Investor Briefing &
Q1 2015 Performance

April 2015

MACROECONOMIC ENVIRONMENT

Economic Review

GDP growth remains robust, supported by strong credit growth and a dynamic investment environment making Kenya catch up with the fastest growing economies in East Africa

- The economy expanded by over 5.4% in 2014, reflecting strong activity in construction, manufacturing and retail trade.
- Growth in 2015 expected to be 6.0% reflecting falling oil prices and bigger infrastructure investments

Inflation

- Annual inflation rate rose to 6.3%in March of 2015, from 5.6% reported in the previous month mainly due to increase in food cost.
- Compared to March 2014, food prices increased 10.96%, the strongest growth since October of 2013. The rate is forecast to remain between 6-7% for the first half of the year.

Foreign exchange rate

- The exchange rate of the Kenya Shilling against the US Dollar has witnessed an upward pressure over the last few months. This is mainly a reflection of a strong US Dollar in the global market coupled with an elevated but seasonal demand for foreign exchange from the local corporate sector.
- The Central Bank has closely monitored developments in the foreign exchange market and continue to use appropriate monetary policy instruments to minimize volatility of the Kenya shilling exchange. Central Bank has overtime declared that it has adequate foreign exchange reserves in excess of 4.5 months of imports to cushion the exchange rate against these short-term shocks and volatility.

Source: World bank report March 2015 and IMF country report Feb 2015

Economic Review (Cont'd)

Monetary Policy Unchanged in February 2015

- Central Bank of Kenya maintained the benchmark interest rate unchanged at 8.5% as at February 26th 2015 meeting arguing current policy stances continues to deliver the desired price stability. The rate has remained unchanged since May 2013.

Strong private inflows and the proceeds from Kenya's international bond placements lifted international reserve cover

- Gross international reserves stood at US$ 8.0 billion (4½ months of prospective imports) at end Dec 2014.
- The current account deficit remains high, reflecting strong capital-goods imports, though mitigated by the decline in oil prices

Energy Reforms - Increasing Supply, Lowering Costs, and Expanding Access

- Reforms introduced eliminated energy subsidies and contributed to increased access to electricity
- However, generation capacity has not kept pace with demand, hence the government has embarked on an ambitious program to overcome this gap.
- The authorities aim at increasing electricity generation capacity by 5000 by 2016.
- This is to be achieved through a combination of public investments in government utilities and independent private sector participation via PPPs in renewable and traditional energy sources
- This expanded capacity will increase supply and reduce Kenyaȅs vulnerability to weather-related shocks.

Source: World bank report March 2015 and IMF country report Feb 2015

Economic Review (Cont'd)

The Standard Gauge Railway (SGR) project constitutes a key initiative

- The construction of a new Standard Gauge Railway (SGR) between Mombasa and Nairobi started in Oct 2014. The 600km project constitutes the first phase of a much large regional project (that will eventually link Mombasa ï Nairobi - Kampala - Kigali) aimed at closing significant gaps in rail transport infrastructure in the EAC and involves investments of about US$4 billion (6% of GDP) during 2014-18.
- The project is expected to result in both shorter freight delivery time, greater efficiency and lower transportation costs, boosting regional trade.
- At its peak in 2015/16, it is expected to create jobs for about 30,000 local workers.
- The authorities expect a significant increase in freight rail traffic from the SGR, sufficient to ensure its economic viability

Source: IMF country report Feb 2015

EQUITY Group Holdings Limited

Macro-Economic Outlook

Under baseline projections, GDP growth is expected to pick up, inflation to converge towards the mid-point of CBK's target range, public debt to remain sustainable, and the reserve cover to stay at a comfortable level

GDP growth

- Expected to accelerate in 2015 and average about 7 percent over the medium term. This reflects a faster scaling up of public investments in infrastructure, including a frontloading of the SGR project.
- Strong medium-term growth is also predicated on rising private investment, helped by an improved business environment, the expansion of financial inclusion, and deeper regional integration.
- The baseline growth takes into account the recent decline in oil prices and weakness in tourism reflecting security concerns.

Inflation

- Projected to gradually converge towards the middle of the CBK band, under the assumption of declining international oil prices and prudent monetary policies.

Public debt

- Expected to remain sustainable with low risk of external debt distress even after incorporating the projected surge in infrastructure project financing (including SGR).

The reserve buffer

- Expected to remain at comfortable levels. Gross reserves are projected to stay close to 4½ months of prospective imports in the medium term despite higher imports

Source: IMF country report Feb 2015

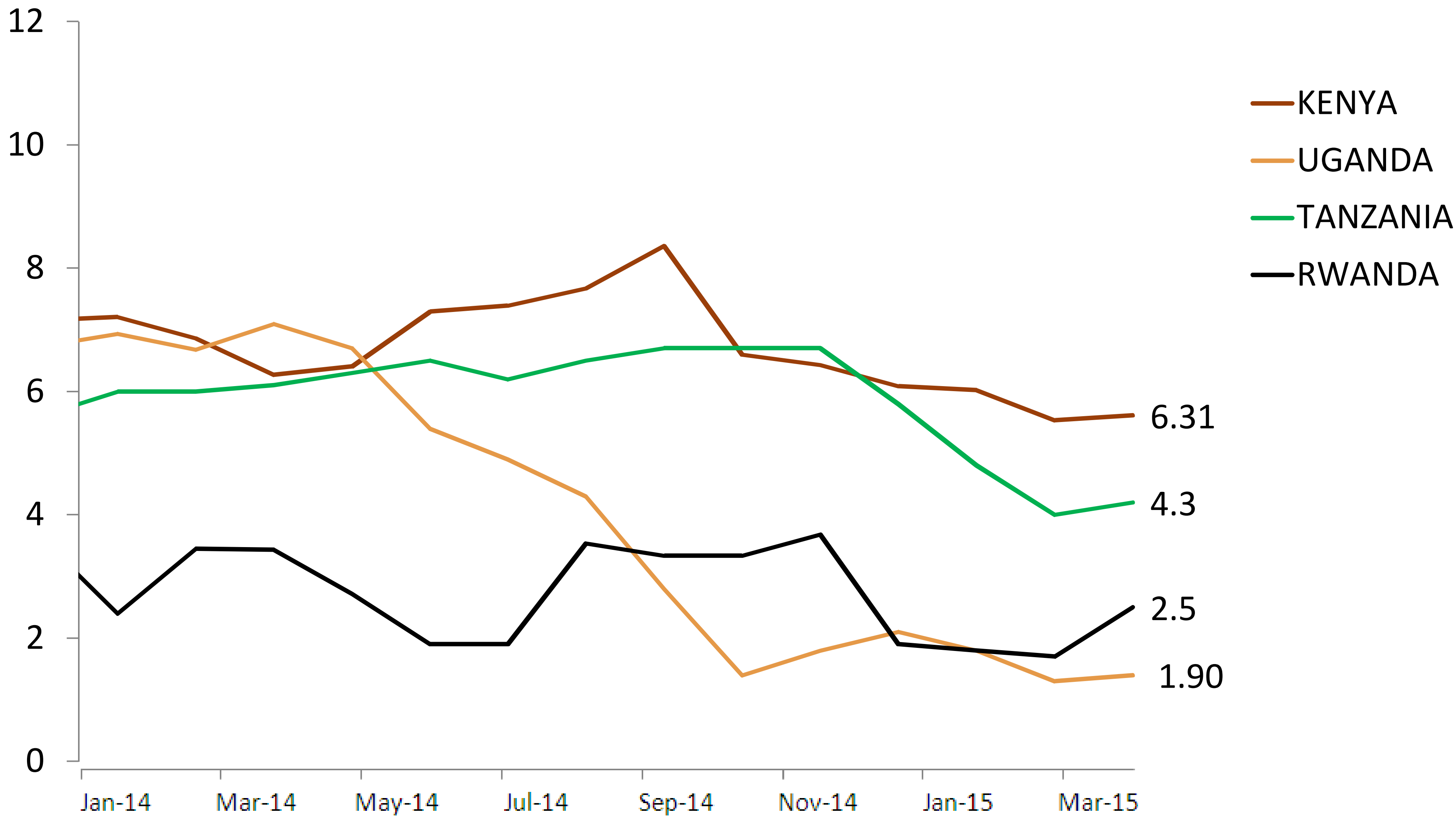
Macro-economic Indicators

	KENYA	UGANDA	RWANDA	TANZANIA
Current Account to GDP	-8.20%	-12.40%	-10.20%	-10.10%
FX Rate (USD/Local currency)	92.34	2979.71	712.41	1796.67
Private Sector Credit Growth	21.80%	11.00%	19.60%	13.70%
Real GDP Growth (IMF 2014 Estimates)	5.50%	3.01%	7.80%	6.80%
GDP USD Bn	55.24	21.48	7.45	33.23

Rates

	KENYA	UGANDA	TANZANIA	RWANDA
91 Days T. Bill	8.422	12.496	8.52	3.744
182 Days T. Bill	10.248	14.784	11.45	4.770
364 Days T. Bill	10.564	15.879	11.90	5.404
Central Bank Rate	8.50	12.00	12.00	6.50
Inflation (CPI)	6.31	1.90	4.30	2.50
Interbank Rate	8.2515	11.68	3.14	4.118

Inflation



12
10
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KENYA
UGANDA
TANZANIA
RWANDA
6.31
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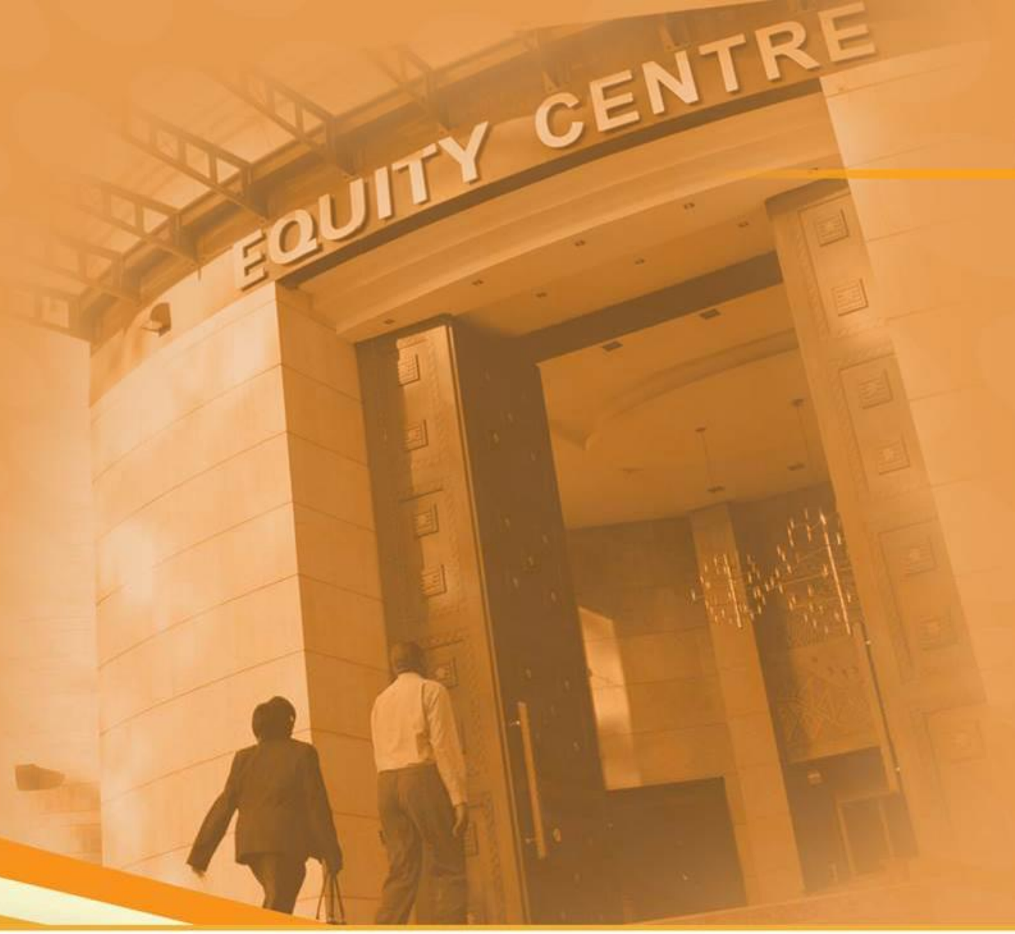
Mar-15



