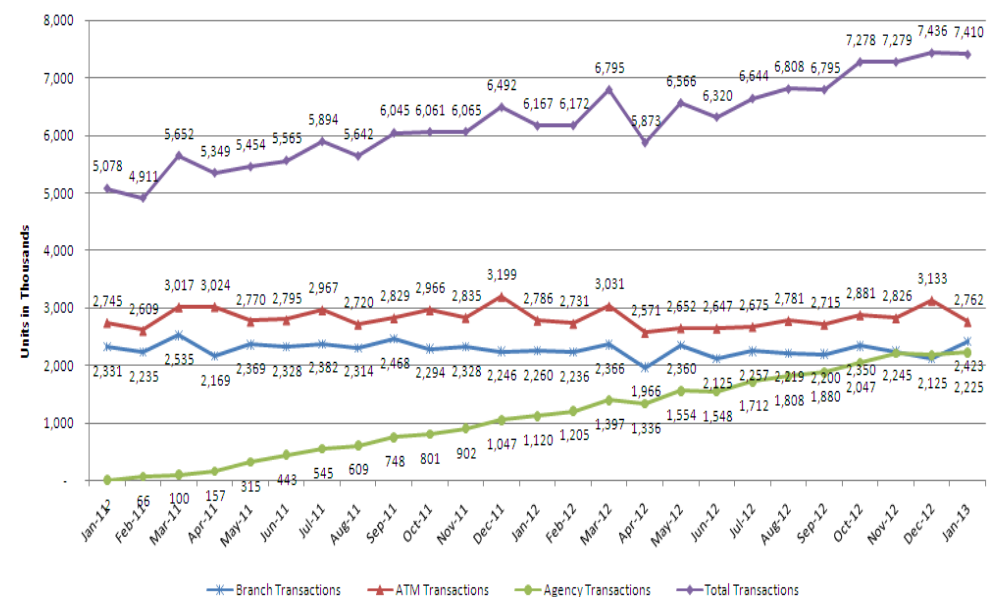
Transactions Turnover



No of Operational Equity Agents in Kenya



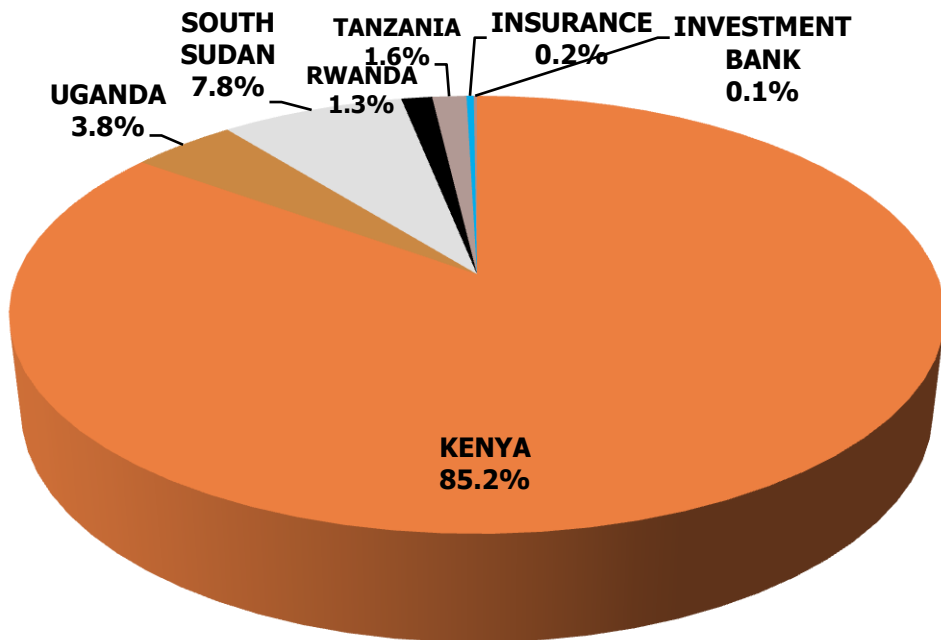
Number of Transactions (ATM, Branch, Agency)



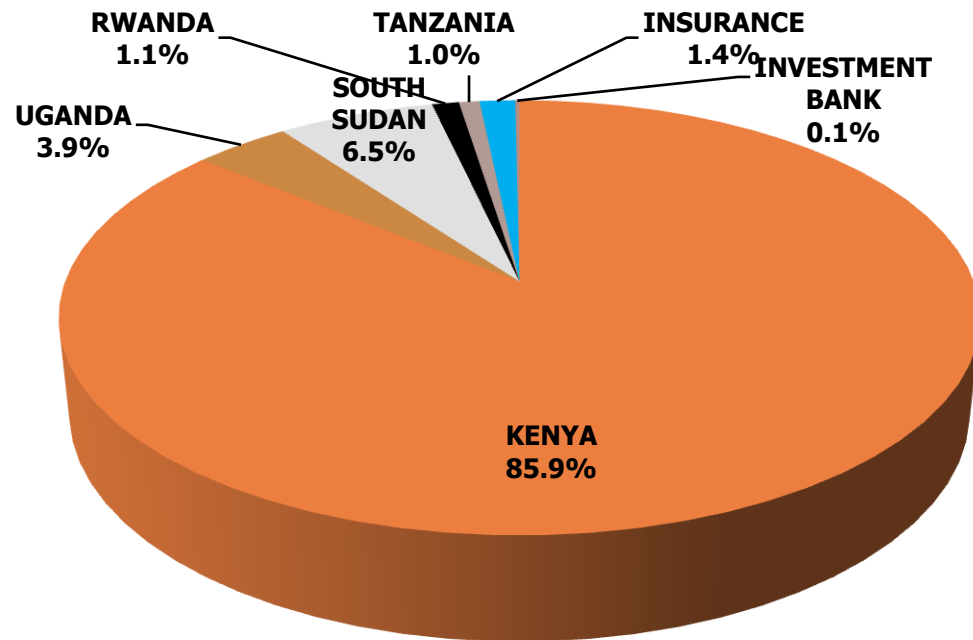


Continued Regional Expansion

Total Assets: 243.17 Bn



Revenues: 36.83 Bn



Key Initiatives

- Opened Tanzania in Feb-2012
- Further investments in Rwanda's branch network
- Continued strong performance in South Sudan despite challenging operating conditions
- Uganda consolidating its path to growth and improving profitability
- Significant opportunity for growth of agency model in Rwanda and Tanzania

Regional Footprint

Kenya

- Date Established: 1984
- No. of Branches: 147

South Sudan

- Date Established: 2009
- No. of Branches: 9

Tanzania

- Date Established: 2012
- No. of Branches: 6

Uganda

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

Rwanda

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

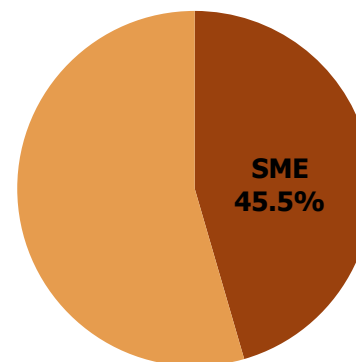


New Strategic Focus on SMEs to Embed Client Graduation Process

Key Initiatives

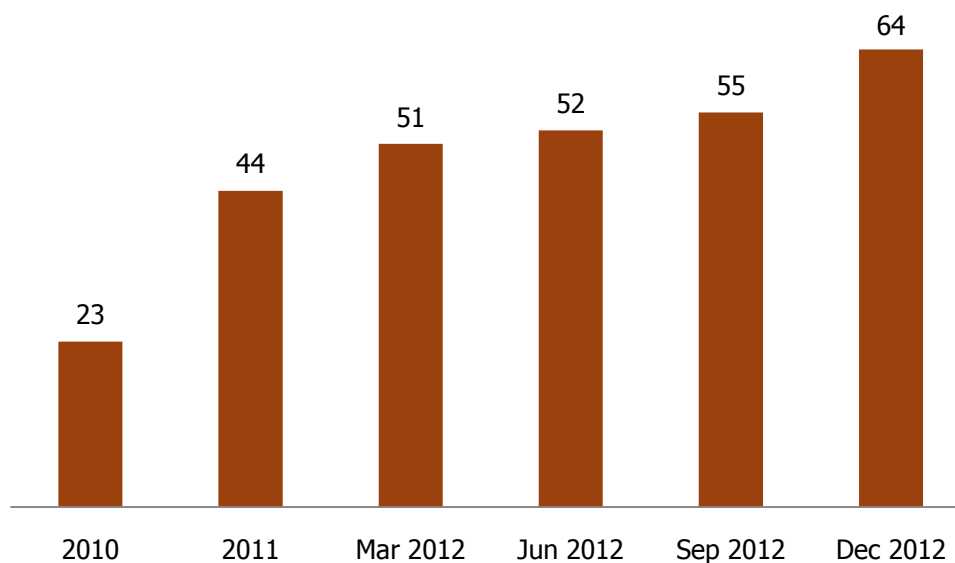
- New strategic focus on SMEs consolidating our client graduation strategy
- Investment in 7 supreme branches to better serve our SMEs
- Revamped product offering
- Significant investment in recruitment and training of relationship managers and officers
- Refocusing investment banking efforts towards SMEs advisory

