



# Investor Briefing & FY2015 Performance

March 2016



**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



# Inflation & Foreign Exchange – Kenya



## Inflation

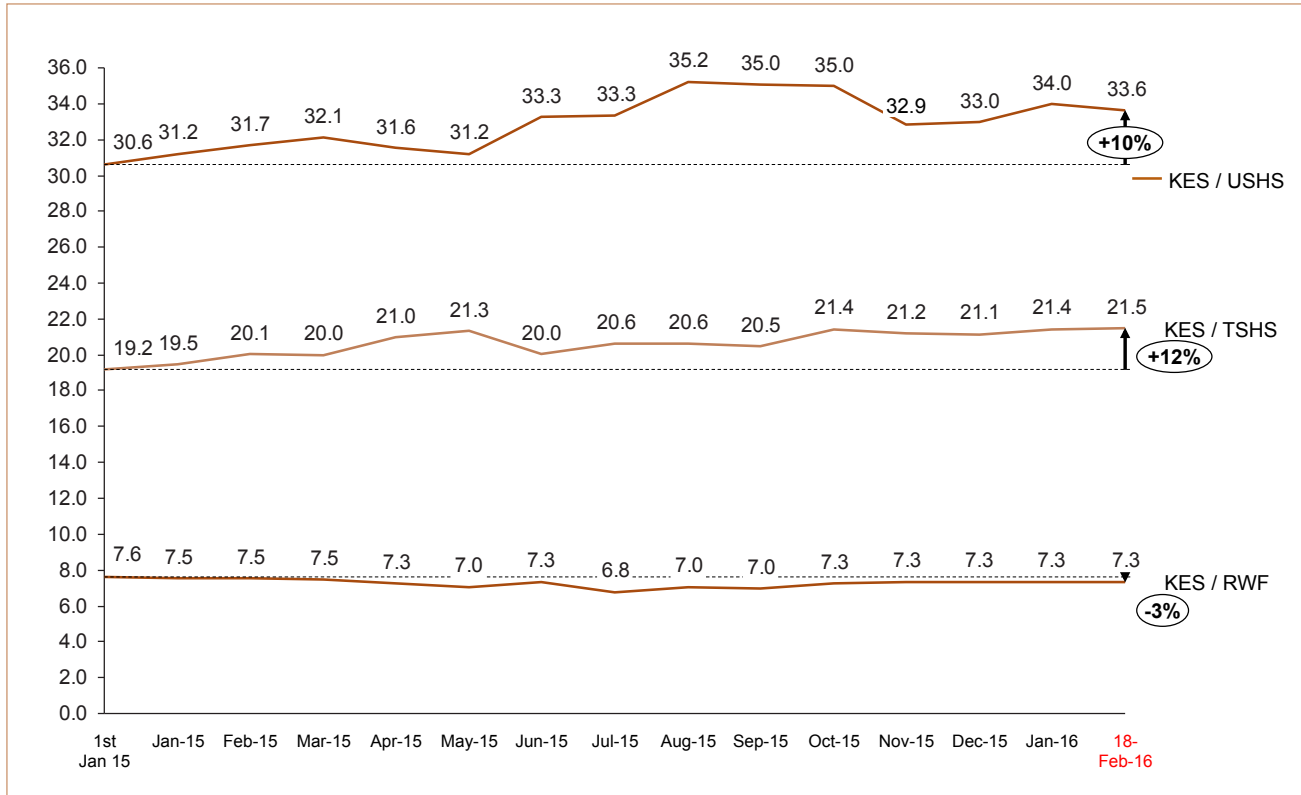
- Inflation in Kenya was 8.01% in December of 2015 compared to 7.3% in November and 6.7% in October
- The increase in December was driven largely by food prices, and Excise Tax. The main food items were Irish potatoes, tomatoes, kales (sukuma wiki), carrots, cabbages, onions, beef with bones, and avocados. Many of these items are seasonal and fast-growing, and their impact on inflation is expected to dissipate by April 2016
- Inflation in January receded to 7.8% signaling a possible downward trend for the rest of the year, supported by lower oil and food prices. However, a rise in U.S. interest rates is a risk to the inflation outlook through its impact on the exchange rate.

## Foreign Exchange

- The foreign exchange market has remained stable since November 2015, despite the rise in U.S. interest rates, the impact of the slowdown in China and volatility in other global financial markets
- Stability in the foreign exchange market continues to be supported by a narrowing current account deficit largely due to a lower import bill for petroleum products, recovery in tourism, tea and horticulture exports, slowdown in consumer imports and strong diaspora remittances.



# KES vs East African Currencies







# Central Bank Rate & KBRR



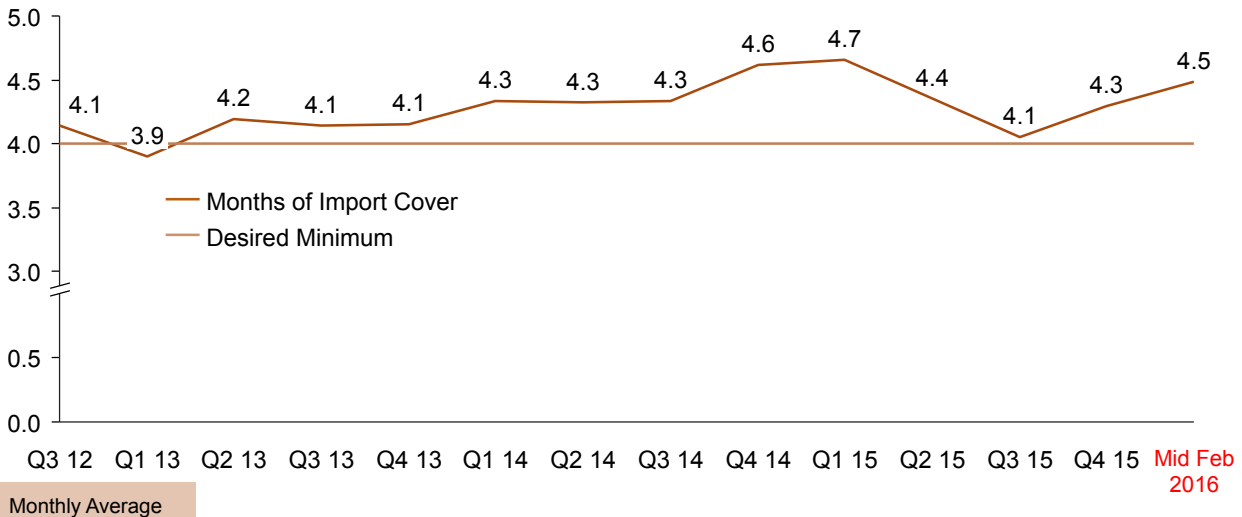
- The Monetary Policy Committee retained the indicative **Central Bank Rate at 11.5%** (on Jan 20<sup>th</sup> 2016) - the 4<sup>th</sup> time in a row.
- The Monetary Policy Committee also retained the **Kenya Banks' Reference Rate (KBRR) at 9.87%** (on Jan 20<sup>th</sup> 2016), ignoring the recent increase in Treasury bill rates that is a key ingredient of pricing formula.
- Exchange rate stability and MPC's belief that current inflationary pressures were temporary prevented it from raising the CBR

