



Investor Briefing & Q1 2016 Performance



Equity Group Holdings Limited 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 maximize 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.

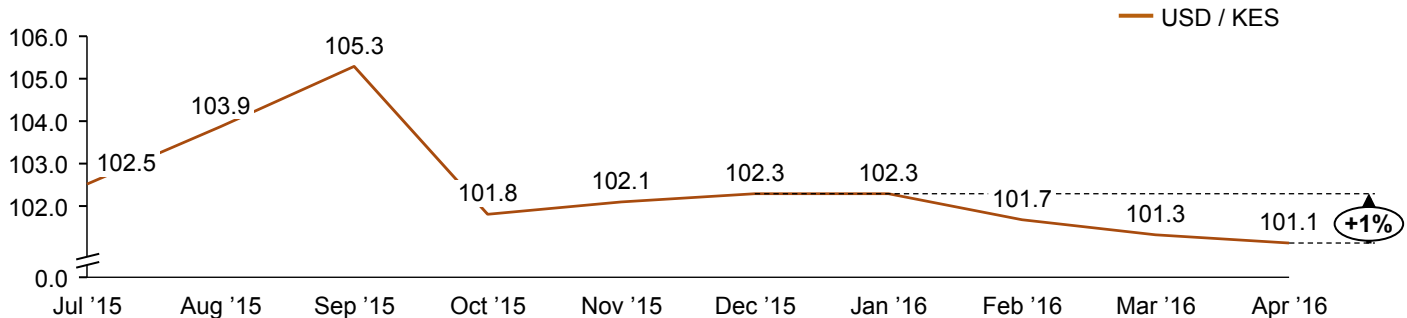


Macro-economic overview



Foreign Exchange Rate - Kenya

- The Kenya Shilling has appreciated by 1.0% on a YTD basis against the USD

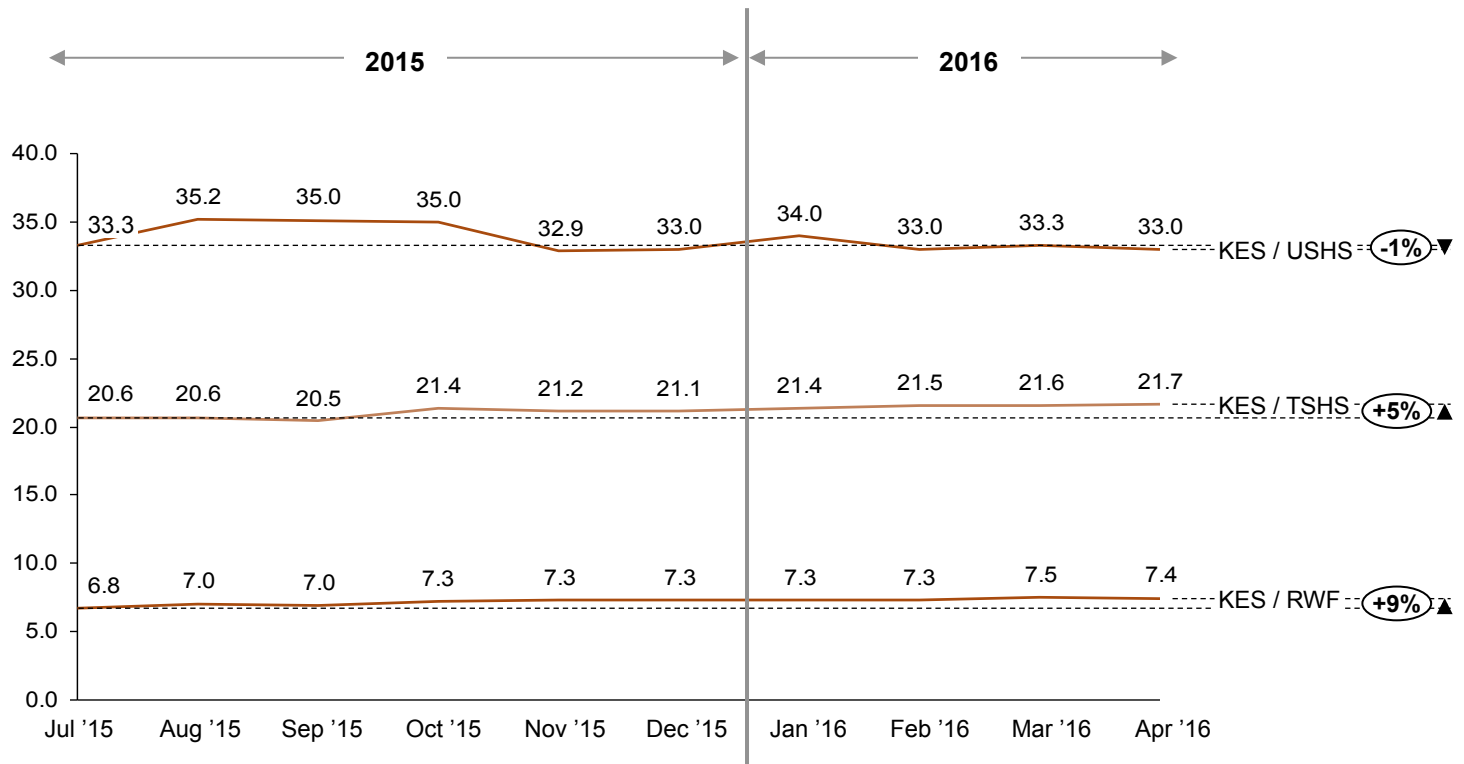


- Stability in the foreign exchange market continues to be supported by an improved forex reserves currently at USD 7.6 billion (equivalent to 4.96 months of import cover) and a narrowing current account deficit largely due to the following:
 - A lower import bill for **petroleum products**
 - Recovery in **tourism, tea and horticulture exports**
 - Slowdown in **consumer imports**
 - Strong **diaspora remittances**.



KES vs East African Currencies

The Kenya Shilling maintained stability against the regional currencies in 2016

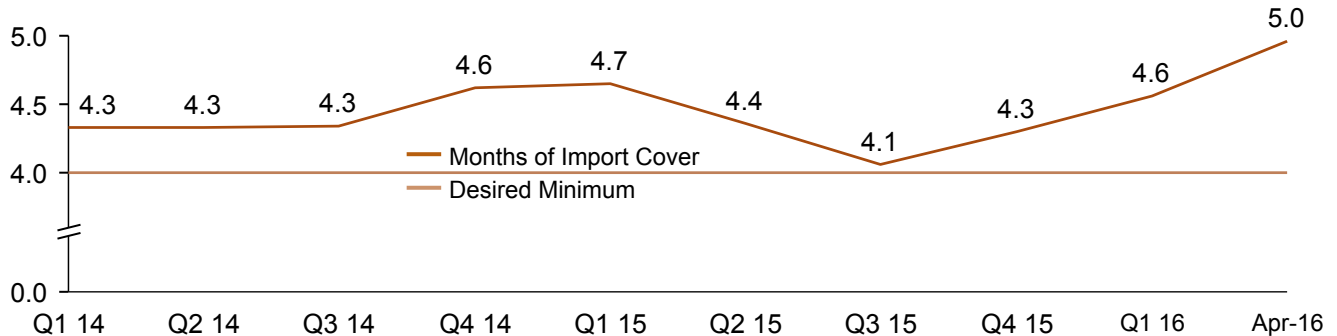




FX Reserves - Kenya



- FX reserves have risen to **five months of import cover** giving a significant cushion to the shilling
- Reserves currently stand at **\$7.62 billion** amounting to **4.96 months of import cover**.



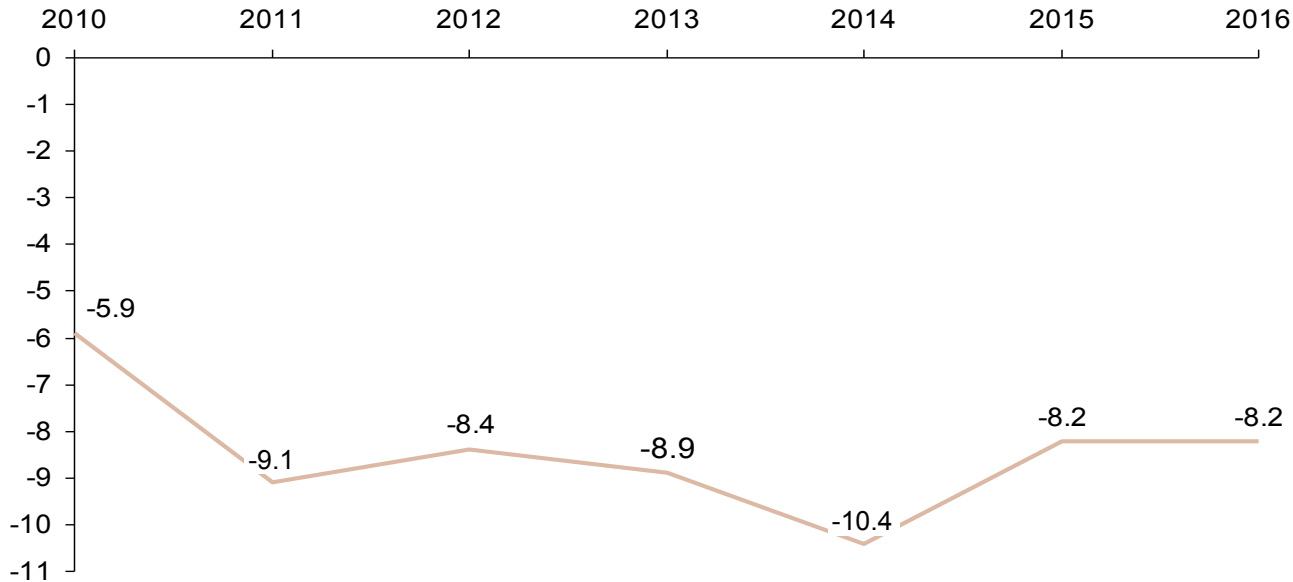
- Key reasons for increase in reserves are:
 - i. Lower oil prices
 - ii. Falling current account deficit (currently 8.2% of GDP)
 - iii. Increased exports and inflow from tourism



Current Account balance as a % of GDP - Kenya



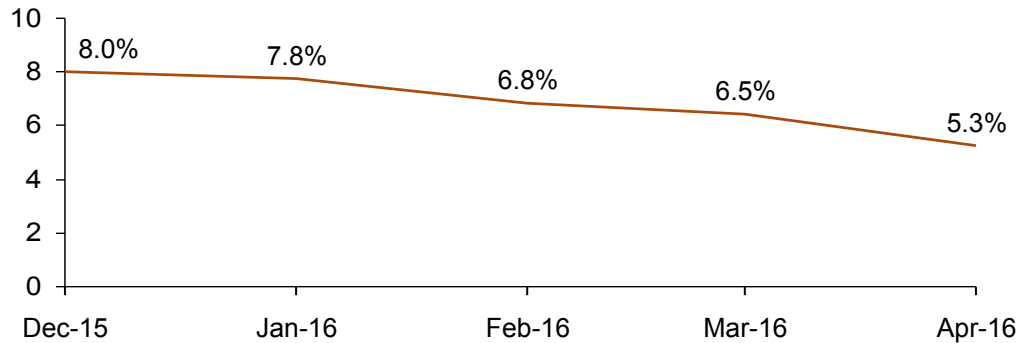
In Percent





Inflation - Kenya

- The latest inflation figure as at end of April was 5.3% (down from 6.45% in March) due to
 - Food prices (food index is down due to the rains)
 - Low fuel prices





Interest Rates

- Due to the high liquidity in the market, interest rates have been dropping since the beginning of February

	2015							2016			
	Jul	Aug	Sep	Sep-Oct Peak	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Interbank rate	12.89%	18.81%	19.84%	25.84%	14.87%	8.77%	5.19%	6.13%	4.51%	4.09%	4.05%
91 Days T. Bill	11.33%	11.51%	18.61%	21.35%	22.13%	9.21%	10.41%	11.76%	9.32%	8.41%	8.77%
182 Days T. Bill	12.15%	12.36%	14.55%	21.61%	22.29%	10.09%	12.34%	14.18%	11.93%	10.66%	10.69%
364 Days T. Bill	12.53%	13.82%	16.30%	21.50%	22.36%	11.93%	12.75%	14.92%	13.25%	11.91%	11.80%

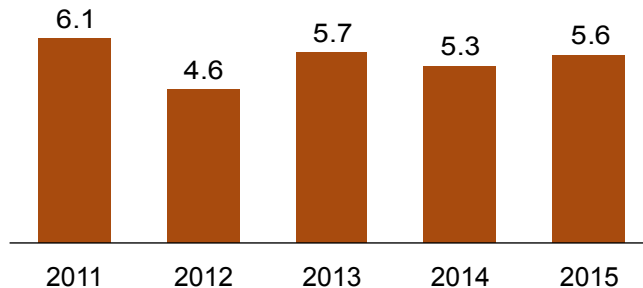
- On March 21st 2016, the MPC met and retained the CBR Rate at 11.5% (keeping it at the same level for the last 9 months)
- The MPC had earlier also retained the KBRR at 9.87% (on Jan 20th 2016)



Kenya's Resilient Economy



- Kenya's GDP growth rate maintained an upward growth rate with an increasing momentum while Africa is experiencing declining growth rate.
- Kenya's Gross Domestic Product (GDP) is estimated to have expanded by 5.6% in 2015 which was a slight improvement compared to a 5.3% growth in 2014.
- Kenya's GDP growth rate is projected to rise to 5.9% in 2016 and 6.1 % in 2017 predicated on infrastructure investments. Fiscal consolidation is expected to ease pressure on domestic interest rates and increase credit uptake by the private sector. The contraction in the current account deficit will continue to be supported by declining commodity prices and rising exports of tea.





Economic growth drivers



- **Kenya Tourism showing positive signs of recovery** with enhanced security with Kenya registering the highest growth of 27% in Hotel Bookings For The Period May To July In Africa. Government incentive on reduction of park entry fees from \$90 to \$60 and More chartered airlines from Europe to Mombasa, have boosted the sector.
- Kenya recorded the fastest rise in **foreign direct investments (FDI)** in Africa and the Middle East, at 47%. A total of 84 projects worth Sh102 billion from real estate, renewable and geothermal energy as well as roads and railways provide a huge chunk of new jobs for Kenyans. Kenya was ranked 3rd in terms of numbers of projects initiated after the United Arab Emirates (UAE) at 298 and South Africa at 118.
- Kenya's Agriculture Experiencing Renewed Growth As A Result Of Improved Weather And Rainfall Pattern. According to the KNBS economic Survey , Agriculture value added rose from 3.5% in 2014 to 5.6% in 2015. Total value of marketed production at current prices increased by 11.3% from KSh 333.2 billion in 2014 to KSh 371.0 billion in 2015. Total earnings from crop sales increased by 15.5% to KSh 271.8 billion in 2015.