SMEs Contribution to Total Loan Book



Evolution of SMEs Loan Book

In Billions of Kenya Shillings



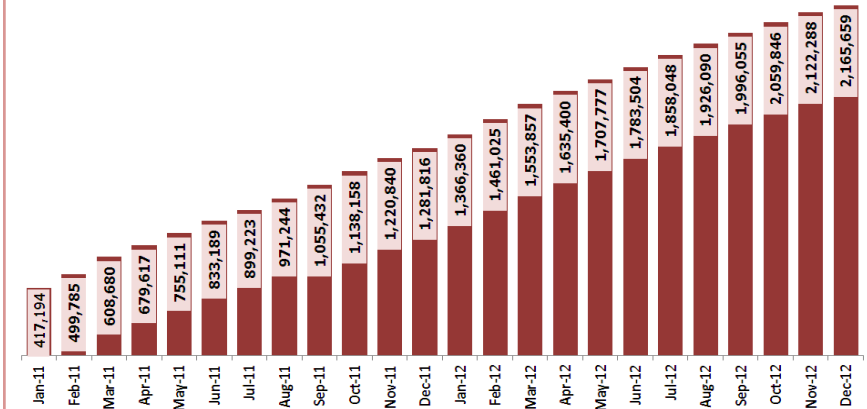


Mobile Banking Initiatives

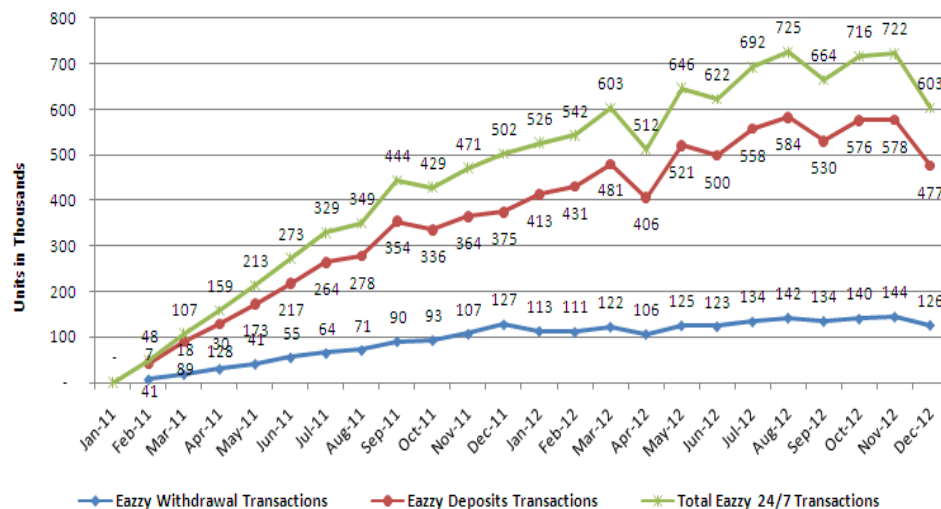
Continued Investment in ICT

- Upgrade of core banking system in process to drive efficiencies and innovation
- Continued success of EAZZY-247
 - Mobile banking customers have increased from 417,194 in January 2011 to 2,165,659 by end of December 2012 (c.419% increase)
 - Eazzy-247 connected to all the 4 telcos
- Focus on Innovation

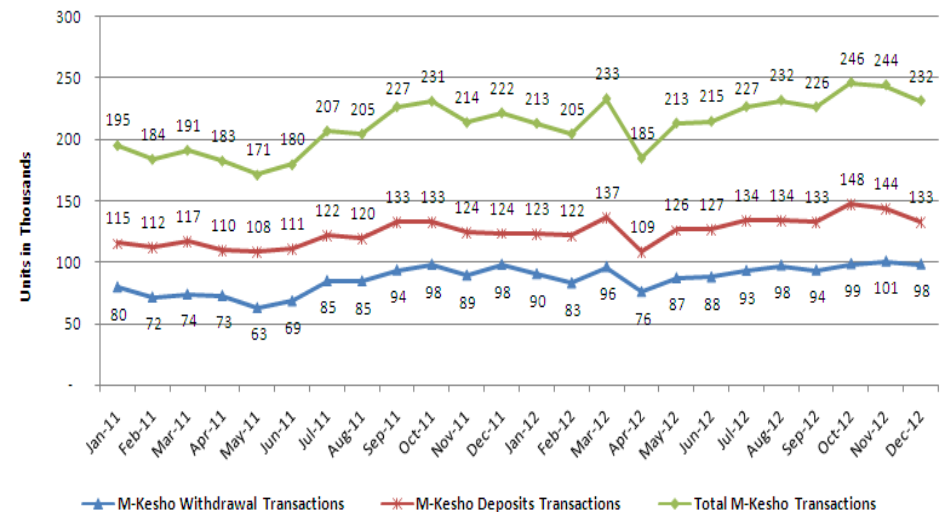
Number of EAZZY-247 Customers



EAZZY 247 Transactions



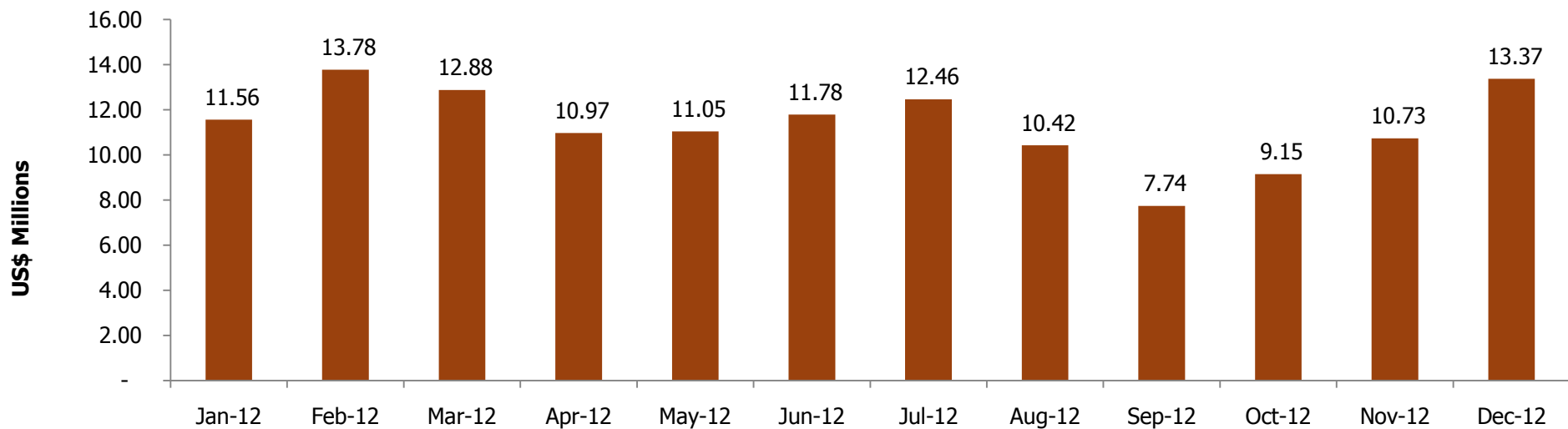
M-Kesho Transactions



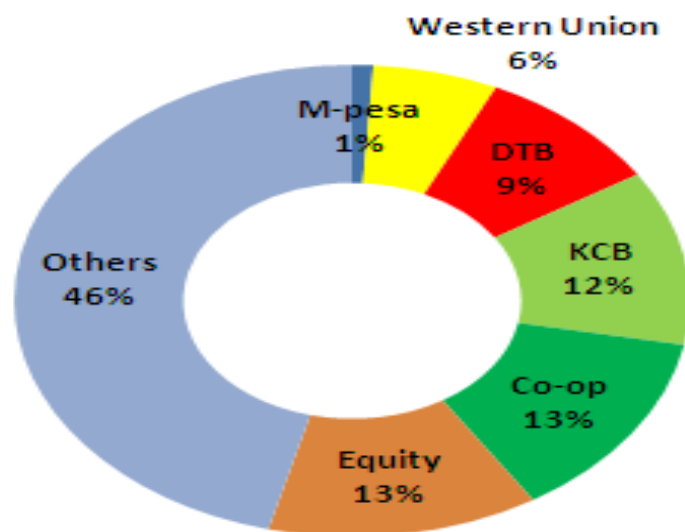


Diaspora Remittances Initiative

Equity Bank Monthly Diaspora Remittances (US\$ Millions)



Share of January remittances (Kshs 8.9 billion)



➤ Equity Bank dominates the remittance market and commands a **13%** market share in the banking industry.