Update on Strategic Initiatives

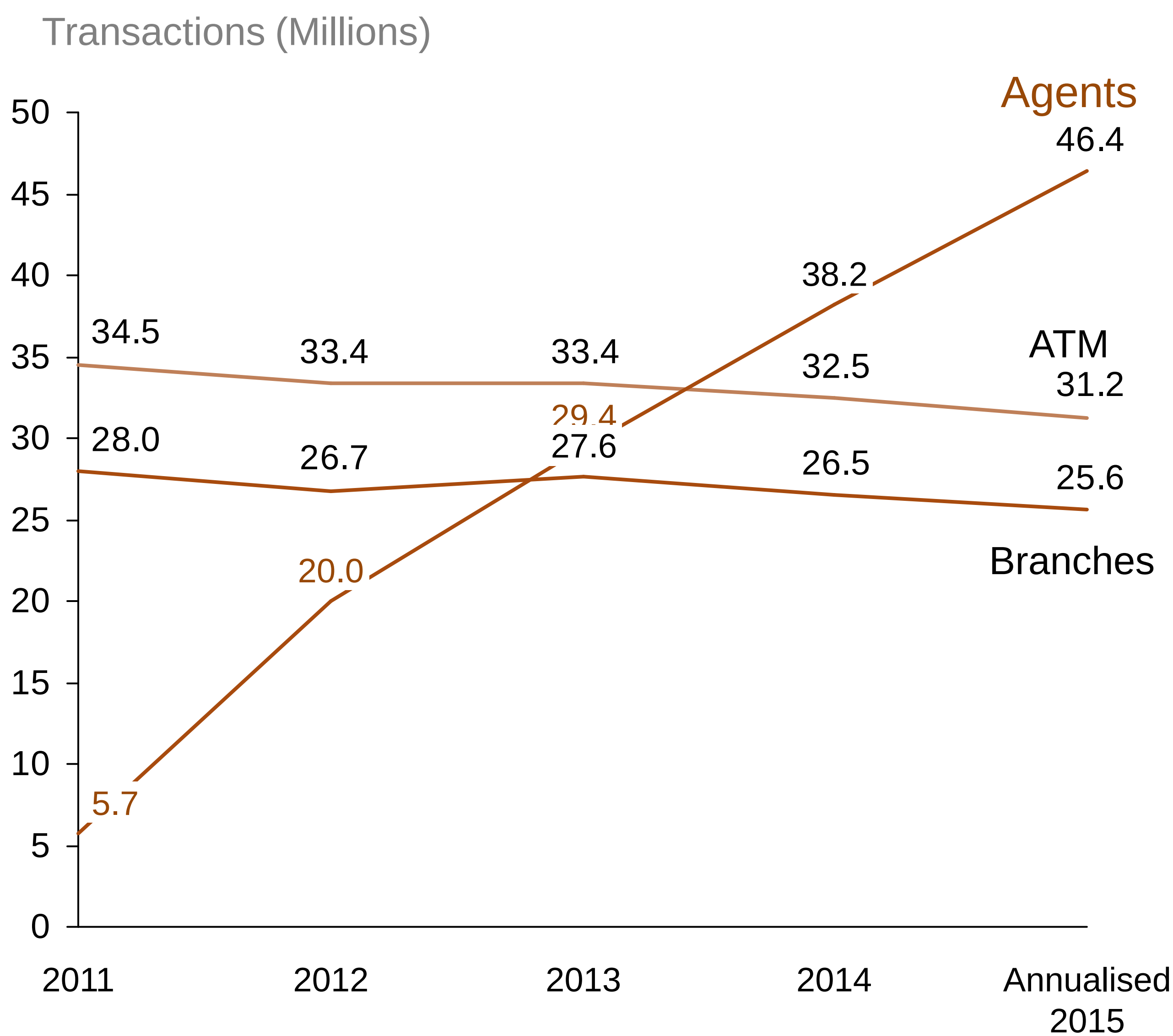
1 Continuous Growth in Agency Banking

Equity has invested in growing Agency Banking…

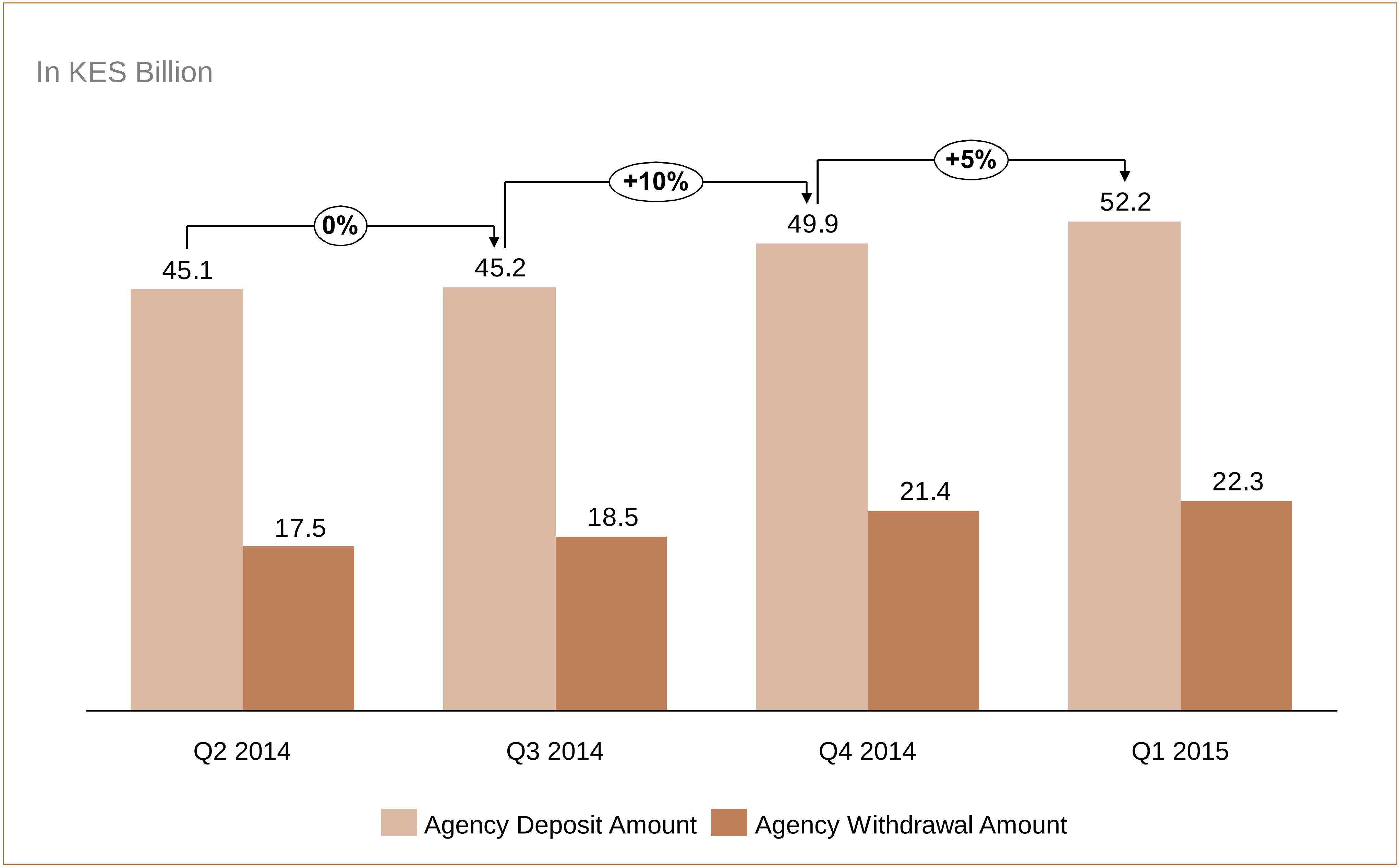
- Number of agents increased to **19,336 agents. 60% growth y/y**
- Model has accelerated **financial inclusion** and **access to banking services**
- **Variable cost model:** leverage on 3rd party infrastructure and cash flows

  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**

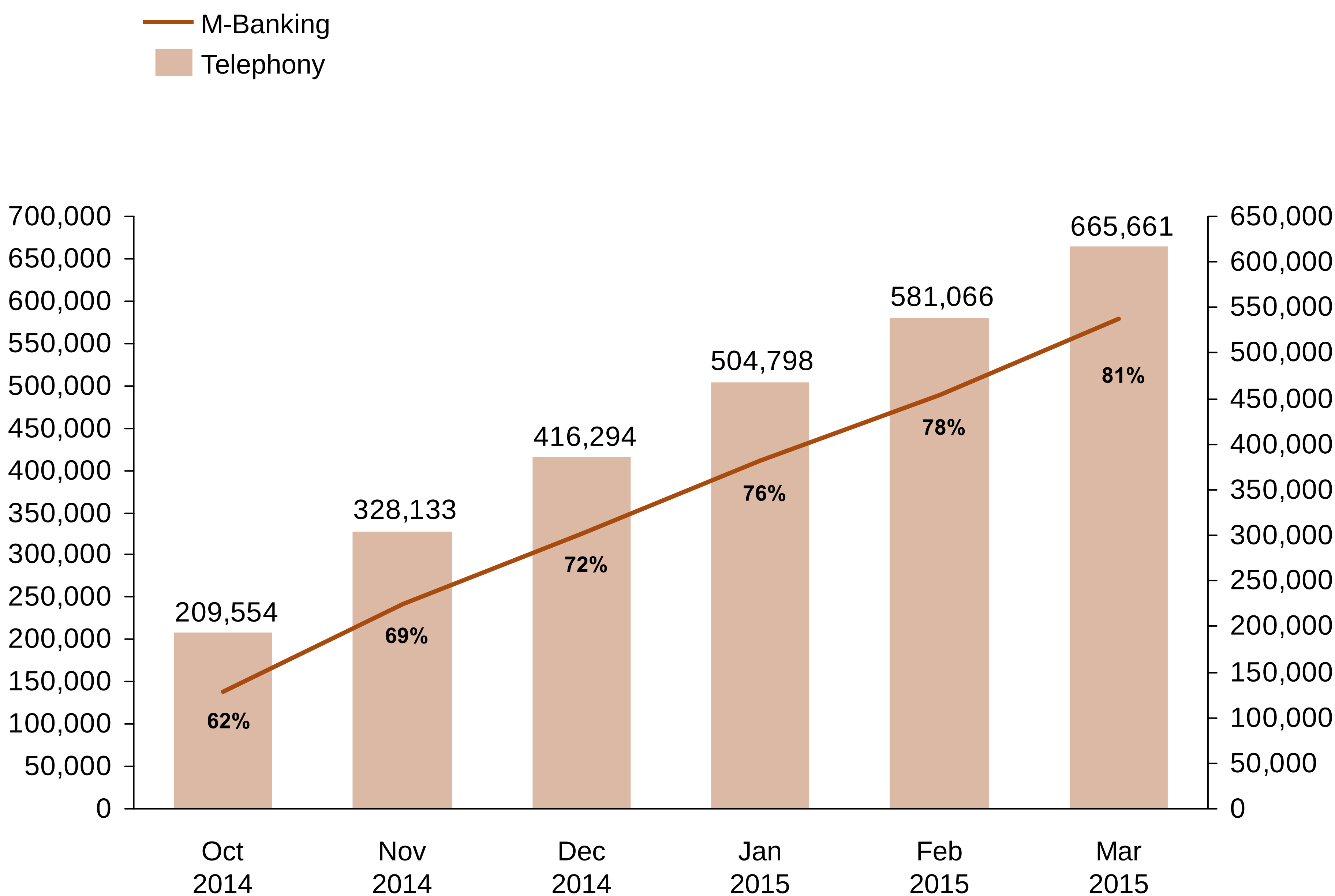
…which has led to a steady increase in the transactions at agents overtaking Branch and ATM



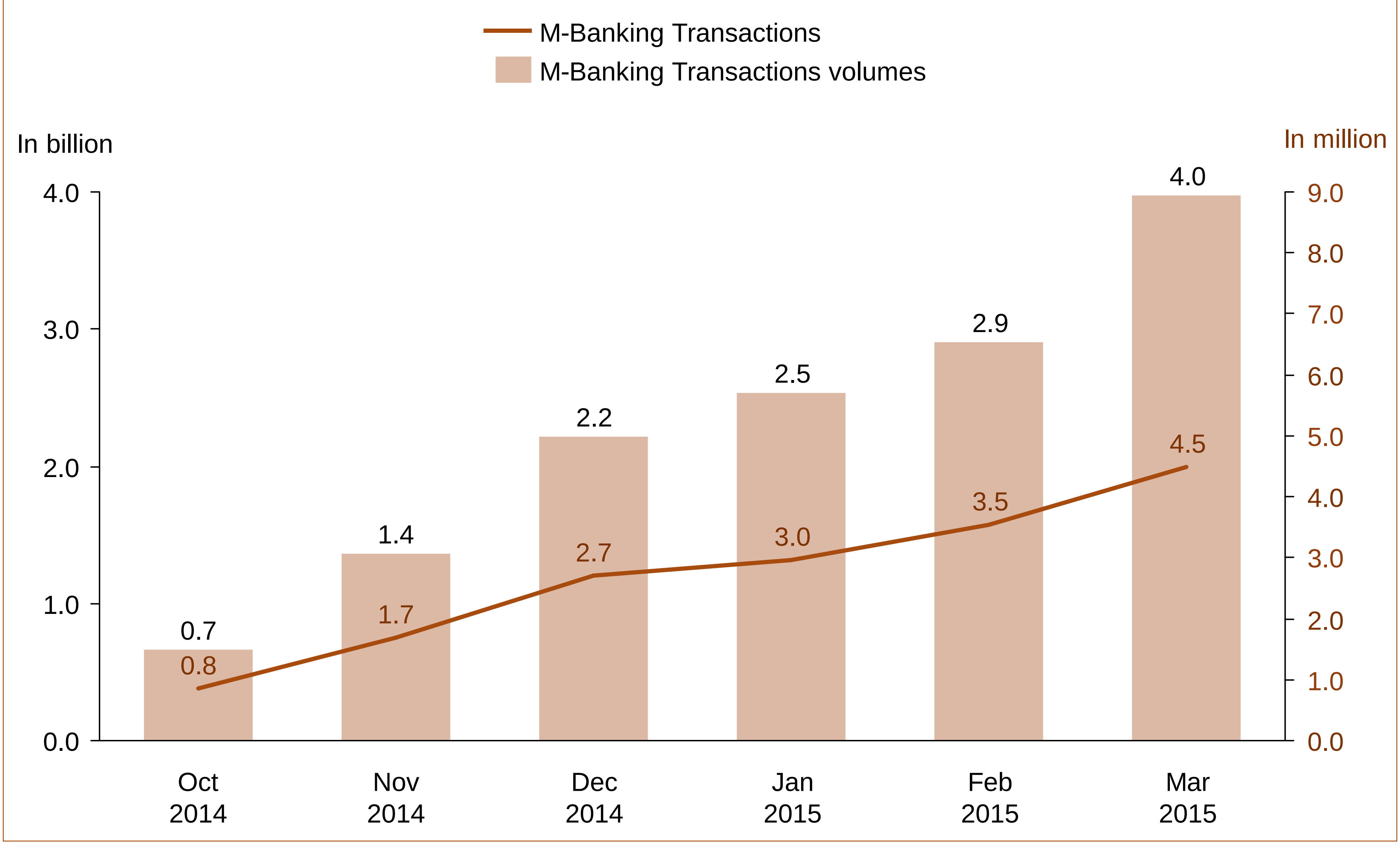
Continuous Growth in Agency Banking Cont'd…



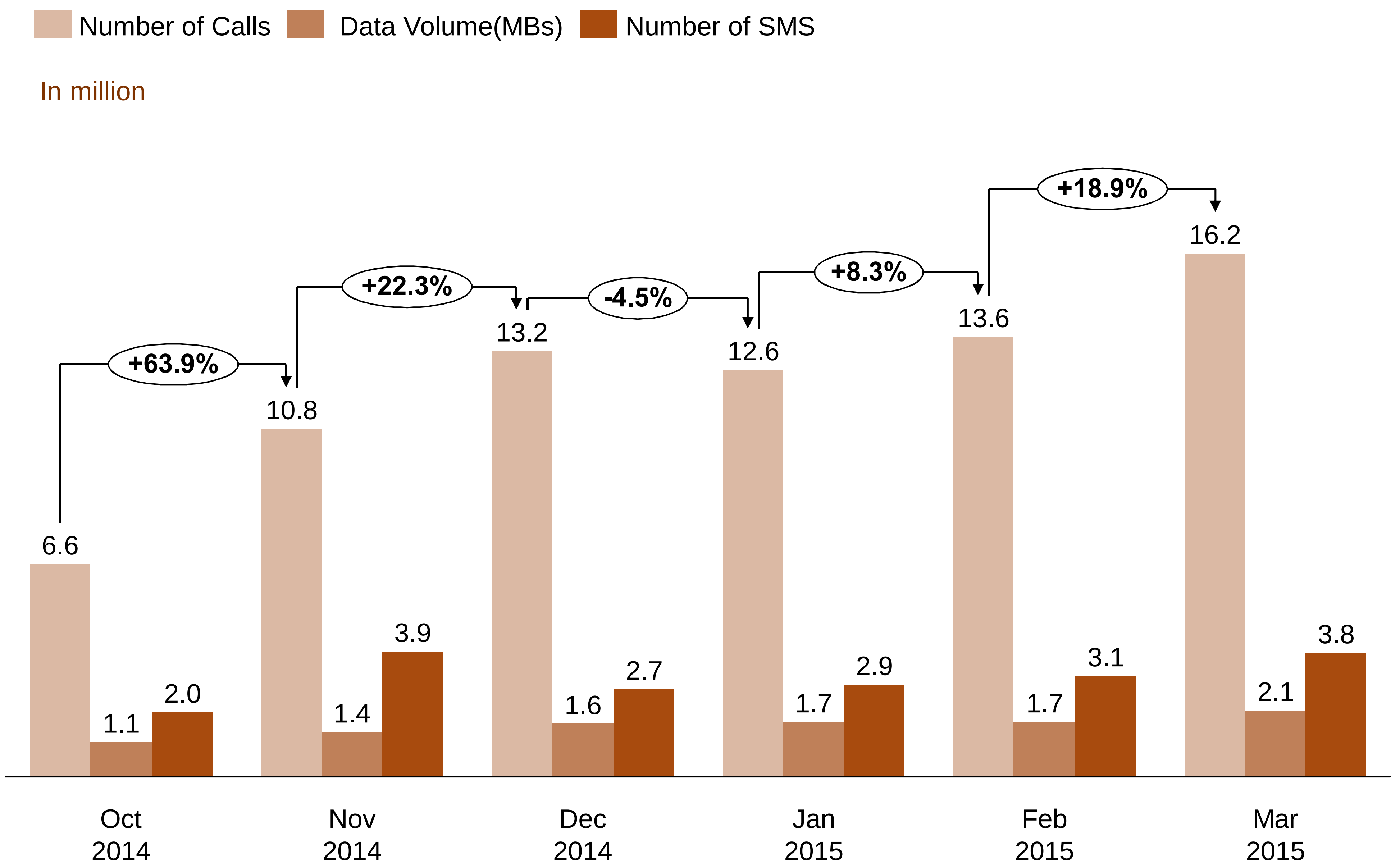
We are ramping up Equitel – Cummulative Activations