|                         | ← 2015 → |        |        |        |              |        |        |        | ← 2016 → |        |
|-------------------------|----------|--------|--------|--------|--------------|--------|--------|--------|----------|--------|
|                         | June     | Jul    | Aug    | Sep    | Sep-Oct Peak | Oct    | Nov    | Dec    | Jan      | Feb    |
| <b>Interbank rate</b>   | 11.78%   | 12.89% | 18.81% | 19.84% | 25.84%       | 14.87% | 8.77%  | 5.19%  | 6.74%    | 4.95%  |
| <b>91 Days T. Bill</b>  | 8.26%    | 11.33% | 11.51% | 18.61% | 21.35%       | 22.13% | 9.21%  | 10.41% | 11.76%   | 10.81% |
| <b>182 Days T. Bill</b> | 10.55%   | 12.15% | 12.36% | 14.55% | 21.61%       | 22.29% | 10.09% | 12.34% | 14.18%   | 13.25% |
| <b>364 Days T. Bill</b> | 10.98%   | 12.53% | 13.82% | 16.30% | 21.50%       | 22.36% | 11.93% | 12.75% | 14.92%   | 13.61% |



# FX Reserves - Kenya

- CBK's foreign exchange reserves which currently stand at \$7bn (equivalent to 4.5 months of import cover), together with the Precautionary Arrangements with the International Monetary Fund (IMF), continue to provide an adequate buffer against short-term shocks.
- FX reserves expected to remain at comfortable levels.







# GDP - Kenya



- Kenya's GDP grew by approximately 5.5% in 2015 (5.8% in the three months to September 2015, up from a 5.5% in the previous quarter)  
*(GDP is approximately \$62bn and GDP per capital \$1,400)*
- GDP growth was driven by agriculture (7.1%), construction (14.1%), electricity & water supply (11%), financial activities (10.1%), wholesale & retail trade (6.5%) and transportation (8.7%).

## Outlook

- GDP expected to accelerate in 2016 to 5.5% - 6% and average about 7% over the medium term. This reflects falling oil prices and faster scaling up of public investments in infrastructure (including a frontloading of the SGR project), energy generation infrastructure, improvement in the tourism sector due to improved security, improvement in the agricultural sector as a result of the end of El Niño rains.
- 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.



## **Macro-economic Indicators – East Africa**



## Macro-Economic Indicators Summary (East Africa) 1/2



|                          | <b>Uganda</b> | <b>Rwanda</b> | <b>Tanzania</b> | <b>DRC</b>  |
|--------------------------|---------------|---------------|-----------------|-------------|
| <b>91 Days T-Bill</b>    | <b>18.3%</b>  | <b>4.3%</b>   | <b>8.3%</b>     | <b>4.7%</b> |
| <b>182 Days T-Bills</b>  | <b>20.5%</b>  | <b>4.6%</b>   | <b>13.9%</b>    | <b>5.4%</b> |
| <b>364 Days T-Bills</b>  | <b>21.7%</b>  | <b>6.5%</b>   | <b>14.6%</b>    | <b>8.1%</b> |
| <b>Central Bank Rate</b> | <b>16.0%</b>  | <b>12.0%</b>  | <b>7.0 %</b>    | <b>6.5%</b> |
| <b>Inflation</b>         | <b>7.2%</b>   | <b>3.1%</b>   | <b>6.4%</b>     | <b>4.5%</b> |



## Macro-Economic Indicators Summary (East Africa) 2/2

|  | Uganda | Rwanda  | Tanzania | DRC   |
|--|--------|---------|----------|-------|
| Current Account to GDP                           | -5.20% | -11.80% | -11.00%  | -7.5% |
| Private Sector Credit Growth                     | 11.0%  | 26.6%   | 13.7%    | 20.1% |
| Real GDP Growth<br>(World Bank 2015 Projections) | 5.4%   | 7.0%    | 7.2 %    | 8.0%  |
| GDP (in USD Billion)                             | 26.3   | 7.9     | 49.2     | 40.0  |



## Key Events for the Group in 2015



- Equity Bank launched Equitel - a new mobile banking platform for its customers
- Equity Group secures its shareholders approval for a Kshs 20 billion regional expansion
- Equity Group enters the vast Democratic Republic of Congo with the acquisition of ProCredit Bank
- Helios investments exits Equity Group as Norfund and Norfinance complete purchase of 12.223% stake in the Group
- Equity Group cross-lists on the Rwanda Stock Exchange