Macro-economic Indicators – East Africa



Macro-Economic Indicators Summary (East Africa)



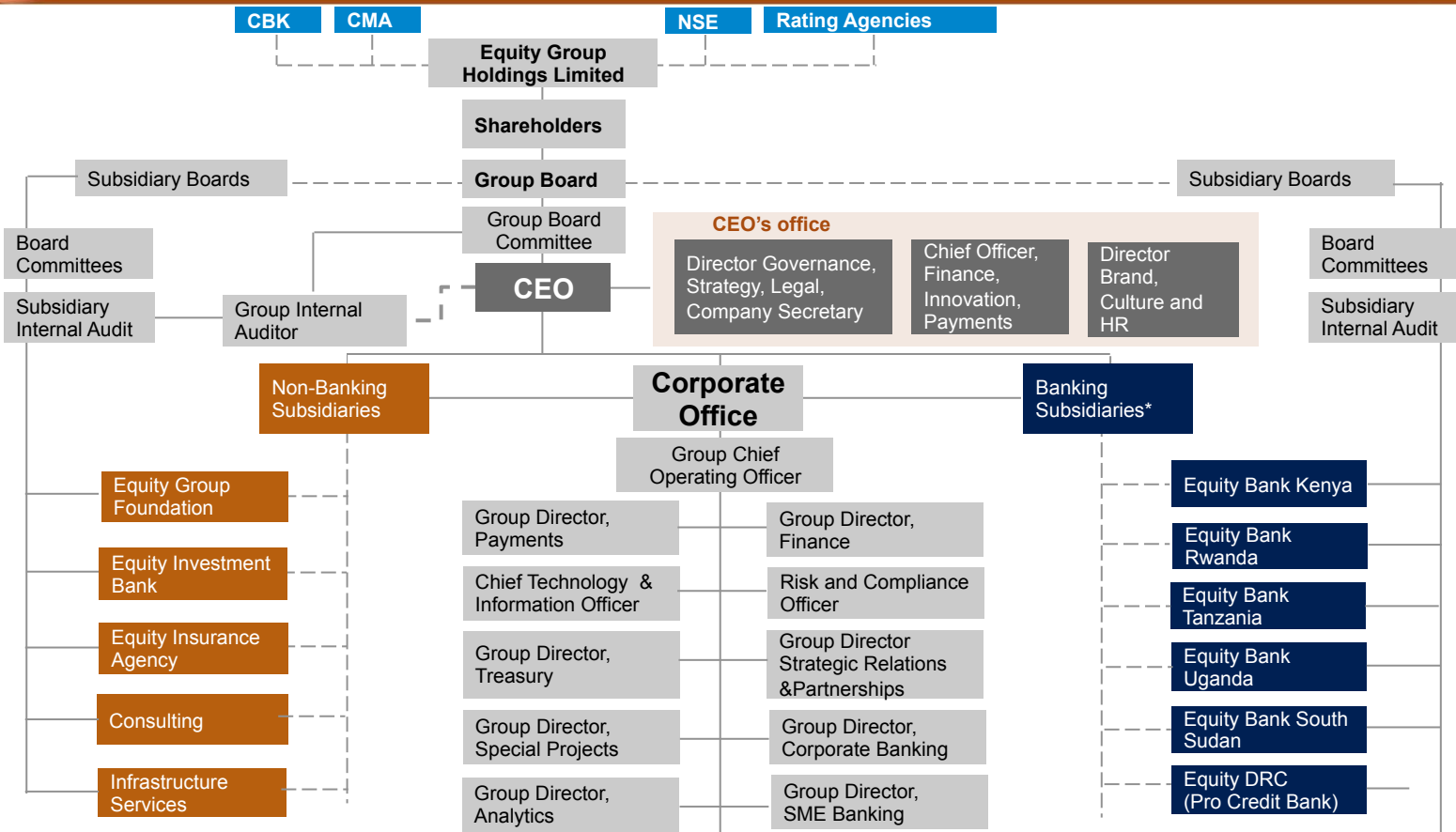
	Uganda	Rwanda	Tanzania	DRC
91 Days T-Bill	15.56%	5.89%	9.02%	4.7%
182 Days T-Bills	16.28%	6.21%	17.67%	5.4%
364 Days T-Bills	16.19%	8.35%	18.81%	8.1%
Central Bank Rate	16.0%	12.0%	12.0%	6.5%
Inflation	6.2%	5.8%	5.4%	4.5%



Governance & leadership structure



Strong Governance & Leadership Structure





Regional expansion and diversification



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Regional Expansion – Key Metrics for Banking Subsidiaries

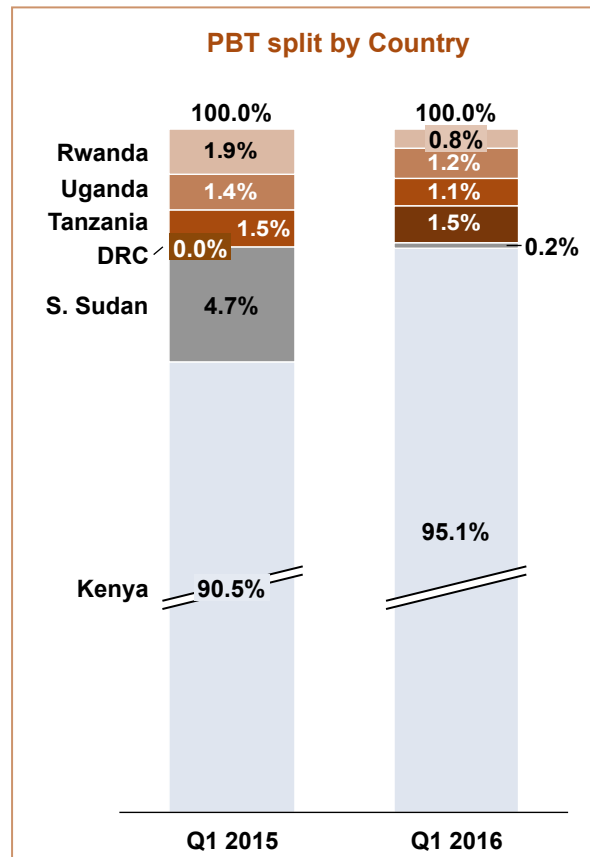
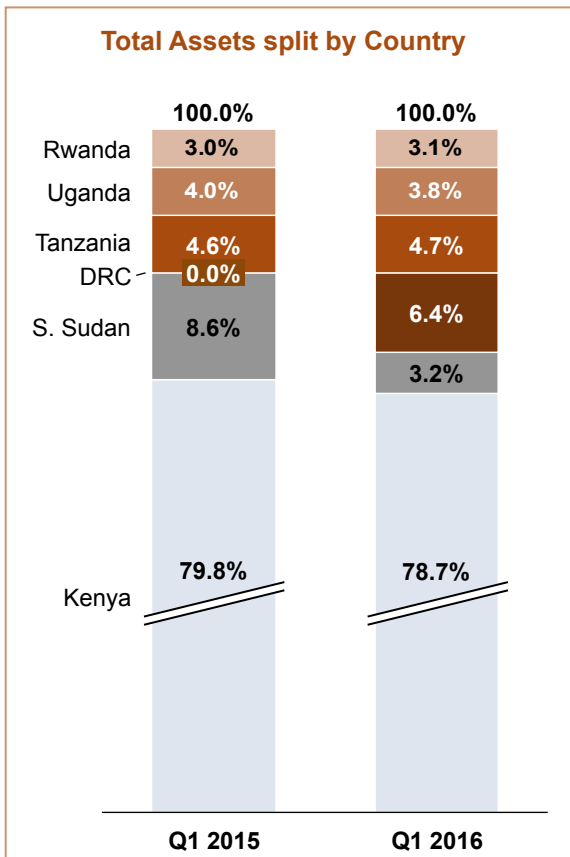
KES “Billion”

	Tanzania	Rwanda	Uganda	S. Sudan	DRC	Regional Total	Regional Contribution Q1 2016	Regional Contribution Q1 2015
Deposits	12.8	10.5	12.5	10.5	20.7	67.0	22%	21%
Deposits Growth	1%	23%	21%	-61%	31%	14%		
Loan	15.4	8.6	7.0	0.4	14.2	45.5	17%	13%
Loan Growth	37%	21%	-1%	-89%	71%	56%		
Assets	21.0	13.9	17.0	14.4	28.8	95.0	21%	20%
Asset Growth	21%	19%	12%	-57%	49%	23%		
PBT	0.08	0.06	0.09	0.02	0.07	0.32	5%	10%
PBT Growth	-12%	-50%	2%	-95%	-41%	-45%		



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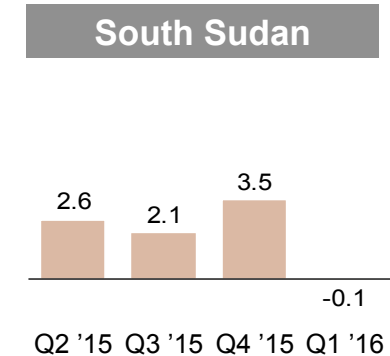
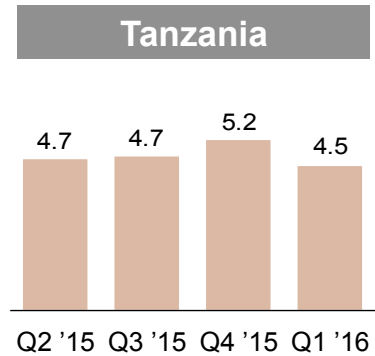
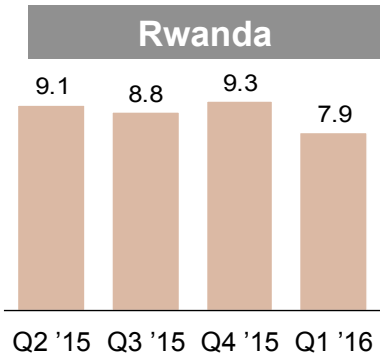
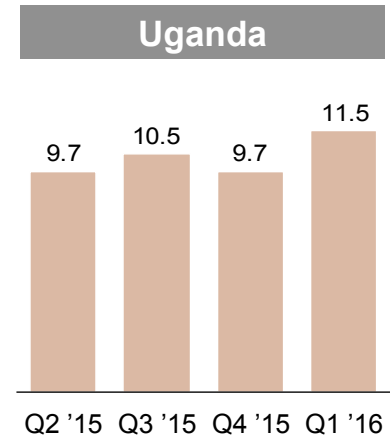
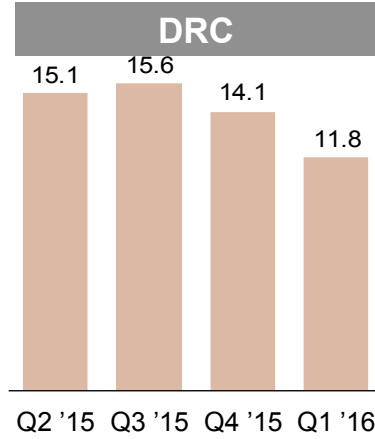
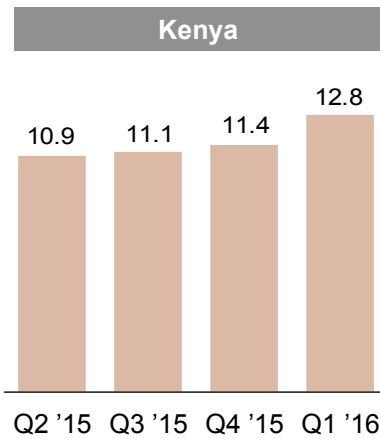
Regional Subsidiaries – Size and Contribution (Assets and PBT contribution by countries)





Net Interest Margin

Percentage





Digital bank

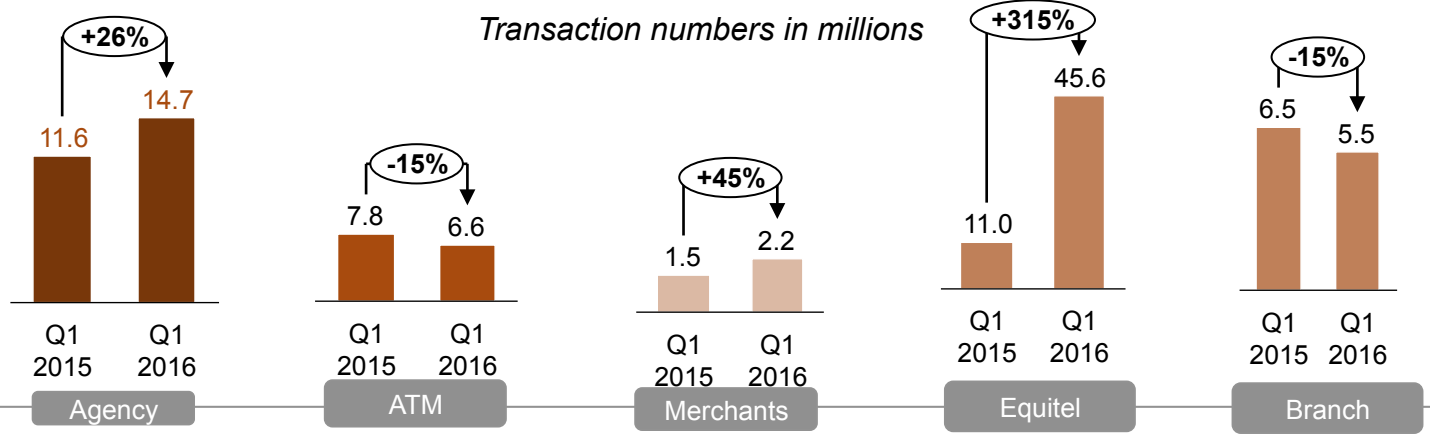


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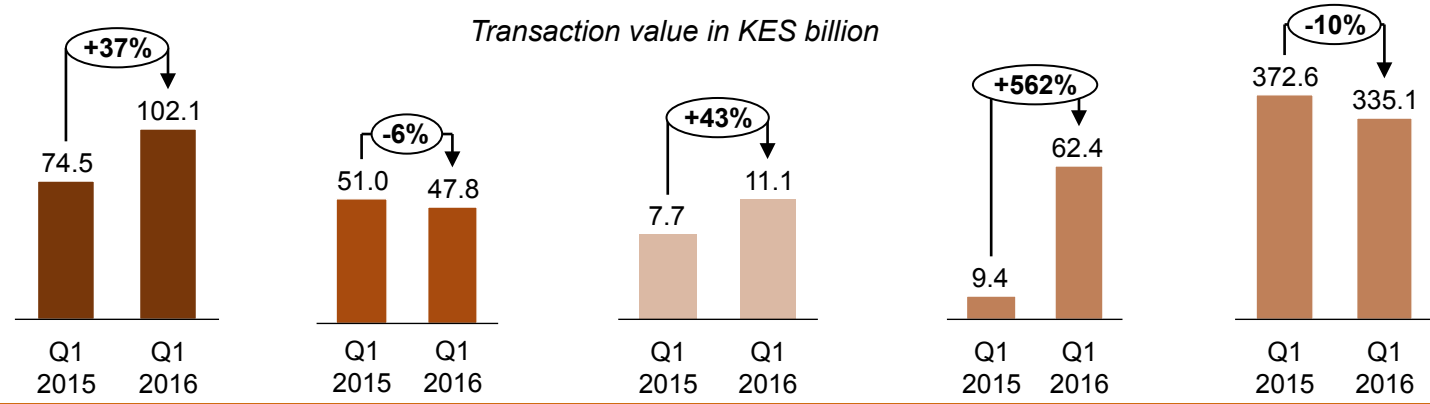
Execution on Digital Banking (Increased number of Transaction numbers & values)