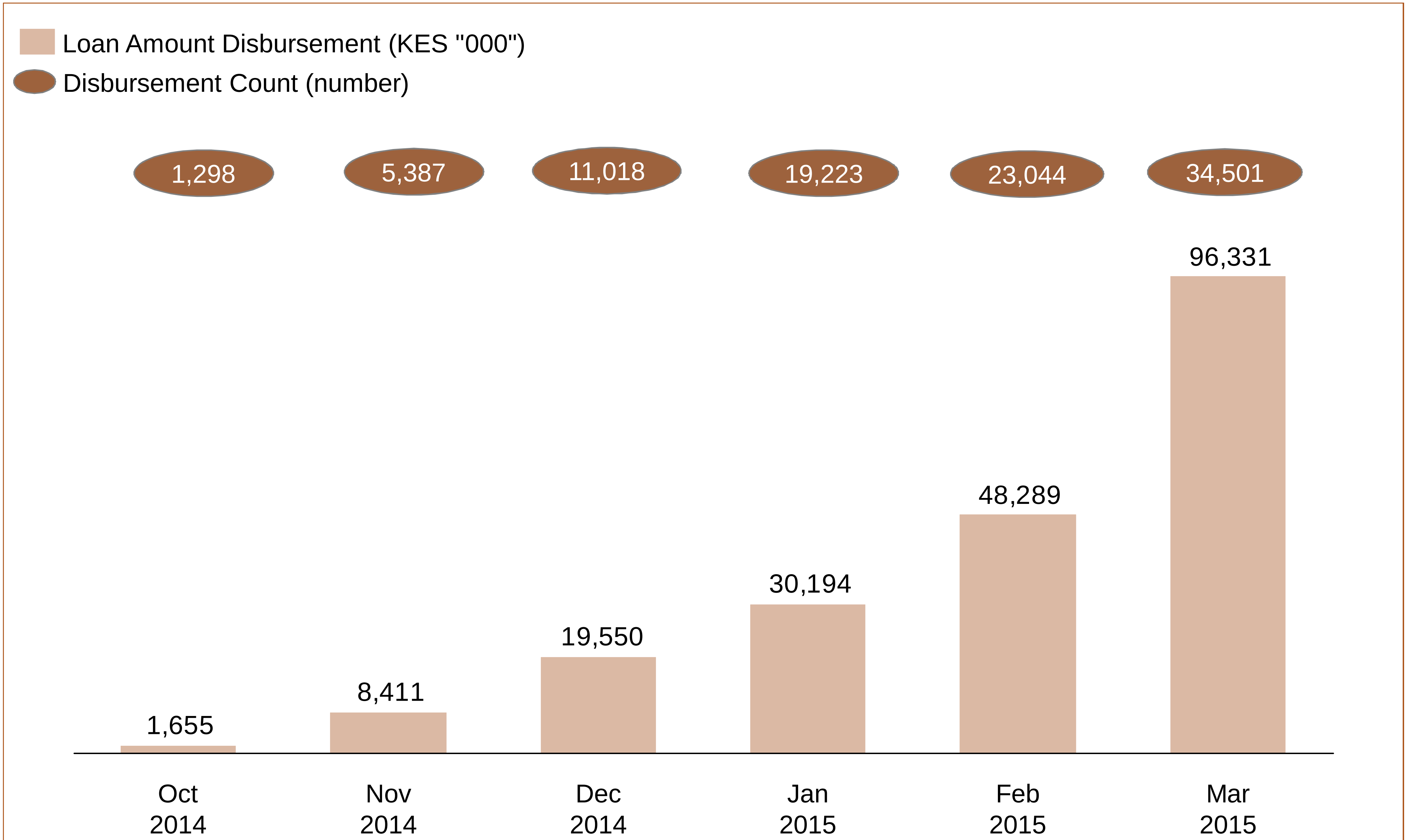
Equitel: M-Banking Activity Level



Equitel: Telephony Activity Level



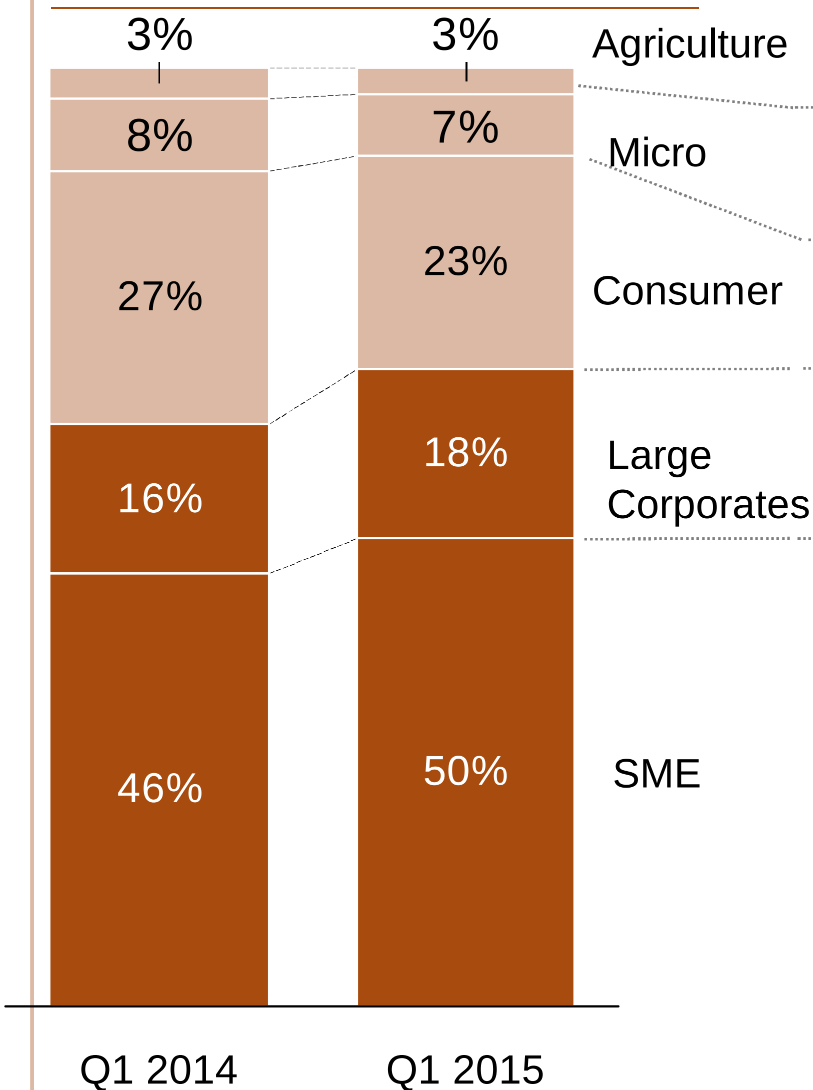
Equitel: Loan Disbursements



② We have focused on supporting SME's & Corporates

Share of loan book by segment

Percent

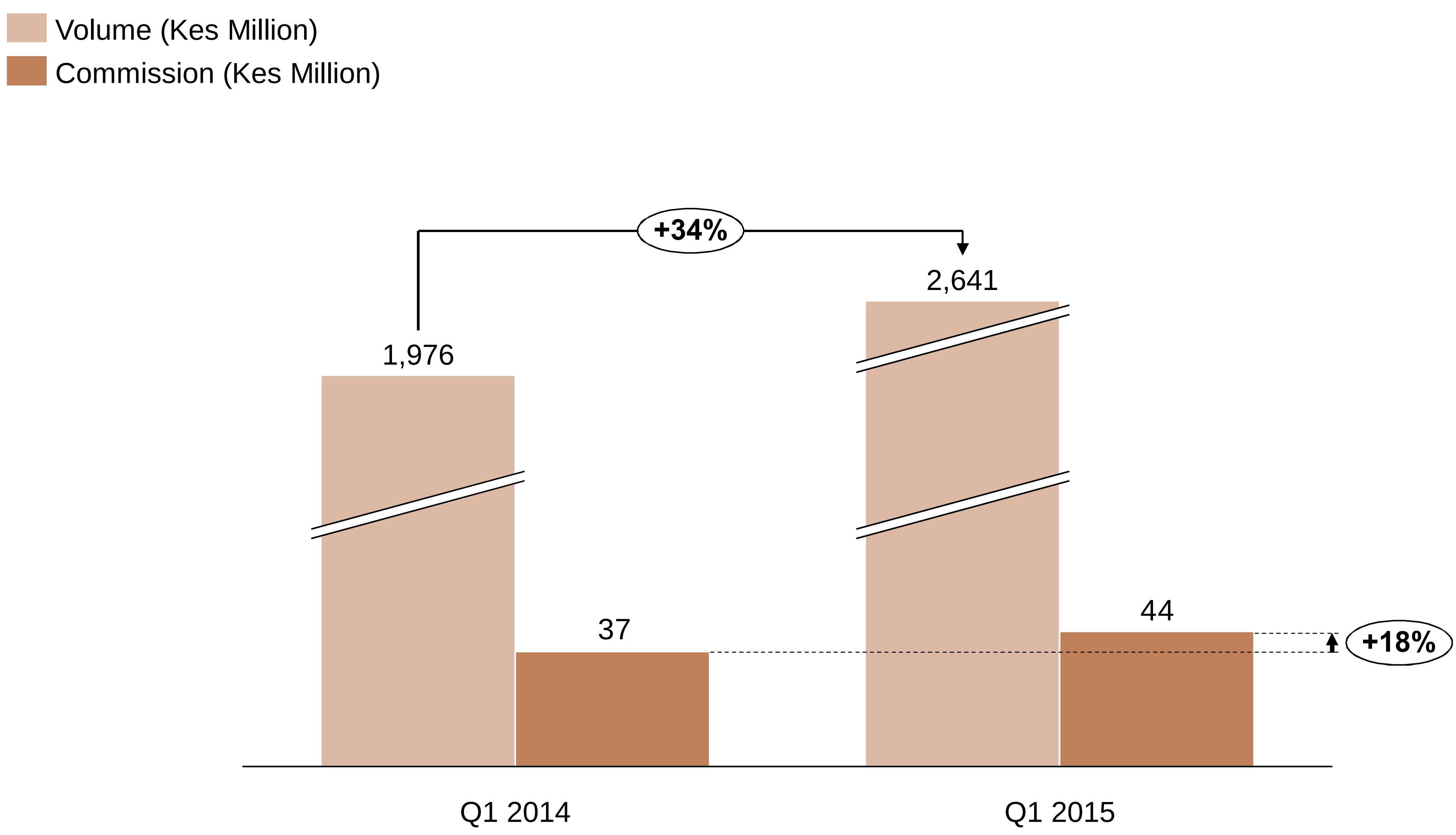


Details

- Still a core area of our lending focus
- 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

- Enhancing delivery by hinging on **Value Chains and Clusters**
- Tap our competitive advantage: core strengths, human capital, heavily capitalized bank, newly implemented IT systems, regional distribution network, diversified country risk, brand deepening and strengthening market share
- **Gain from the reposition of the economy:** SME and supply chain strategy focused enhancement of quality assets given the improved macro environment

3 Diaspora Remittances

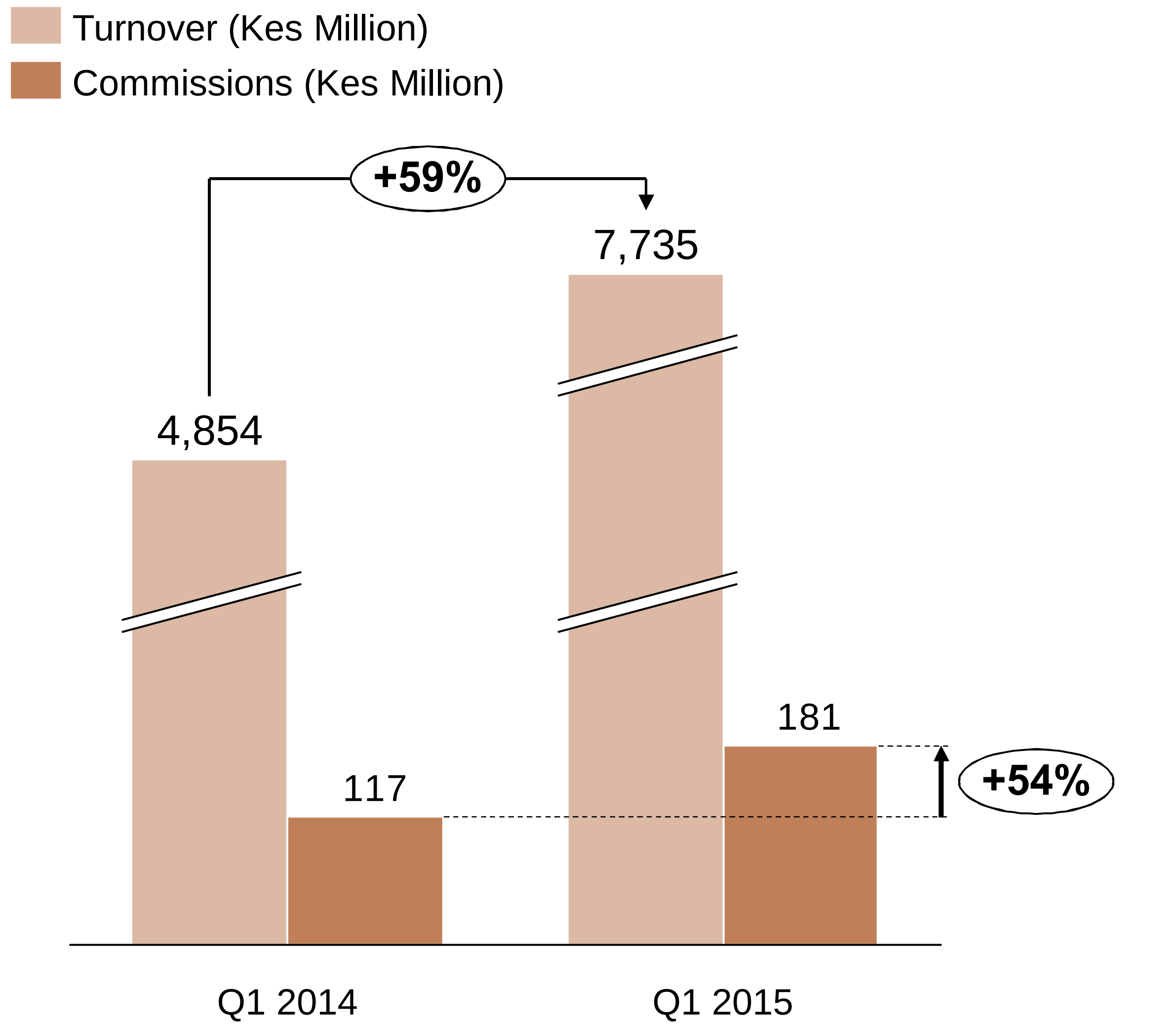


4 We are building on our momentum in Payment Processing and Merchants…

We have partnered with key payment companies…

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

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



5 Regional Expansion & Diversification

KES ľBillionò(unless otherwise noted)