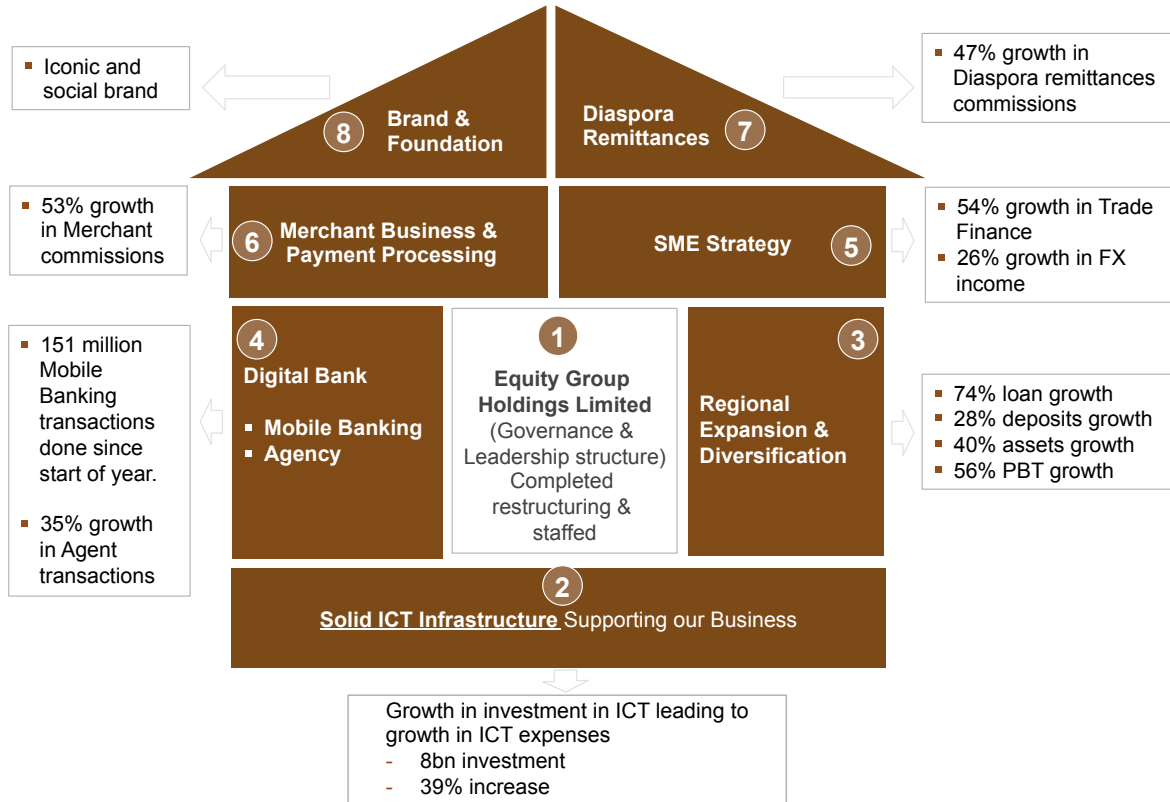


**Update on Strategic Initiatives**





# Progress in key execution priorities



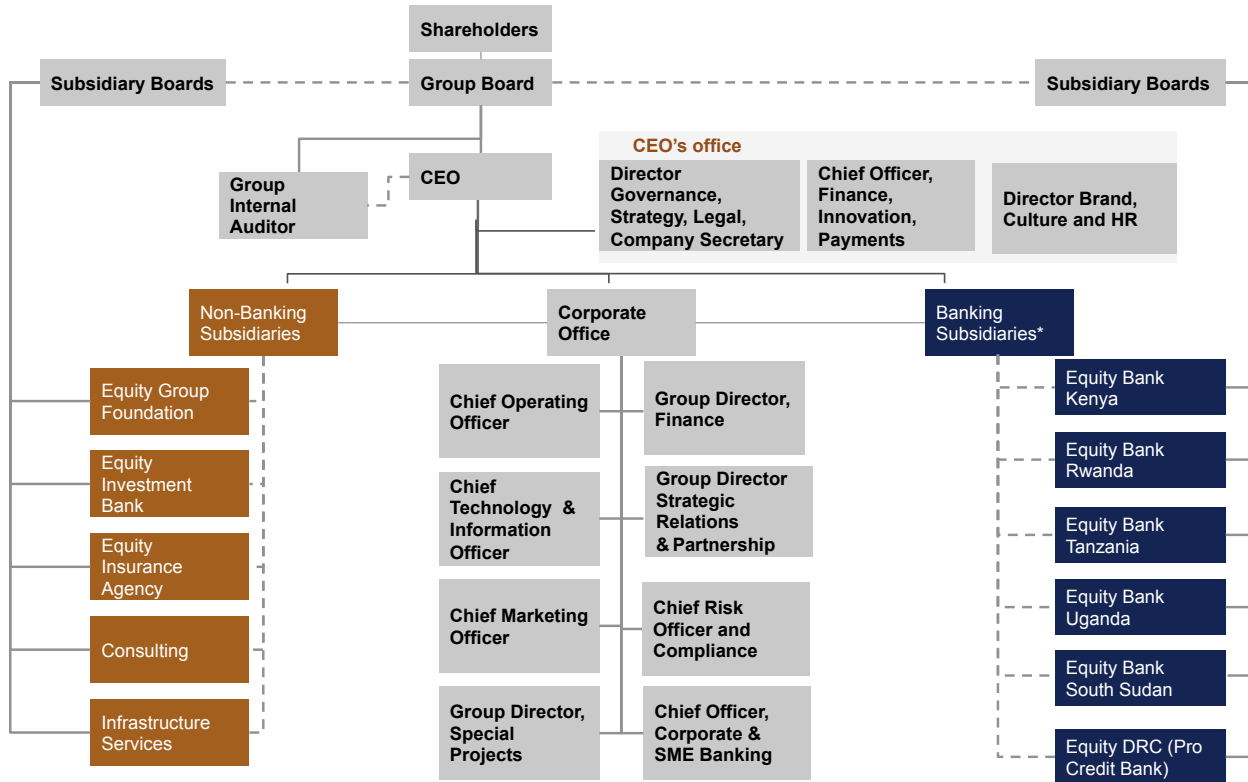




## **Governance & Leadership Structure**



# Strong Governance & Leadership Structure



\*Each subsidiary with own Board of Directors compliant with local regulations



**ICT Infrastructure**



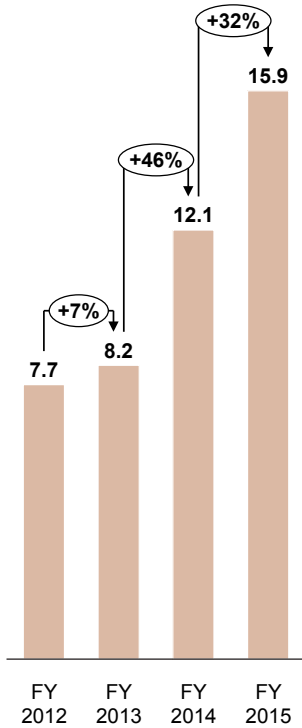


## IT investment and impact on P&L

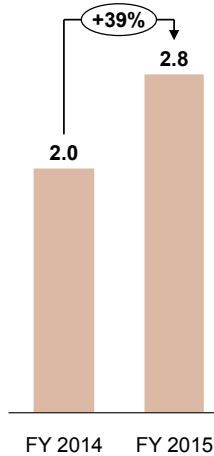


KES "Billion"

### IT Spend over time



### IT Expense (P&L)



### Other Operating Expenses (incl. IT)



### Other Operating Expenses (excl. IT)





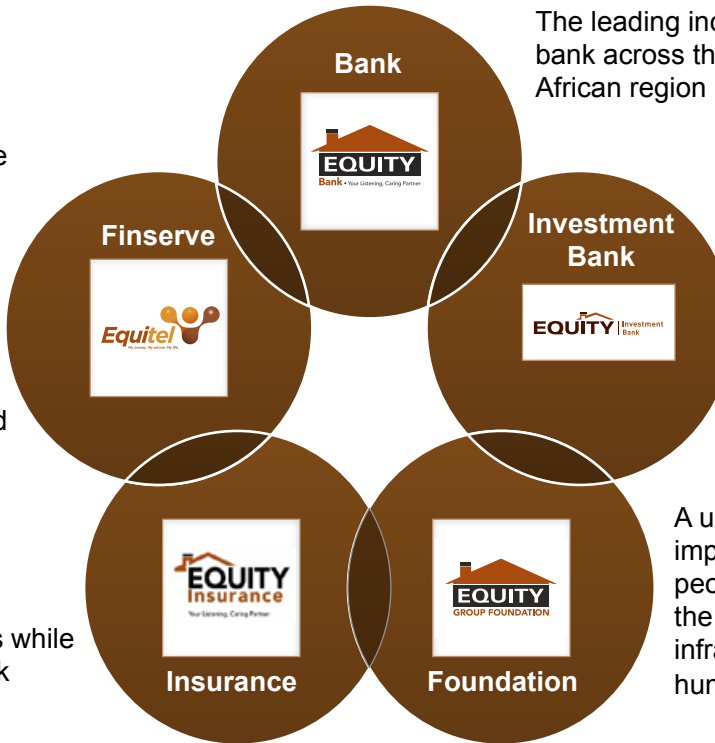
## Regional Expansion & Diversification



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# Regional Expansion & Diversification