➤ In the month of January, more than Kshs 1.1 billion from the diaspora was channeled via Equity Bank into the country

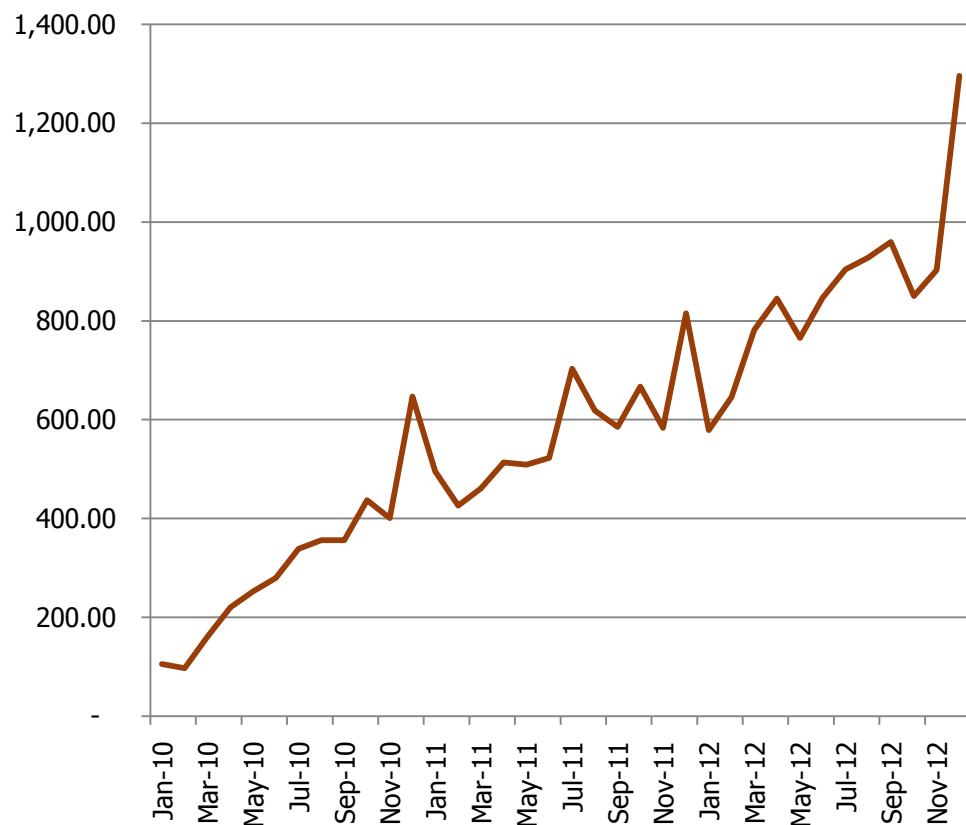
Source: Central Bank of Kenya



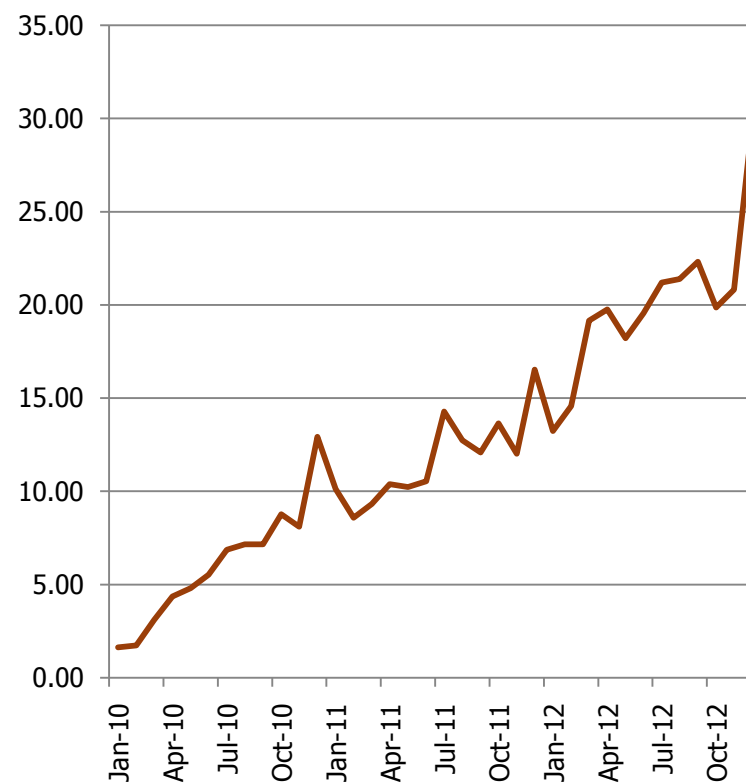
Payment Processing & Merchant Business



Turnover(In Millions)



Monthly Commission Income (Kes) Millions



Global Partnerships

- Visa
- Master Card
- China Union



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: 8,671 scholarships awarded to bright needy students to date with a target of 10,000 by 2015
- Financial Literacy Training (FIKA) Program: 515,784 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**



GCR Rating 2012

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



The African Investor names Equity as most innovative bank in 2012



Best Bank in Kenya, 2011



Equity Bank, New Sustainability Champion – September 2011

“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+

Ernst & Young World Entrepreneur of the Year

Forbes African Person of The Year

Africa Innovation Leader of The Year by Africa Investor

EQUITY CENTRE



Our Macroeconomic Environment



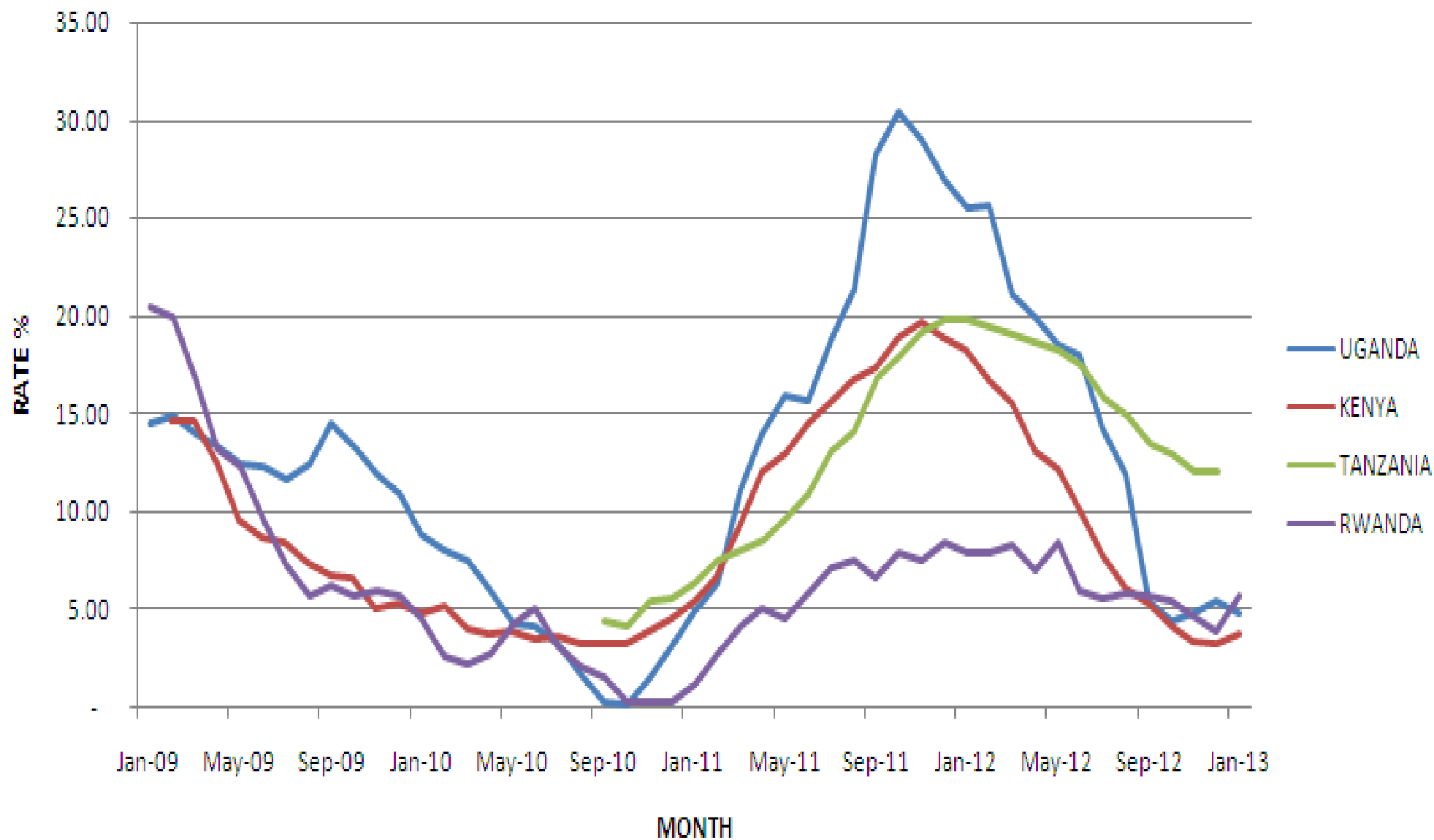
Stable Macro-Economic Environment

Macro-economic Indicators	Kenya	Uganda	Rwanda	Tanzania
Current Account to GDP (Nov 2012)	-10.55%	-9.51%	-11.11%	-16.50%
Inflation (Dec 2012)	3.2%	5.5%	3.88%	12.1%
FX Rate (USD/Local currency)	86.00	2,701.58	626.07	1,811.18
Central Bank Rate	9.5%	12.0%	7.5%	12.0%
Private Sector Credit Growth	9.07% November 2012	8.7% November 2012	15.5% May 2012	15.7% November 2012
Real GDP Growth (IMF 2013 Forecast)	5.6%	5.7%	7.5%	6.8%