	Business drivers	Q1 2014	Q1 2015	Growth
Banking Subsidiaries: - Uganda - S. Sudan - Tanzania - Rwanda	**Customers** (number)	1,074,420	1,273,171	18%
	Deposits	36.9	58.6	59%
	Loan Book	20.1	29.3	46%
	PBT	0.48	0.59	23%
	Total Assets	50.7	77.2	52%
Non-Banking Subsidiaries:	**PBT**	0.17	0.25	47%

6 … with tangible and scalable impact to date

GRADUATING CLASS

	2013	2014
Completion	98%	98%
Achieved university entry grades	94%	92%
Achieved óAôgrade	34%	45%

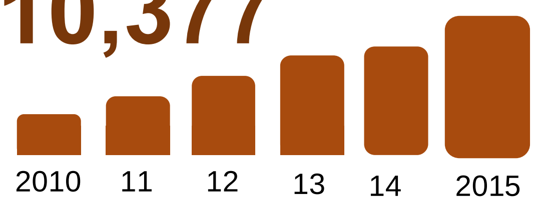
EQUITY GROUP FOUNDATION

YOUTH EMPOWERMENT THROUGH LOANS IN PARTNERSHIP WITH GOVERNMENT YOUTH FUND;

KES 12 billion in loans to youth

TOTAL WINGS TO FLY SCHOLARS

10,377



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

2,673 SCHOLARS

Of which over 200 are placed in top global universities including **Harvard, Stanford, Princeton and LSE**

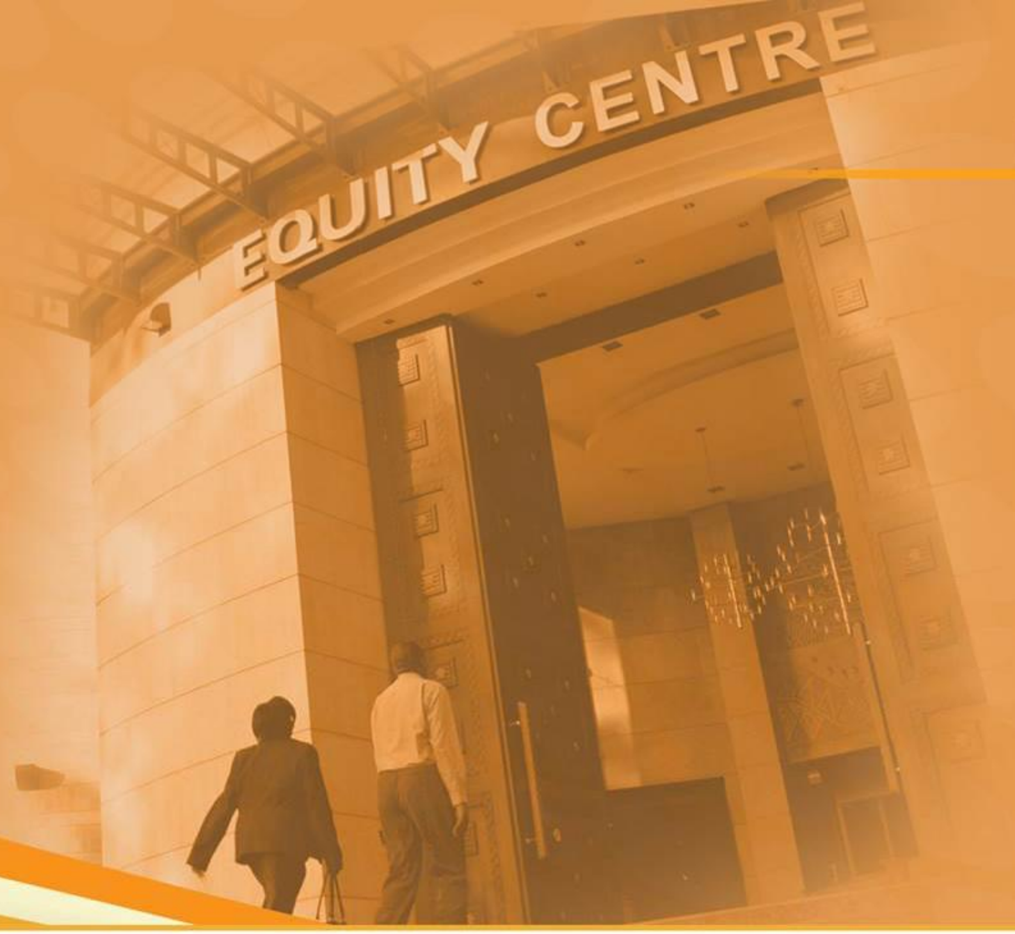
TOTAL FUNDS SPENT ON PROGRAMS

KES 1,123,847,885

EMPOWERING WOMEN THROUGH FANIKISHA

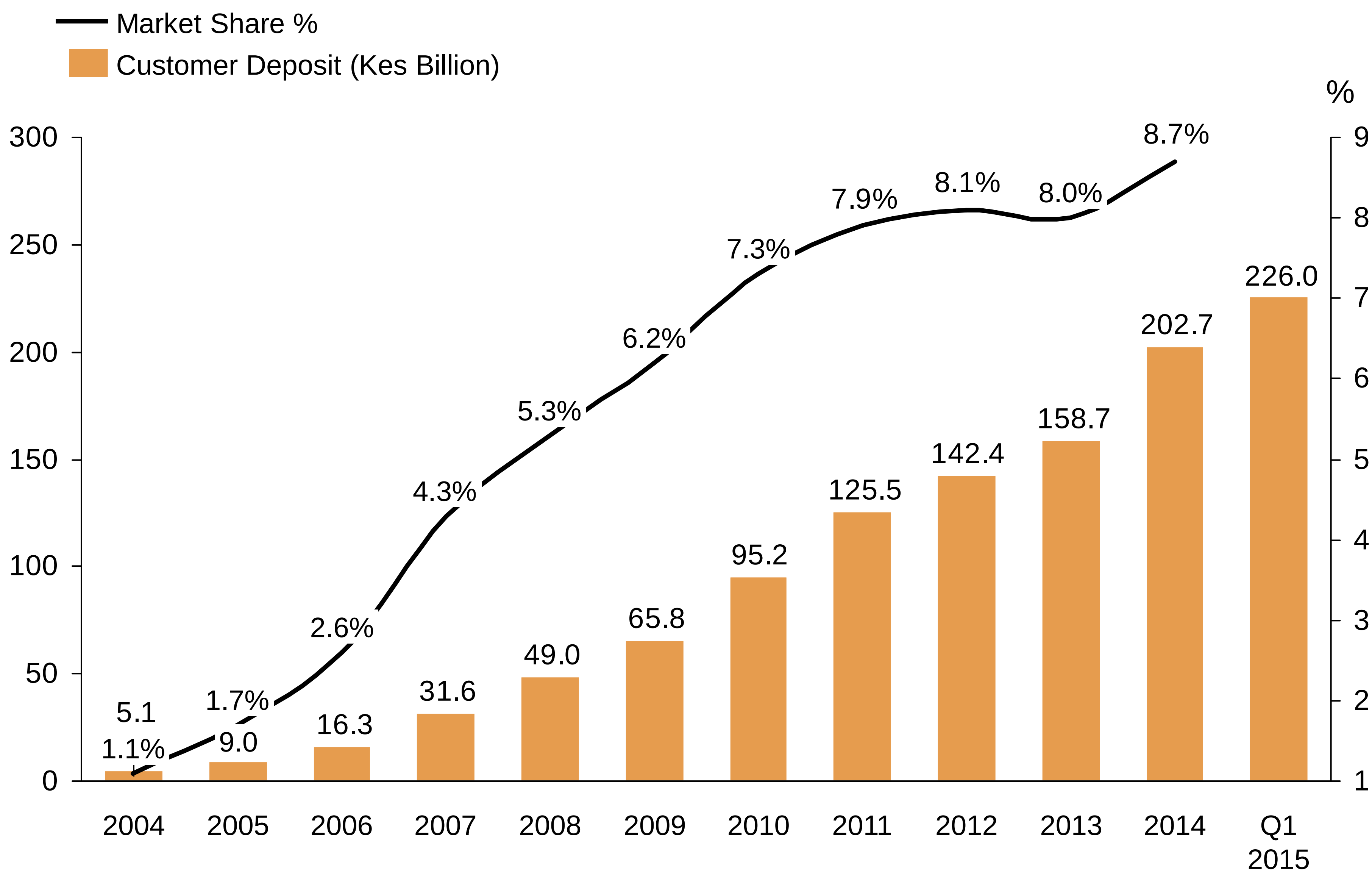
KES

27 billion in loans to women

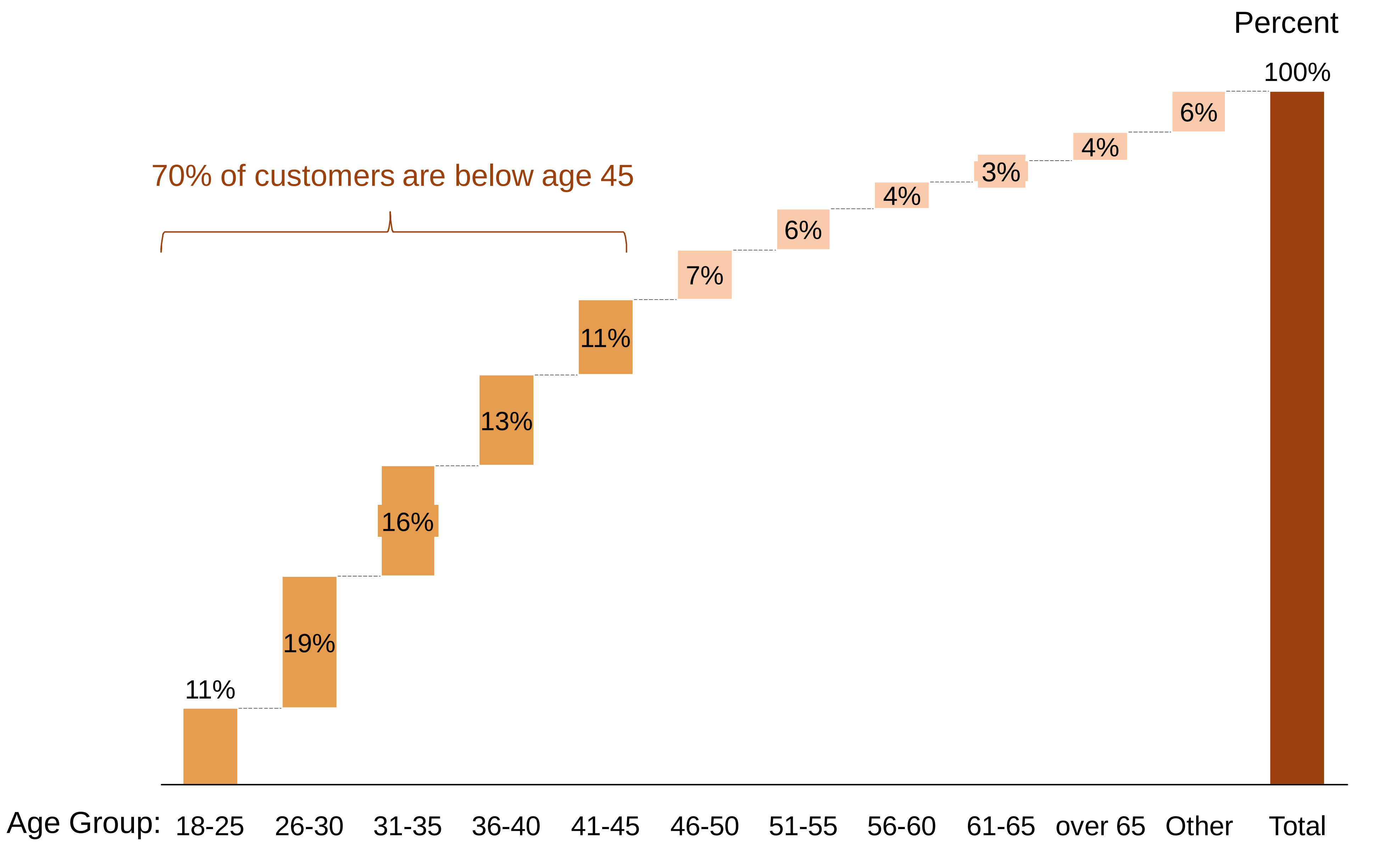


Financial Performance

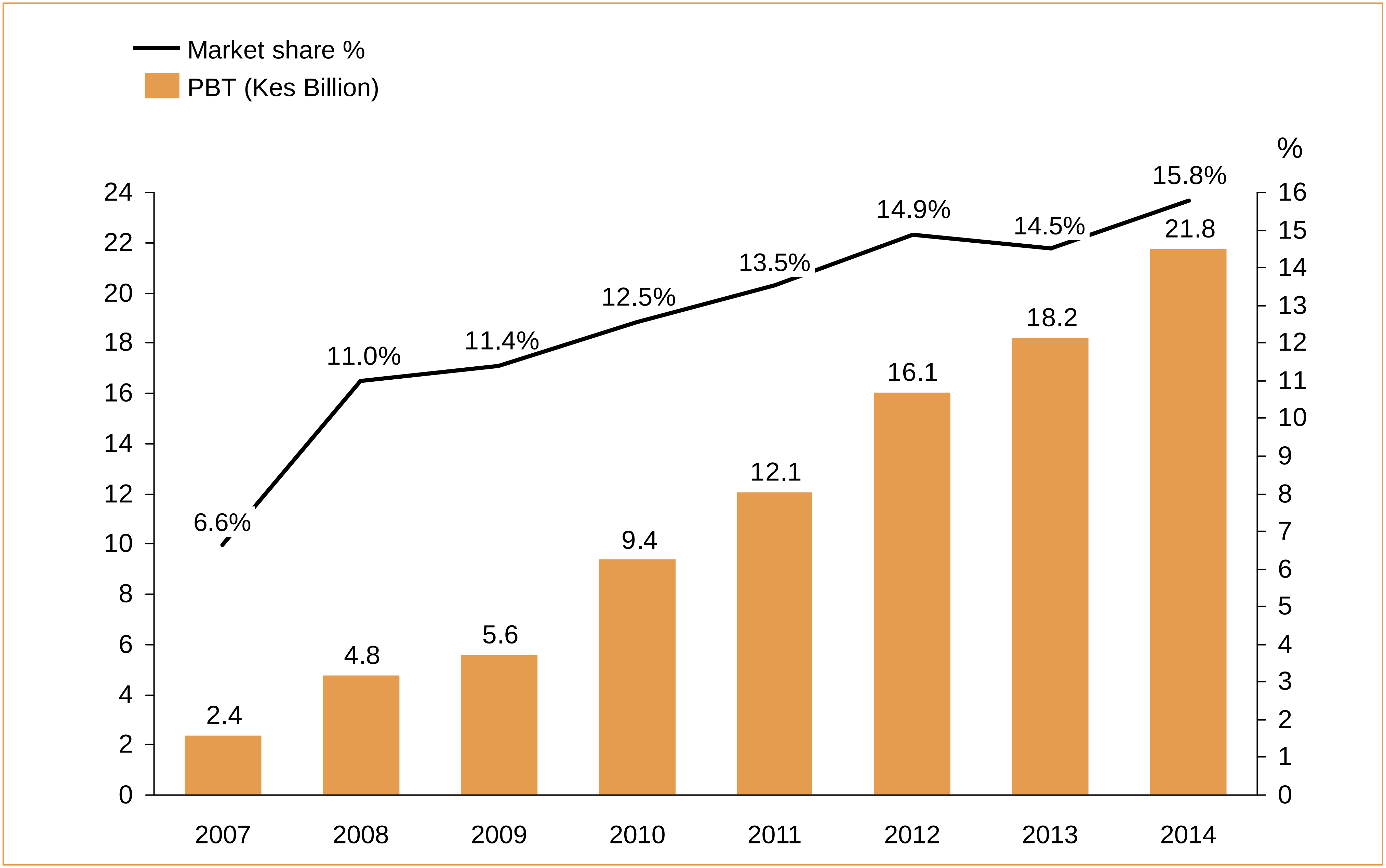
Customer Deposits (Bank) and Market Share Growth