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



The leading inclusive bank across the Eastern African region

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

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

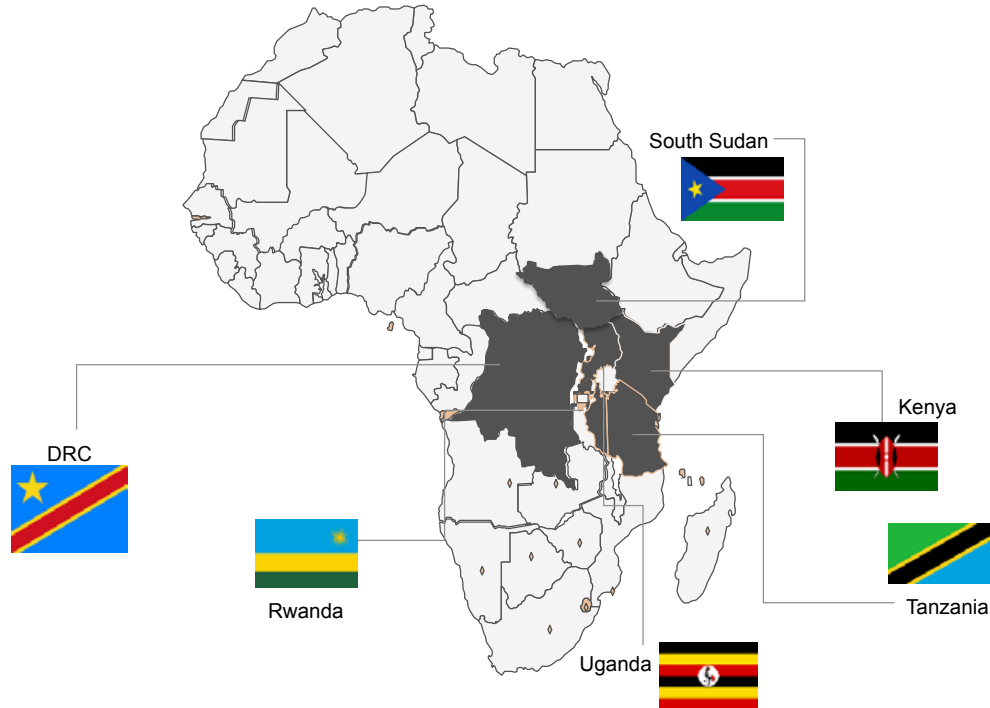
A unique approach to impacting the lives of people in Africa using the Bank's existing infrastructure, enormous human capital and Brand



3

## Regional Expansion - key delivery under Equity 3.0

- Equity 3.0 is a comprehensive 10 year plan to transform Equity Group Holdings Ltd (EGHL) into a diversified regional financial services provider in Africa. EGHL's overarching objective is to grow its member base to over 100 million customers, in 15 countries across the continent.







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## Regional Expansion – Key Metrics



KES “Billion”

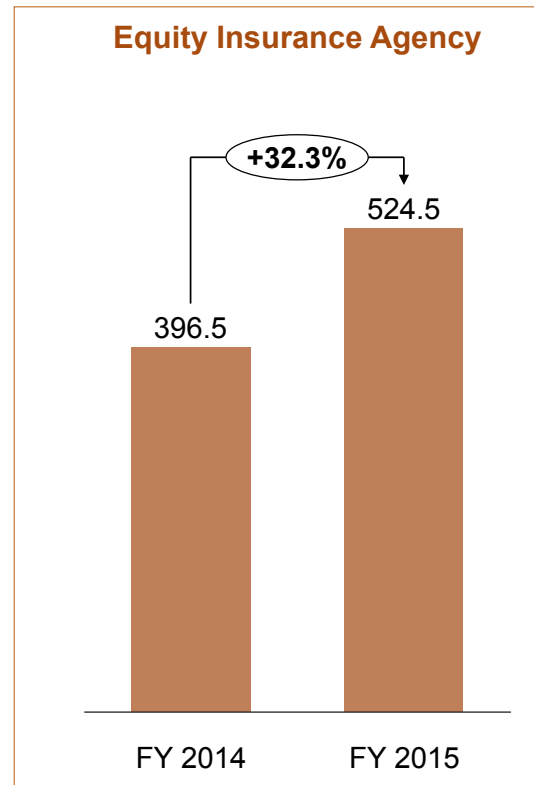
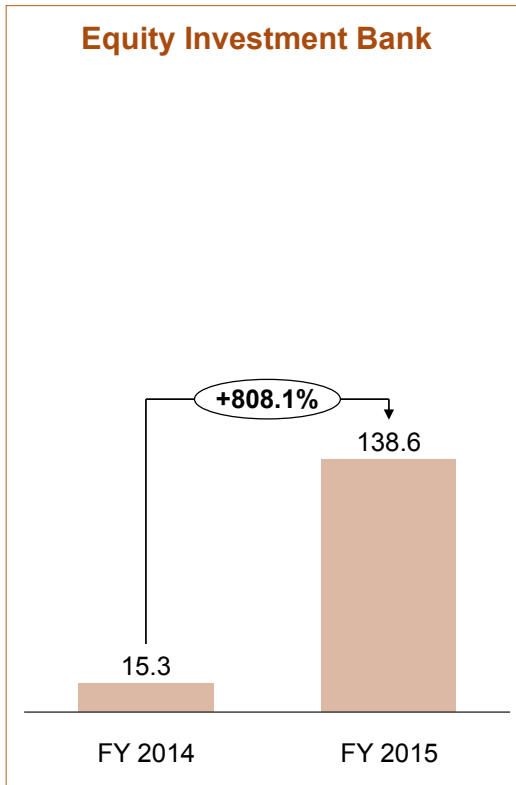
|                        | Tanzania | Rwanda | Uganda | S. Sudan | DRC  | Regional Total | Regional Contribution FY2015 | Regional Contribution FY2014 |
|------------------------|----------|--------|--------|----------|------|----------------|------------------------------|------------------------------|
| <b>Deposits</b>        | 140      | 9.4    | 14.5   | 14.9     | 18.7 | <b>70.7</b>    | <b>23%</b>                   | <b>21%</b>                   |
| <b>Deposits Growth</b> | 25%      | 8%     | 49%    | -42%     | 14%  | <b>28%</b>     |                              |                              |
| <b>Loan</b>            | 15.6     | 8.3    | 7.2    | 0.7      | 13.6 | <b>45.4</b>    | <b>17%</b>                   | <b>12%</b>                   |
| <b>Loan Growth</b>     | 64%      | 33%    | 13%    | -84%     | 64%  | <b>73%</b>     |                              |                              |
| <b>Assets</b>          | 20.8     | 12.7   | 18.8   | 19.5     | 27.4 | <b>99.2</b>    | <b>23%</b>                   | <b>20%</b>                   |
| <b>Asset Growth</b>    | 37%      | 10%    | 39%    | -36%     | 42%  | <b>40%</b>     |                              |                              |
| <b>PBT</b>             | 0.4      | 0.3    | 0.3    | 0.4      | 0.2  | <b>1.5</b>     | <b>6%</b>                    | <b>5%</b>                    |
| <b>PBT Growth</b>      | 118%     | 75%    | 138%   | -37%     | 17%  | <b>43%</b>     |                              |                              |