Monetary Policy Crisis is Now Well Behind Us

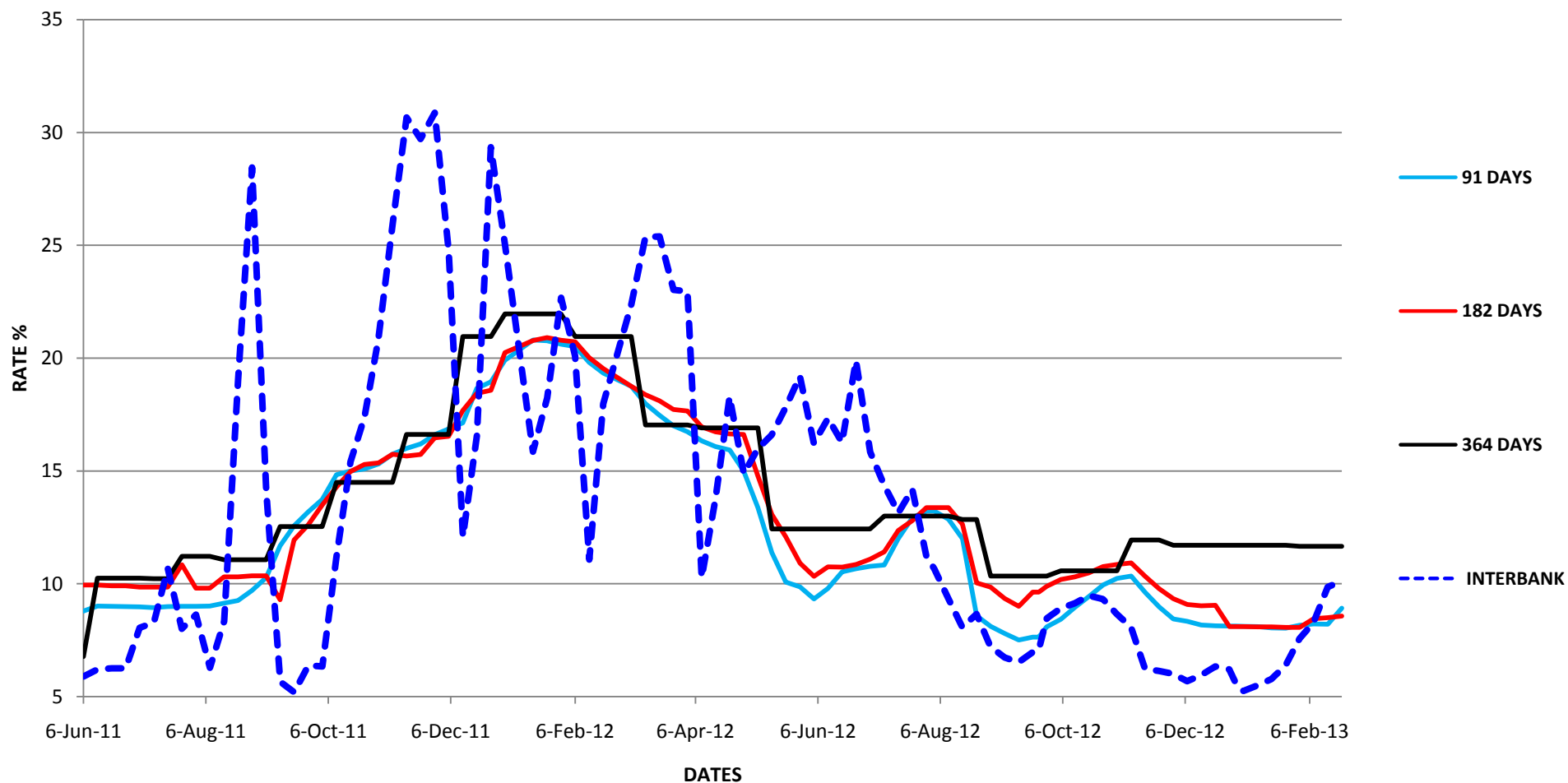
INFLATION 2009-2012





Interest Rates Have Continued to Stabilize

RATES 2011-2013



Source: Central Bank of Kenya

EQUITY CENTRE

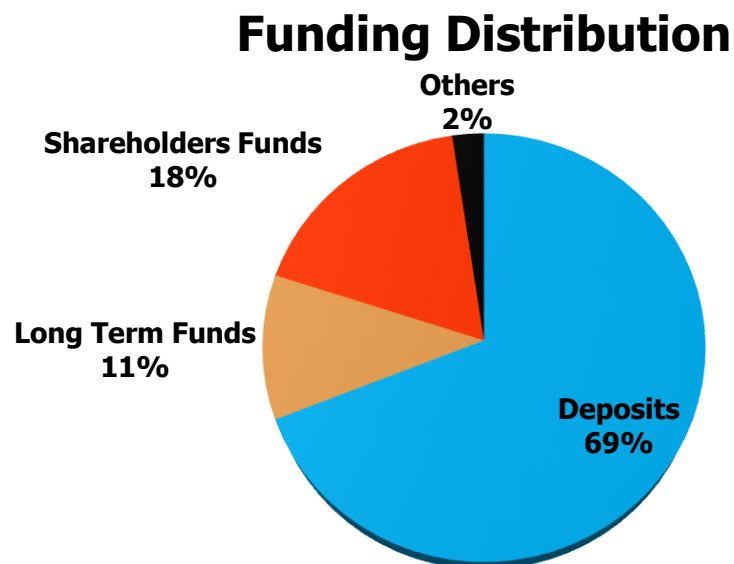


Financial Performance Update



Structure of Funding Portfolio

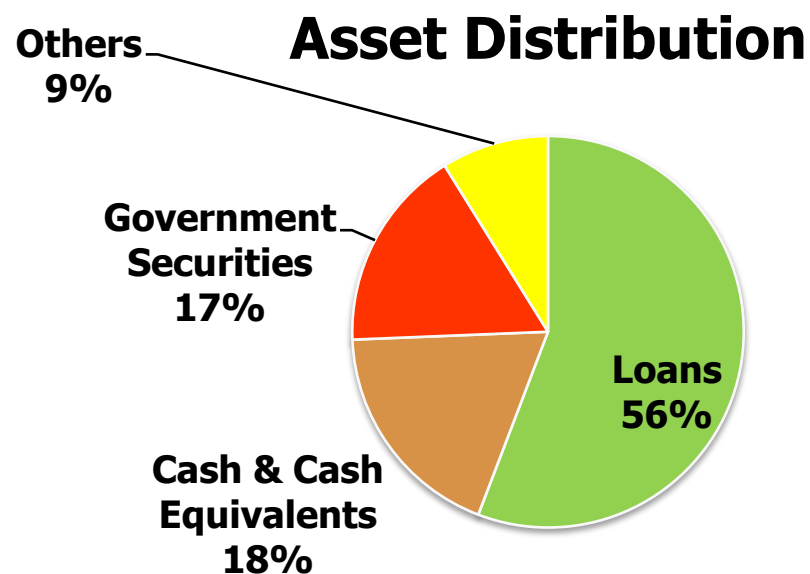
	Dec 2011	Dec 2012	Growth
Liabilities & Capital (Bn)			
Deposits	144.16	167.91	16%
Borrowed Funds	14.79	26.57	80%
Other Liabilities	3.13	5.77	84%
Shareholders' Funds	<u>34.21</u>	<u>42.92</u>	<u>25%</u>
Total Liabilities & Capital	<u>196.29</u>	<u>243.17</u>	<u>24%</u>





Asset Portfolio

	Dec 2011	Dec 2012	Growth
Assets (Bn)	KES	KES	KES
Net Loans	113.82	135.69	19%
Cash & Bank Balances	35.28	45.13	28%
Government Securities	30.24	40.80	35%
Other Assets	<u>16.95</u>	<u>21.55</u>	<u>27%</u>
Total Assets	<u>196.29</u>	<u>243.17</u>	<u>24%</u>





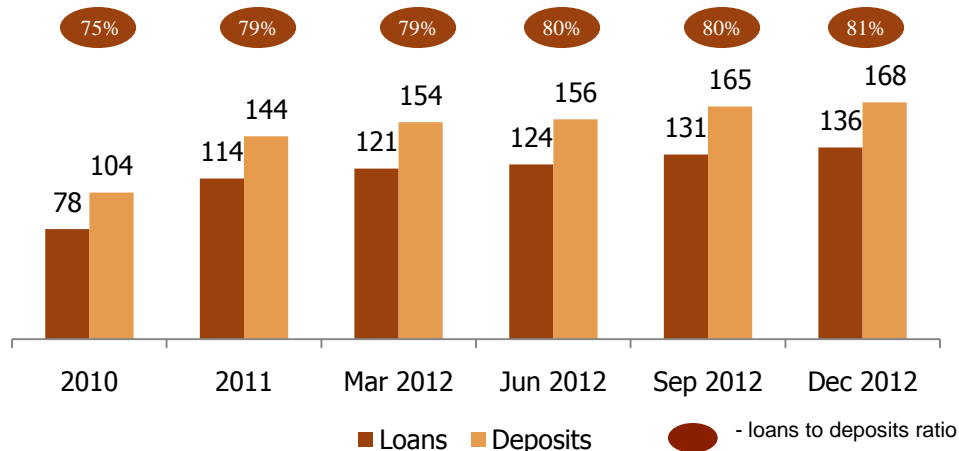
Robust, Liquid Balance Sheet

Strong, Liquid Balance Sheet

- The Bank continued to maintain a strong and liquid balance sheet at the end of 2012
 - Core Tier 1 Ratio was 20% and total capital adequacy at 30%
 - Deposits remained the primary source of funding, with the loan to deposit ratio at 81%
 - Cash and cash equivalents amounted to 19% 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