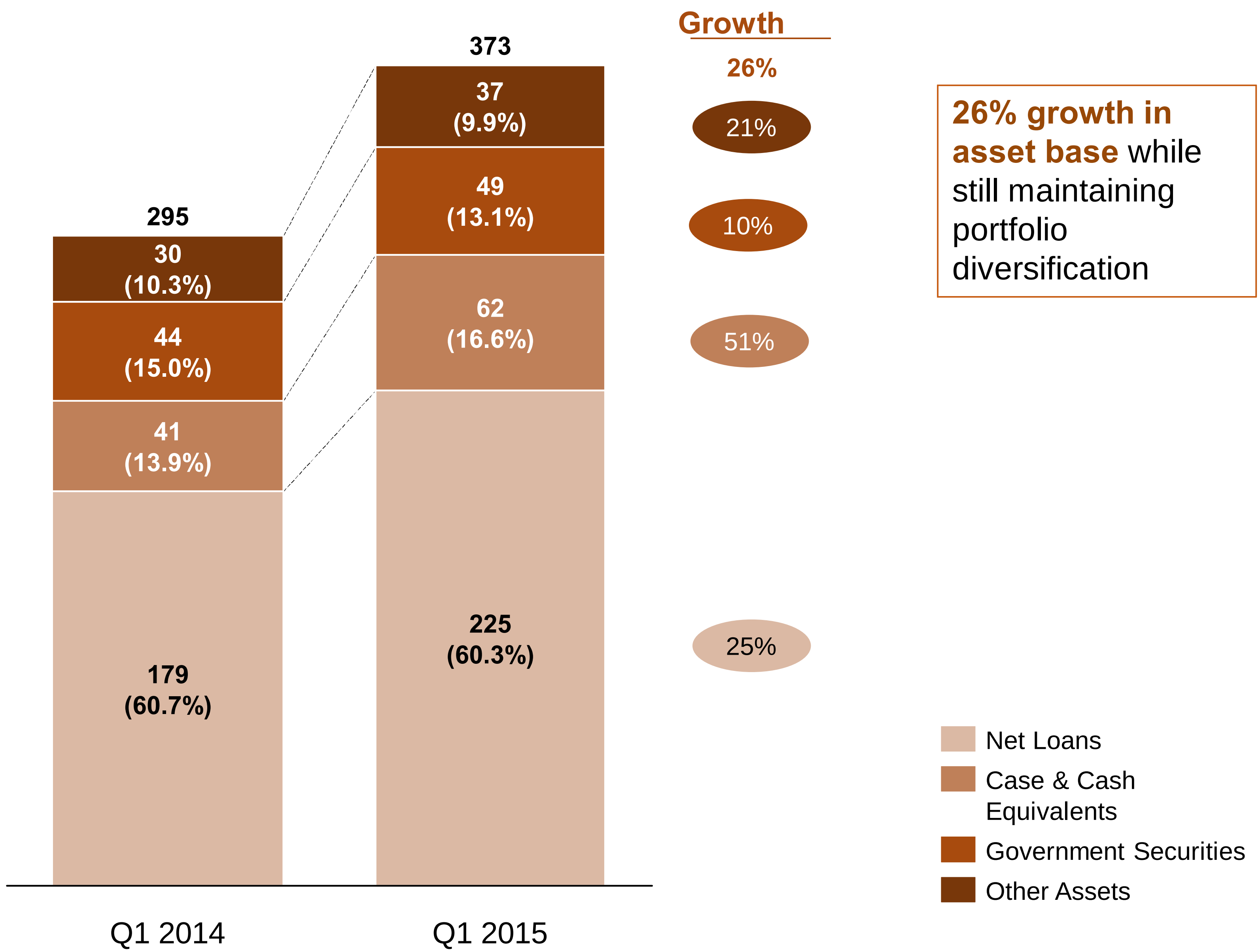
Bank Customer – split by age group



Profitability (Bank) and Market share Growth



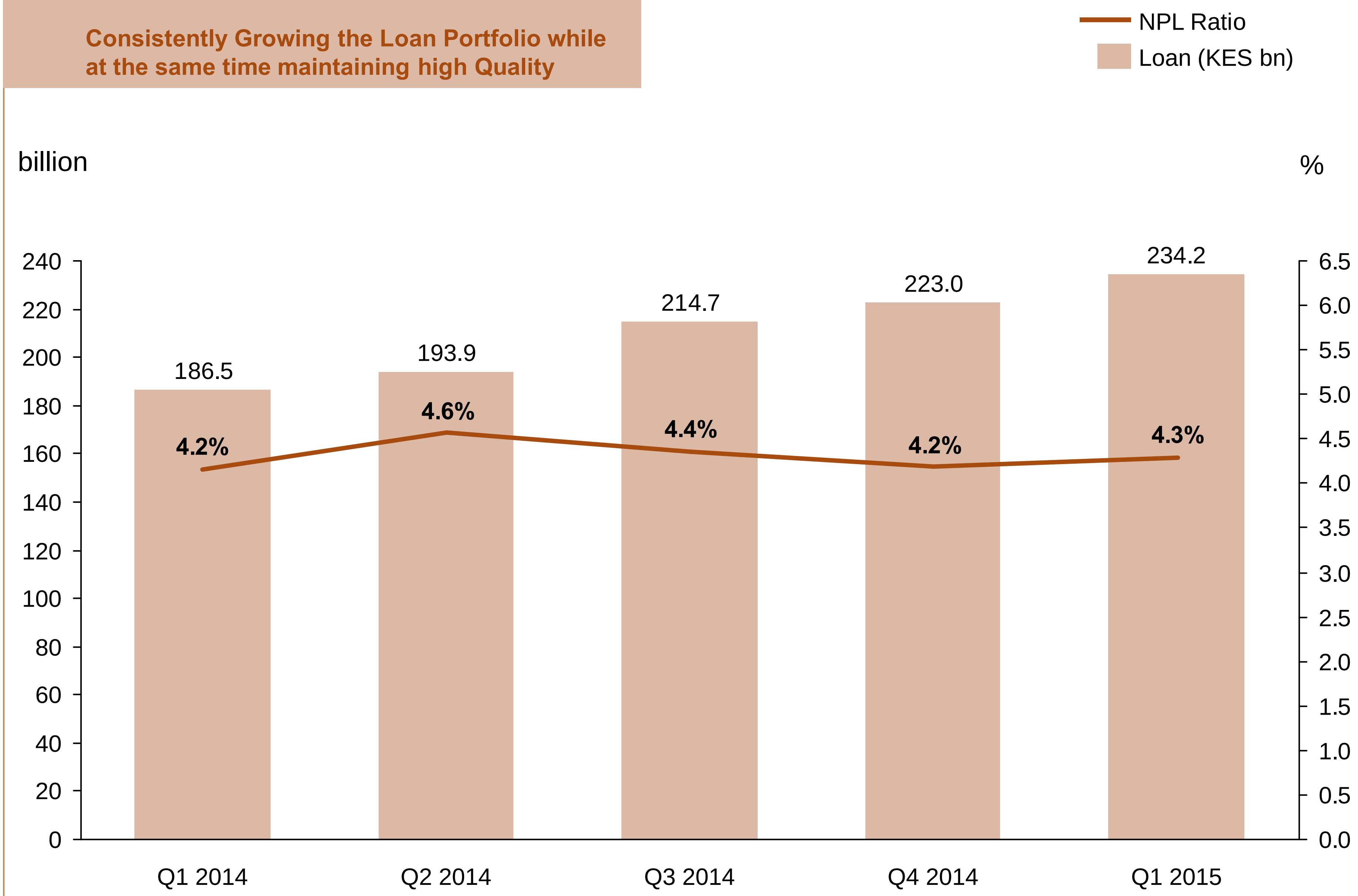
And to increase Assets to KSH 373 Billion



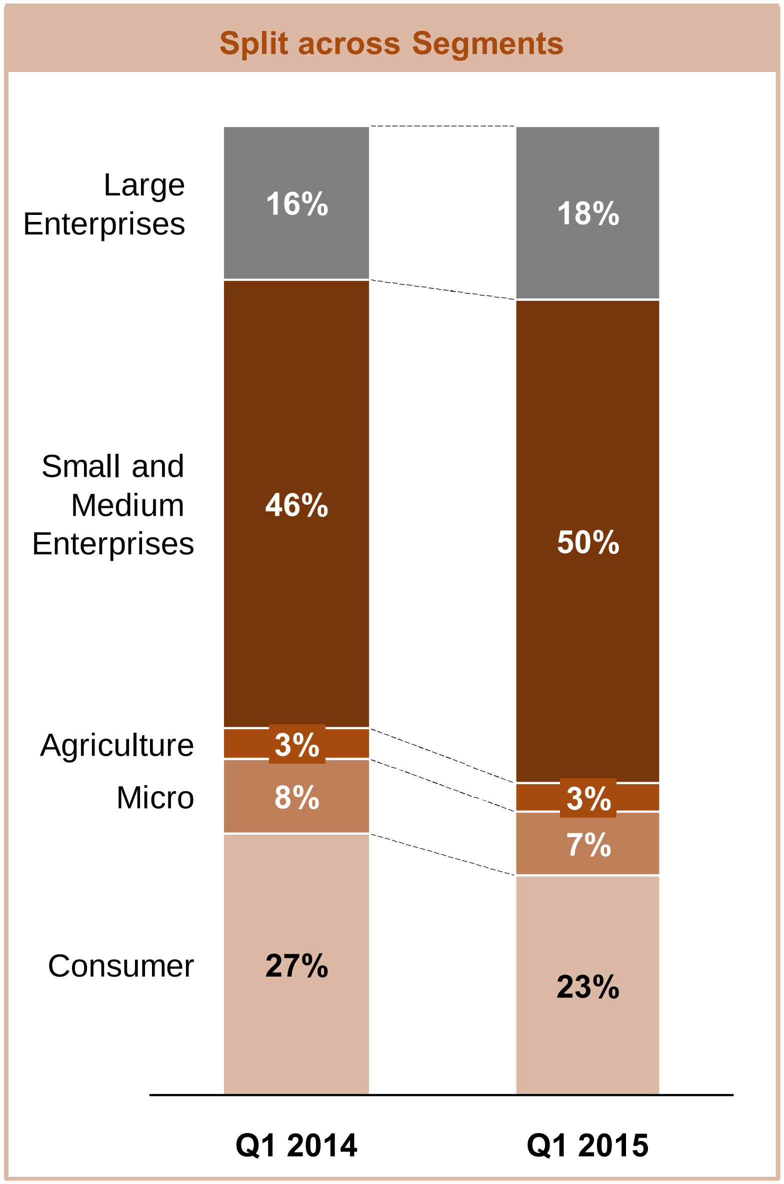
26% growth in asset base while still maintaining portfolio diversification