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# Diversification Impact

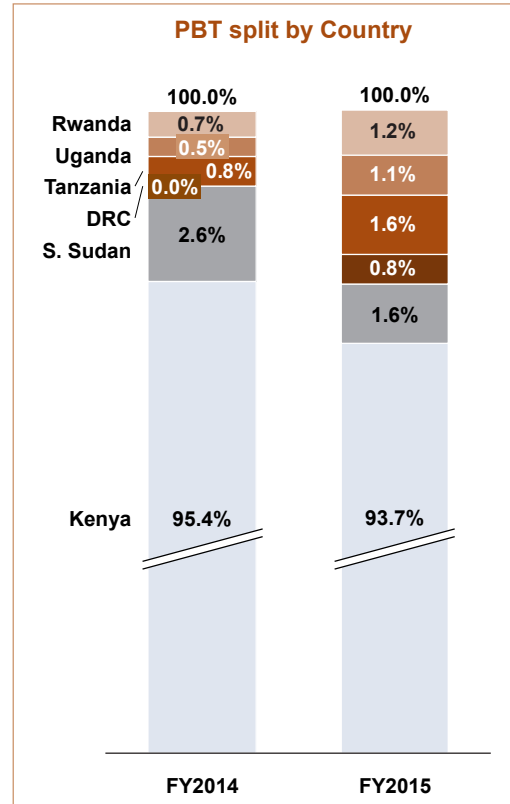
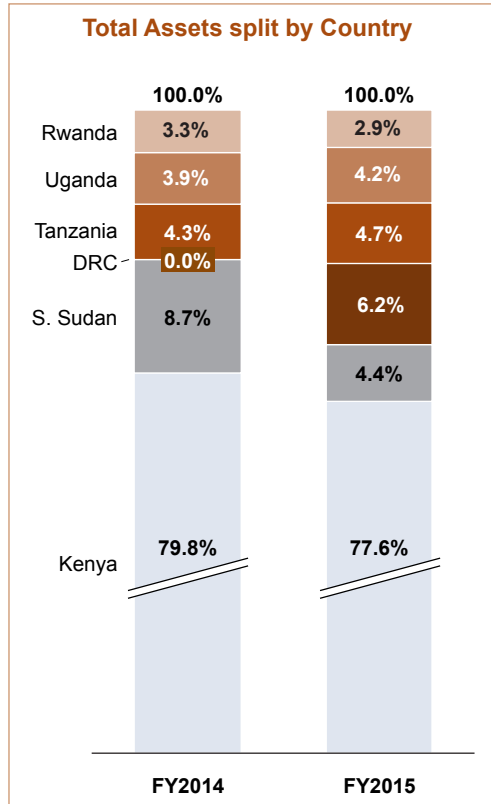
KES "Million"





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# Regional Expansion (Assets and PBT contribution by countries)





**Digital Bank**



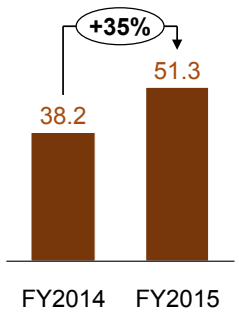


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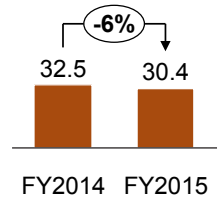
# Execution on Digital Banking (Increased number of Transaction numbers & values)



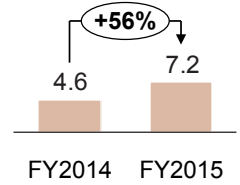
Transaction numbers in millions



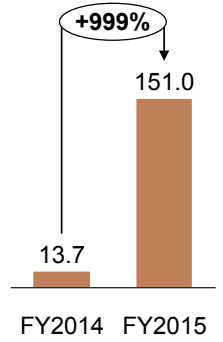
Agency



ATM

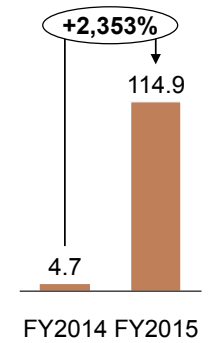
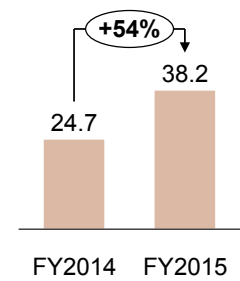
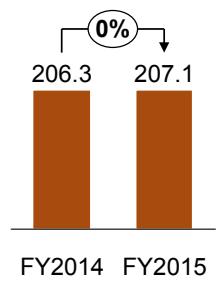
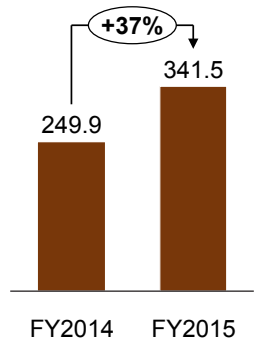