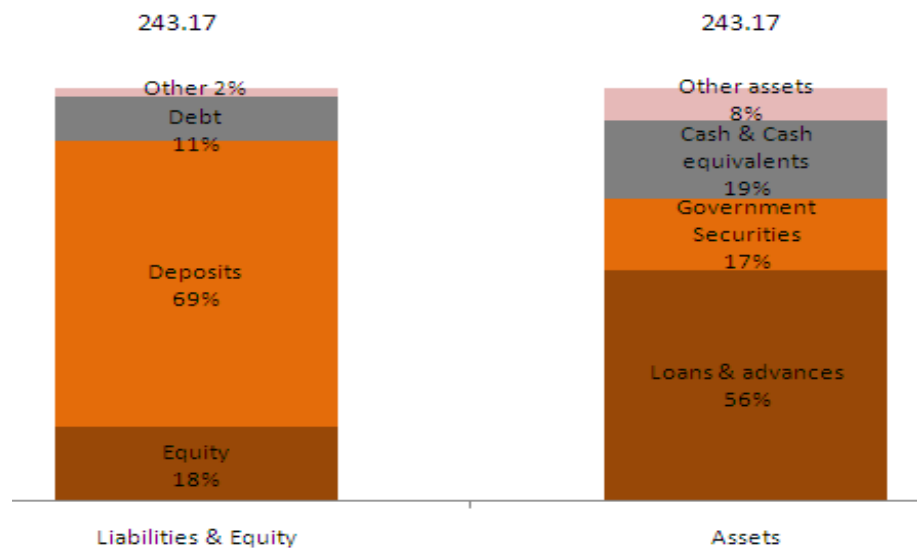
Loans and Deposits

Kshs Bn

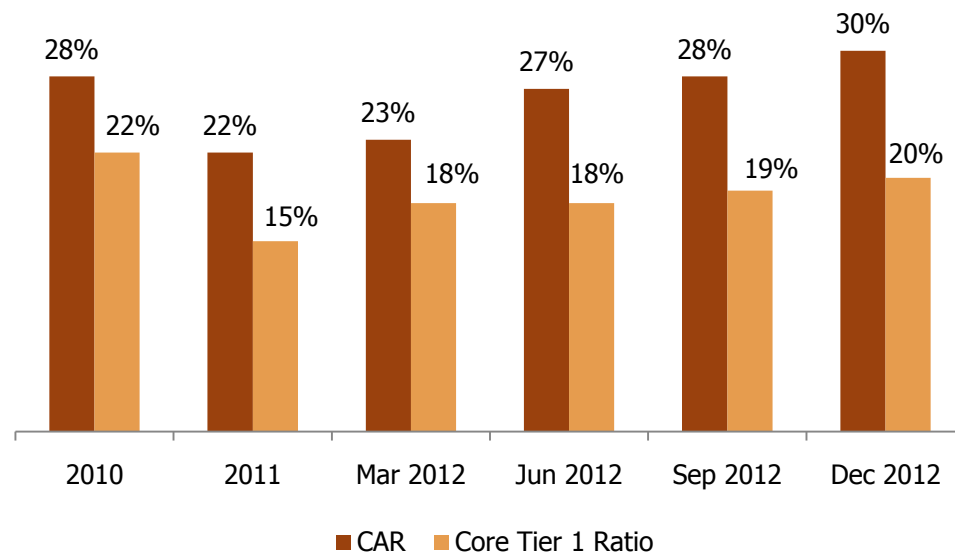


Strong ALM and Diversification

Kshs Bn



Capital Adequacy



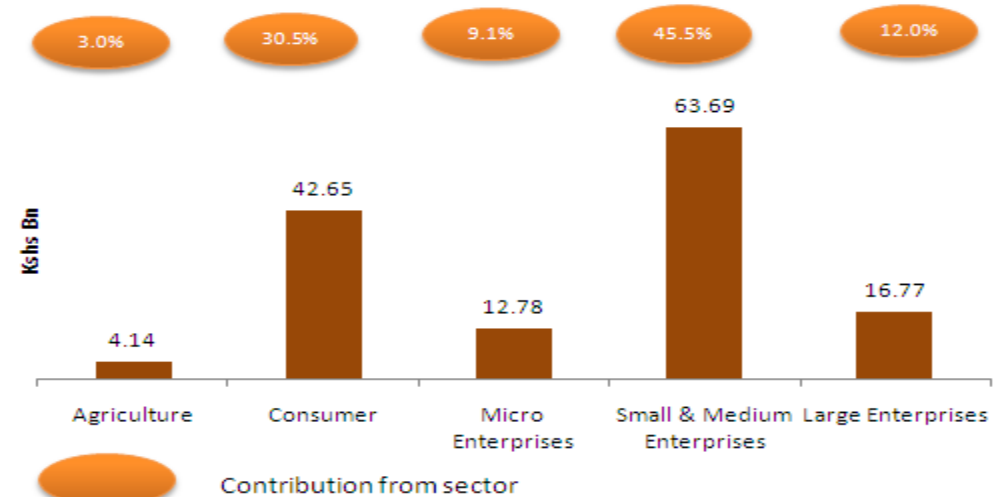


Gross Loans By Sector

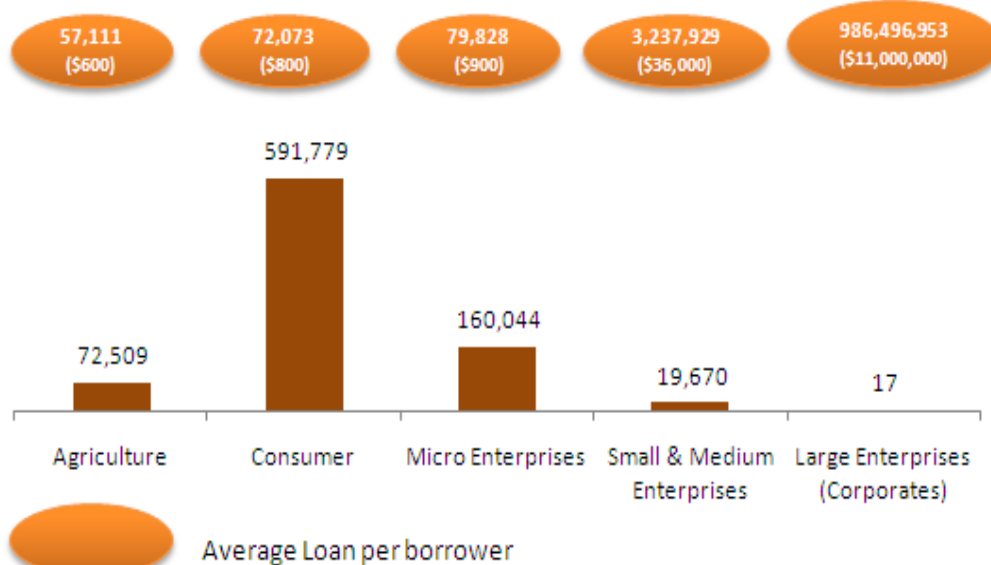
Gross Loans Analysis

- The Group's total gross loan amounted to Kshs 140 Bn as at end of 2012 which translated to 844,019 Loans issued. The NPL ratio stood at 3.08%
- The Group has increased lending to SME sector and reduced on the micro sector which have the highest NPL ratios out of all the 5 sectors. Currently the volume contribution is highest in the SME sector at 45.5% and lowest in the agriculture sector at 3%.
- In terms of count, consumer sector had the highest number at 591,779 while large enterprises had the least at 17
- PAR 90 Days for Large enterprises was 0% while for micro enterprises was highest at 8.35% followed by Agricultural sector at 6.41%. The SME sector also recorded a low NPL ratio of 1.79%.

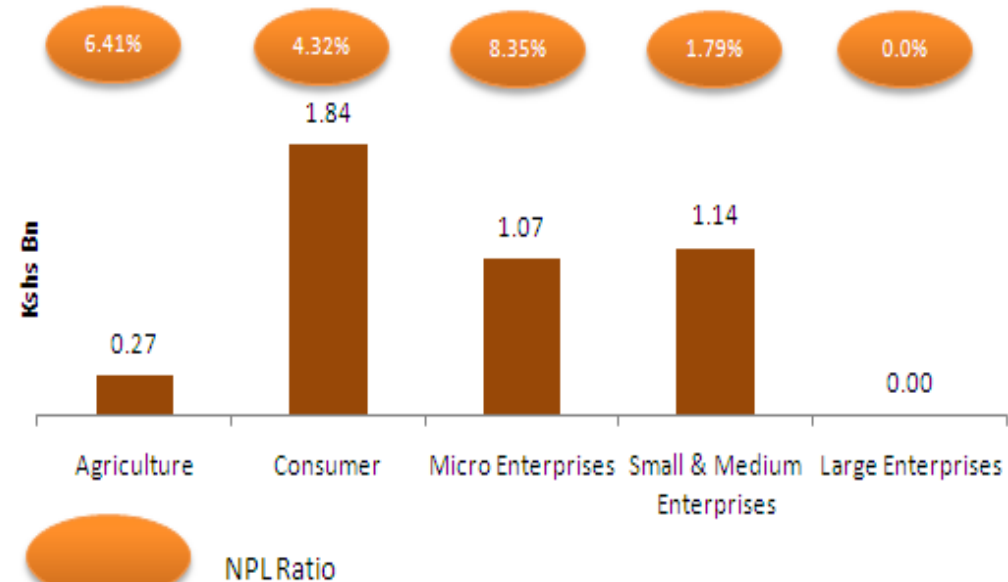
Loan Contribution by Sector



Total Count of Loans by Sector



Gross Non-performing Loans by Sector





Strong Capital Base



	Dec 2012	Statutory Requirement	Excess
	%	%	%
Core Capital to Total Deposits	21%	8%	13%
Core Capital to Risk Weighted Assets	20%	8%	12%
Total Capital to Risk Weighted Assets	30%	12%	18%
Liquidity Ratio	46%	20%	26%