Transaction numbers in millions



Transaction value in KES billion

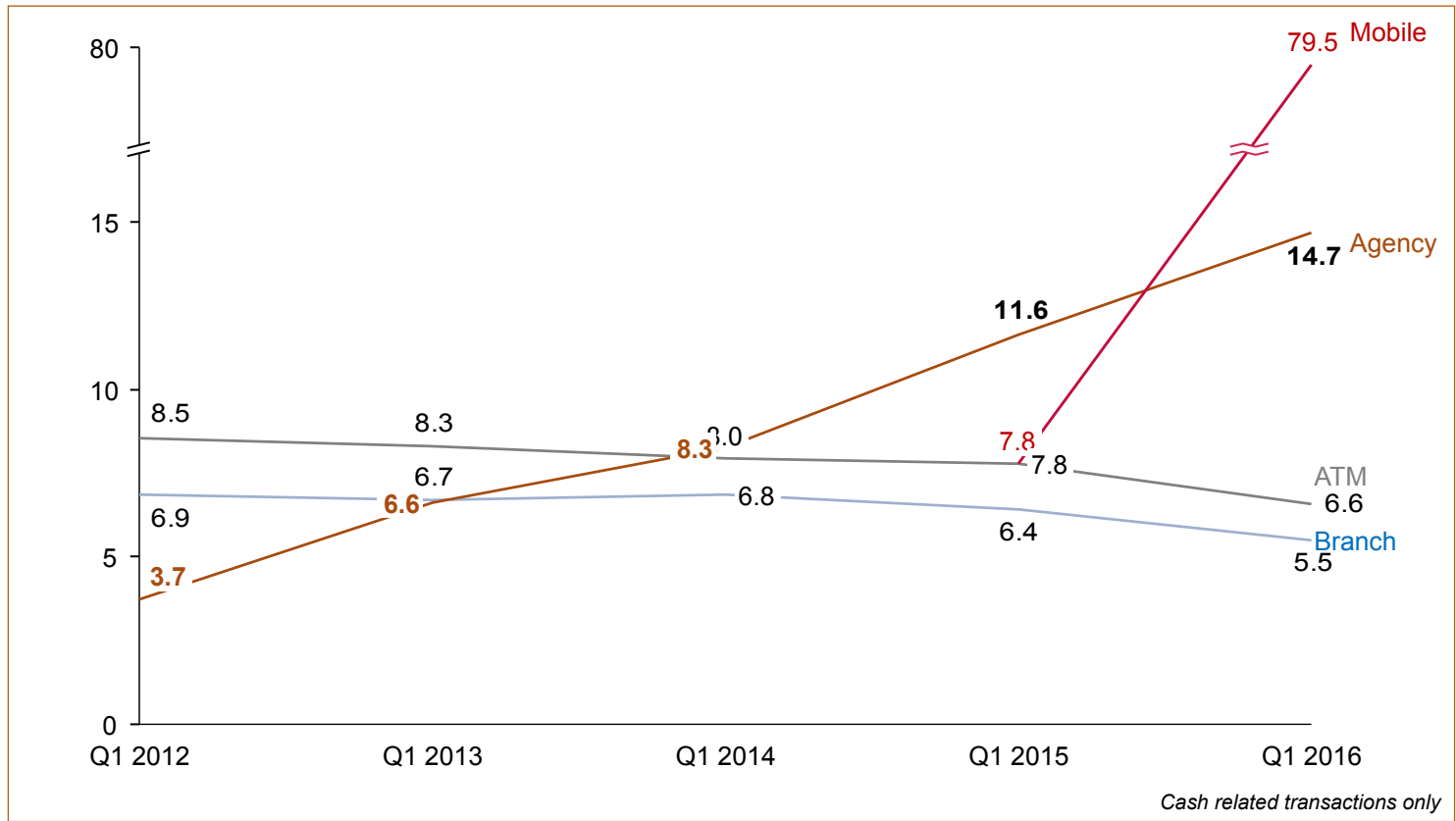




4

Execution on Digital Banking (Transaction numbers trend)

Transactions (Millions)





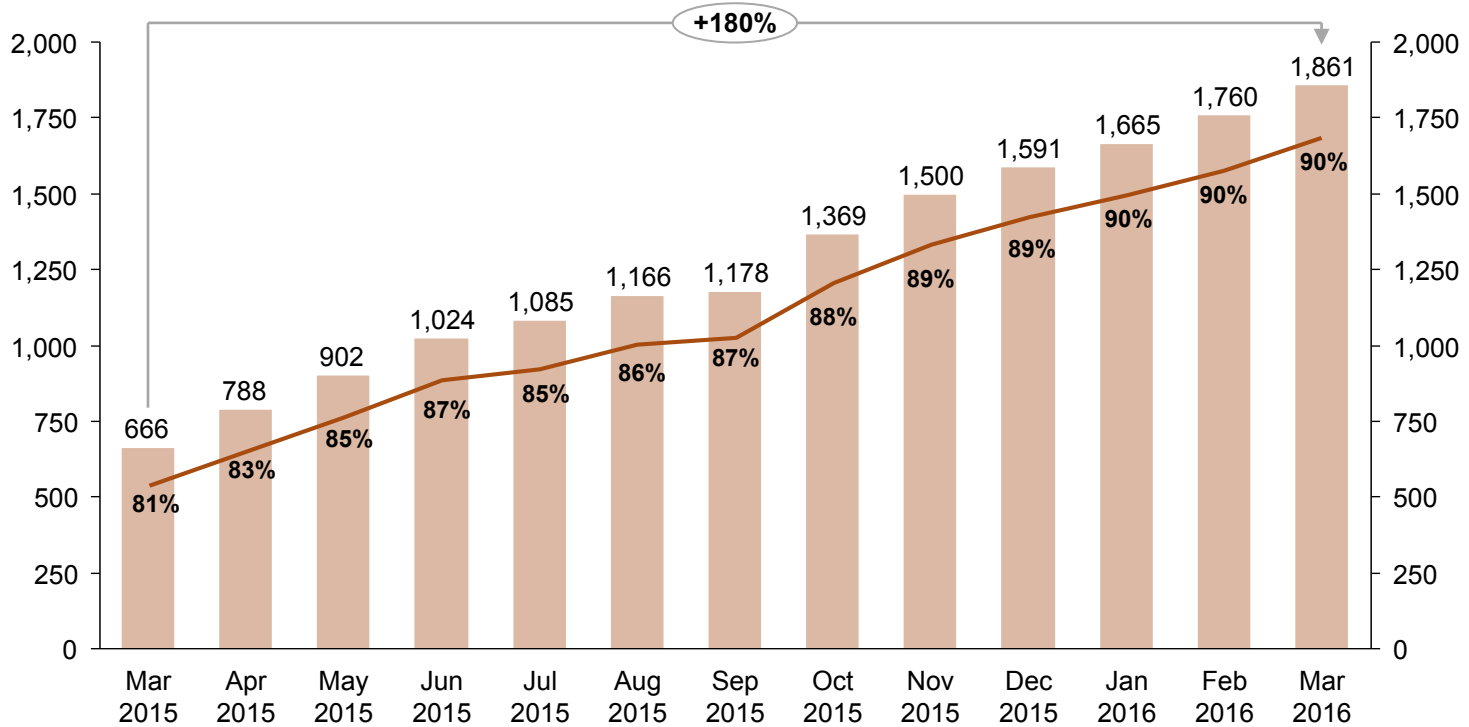
4

Execution on Digital Banking

(Equitel customer numbers up 180% growth YoY)

KES '000

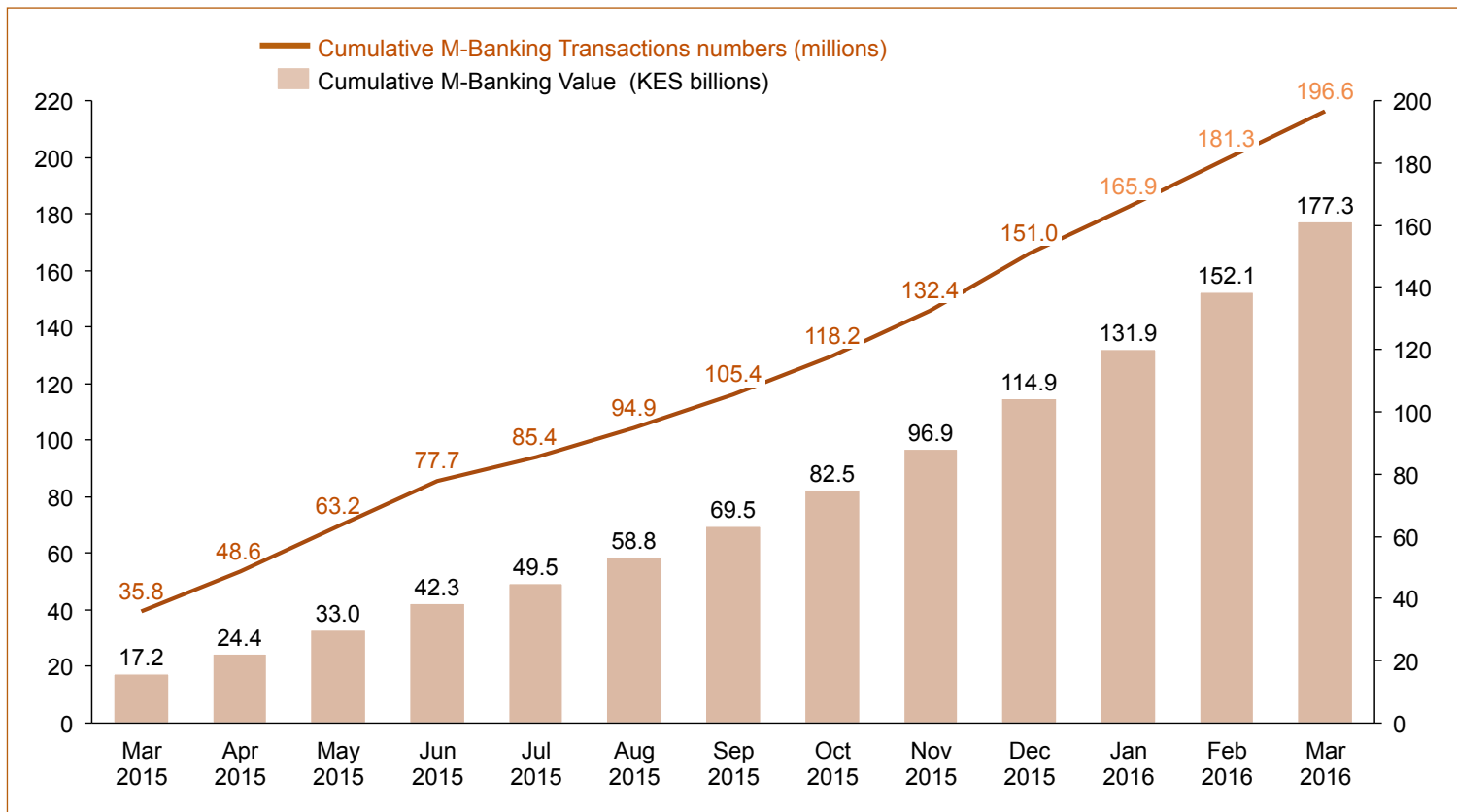
Linkage to M-Banking SIM uptake





4

Execution on Digital Banking (Mobile Customer Transaction Numbers & Value Trend)

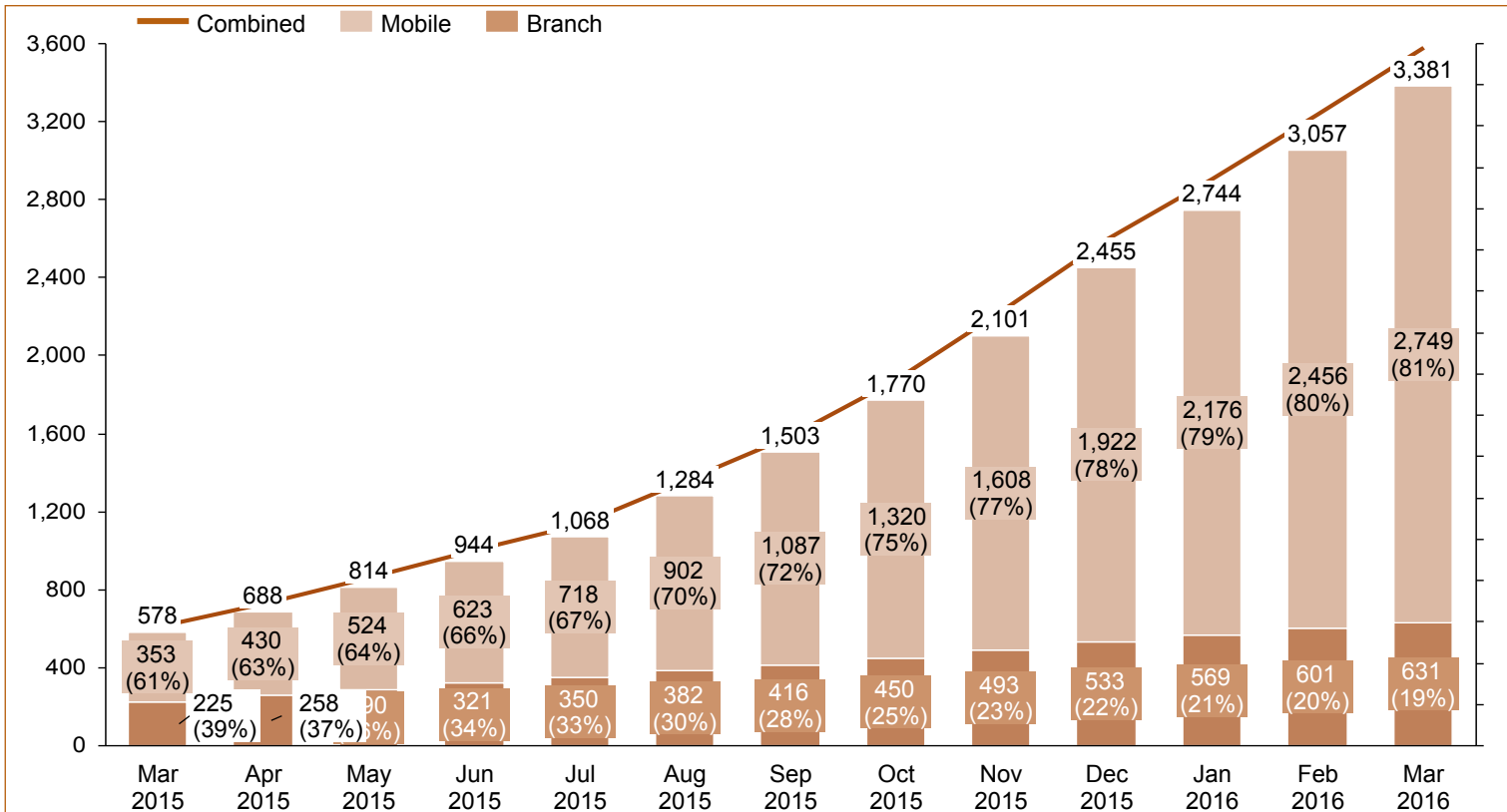




Execution on Digital Banking (Count of loan disbursements through Mobile vs. Branch)