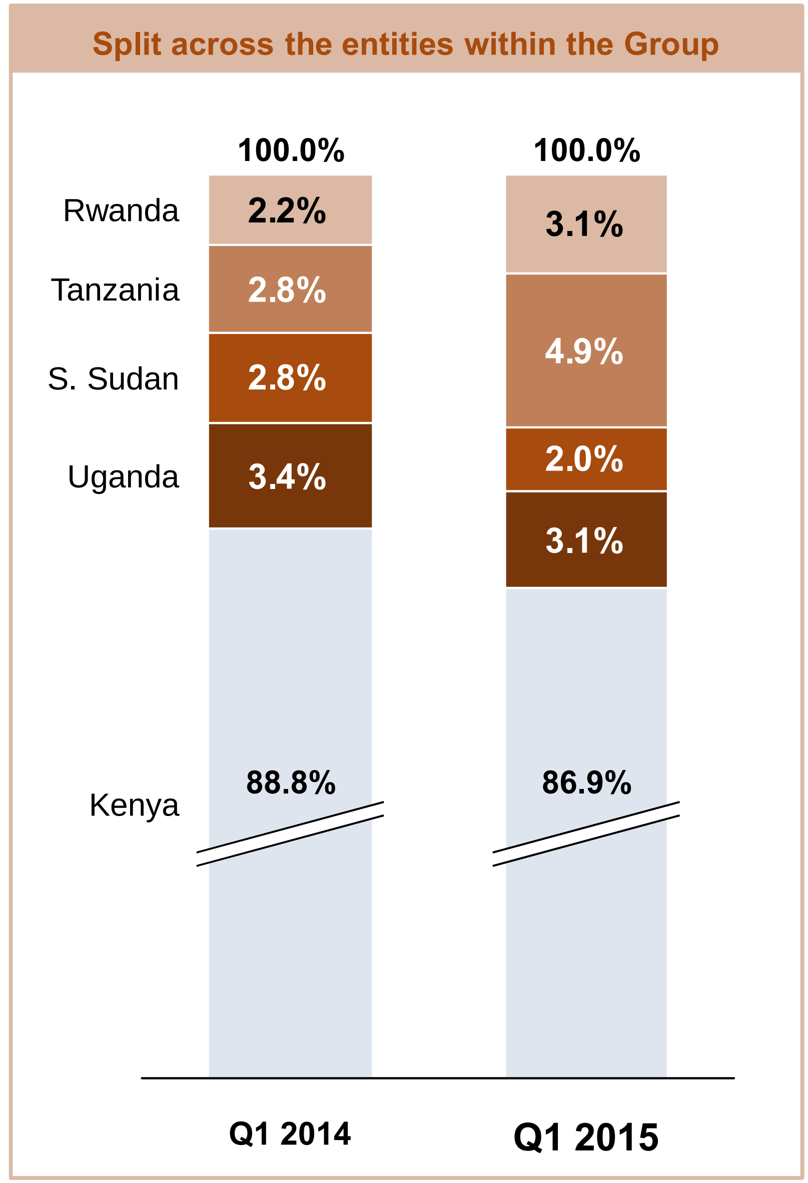
Gross Loan Growth vs. NPL Ratio

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



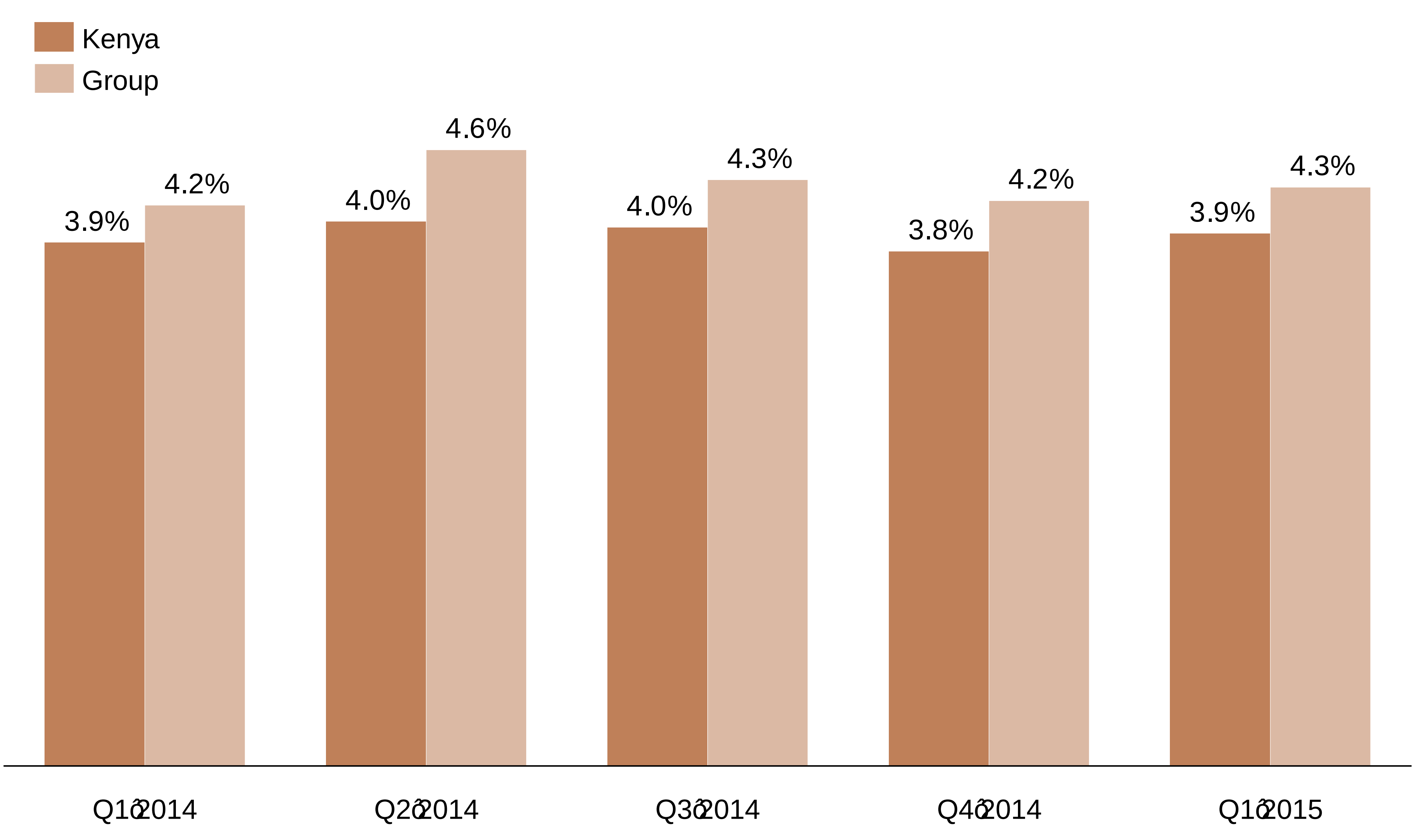
Loan book by Segment and Entity



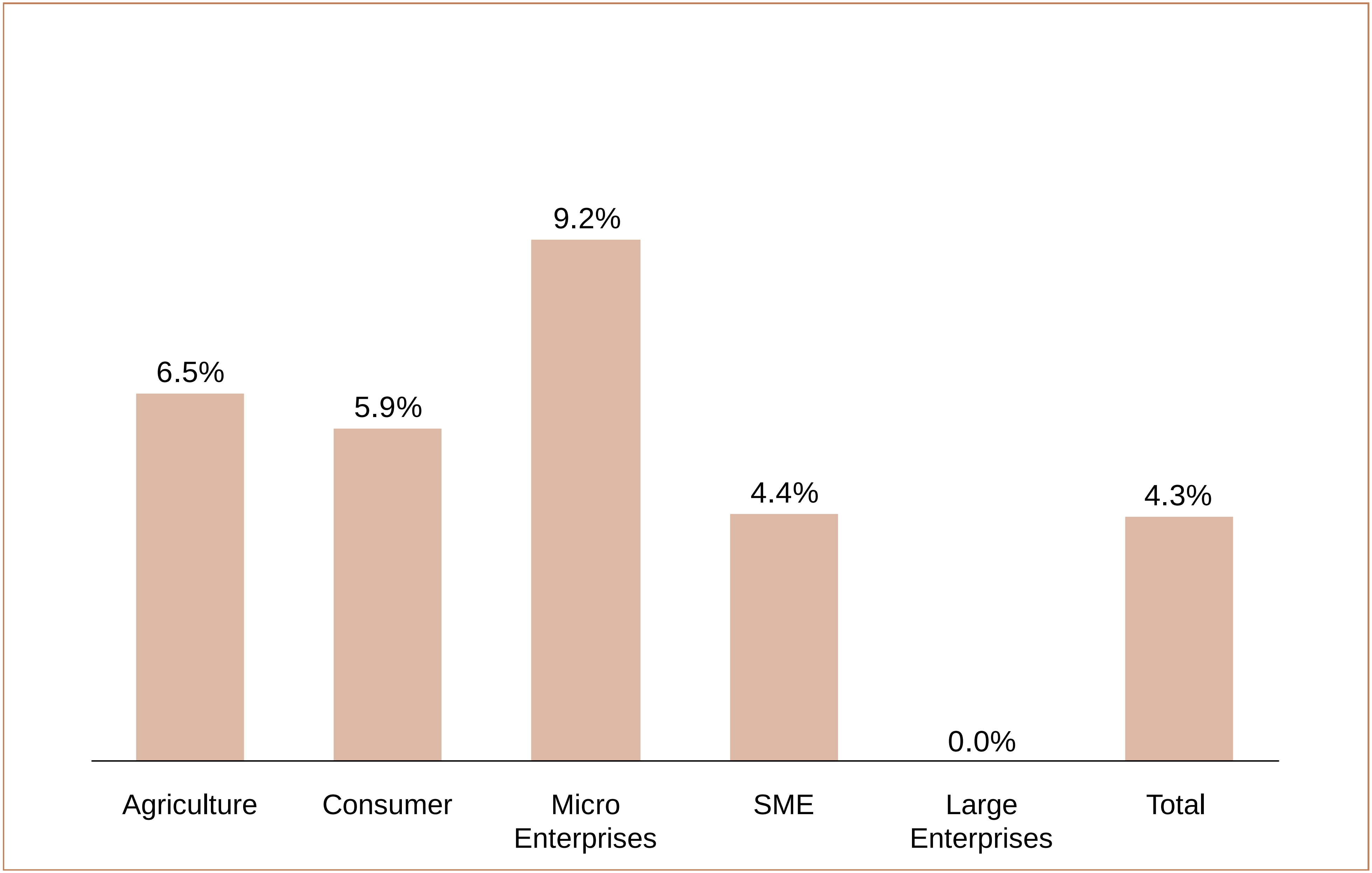


Non-Performing Loans

NPL Trend Analysis

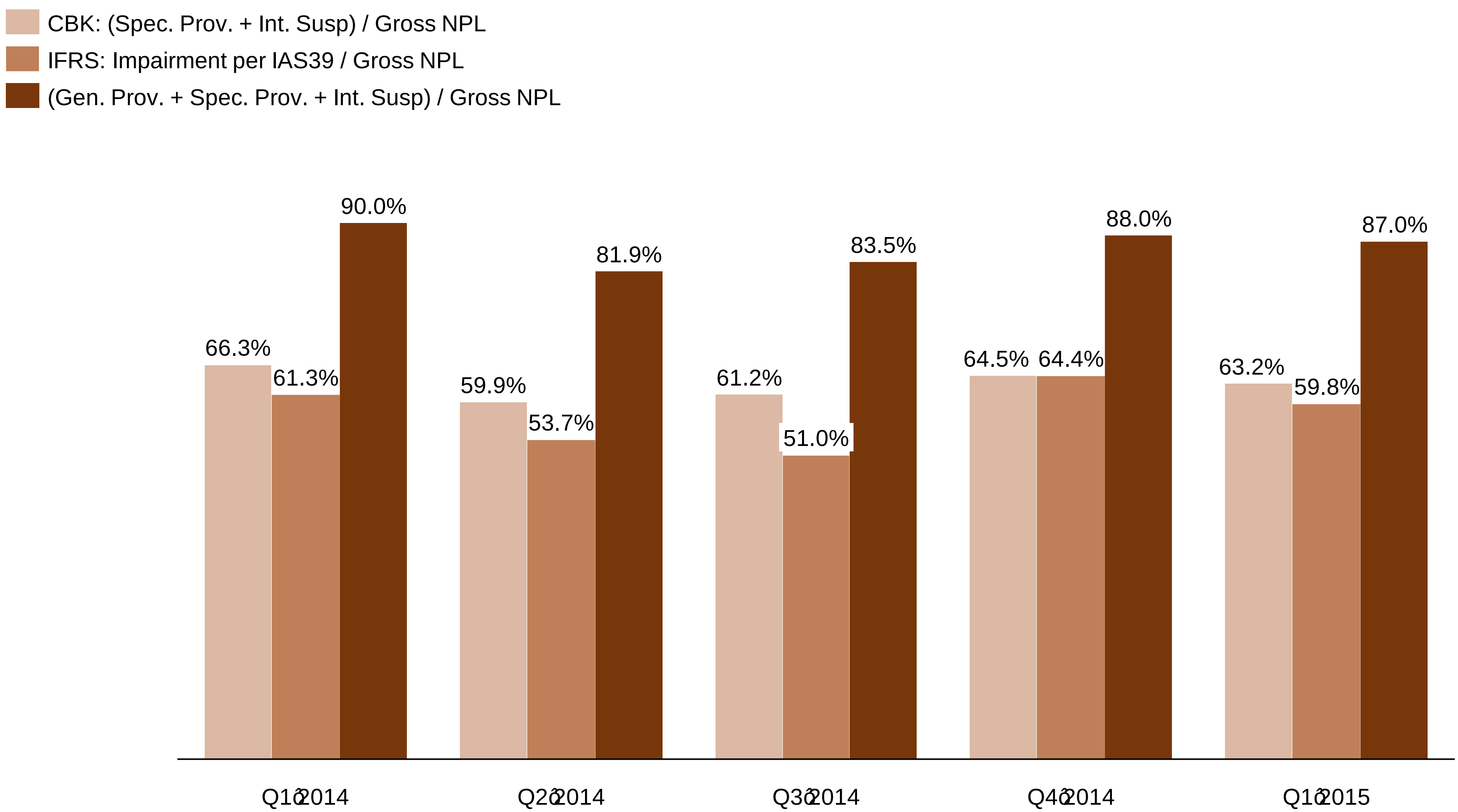


Non-Performing Loans - split per sector



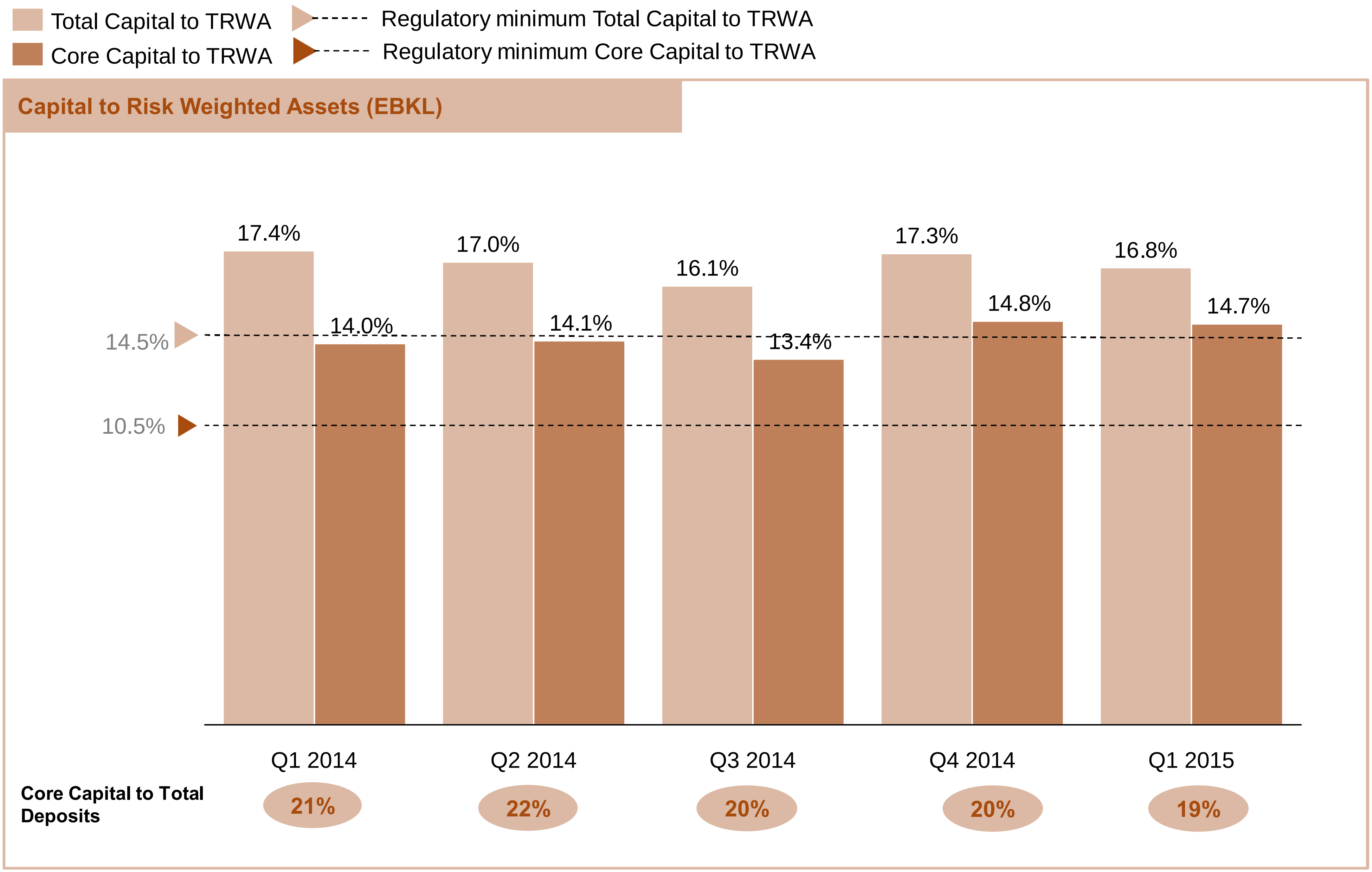
Group Non-Performing Loans: Coverage Analysis