Income & Expenses



	Dec 2011	Dec 2012	Growth
Revenues (Bn)	KES	KES	%
Total Interest Income	19.34	30.85	60%
Less: Total interest Expense	<u>3.12</u>	<u>6.88</u>	121%
Net Interest Income	16.22	23.96	48%
Total Non Interest Income	<u>12.45</u>	<u>12.86</u>	3%
Expenses (Bn)			
Staff costs	5.99	7.15	19%
Loan Loss Provision	1.63	1.61	(1)%
Other Expenses	<u>8.37</u>	<u>10.82</u>	29%
Efficiency Ratio			
Cost Income ratio (excluding provisions)	50%	49%	(2)%

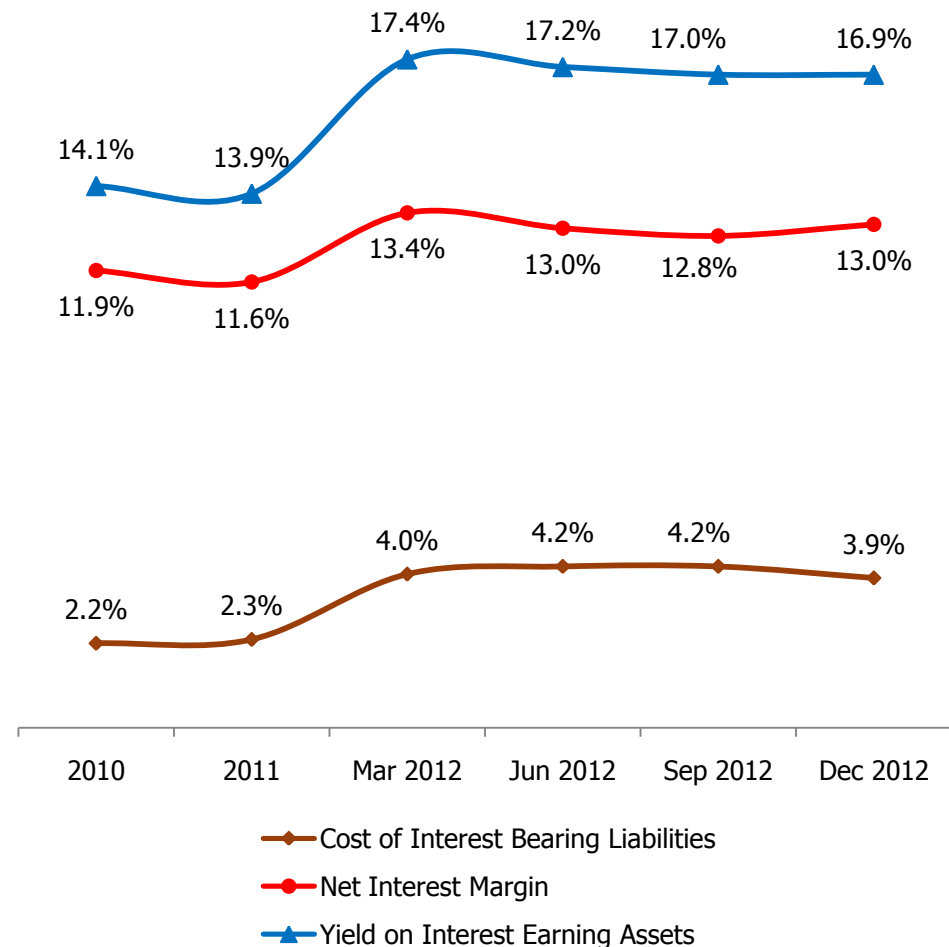


Sustained Net Interest Margin

Strong, Sustainable Margins

- At 13.0% as at the end of 4Q2012 the Net Interest Margin has remained at a historically high level after increasing by 20bps from 3Q2012
- 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 dropping from 17.4% in Q1 2012 to 16.9% in Q4 2012
- Cost of interest bearing liabilities dropped by 30bps from 4.2% in 3Q2012 to 3.9% in 4Q2012 as interest rates started to drop – CBR dropped to 11% in December 2012
 - 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





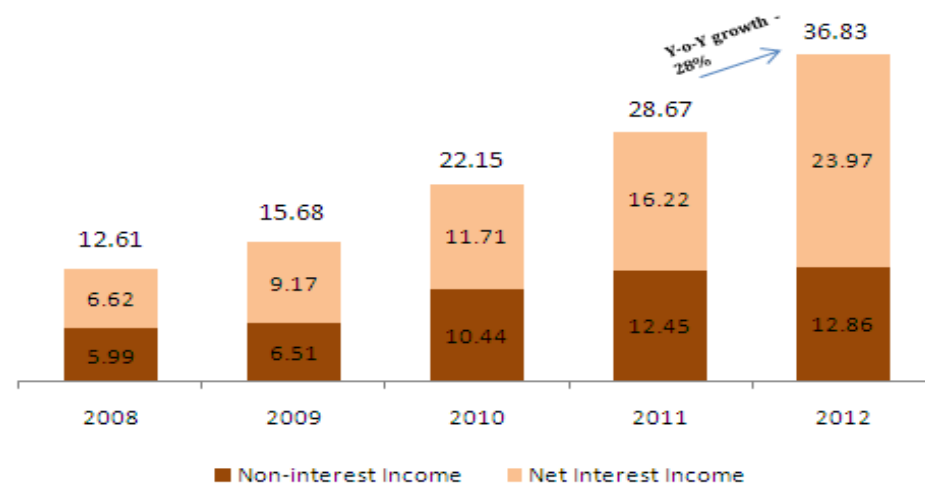
Profitability Drivers – Strong Revenue Generation Model

Strong Growth Driven by Interest Income

- Total income increased by 28% to Kshs 36.83Bn in 2012, predominantly driven by an increase net interest income (48%)
 - Net Interest income growth was predominantly driven by the year-on-year increase in customer loans and expanding margins
- At 35%, non-interest income remained a significant portion of total income
 - Non-interest income grew only by 3% year-on-year to Kshs 12.86 Bn primarily due to minor growth in fees on new loans (LACE) as lending slowed in 2012 and lower trading in government securities and FX