In Thousands

Combined Mobile Branch

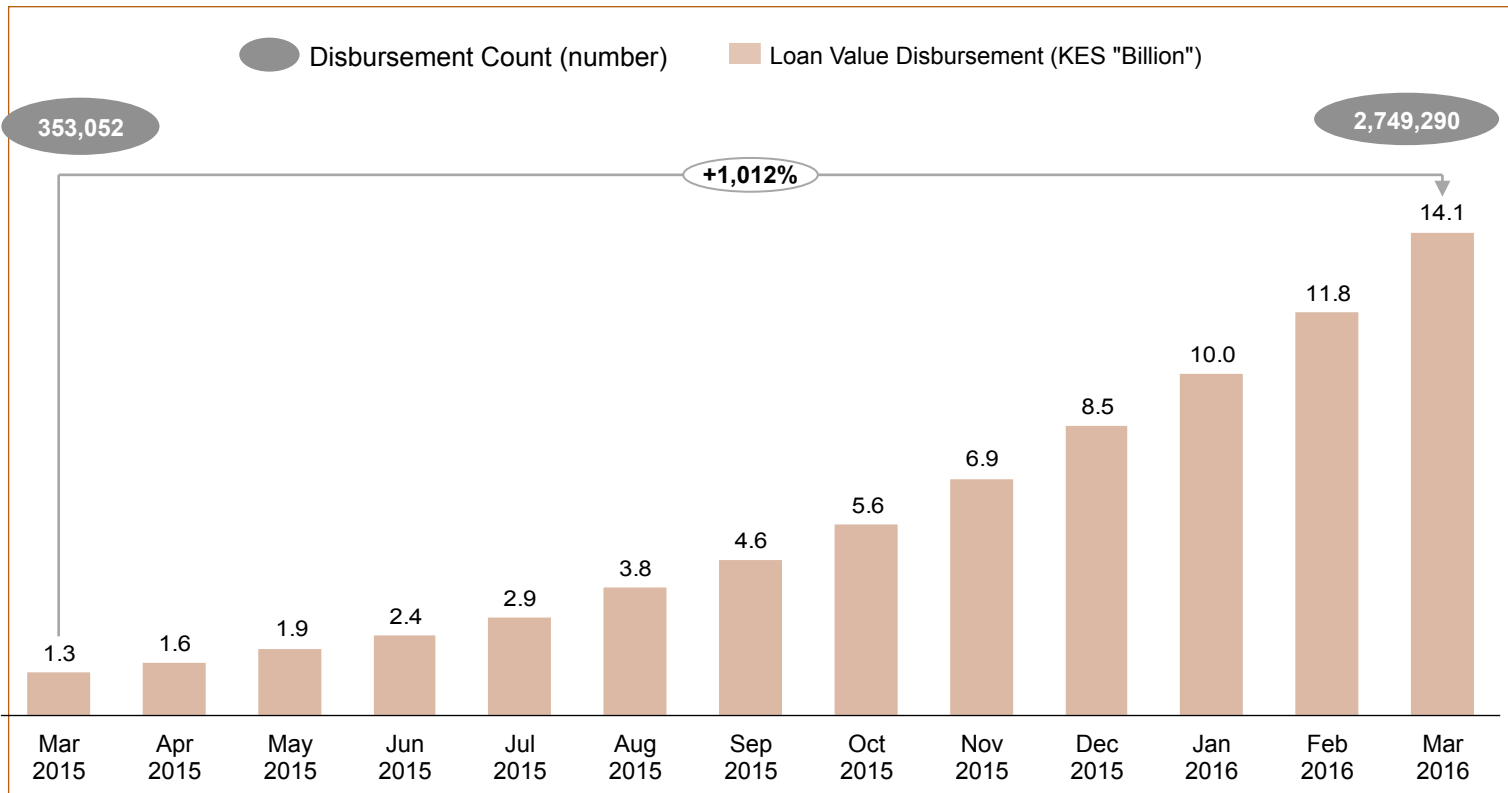


Cumulative



4

Execution on Digital Banking (KES 14.1 billion Disbursed through Mobile Channel)



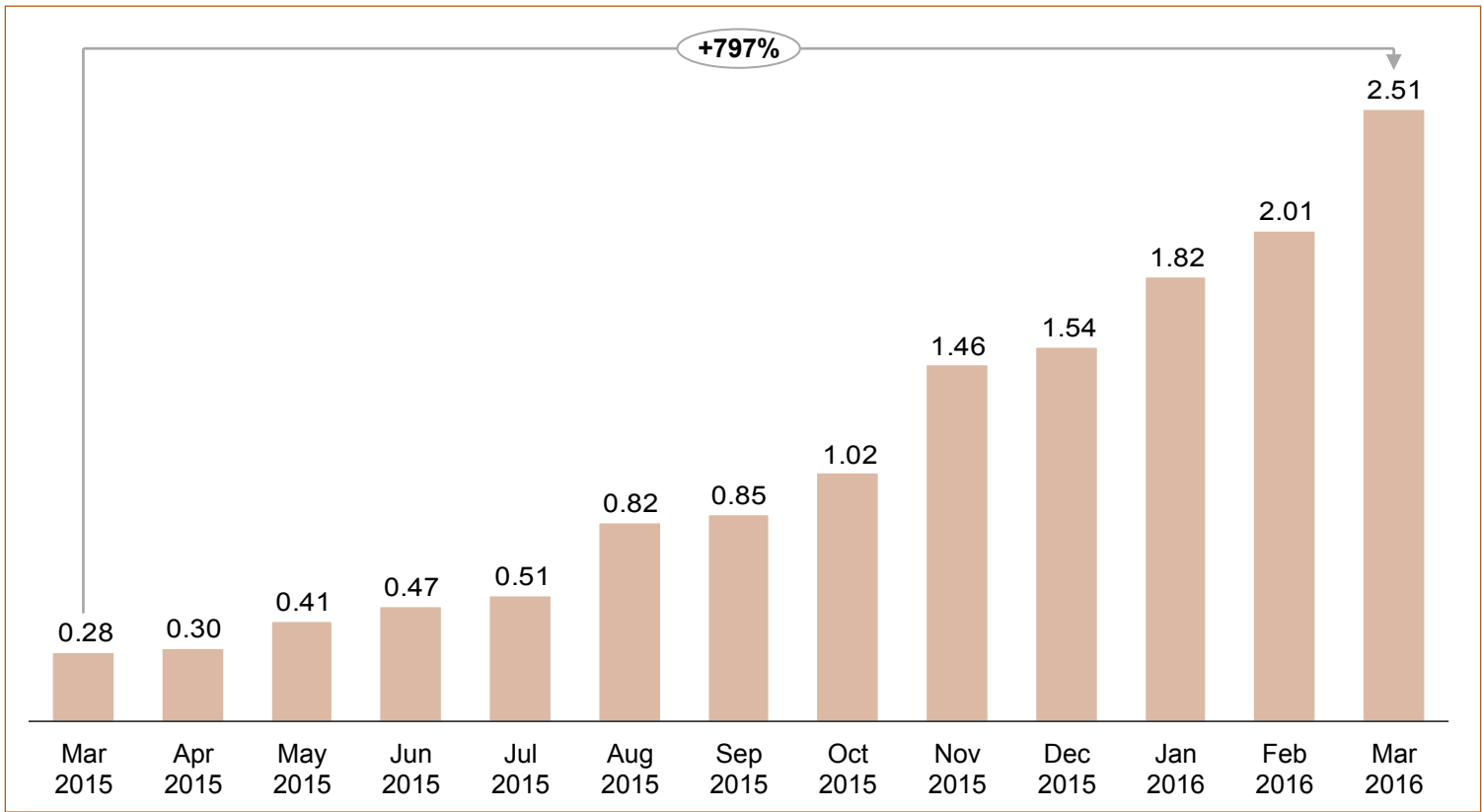
Cumulative figures



4

Execution on Digital Banking (Loan Outstanding Trend)

In Billions





4

Execution on Digital Banking (Loan Repayment Trend)



BREAKDOWN OF AMOUNT REPAID PER MONTH AS AT MAR' 31ST											
MONTH	DISB AMOUNT	PERIOD 0	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4	PERIOD 5	PERIOD 6	PERIOD 7	CUMMULATIVE REPAYMENTS	% REPAYMENT RATE
AUG	616,675,609.00	156,278,105	346,013,630	75,169,073	8,356,433	14,269,602	446,212	7,575	145,861	600,686,490	97%
SEP	655,445,175.00	127,052,268	434,602,758	62,907,410	7,972,542	1,633,365	922,251	379,114		635,469,708	97%
OCT	934,388,744.00	165,138,206	607,589,647	125,113,714	6,290,912	3,610,394	1,351,511			909,094,383	97%
NOV	1,299,584,693.00	181,678,467	964,394,092	93,050,345	14,968,002	4,850,618				1,258,941,524	97%
DEC	1,538,622,817.00	232,544,131	1,032,165,040	211,813,401	16,343,994					1,492,866,566	97%
JAN	1,528,703,163.00	109,282,626	1,208,506,635	158,036,918						1,475,826,179	97%
FEB	1,706,316,848.00	146,646,838	1,363,479,664							1,510,126,502	89%
MAR' 31ST	1,683,250,216.00	209,457,140								209,457,140	12%

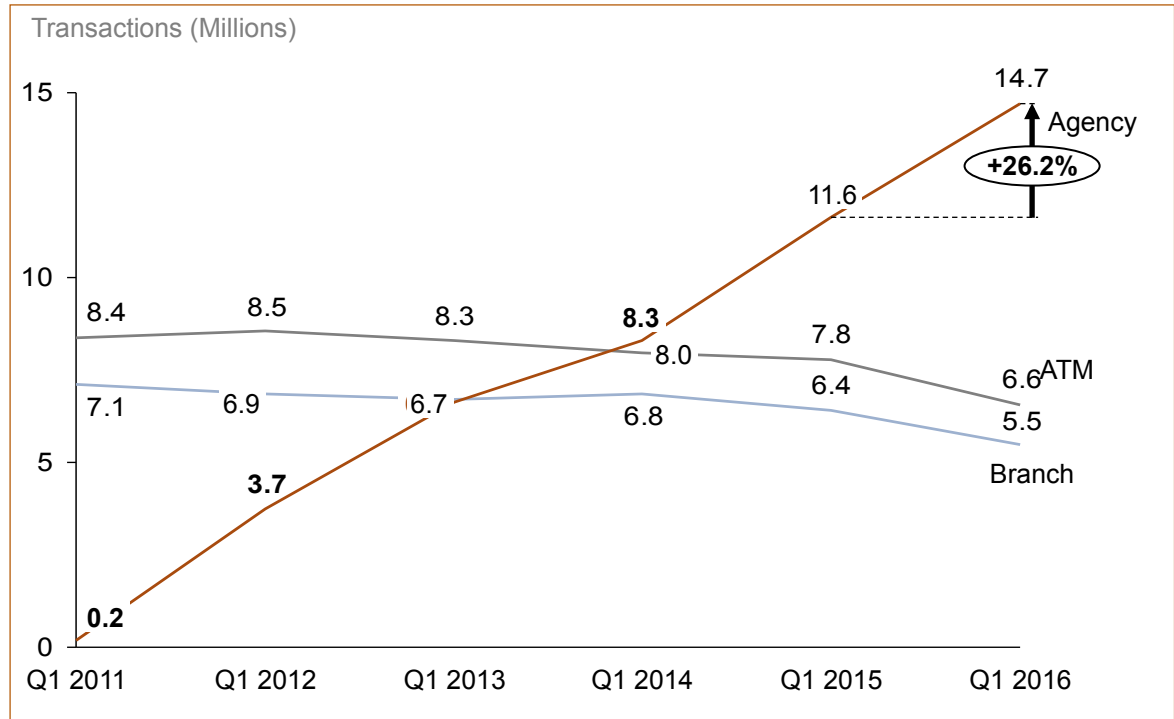


Continuous Growth in Agency Banking

Focus on Variable cost model...