Merchants



Mobile banking

Transaction value in KES billion

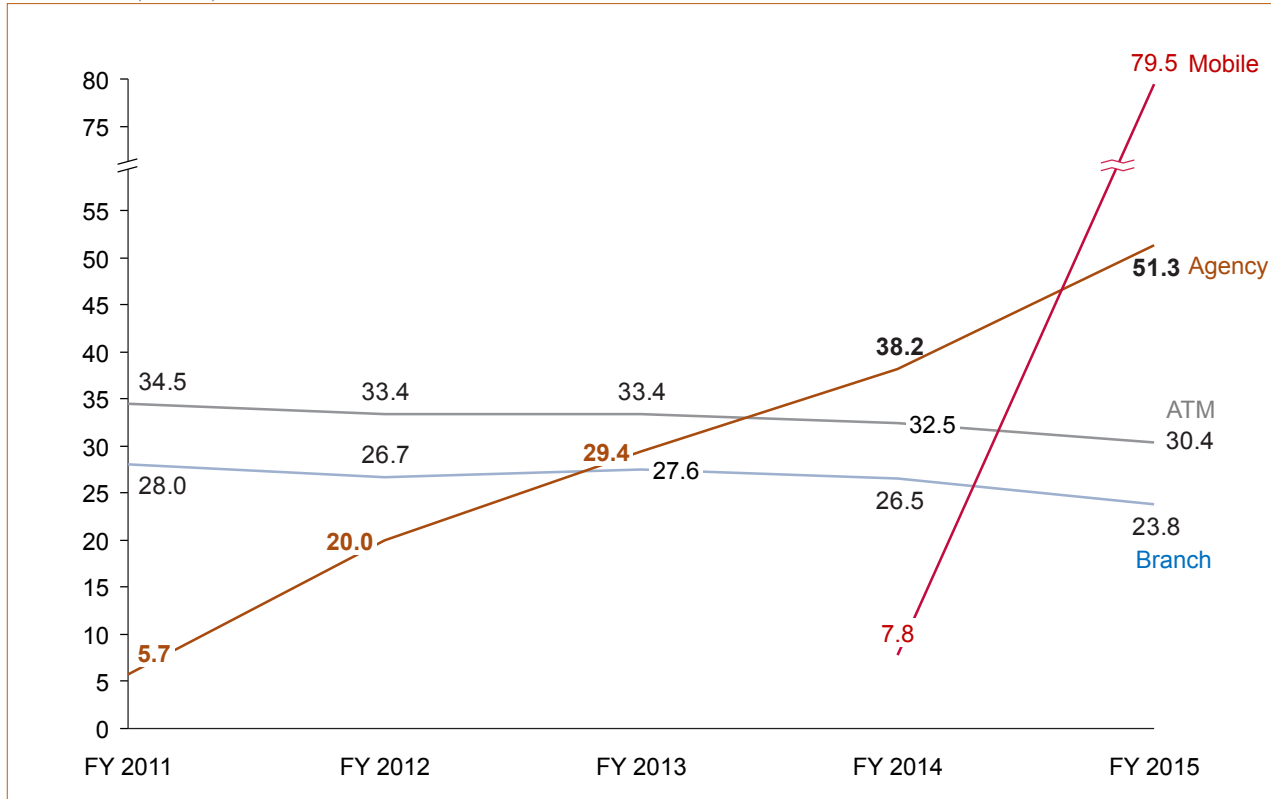




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# Execution on Digital Banking (Transaction numbers trend)

Transactions (Millions)