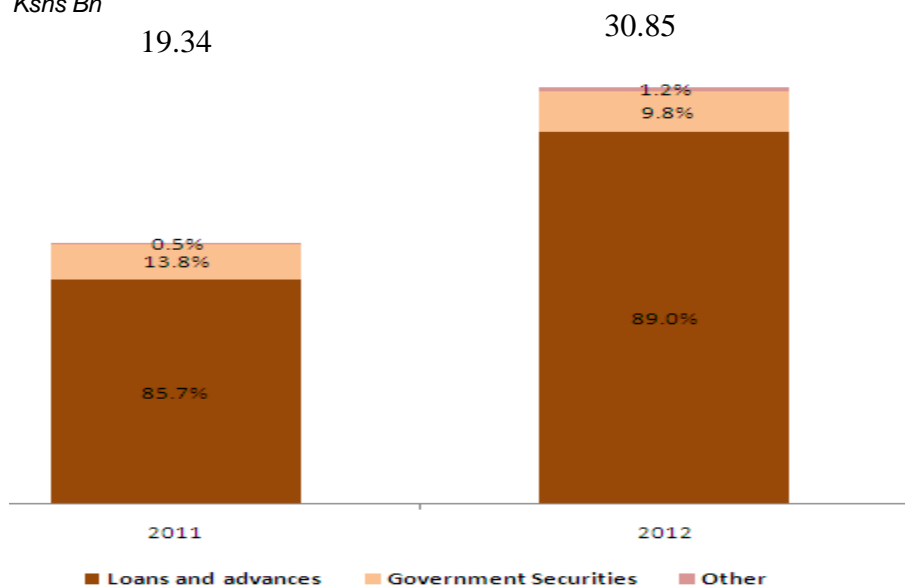
Total Income

Kshs Bn



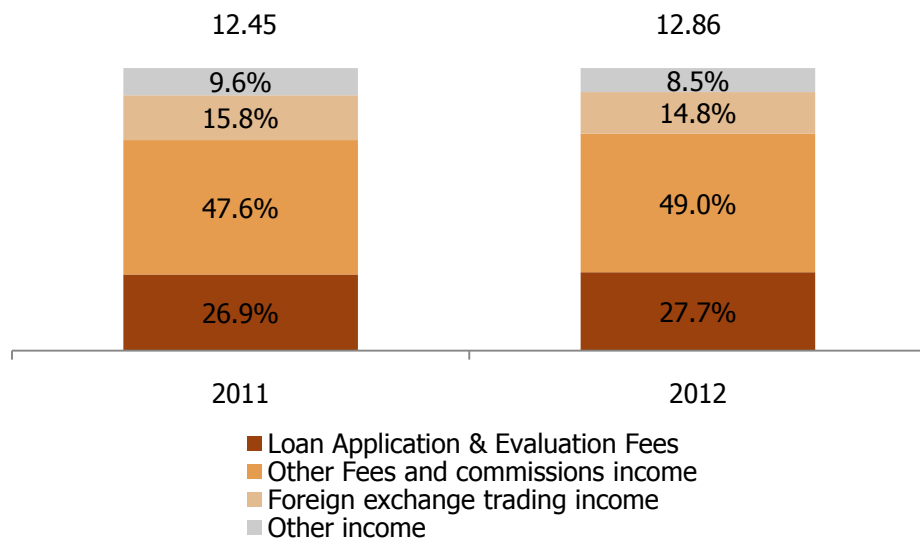
Gross Interest Income

Kshs Bn



Non-interest Income

Kshs Bn



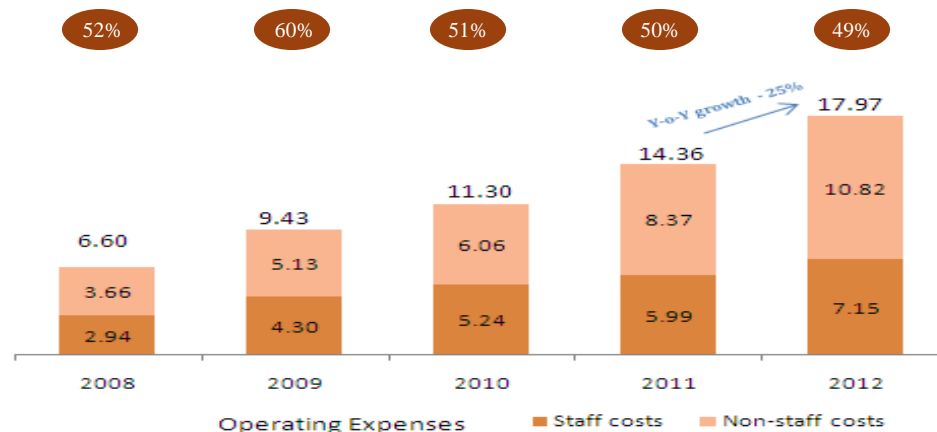


Profitability Drivers – Low Operating Expenses and Improved Efficiency

Increasingly Efficient Operations

- Operating expenses increased by 22% in 2012 to Kshs 19.57 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 186 to 208 since December 2011
- Despite the significant increase in operating expenses, in 2012 the improved its Cost to Income Ratio to 49%, a percentage point better than FY2011 implying increased operating efficiency
- 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

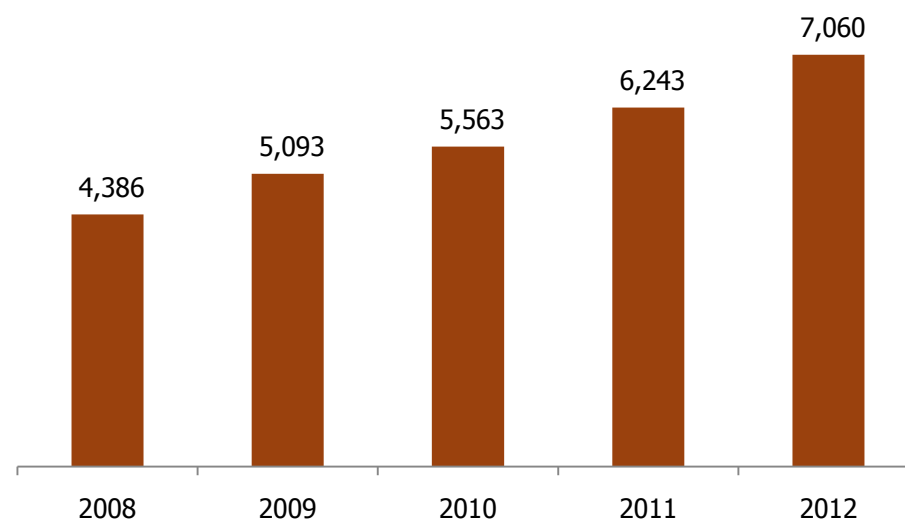
Operating Expenses* and Cost to Income Ratio



* - excluding loan loss provision

● - Cost to Income Ratio

Average number of staff





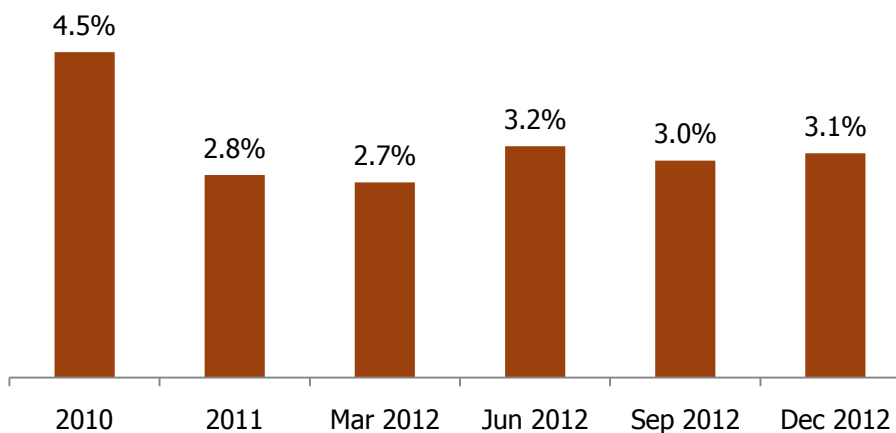
Portfolio Quality

Commentary

- The NPL ratio has increased by 8bps to 3.08% as a few customers became overdue on their repayments as the macroeconomic environment improved gradually from a high interest regime
- Despite the slight increase in NPLs, the Bank maintained its conservative loan loss provisioning policy and kept its NPL coverage ratio* at 78%, approximately the same level as at the end of 3Q2012
- 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

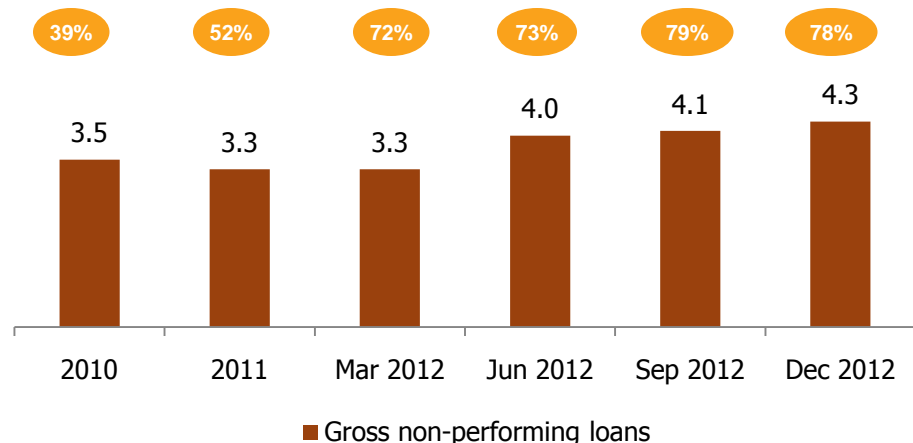
NPL Ratio

Gross NPLs / Gross Customer Loans



Non Performing Loans and NPL Coverage Ratio*

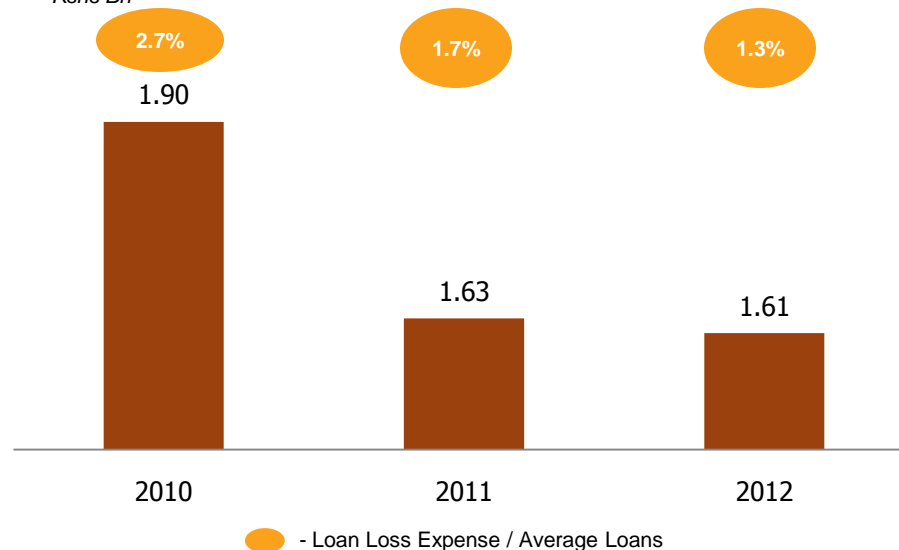
Kshs Bn



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

Loan loss expense

Kshs Bn





Summary Profit & Loss



	Dec 2011	Dec 2012	Growth
Bn	KES	KES	%
Total Income	28.67	36.83	28%
Total Operating Expenses	<u>15.99</u>	<u>19.58</u>	22%
Profit Before Tax and Share from Associate	<u>12.68</u>	<u>17.25</u>	36%
Profit Share from Associate	0.15	0.17	10%
Profit Before Tax	12.83	17.42	36%
Taxation	<u>2.50</u>	<u>5.34</u>	113%
Profit After Tax	10.33	12.08	17%
Proposed Dividend	3.70	4.63	25%
	KES	KES	%
Earnings Per Share	2.79	3.26	17%
Proposed Dividends (Bn)	3.70	4.63	25%
Dividends Per Share	1.00	1.25	25%