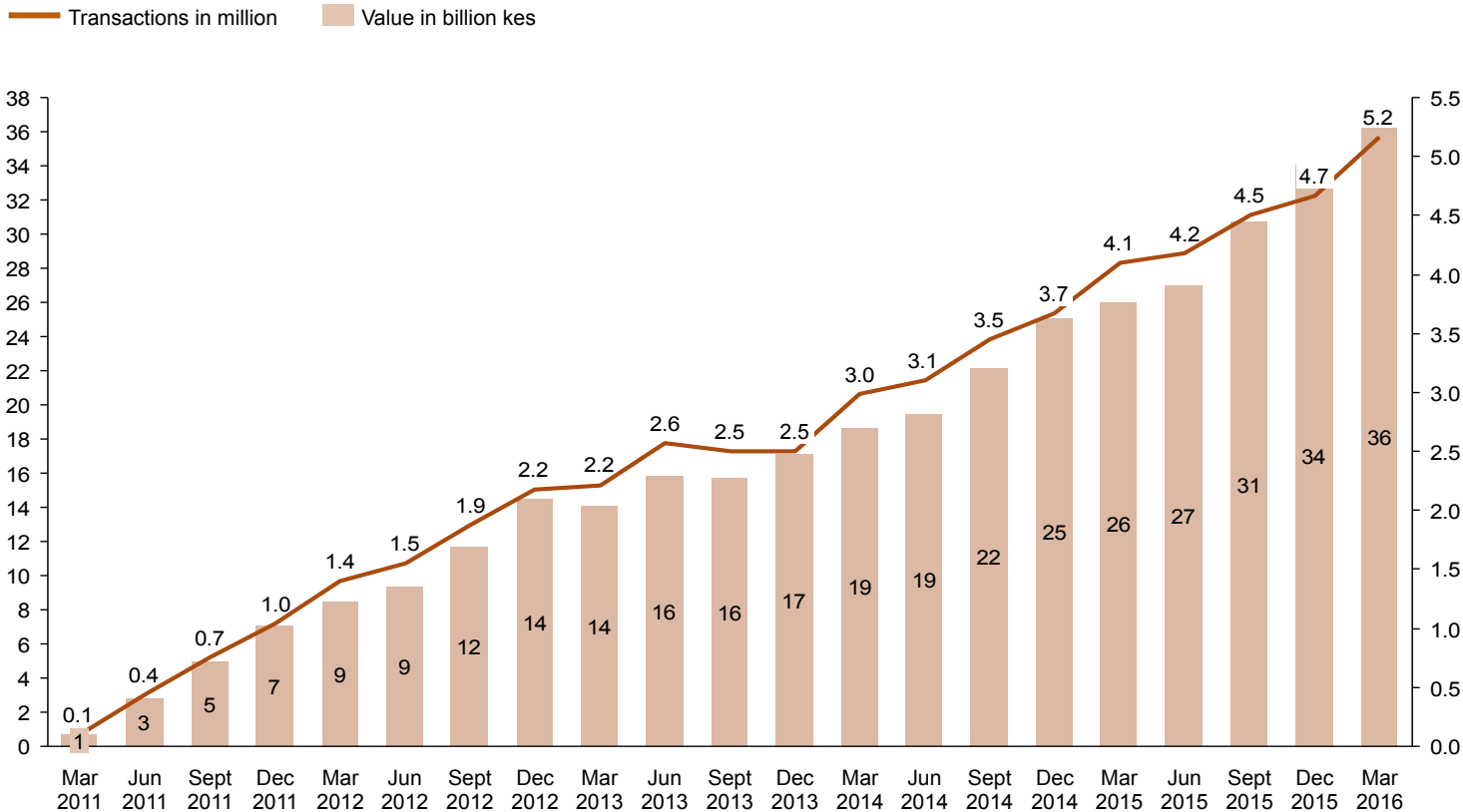
... More transactions now processed under 3rd party infrastructure saving on fixed costs

- Number of agents increased to **25,388 agents. 31% growth y/y**
- Agent transactions registered a **26.2% growth**
- More transactions now processed under 3rd party infrastructure





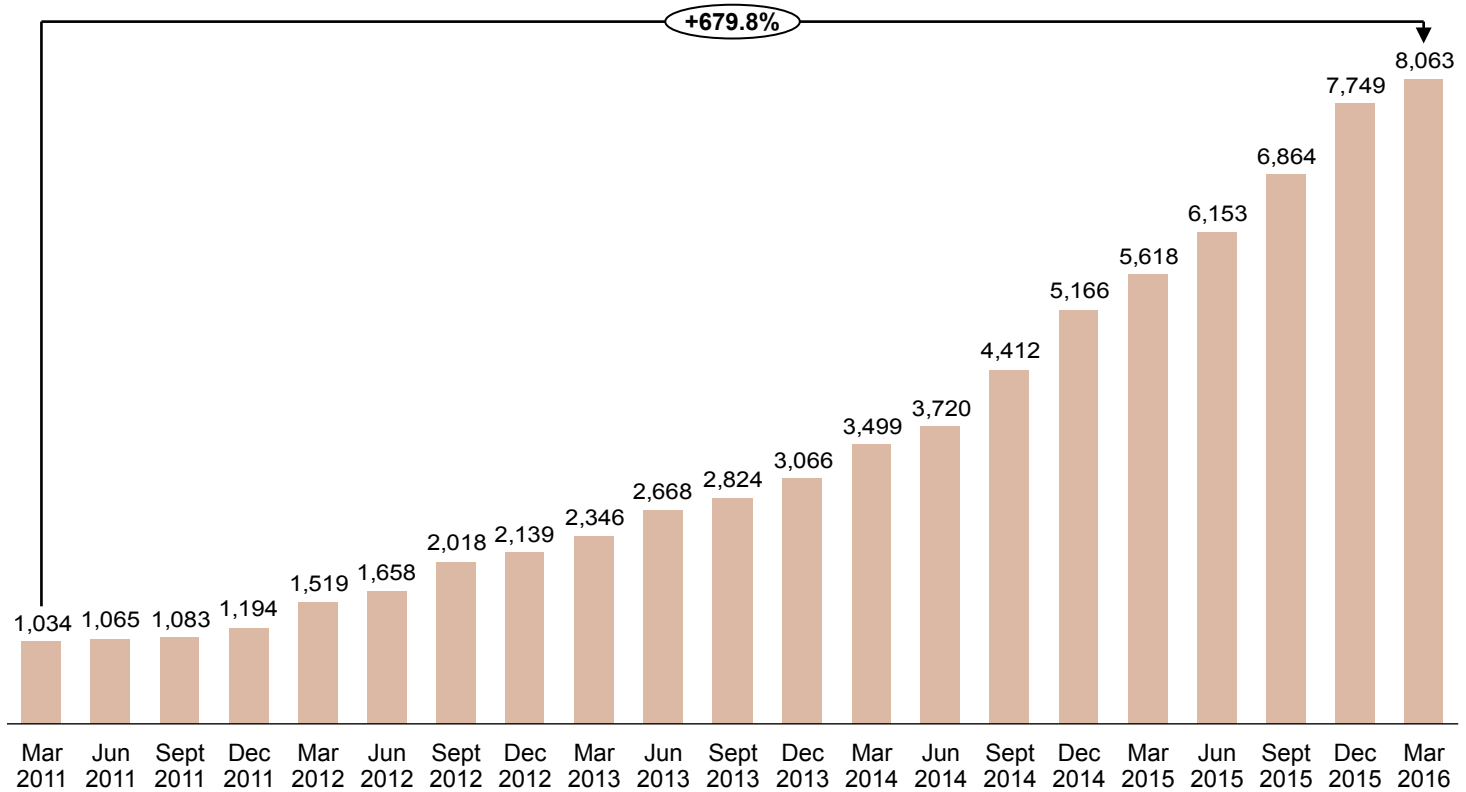
Number and Value of Agents Transactions 2011 - 2016





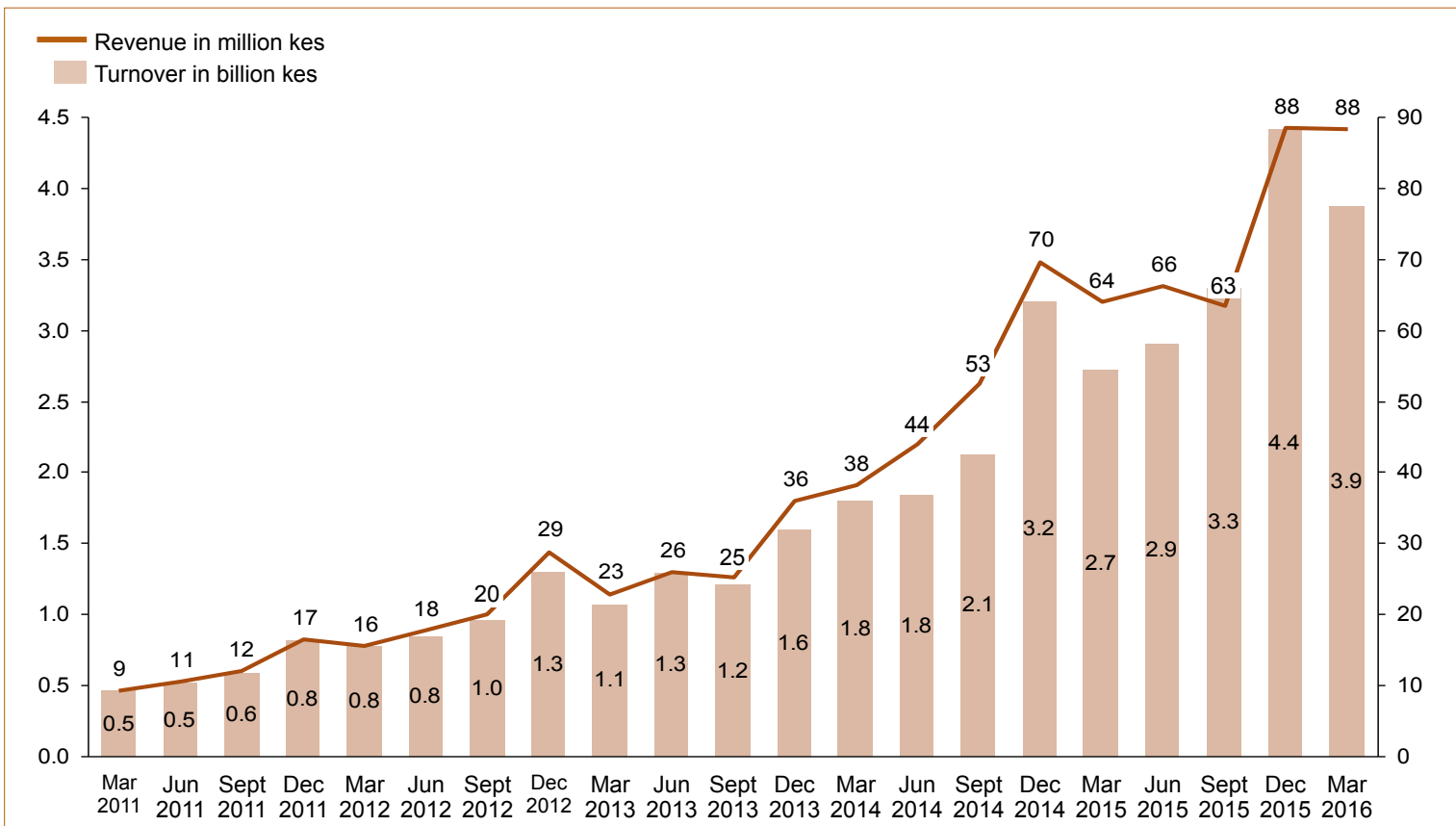
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Number of Merchants Outlets 2011 - 2016





Merchants Turnover and Revenue 2011 - 2016





Merchant Business and Payments



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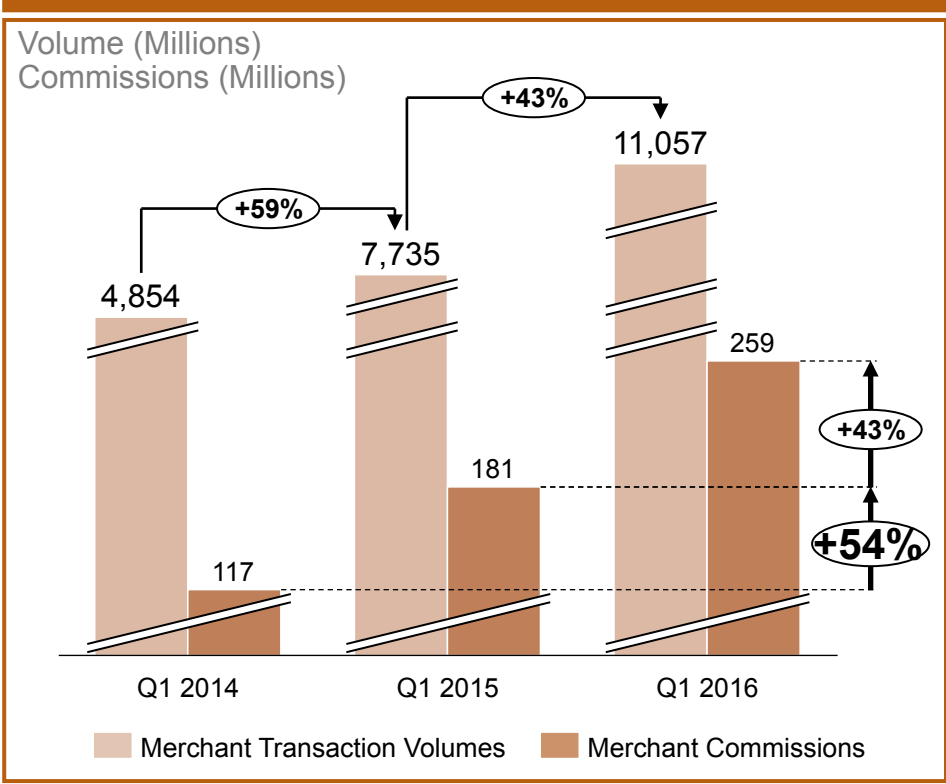
We are building on our momentum in Payment Processing and Merchants...