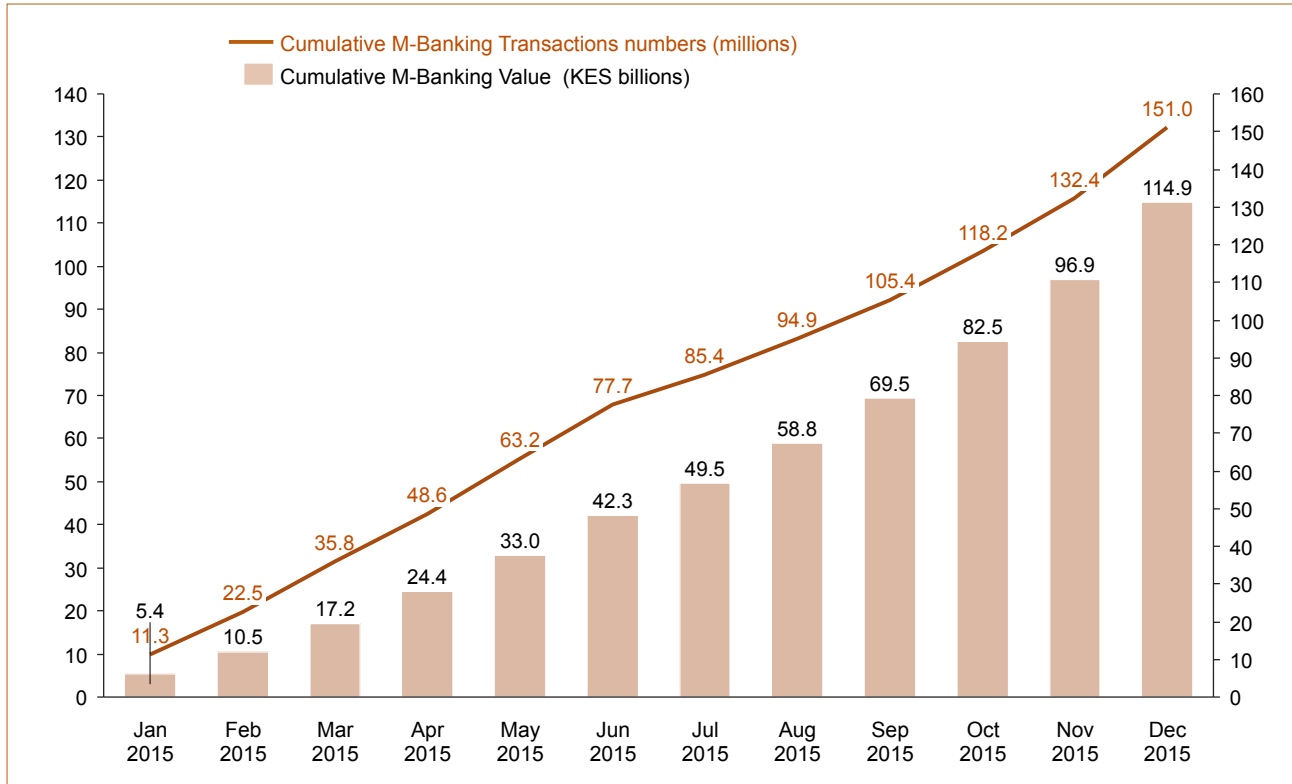


Cash related transaction



4

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





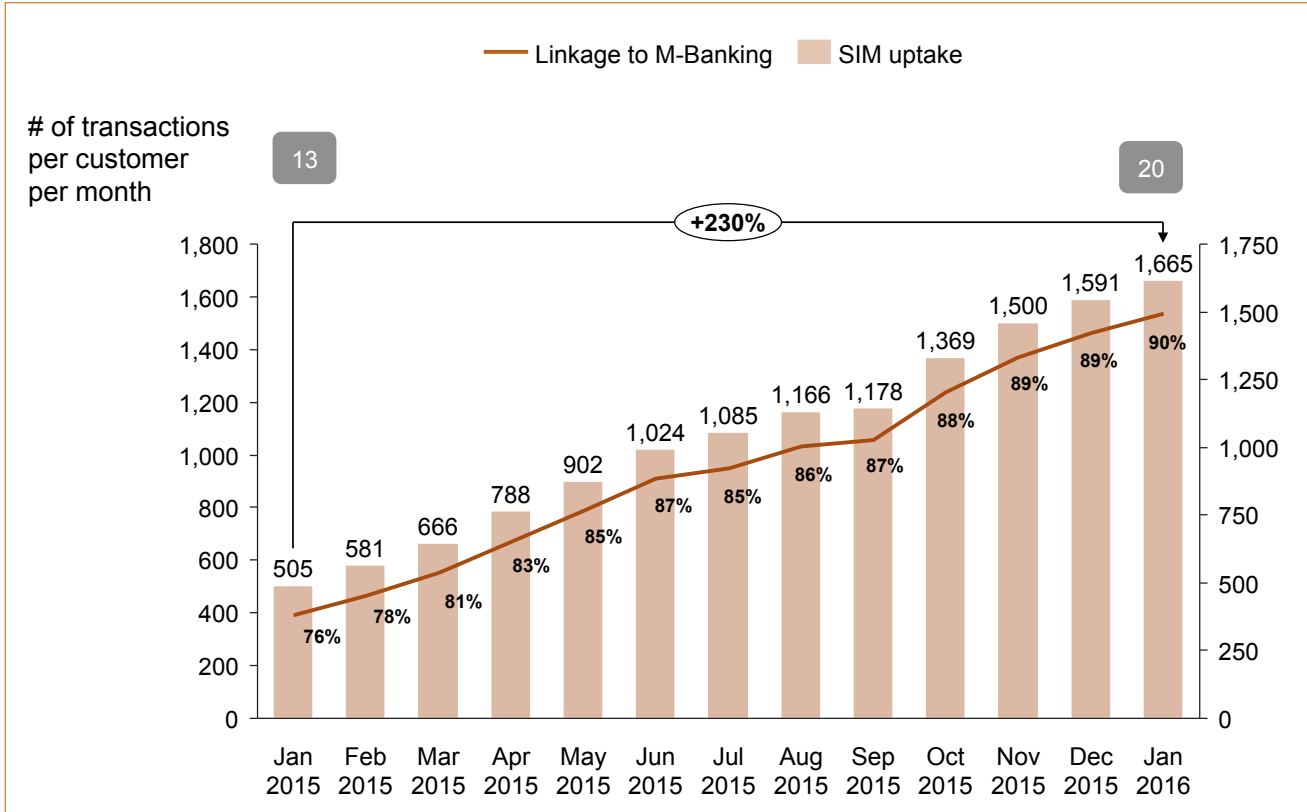


4

# Execution on Digital Banking

(Equitel customer numbers up 230% growth in 13 months)

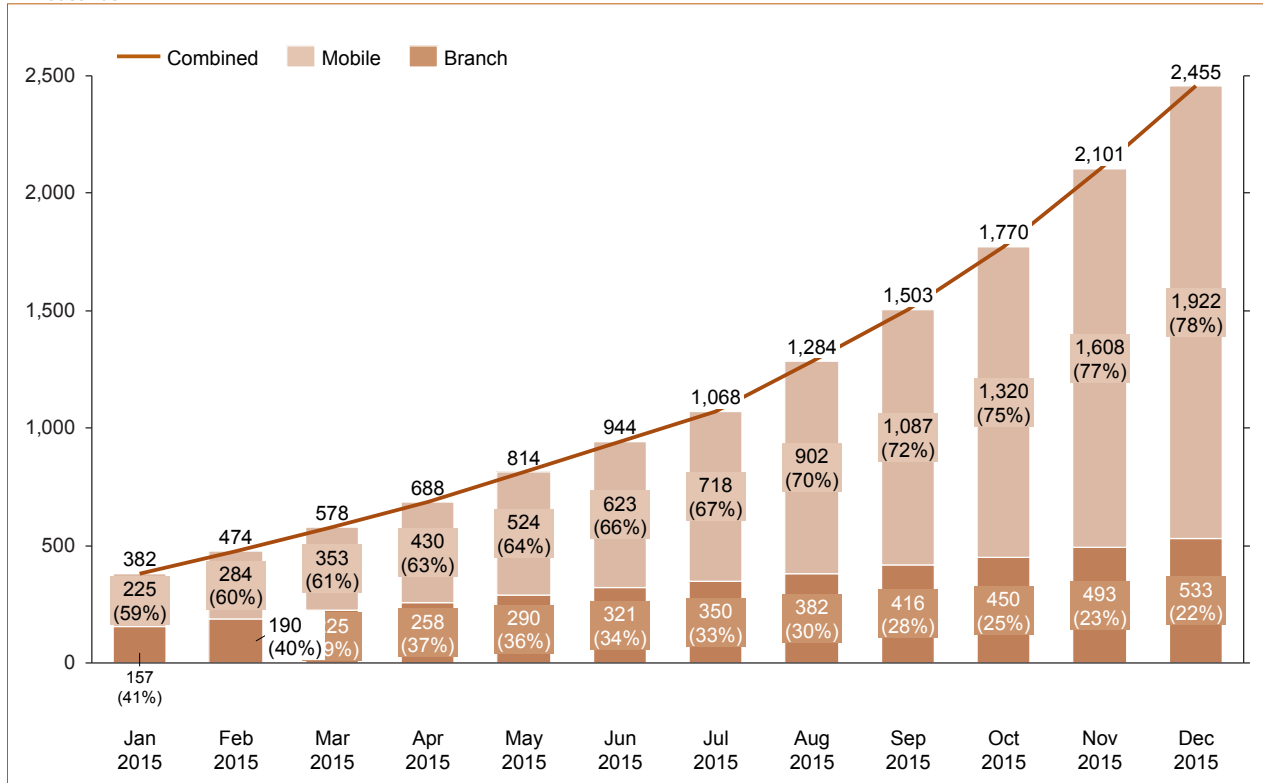
KES "000"