Coverage Analysis



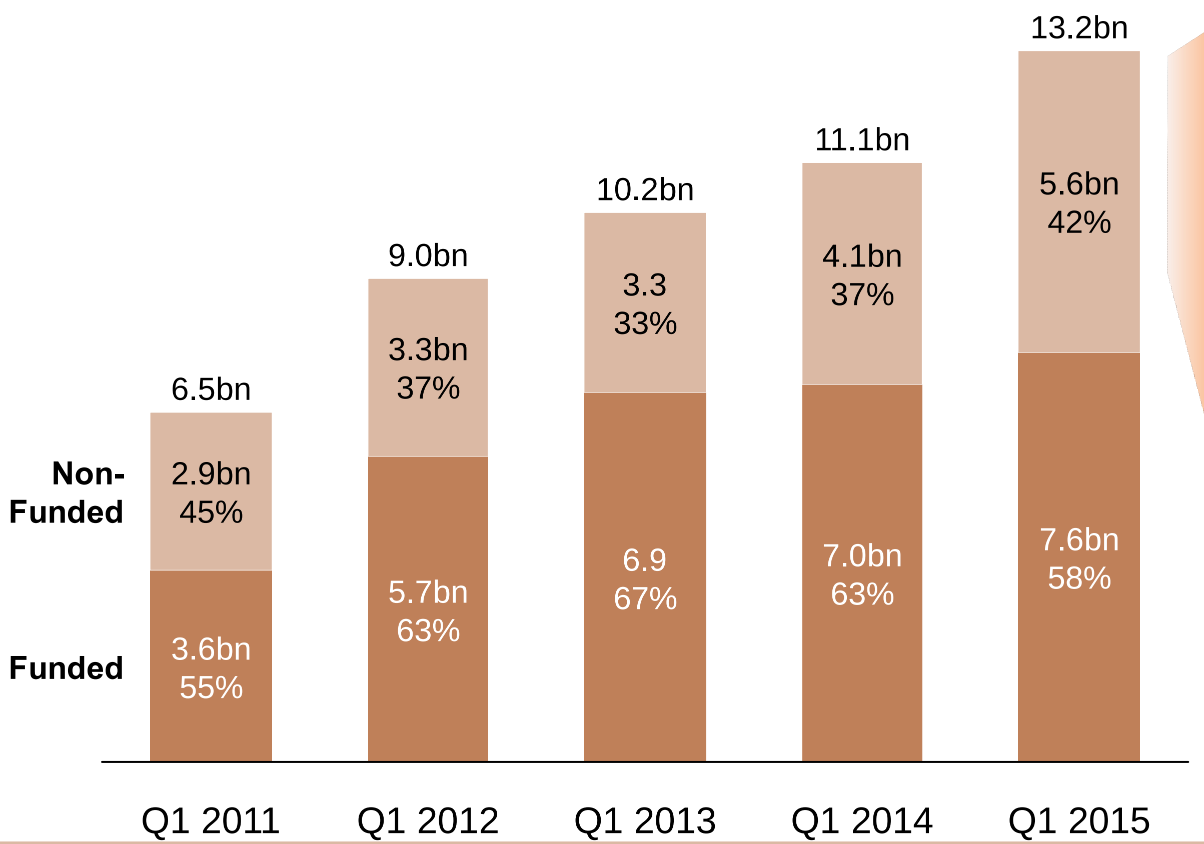
Cost of Risk: 0.72% 0.58% 0.63% 0.83% 0.63%

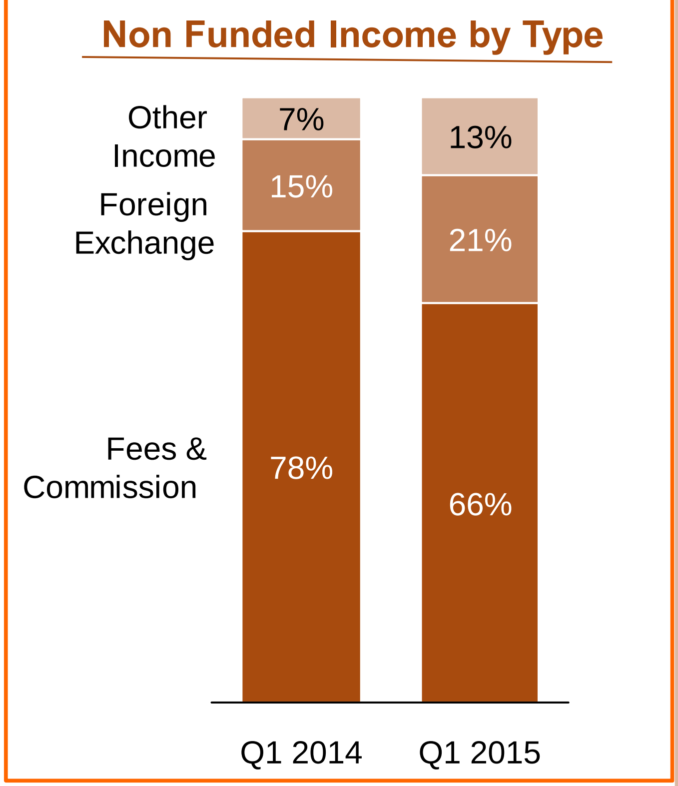
… enabled by strong capital management



Both funded and non-funded income are significant

Funded and Non-funded Income





Highlights

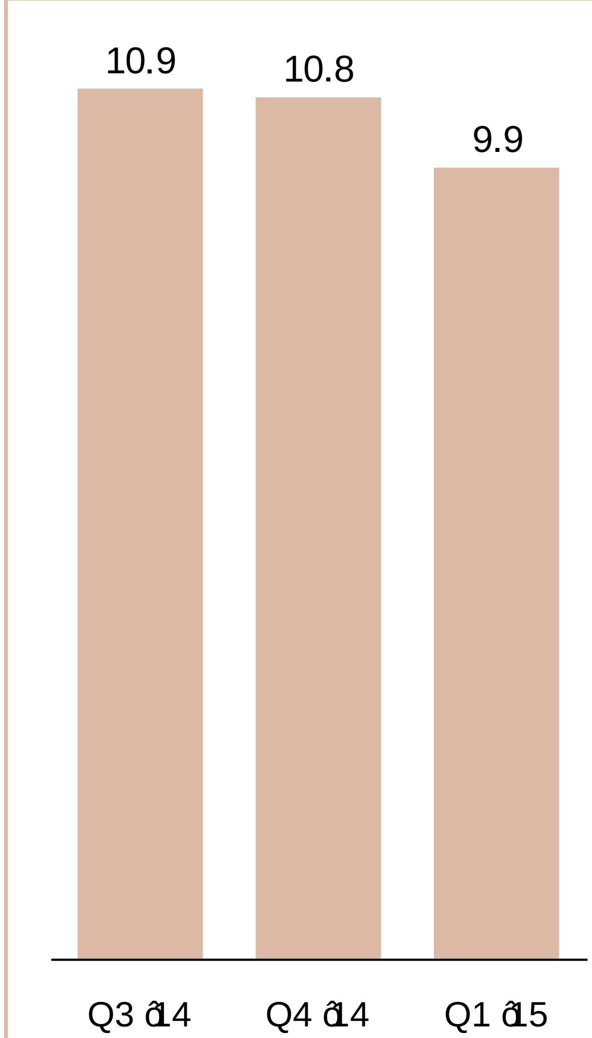
- **Non Funded Income:** **grew by 37% YoY due to growth in loan book and alternate business channels**
- **Funded Income:** **Interest income grew** by **13% YoY due to growth in loan book; Interest expenses grew by 36% YoY due to increase in borrowed funds and rise in customer deposits**

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

Percentage

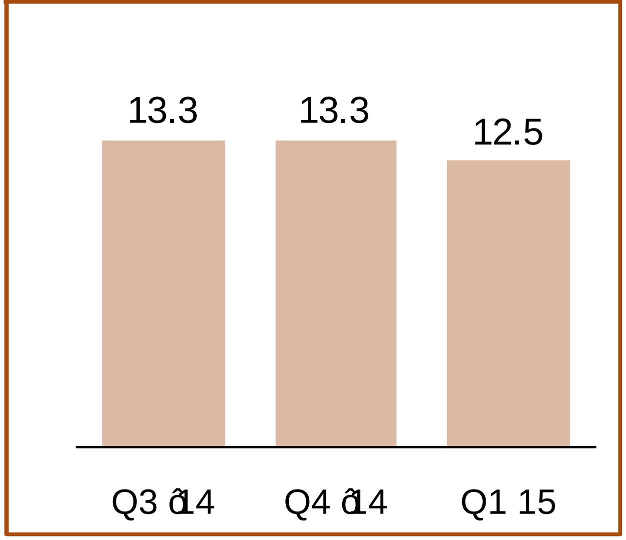
Net Interest Margin over time …

Net Interest Margin

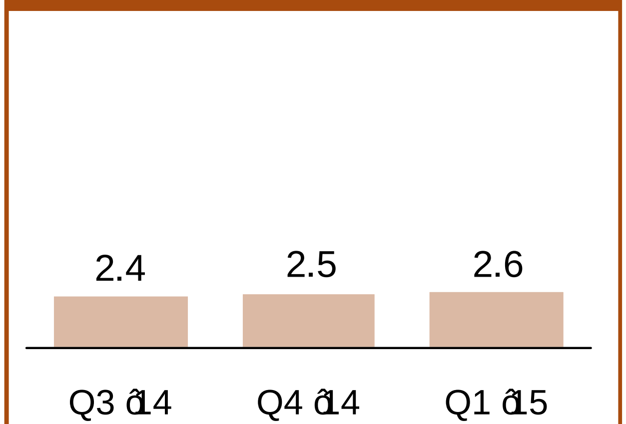


… driven by a decline in yield on interest

Yield on interest Earning Assets

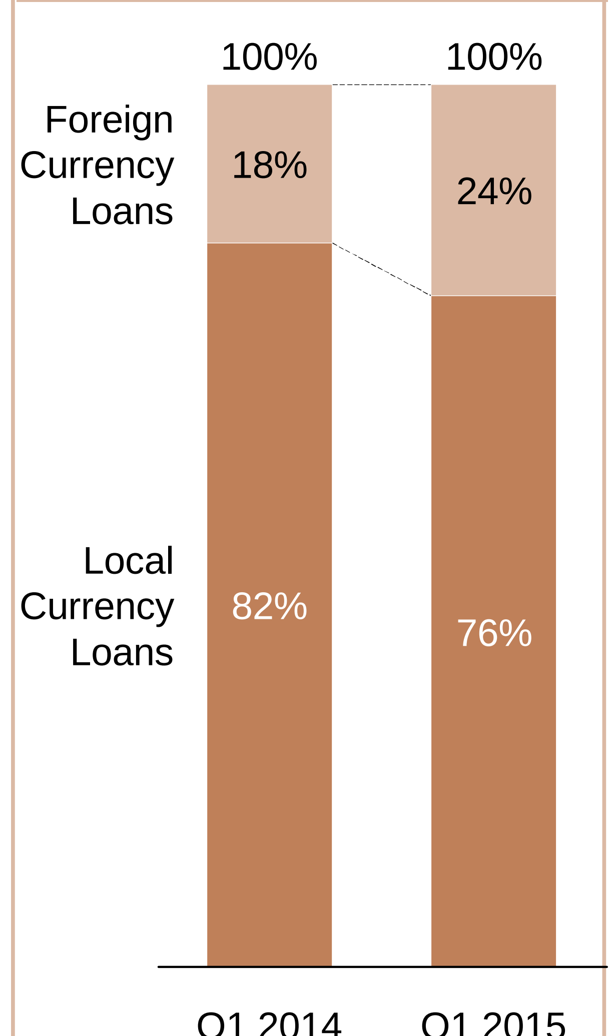


Cost of funds



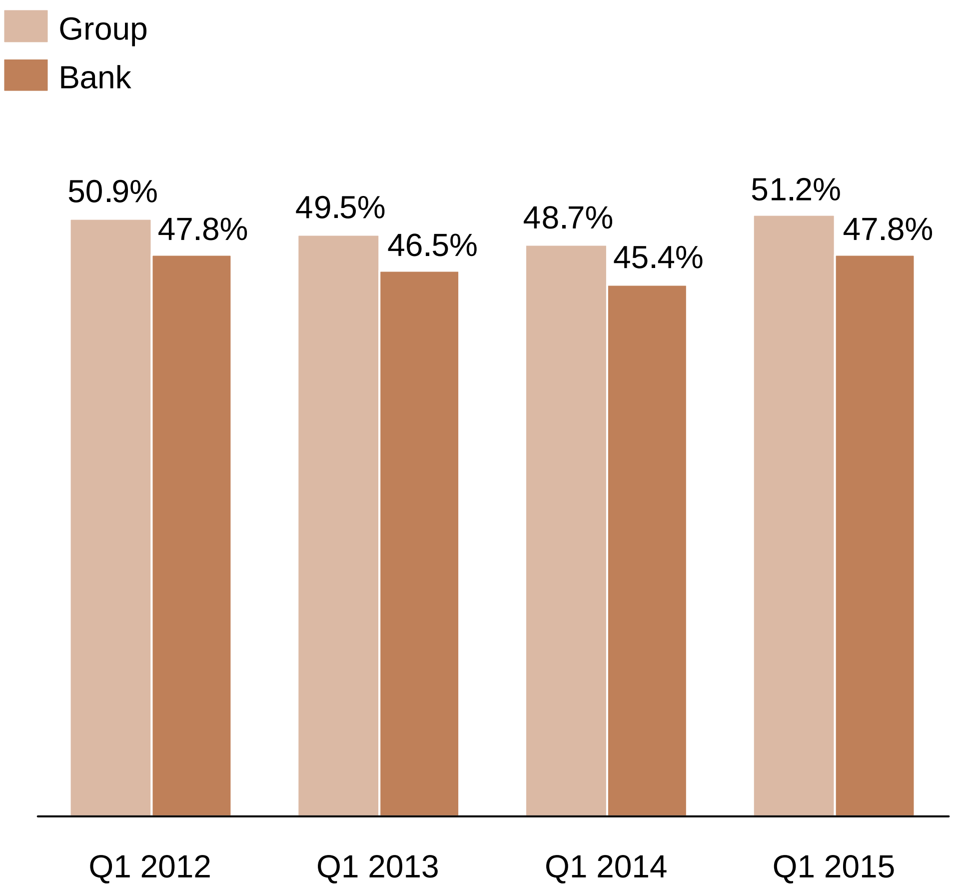
… due to increase in foreign portion of loan book