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



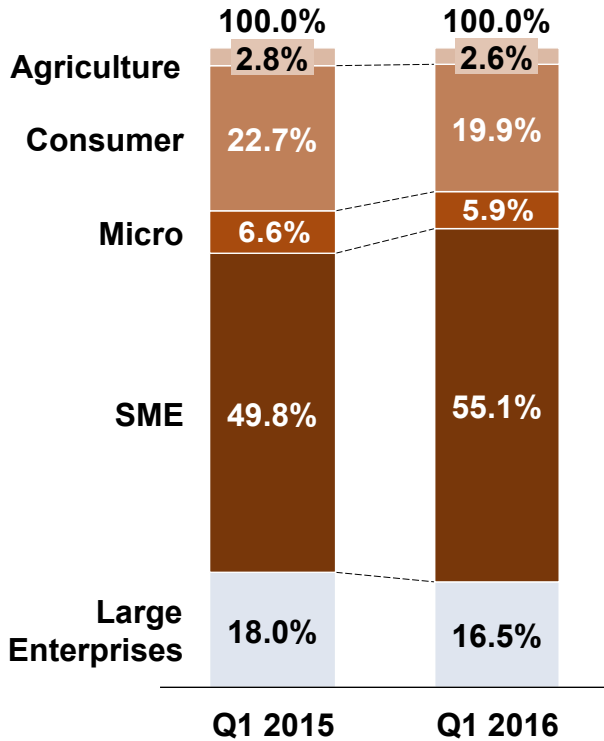


SME strategy

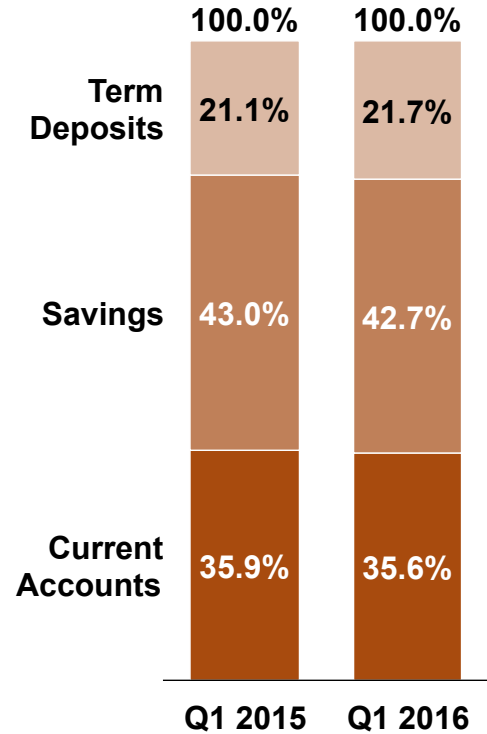


SME contribution to the Loan Book and CASA

Loan book split by type



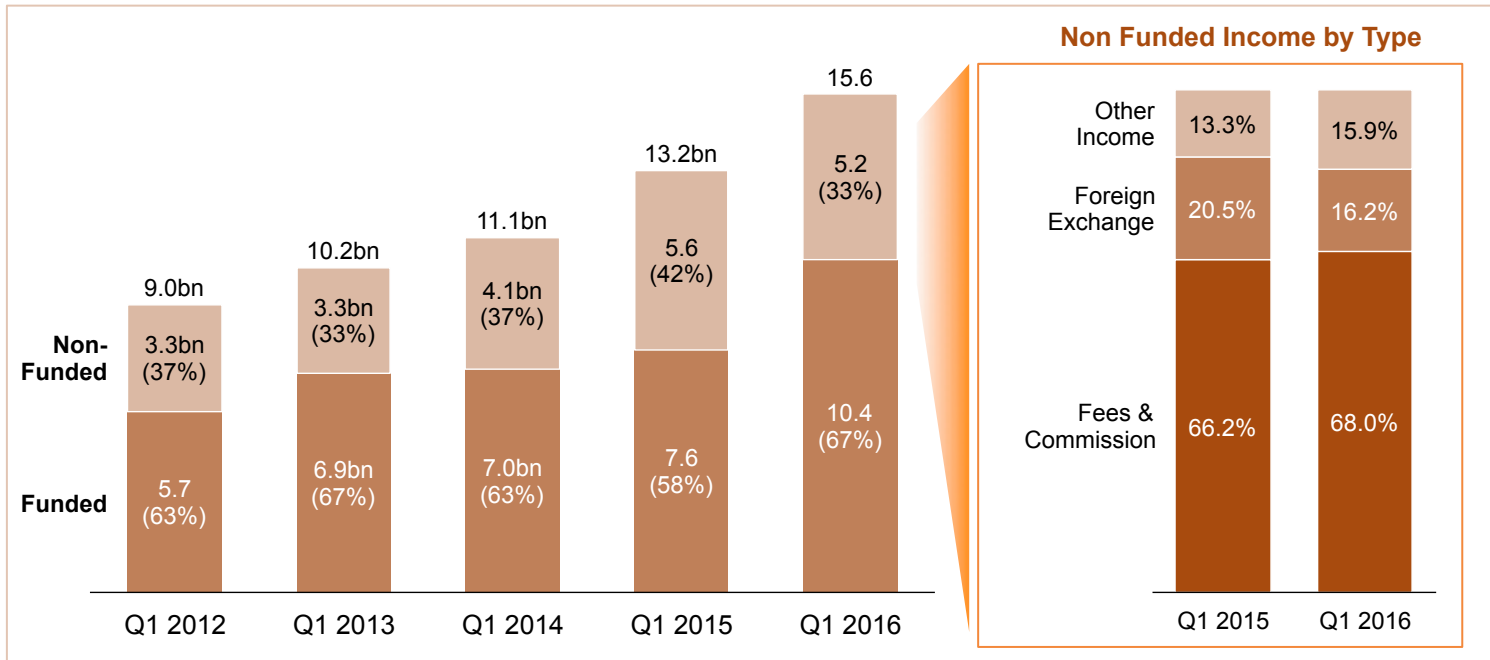
Deposit base split by type





5

Growing Non-funded Income as a result of cross-selling to SME's



Highlights

- **Non Funded Income:** Dropped by 7% YoY mainly due drop in to FX income and Commissions on Loans
- **Funded Income:** Interest Income grew by 37% YoY due to growth in loan book and improving NIMs



Qualitative analysis

Equity's International Rankings

The Banker
TOP 1000
WORLD BANKS 2015

Equity Bank	<u>Overall</u>	<u>Soundness</u>	<u>Performance</u>	
		(Capital Assets Ratio)	(Profits on capital)	(Return on assets)
2015 Global Rank	916	88	18	8
2014 Global Rank	999	112	8	4

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)	



Reuters: Equity Group Holding yielding a higher return at a lower risk

STOCK	Beta	Yield (%)	ROaE	Yield per unit of Risk (Yield/Beta)
KCB	1.44	4.68%	25.0%	3.25%
EGHL	1.28	4.88%	25.5%	3.81%
COOP	1.18	4.10%	25.2%	3.47%

Financial Times: Equity Group Holding to outperform the market in 2016

FINANCIAL TIMES

ft.com > markets >

Markets Data

- Summary
- Business profile
- Directors & dealings
- Financials
- Forecasts

Consensus recommendation

As of Apr 22, 2016, the consensus forecast amongst 12 polled investment analysts covering Equity Group Holdings Ltd advises that the company will outperform the market. This has been the consensus forecast since the sentiment of investment analysts improved on Jan 14, 2016. The previous consensus forecast advised investors to hold their position in Equity Group Holdings Ltd.



BUSINESS DAILY

Tuesday
May 10, 2016

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MONEY MARKETS

Foreigners push Equity Bank stock past KCB at the bourse

SHARE BOOKMARK PRINT RATING ☆☆☆☆☆

By GEORGE NGIGI, gngigi@ke.nationmedia.com

Posted Sunday, May 8 2016 at 14:56

IN SUMMARY

- Equity Bank's market capitalisation has risen to Sh150 billion compared to KCB's Sh120 billion.
- Foreign investors have been buying into Equity for the last four months while exiting KCB.

Foreign investors have pushed Equity Bank past KCB to become the most valuable lender listed at the Nairobi Securities Exchange (NSE).

Market capitalisation of banks listed at the NSE

Bank	Market Cap (Sh Bn)
Equity	150.9
KCB	120.2
Co-Op Bank	91.6
Stan. Chart.	61.5
Barclays	57.5
DTBK	48.1
I&M Holdings	42.3
CFC Stanbic	36.1
NIC Bank	23.9
HF	7
NBK	2.9

Source; NSE



6

Equity Bank scoops 12 Awards at the 2016 Think Business Banking Awards





Banker Africa – East Africa Awards 2016



**Best Mobile Banking Service,
Equitel**



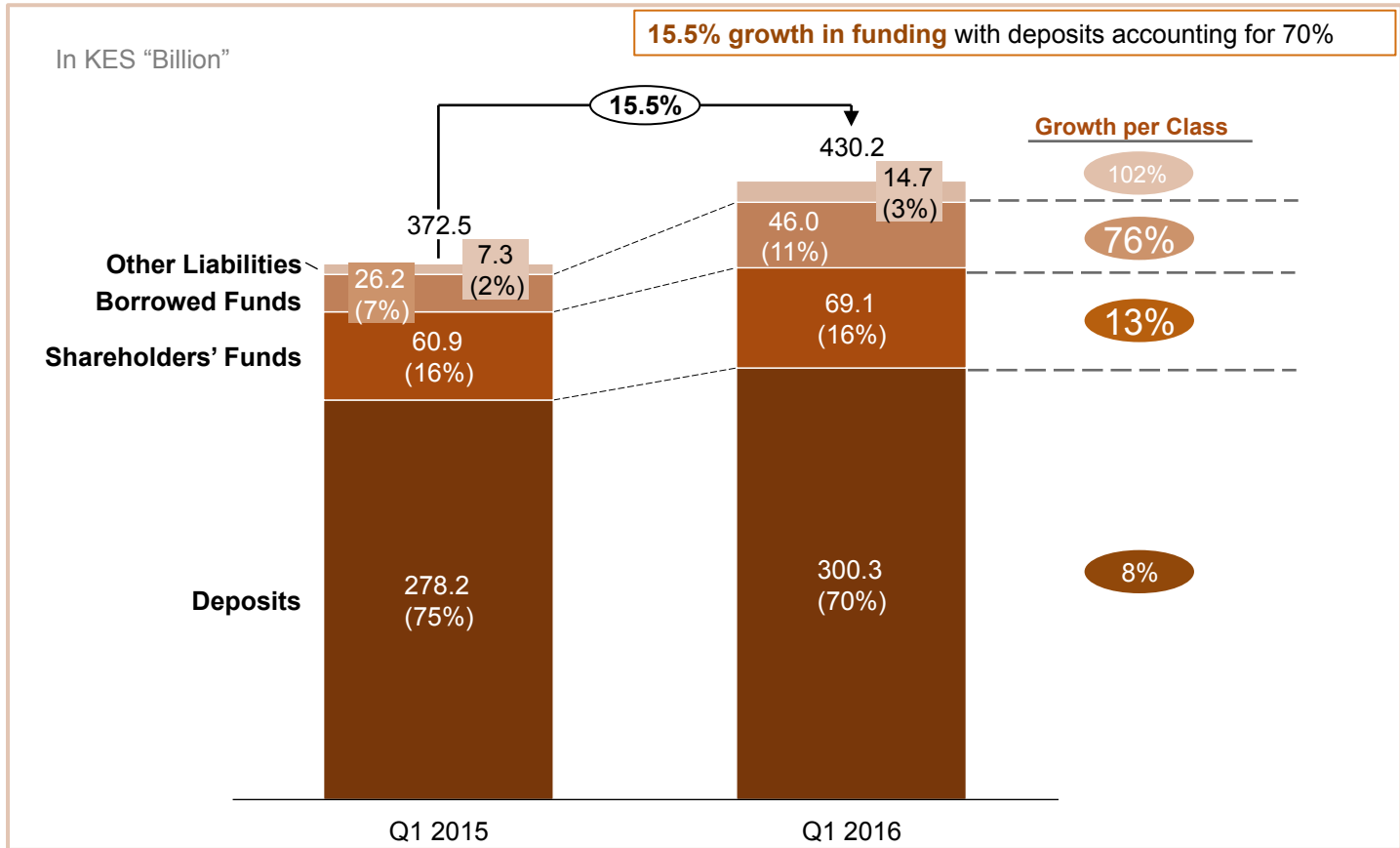
Most Innovative Bank



Performance of core business (intermediation)



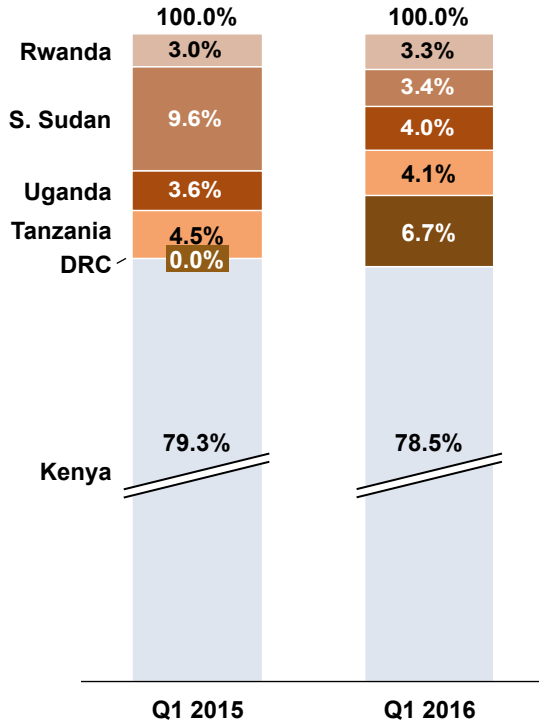
Funding Base (Significant improvement in funding profile)