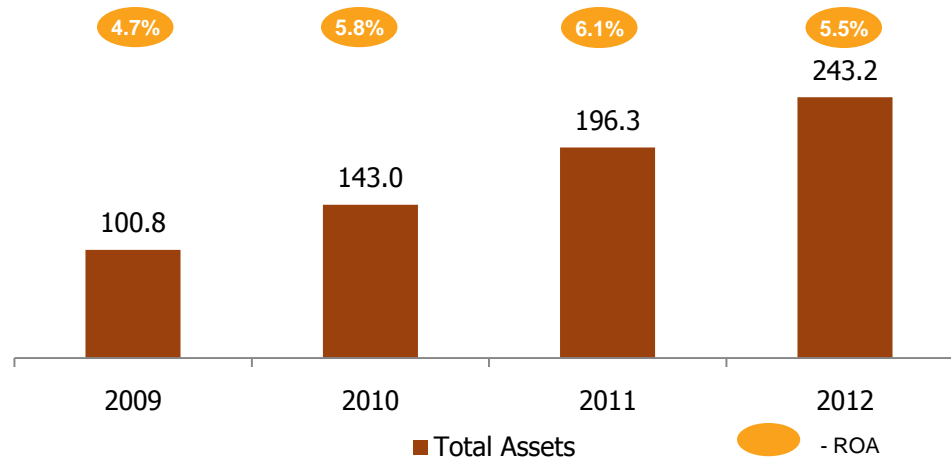
Continually Delivering High Profitability

Continued High Profitability

- Returns on assets and shareholders' equity remained high despite the more difficult operating environment
- Profit before Tax of Kshs 17.42 Bn in 2012 represented an increase of 36% compared to 2011

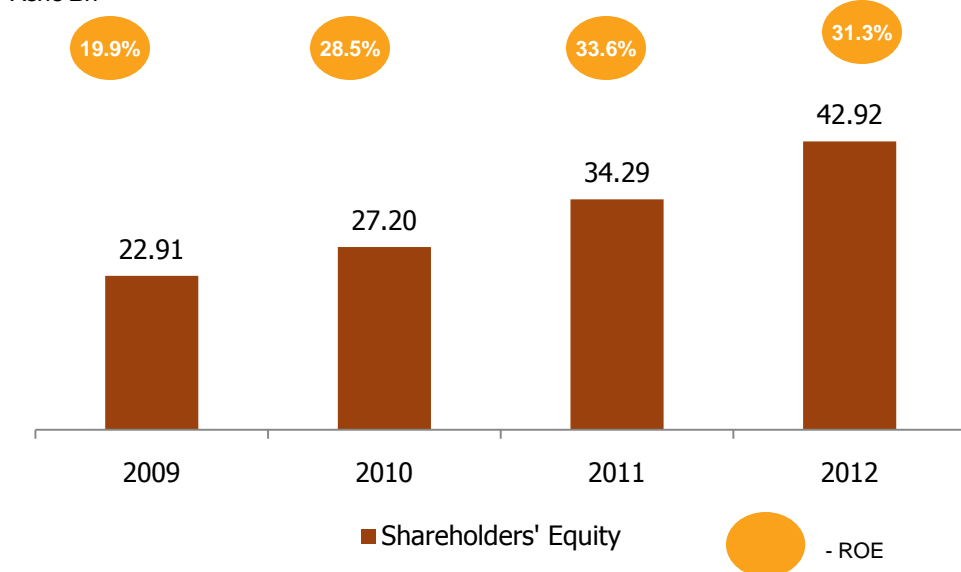
Total Assets and ROA

Kshs Bn



Shareholders' equity and ROE

Kshs Bn



Profit Before Tax

Kshs Bn





Key Financial Ratios



	2008	2009	2010	2011	2012
Profitability					
NIM	12.2%	12.8%	12.0%	11.6%	13.0%
Cost to Income Ratio	52%	60%	51%	50%	49%
ROE	22.7%	19.9%	28.5%	33.6%	31.3%
ROA	5.9%	4.7%	5.8%	6.1%	5.5%
Asset Quality					
NPL Ratio	6.1%	8.1%	4.5%	2.8%	3.1%
Cost of Risk (bps)	309	187	261	166	129
NPL Coverage	35%	41%	39%	52%	78%
Liquidity / Leverage					
Loan / Deposit Ratio	87.8%	90.7%	74.6%	79.0%	80.8%
Statutory Liquidity Ratio	47%	32%	40%	37%	46%
Capital Adequacy Ratio					
Core Capital to Risk Weighted Assets	29%	24%	22%	15%	20%
Core Capital to Deposits Ratio	31%	26%	21%	16%	21%
Total Capital to Risk Weighted Assets	41%	31%	28%	22%	30%

EQUITY CENTRE



Appendix



Quarter on Quarter Analysis



INCOME STATEMENT



	Q1 2012 Kshs Bn	Q2 2012 Kshs Bn	Q3 2012 Kshs Bn	Q4 2012 Kshs Bn	Growth Q2 Vs. Q1	Growth Q3 Vs. Q2	Growth Q4 Vs. Q3
Interest Income on Loans & advances	6.54	6.77	6.95	7.20	3%	3%	4%
Interest Income on Gov't Securities, Placements & other	0.78	0.77	0.86	0.97	(1)%	12%	13%
Interest Expenses	(1.63)	(1.96)	(1.86)	(1.44)	20%	(5)%	(23)%
Net Interest Income	5.70	5.58	5.95	6.73	(2)%	7%	13%
Non Interest Income	3.32	2.97	3.14	3.44	(11)%	6%	7%
Total Income	9.01	8.55	9.09	10.17	(5)%	6%	12%



EXPENSE STATEMENT



	Q1 2012 Ksh Bn	Q2 2012 Ksh Bn	Q3 2012 Ksh Bn	Q4 2012 Ksh Bn	Growth Q2 Vs. Q1	Growth Q3 Vs. Q2	Growth Q4 Vs. Q3
Loan Loss Provision	0.73	0.51	0.32	0.03	(30)%	(37)%	(91)%
Staff Costs	2.05	1.84	1.97	1.28	(10)%	7%	(35)%
Other Operating Expenses	2.53	2.33	2.66	3.29	(8)%	14%	24%
CIR (With Provisions)	59%	55%	55%	45%	(7)%	0%	(17)%
CIR(Without Provisions)	51%	49%	51%	45%	(4)%	4%	(12)%
Interest Spread (excluding gov't securities)	15.3%	14.1%	14.2%	15.8%	(8)%	1%	11%
Interest Spread (fully inclusive)	13.5%	12.5%	12.7%	13.7%	(7)%	2%	8%



PROFIT & LOSS ACCOUNT



	Q1 2012 Ksh. Bn	Q2 2012 Ksh. Bn	Q3 2012 Ksh. Bn	Q4 2012 Ksh. Bn	Growth Q2 Vs. Q1	Growth Q3 Vs. Q2	Growth Q4 Vs. Q3
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PBT	3.73	3.89	4.25	5.63	4%	9%	32%
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PAT	2.64	2.76	2.98	3.78	5%	8%	27%
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EPS	2.85	2.99	3.22	4.08	5%	8%	27%
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ROE	31.4%	32.2%	31.8%	36.8%	3%	(1)%	16%
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ROA	5.2%	5.2%	5.2%	6.4%	0%	0%	23%
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ASSETS



	Q1 2012 Ksh. Bn	Q2 2012 Ksh. Bn	Q3 2012 Ksh. Bn	Q4 2012 Ksh. Bn	Growth Q2 Vs. Q1	Growth Q3 Vs. Q2	Growth Q4 Vs. Q3
Net Loans	121.13	124.46	131.34	135.69	3%	6%	3%
Cash & Bank Balances	38.36	44.24	44.38	45.13	15%	0.3%	2%
Government Securities	29.64	30.14	35.16	40.80	2%	17%	16%
Other Assets	19.84	21.05	21.34	21.55	6%	1%	1%
Total Assets	208.97	219.89	232.22	243.17	5%	6%	5%



FUNDING



	Q1 2012 Ksh. Bn	Q2 2012 Ksh. Bn	Q3 2012 Ksh. Bn	Q4 2012 Ksh. Bn	Growth Q2 Vs. Q1	Growth Q3 Vs. Q2	Growth Q4 Vs. Q3
Deposits	153.68	155.68	164.59	167.91	1%	6%	2%
Borrowed Funds	14.90	22.73	22.26	26.57	53%	(2)%	19%
Other Liabilities	7.49	5.68	6.13	5.77	(24)%	8%	(6)%
Shareholders' Funds	32.90	35.80	39.24	42.92	9%	10%	9%
Total Funding	208.97	219.89	232.22	243.17	5%	6%	5%



Asset Quality Trend



Dec-10 Mar-11 Jun-11 Sep-11 Dec-11 Mar-12 Jun-12 Sep-12 Dec-12

(In Millions)	KES	KES	KES	KES	KES	KES	KES	KES	KES
Gross NPL	3,599	3,967	4,070	3,503	3,250	3,311	4,036	4,062	4,313
Provisions	1,386	2,117	2,095	2,065	1,680	2,397	2,962	3,205	3,357
Net NPL	2,213	1,850	1,975	1,438	1,570	914	1,074	857	956
NPL Coverage	39%	53%	51%	59%	52%	72%	73%	79%	78%
Gross NPL/GL	4.5%	4.5%	4.2%	3.1%	2.8%	2.7%	3.2%	3.0%	3.1%
Net NPL/GL	3.0%	2.1%	2.0%	1.3%	1.3%	0.7%	0.8%	0.6%	0.7%



THANK YOU

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