Split of loan book



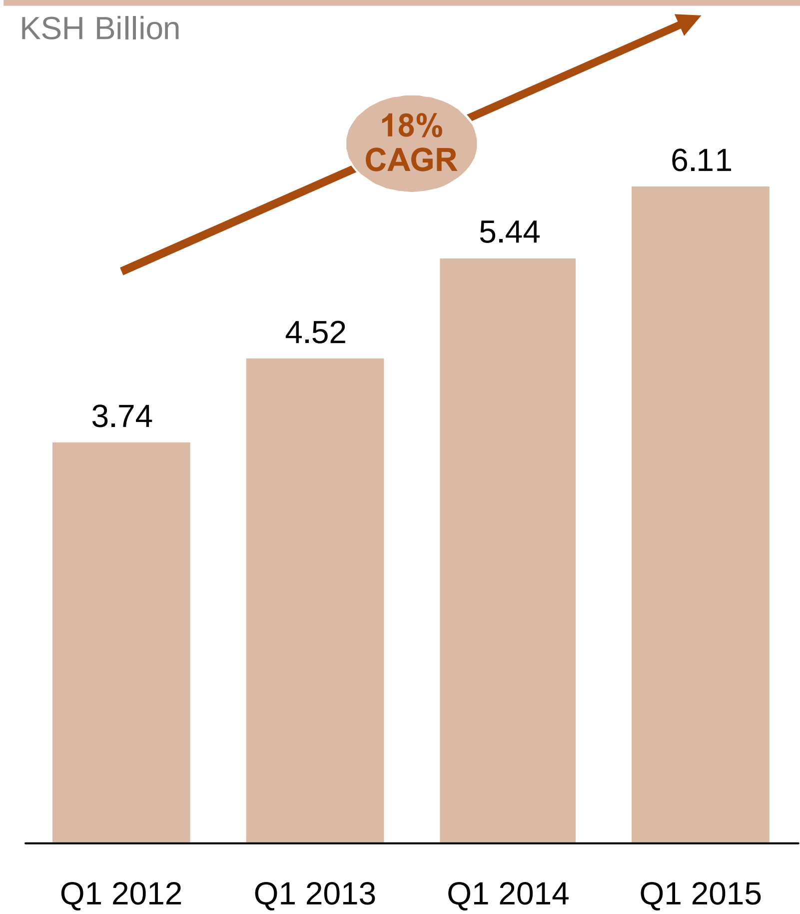
… PBT has grown at ~18% (CAGR)

Cost to Income Ratio Evolution



- **Total Operating Income** up **19%** y/y .The growth is mainly attributed to increased diversification of income streams.
- **Operating expenses** up **24%** y/y due to expansion on IT capacity

PBT evolution



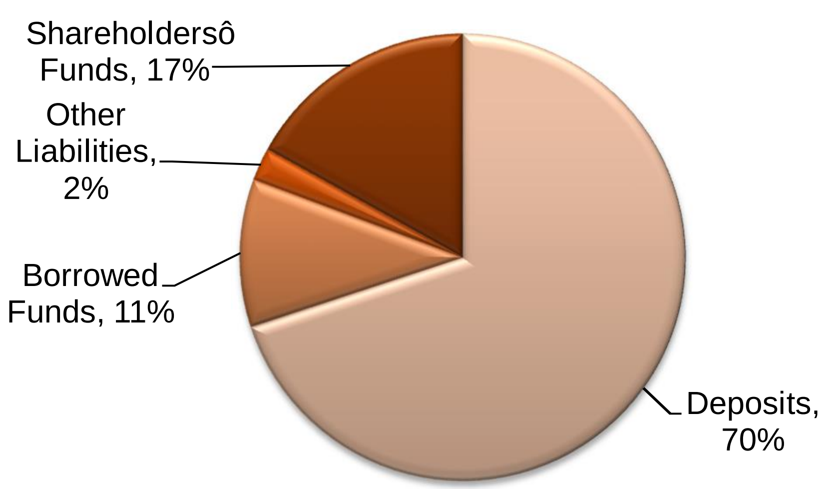
The **growth in Profit** is largely attributed to increased diversification of income streams including income from commissions and earnings from foreign exchange trading, diaspora remittances and Merchant Banking

Broad base liabilities & funding sources

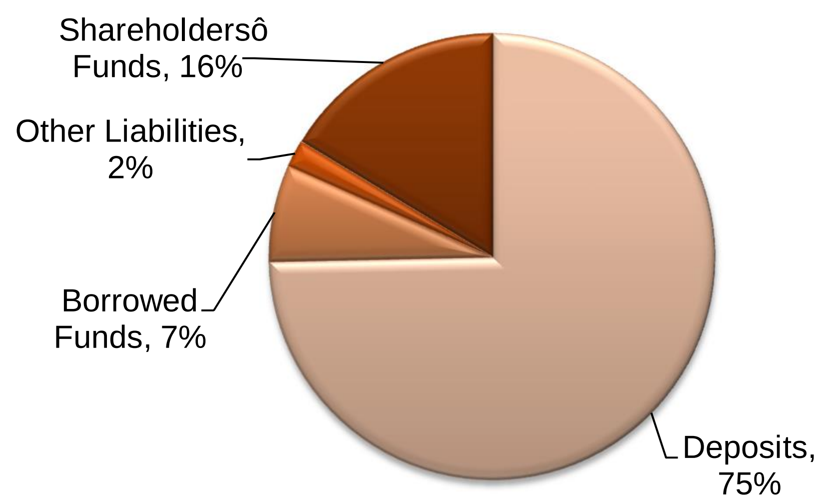
	Q1 2014	Q1 2015	Growth Y/Y
Liabilities & Capital (Bn)	**KSH**	**KSH**	**%**
Deposits	206.58	278.17	35%
Borrowed Funds	31.59	26.18	(17)%
Other Liabilities	7.01	7.26	4%
Shareholders' Funds	50.08	60.92	22%
Total Liabilities & Capital	**295.26**	**372.53**	**26%**

Funding Distribution

Q1 2014



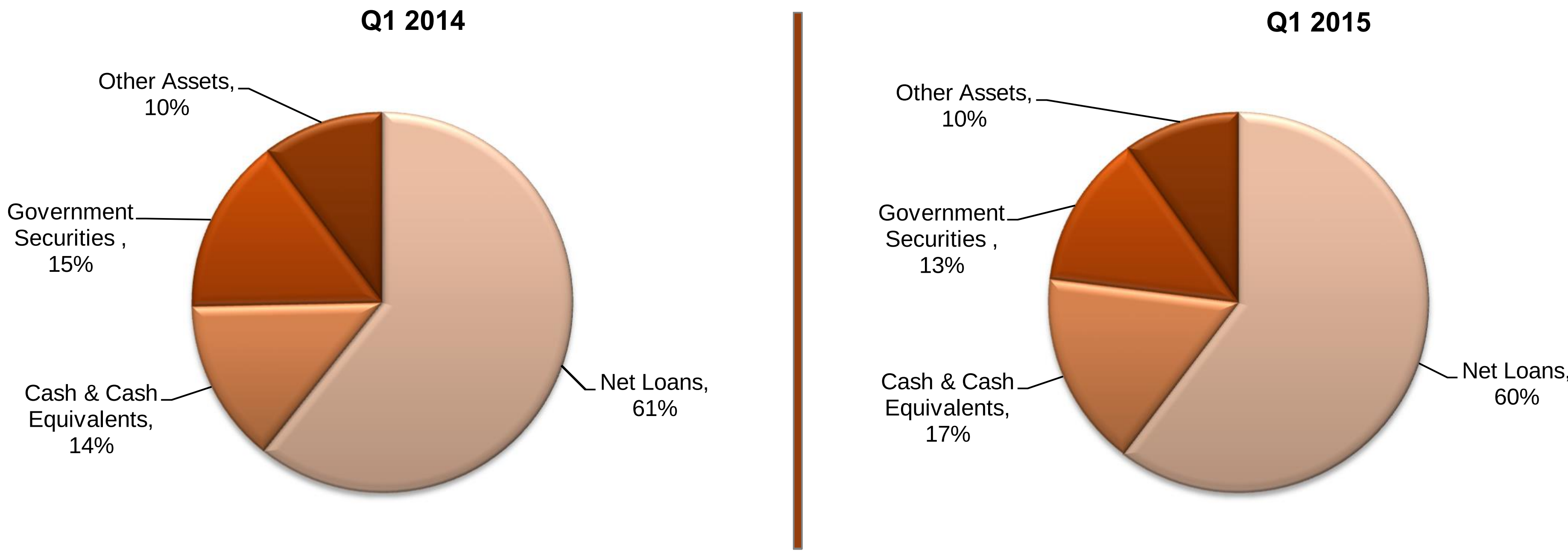
Q1 2015



Asset Portfolio & Distribution

	Q1 2014	Q1 2015	Growth Y/Y
Assets (bn)	**KSH**	**KSH**	**%**
Net Loans	179.31	224.76	25%
Cash & Cash Equivalents	41.18	62.00	51%
Government Securities	44.41	48.91	10%
Other Assets	30.36	36.86	21%
Total Assets	**295.26**	**372.53**	**26%**

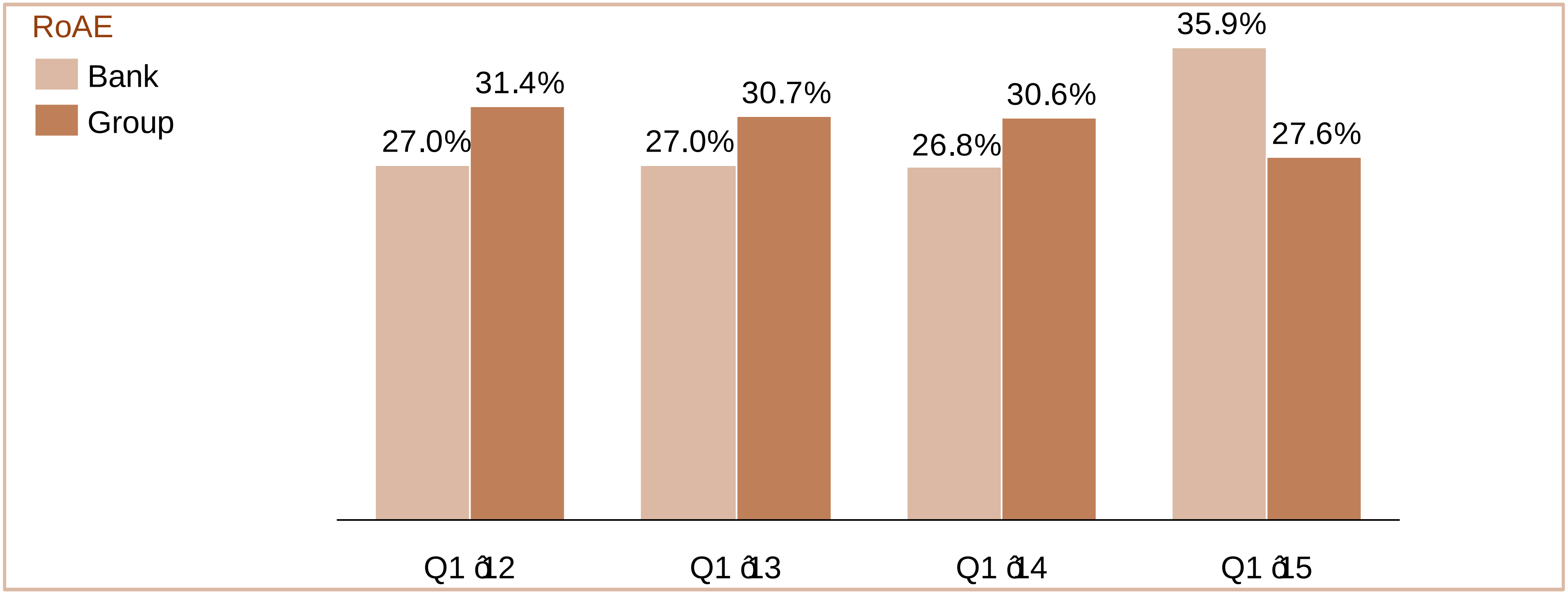
Asset Distribution

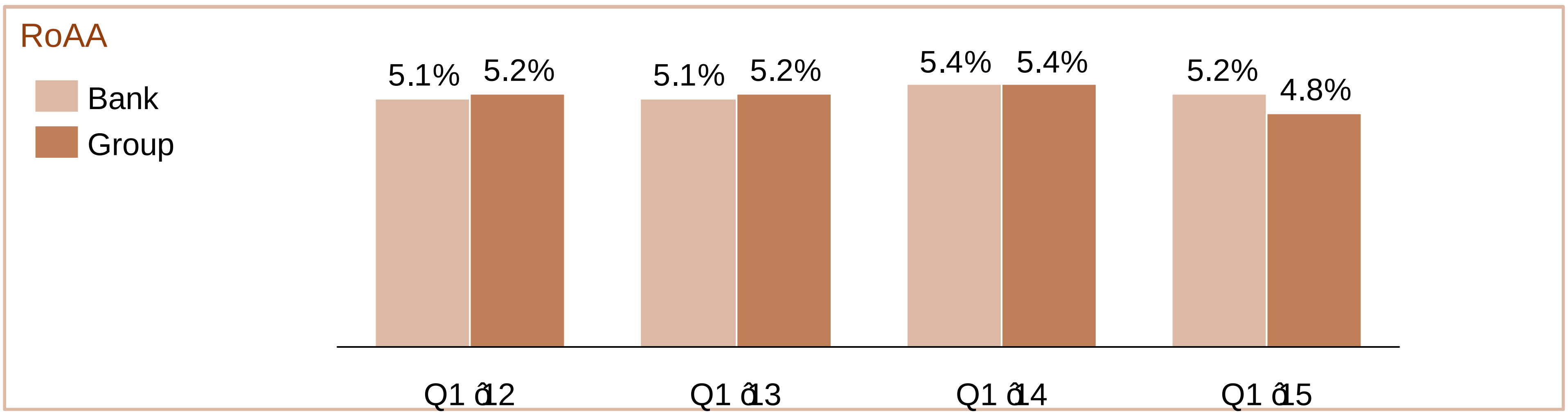


Delivering 13% Growth in PBT for the Group

KES (Billion)	Q1 2014	Q1 2015	Growth
Interest Income	8.42	9.47	13%
Interest Expense	(1.40)	(1.85)	32%
Net Interest Income	7.01	7.62	9%
Non-Funded Income	4.13	5.62	36%
Total Income	11.14	13.24	19%
Loan Loss Provision	(0.32)	(0.35)	9%
Staff Costs	(2.42)	(2.48)	2%
Other Operating Expenses	(3.01)	(4.30)	43%
Total Costs	(5.74)	(7.13)	24%
PBT	5.50	6.11	13%
Tax	(1.57)	(1.81)	13%
PAT	3.88	4.30	11%

RoAA and RoAE





Positive Financial Ratios

	Kenya	Kenya	Group	Group
	Q1 2014	Q1 2015	Q1 2014	Q1 2015
Profitability				
NIM	12.4%	10.9%	11.6%	9.9%
Cost to Income Ratio (with provisions)	48%	50%	52%	54%
Cost to Income Ratio (without provision)	45%	48%	49%	51%
RoAE	26.8%	35.9%	30.5%	27.6%
RoAA	5.4%	5.2%	5.4%	4.8%
Asset Quality				
Cost of Risk	0.70%	0.46%	0.72%	0.63%
Liquidity / Leverage				
Loan / Deposit Ratio	93.5%	86.5%	87.1%	80.8%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	14.0%	14.7%		
Total Capital to Risk Weighted Assets	17.4%	16.8%		
Core Capital to Deposits Ratio	21.4%	18.5%		

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

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

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

The Banker TOP 1000 WORLD BANKS 2014

The Banker

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

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