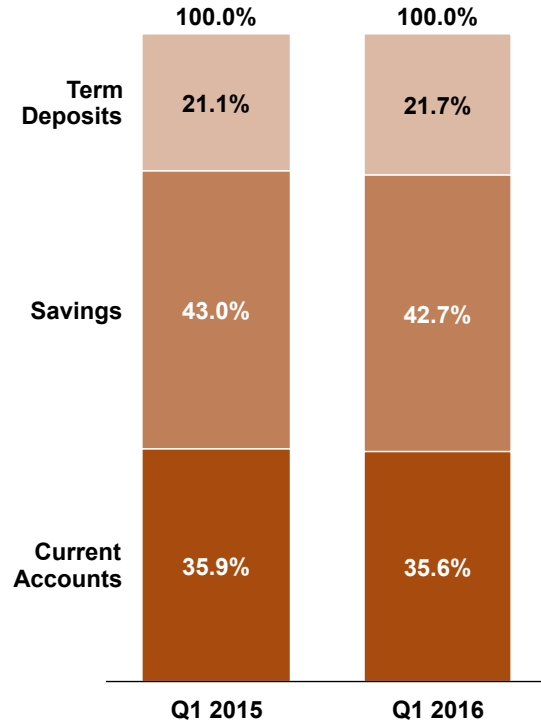


Deposits by Entity & Type

Deposit split by Entity



Deposit split by Type



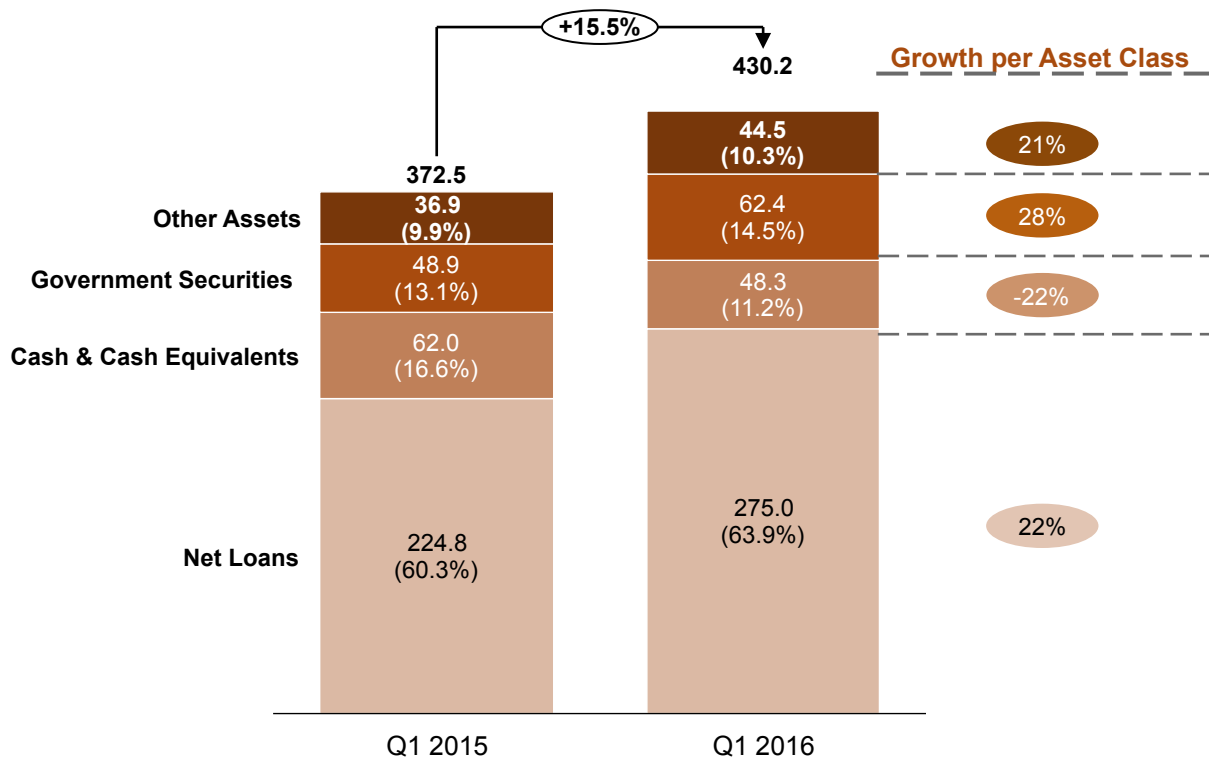


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Assets of KSH 430 Billion driven by stable Deposit base

In KES billion

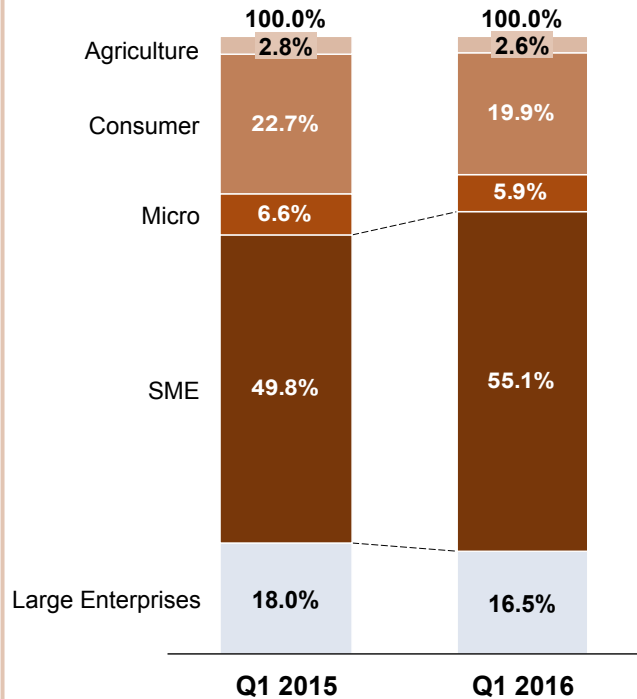
15% growth in asset base while still maintaining portfolio diversification



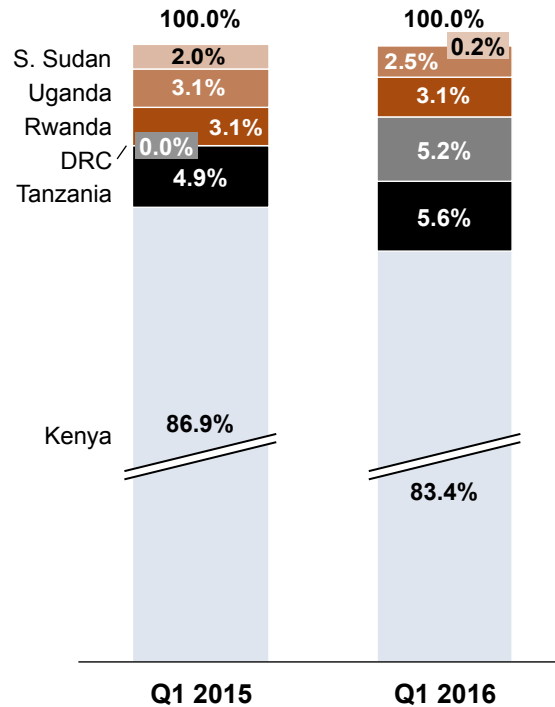


Loan book by Segment and Entity

Split across Segments



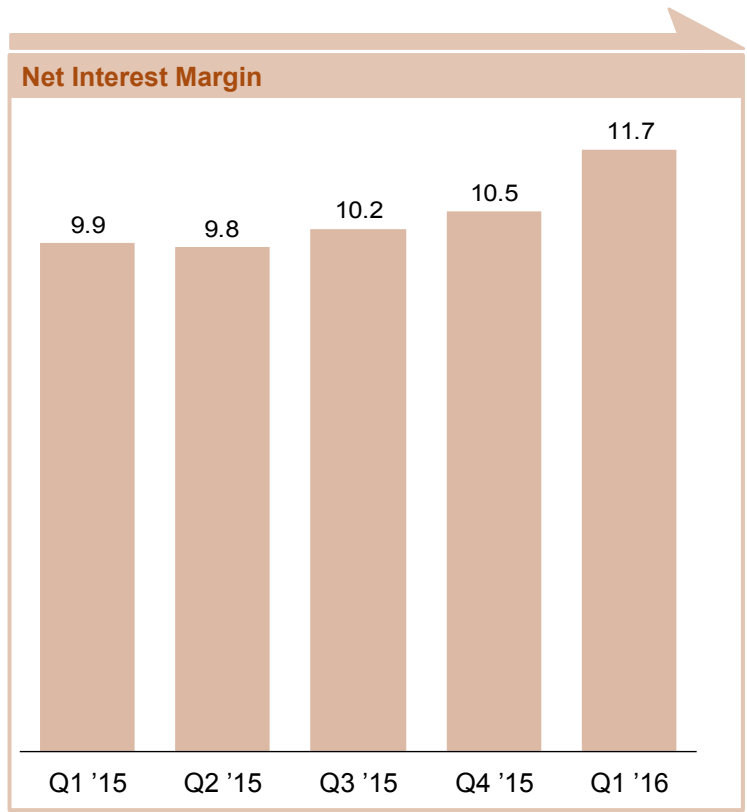
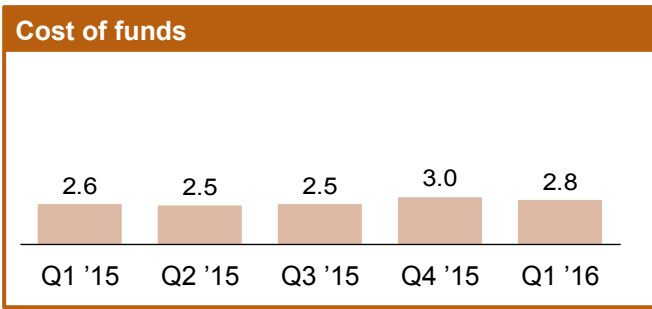
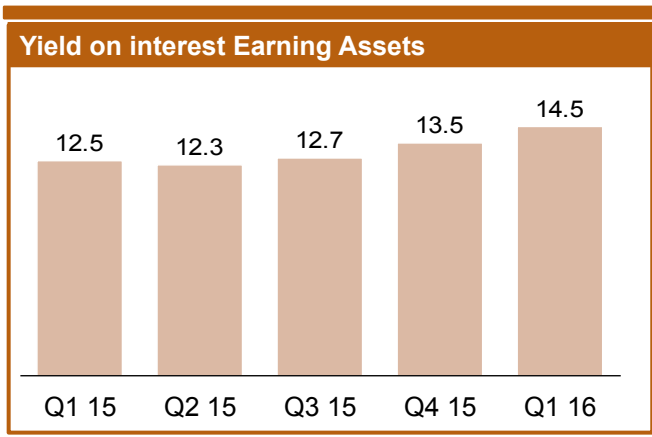
Split across the entities within the Group





Increasing Net Interest Margin

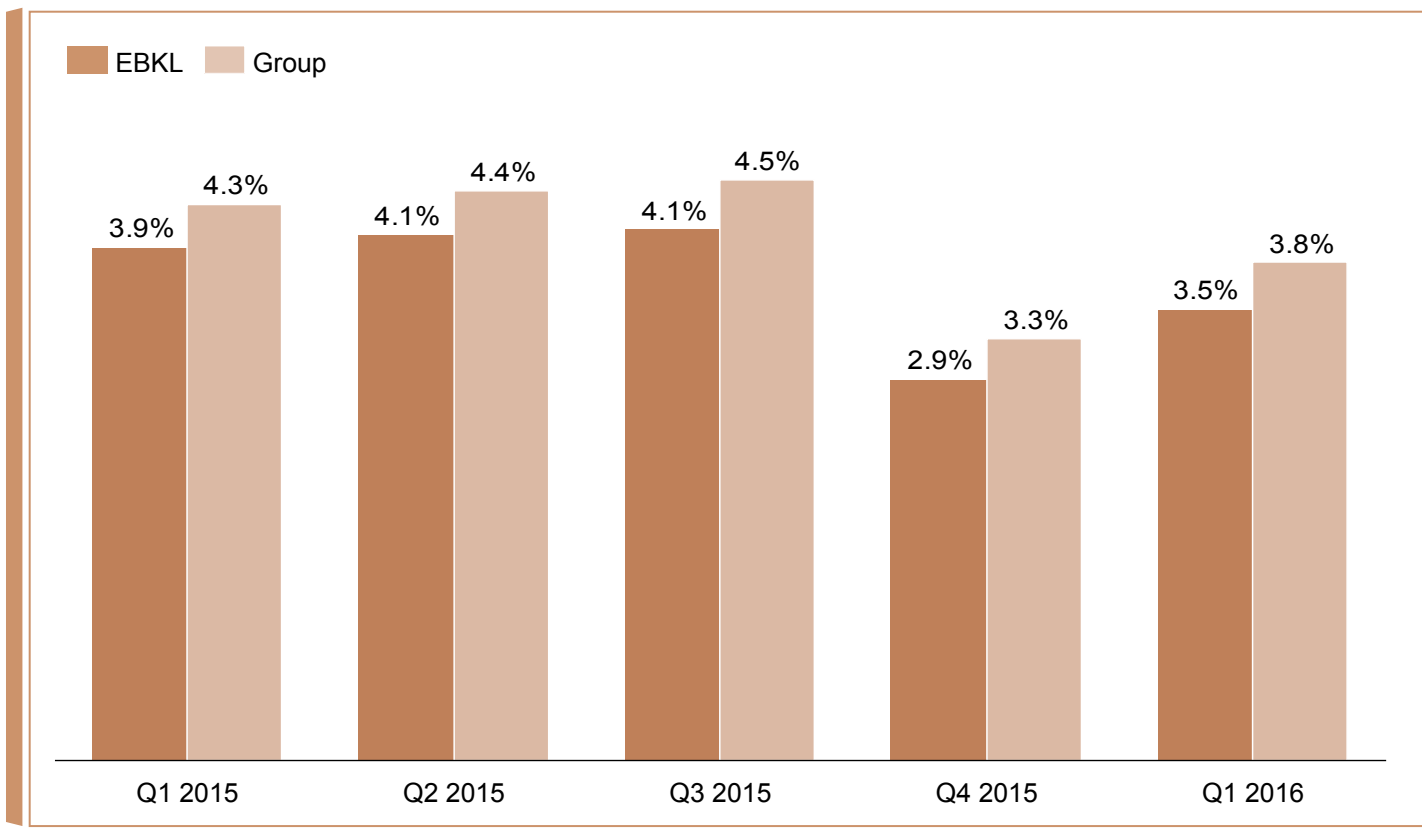
Percentage





7

Stable NPL Trend over time



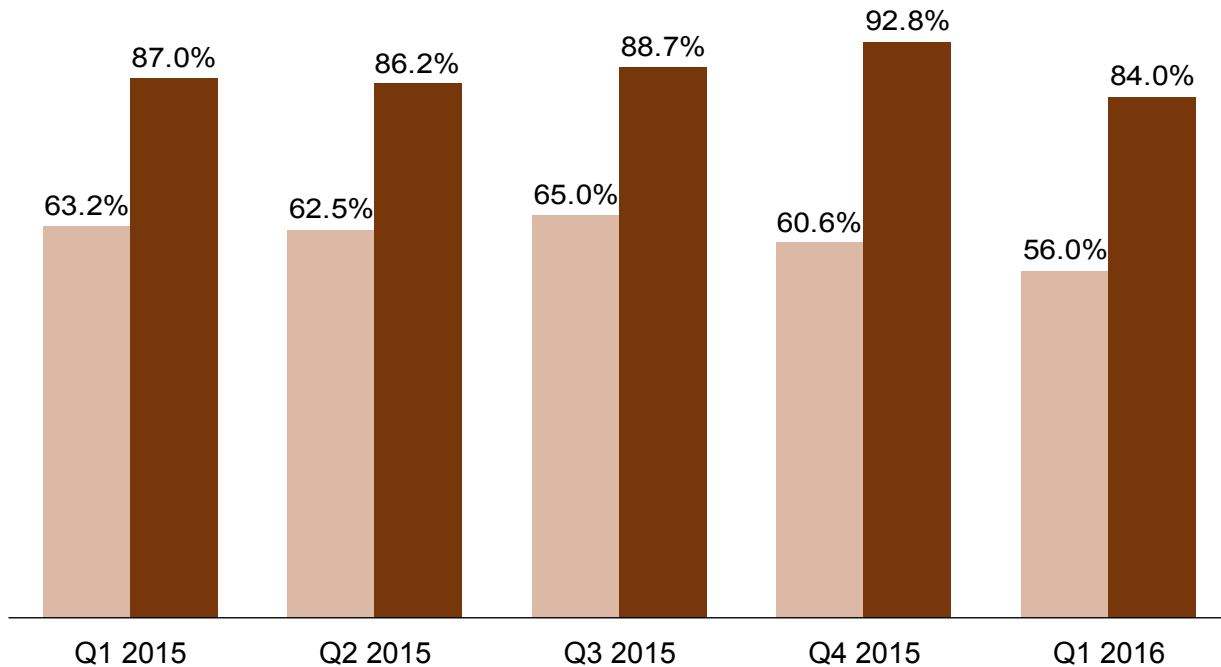


7

Non-Performing Loans: High Coverage Levels



■ (Spec. Prov. + Int. Susp) / Gross NPL
■ (Gen. Prov. + Spec. Prov. + Int. Susp) / Gross NPL





Financial performance

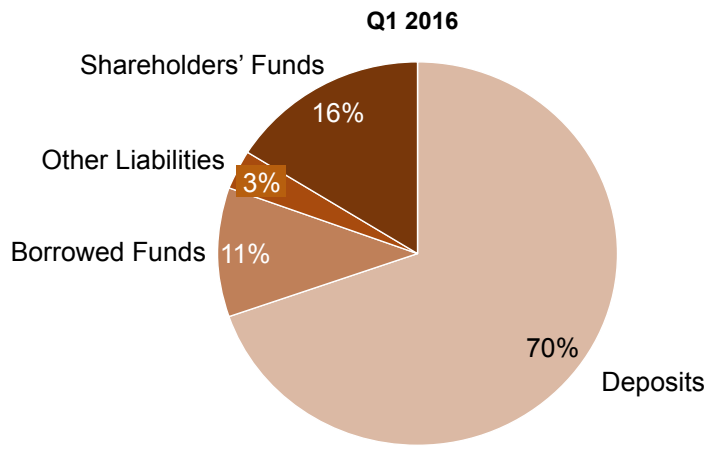
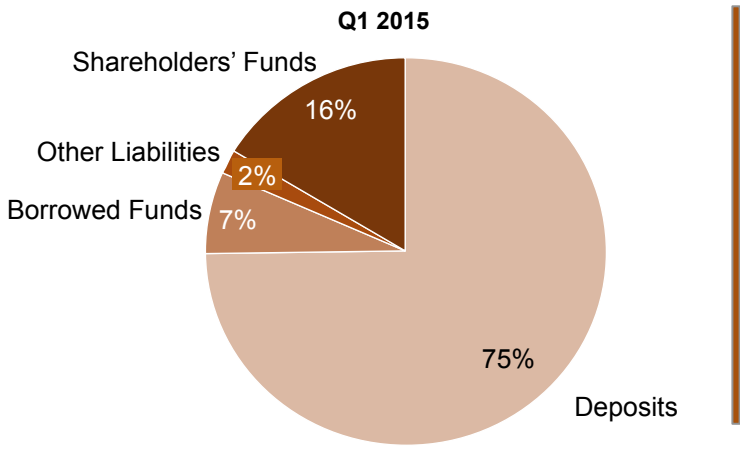


Broad base liabilities & funding sources



	Q1 2015	Q1 2016	Growth Y/Y
Liabilities & Capital (Bn)	KSH	KSH	%
Deposits	278.2	300.3	8%
Borrowed Funds	26.2	46.0	76%
Other Liabilities	7.3	14.7	102%
Shareholders' Funds	60.9	69.1	13%
Total Liabilities & Capital	372.5	430.2	15%

Funding Distribution



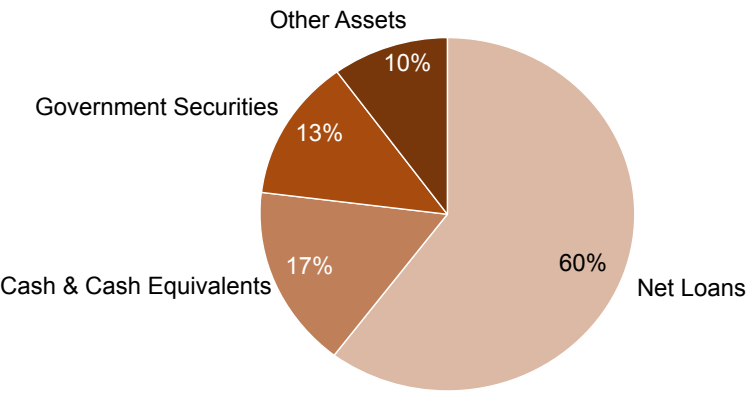


Asset Portfolio & Distribution

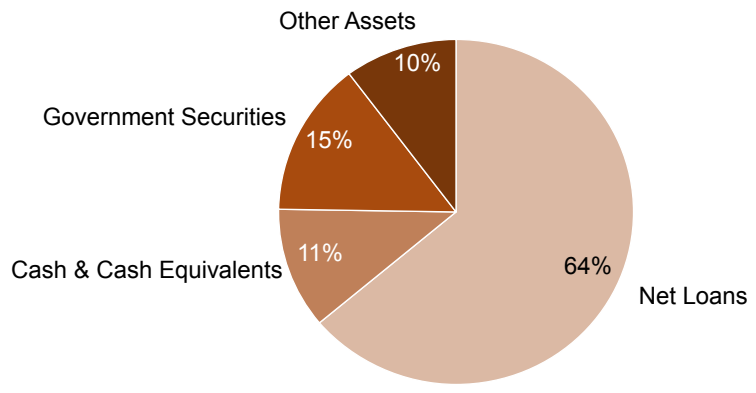
	Q1 2015	Q1 2016	Growth Y/Y
Assets (Bn)	KSH	KSH	%
Net Loans	224.8	275.0	22%
Cash & Cash Equivalents	62.0	48.3	-22%
Government Securities	48.9	62.4	28%
Other Assets	36.9	44.5	21%
Total Assets	372.5	430.2	15%

Asset Distribution

Q1 2015



Q1 2016



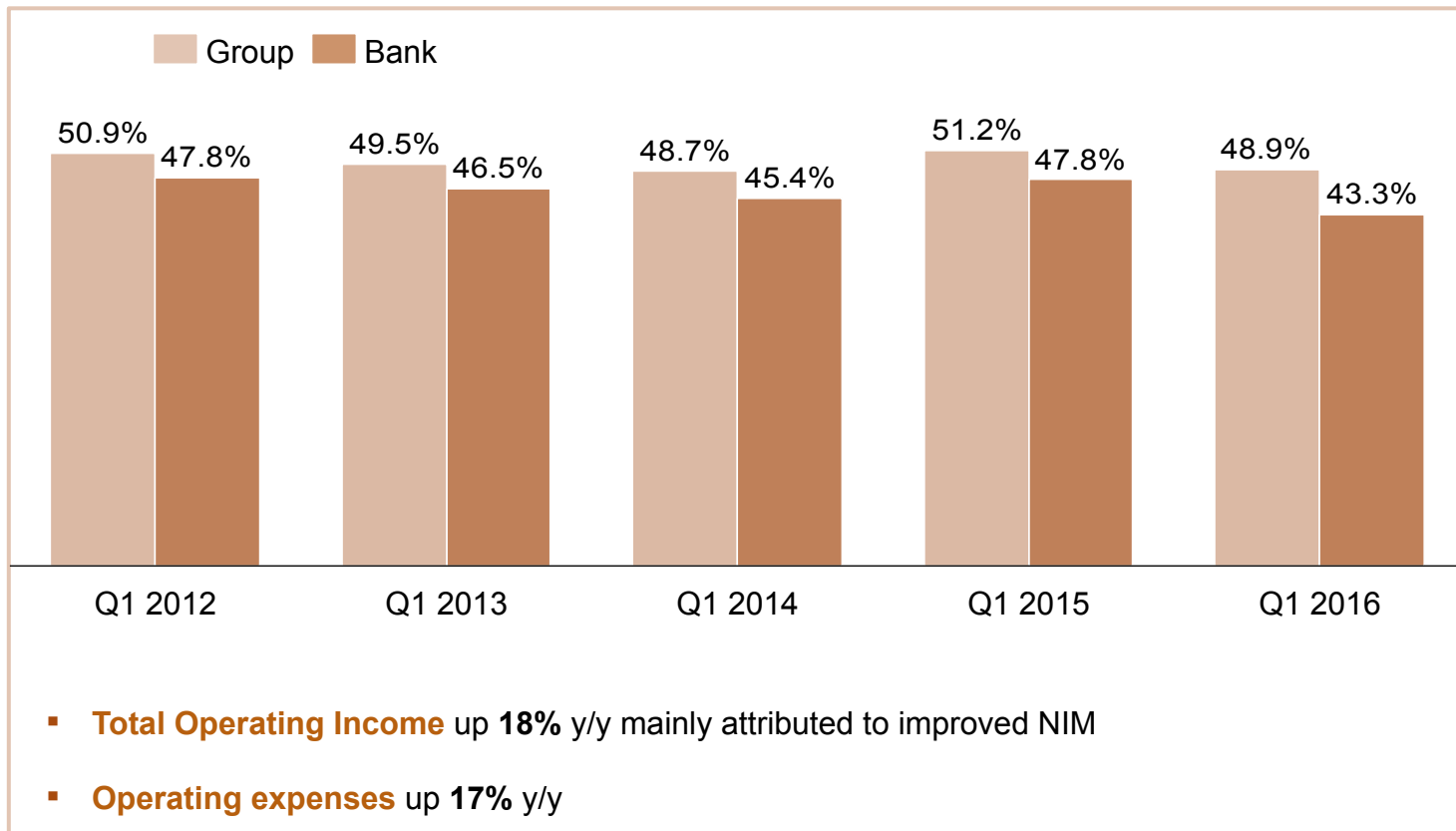
Delivering 20% growth in PAT

<i>KES (Billion)</i>	Q1 2015	Q1 2016	Growth
Interest Income	9.5	12.9	36%
Interest Expense	(1.9)	(2.4)	32%
Net Interest Income	7.6	10.4	37%
Non-Funded Income	5.6	5.2	-7%
Total Income	13.2	15.6	18%
Loan Loss Provision	(0.3)	(0.7)	104%
Staff Costs	(2.5)	(3.0)	21%
Other Operating Expenses	(4.3)	(4.7)	8%
Total Costs	(7.1)	(8.4)	17%
PBT	6.1	7.3	19%
Tax	(1.8)	(2.2)	19%
PAT	4.3	5.1	20%

	Kenya Q1 2015	Kenya Q1 2016	Group Q1 2015	Group Q1 2016
Profitability				
NIM	10.9%	12.8%	9.9%	11.7%
Cost to Income Ratio (with provisions)	50%	46%	54%	53%
Cost to Income Ratio (without provision)	48%	43%	51%	49%
RoAE	35.9%	37.4%	27.6%	29.1%
RoAA	5.2%	5.4%	4.8%	4.8%
Asset Quality				
Cost of Risk	0.46%	0.67%	0.63%	1.03%
Liquidity / Leverage				
Loans / Deposits	86.5%	94.0%	80.8%	91.6%
Loans / (Deposits + Borrowed Funds)	77.8%	79.8%	73.8%	79.4%
Loans / (Deposits + Borrowing Funds + S/H Funds)	66.1%	67.5%	61.5%	66.2%
Liquidity	32.9%	29.4%	39.3%	34.9%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	14.7%	14.8%	16.2%	18.3%
Total Capital to Risk Weighted Assets	16.8%	16.1%	18.2%	19.6%
Core Capital to Deposits Ratio	18.5%	20.5%	18.8%	24.2%
Customer Numbers				
No. of Customers	8,274,425	8,971,514	9,547,596	10,313,468



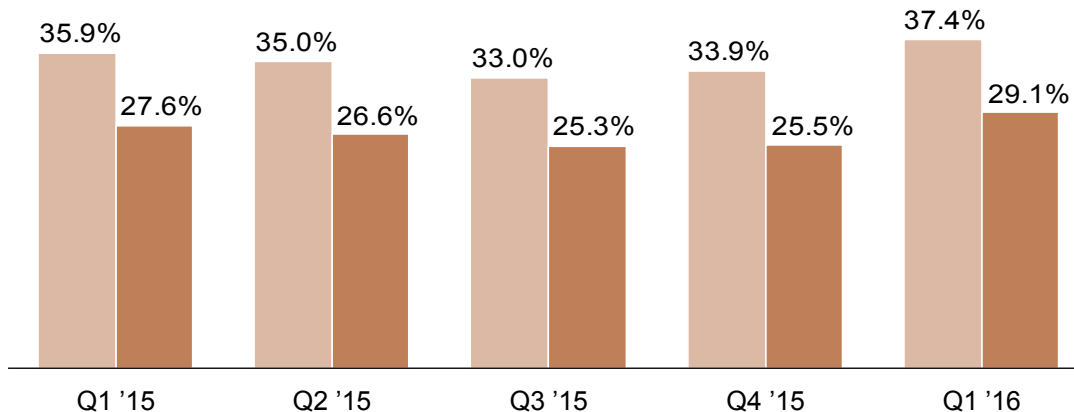
Cost to Income Ratio Trend



RoAA and RoAE overtime

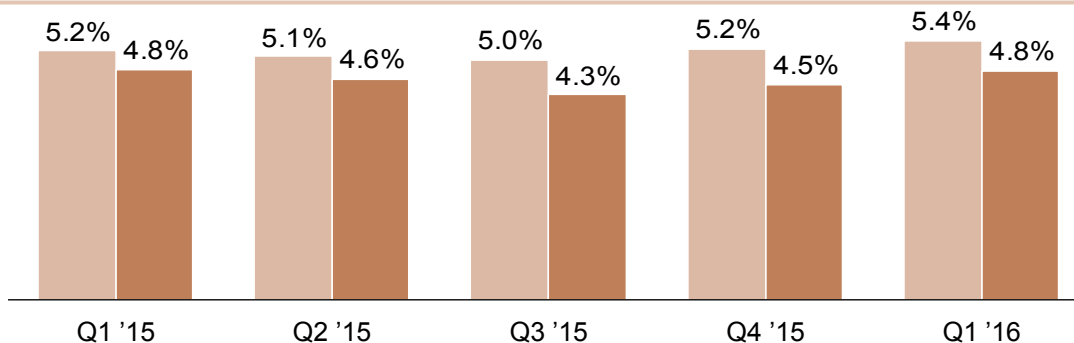
RoAE

EBKL
Group



RoAA

EBKL
Group



Notes

Notes



Equity has set an ambitious growth target across Africa over the next 10 years

Today



6 countries in East & Central Africa

- Population of 145 Million
(29 million are banked)
- Nominal GDP of USD 150 Bn
- 10million members





2024



15 countries across Africa

- Population of 810 Million
- Nominal GDP of USD 2,259 Bn



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