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

In Thousands

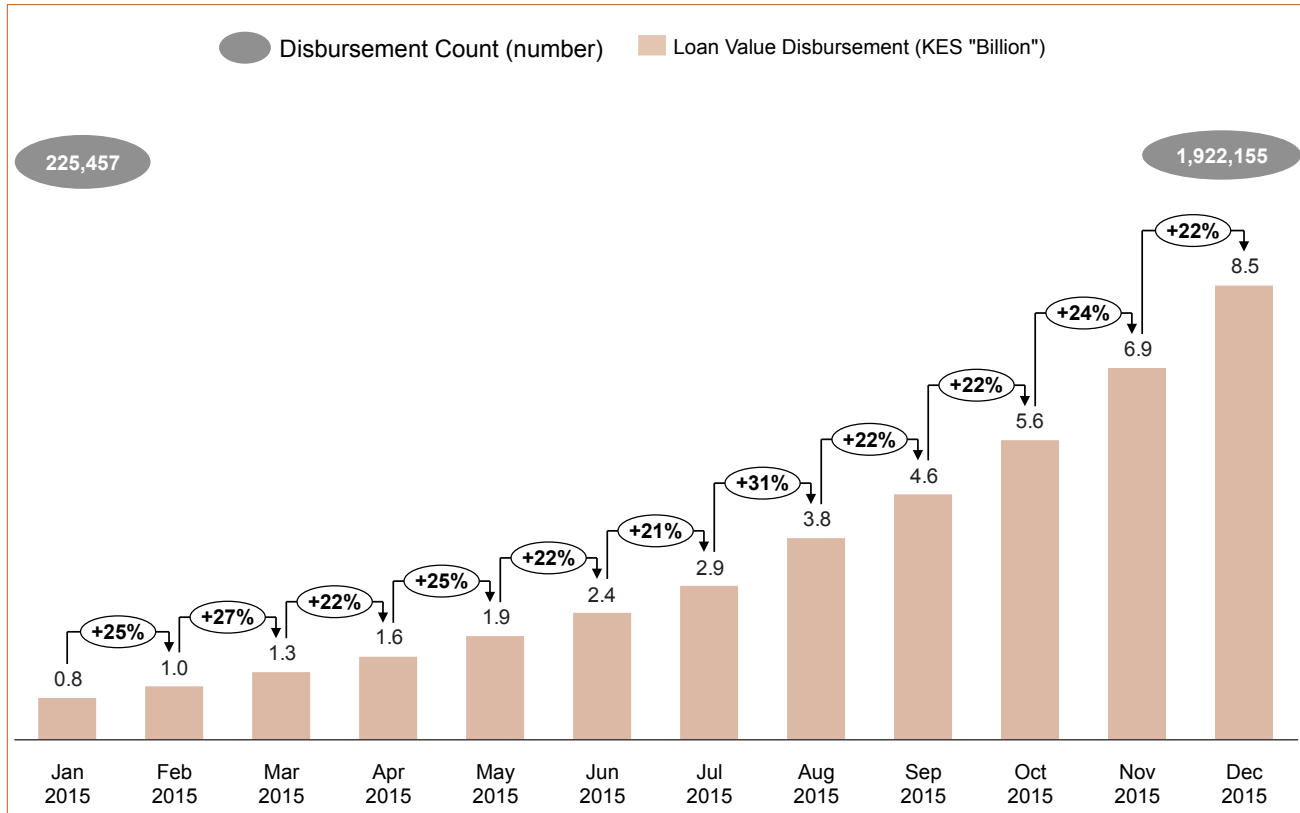


Cumulative



4

# Execution on Digital Banking (KES 8.5 billion Disbursed through Mobile Channel)

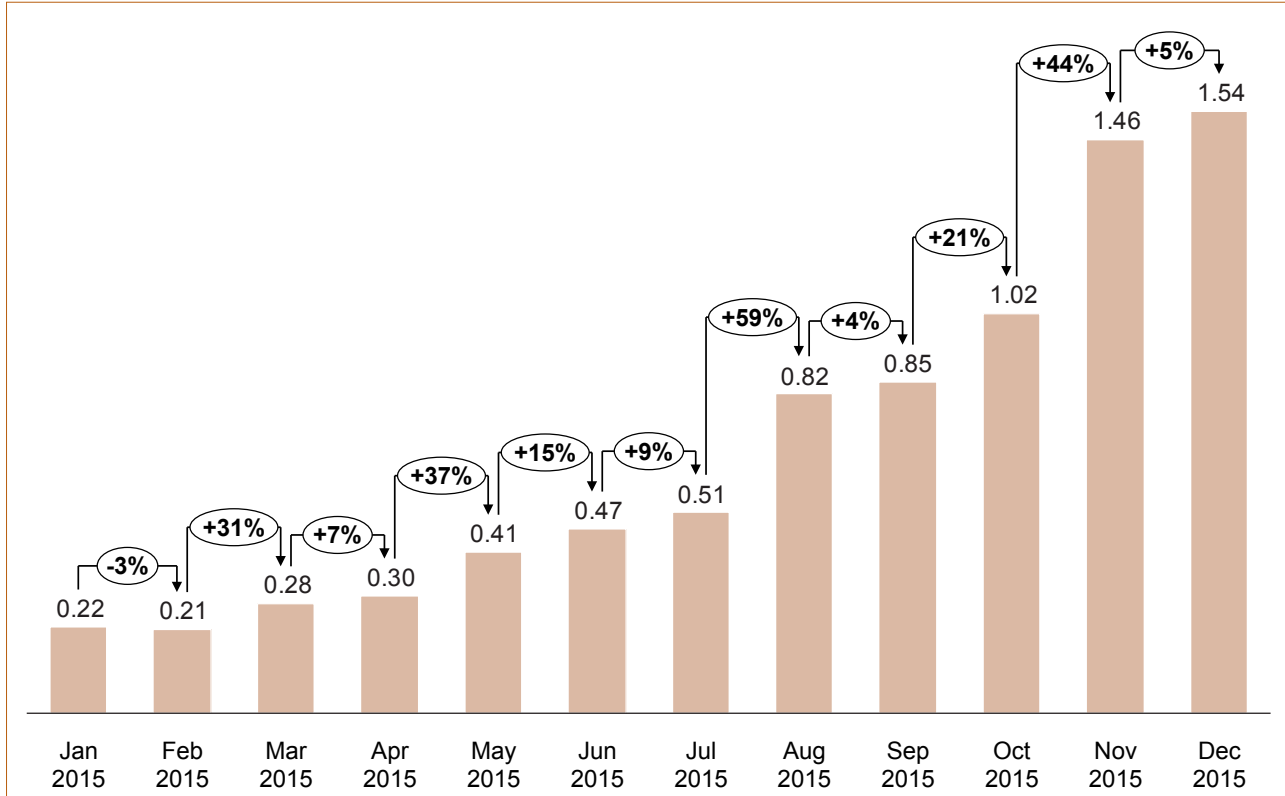




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# Execution on Digital Banking (Loan Outstanding Trend)

In Billions



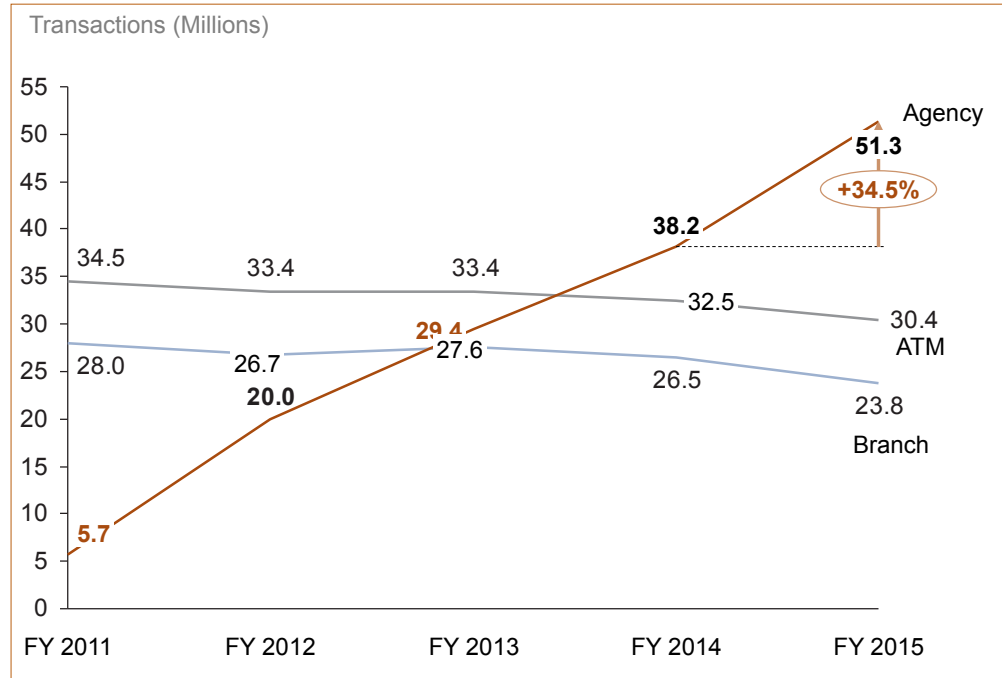


# Continuous Growth in Agency Banking

Focus on Variable cost model...

... More transactions now processed under 3<sup>rd</sup> party infrastructure saving on fixed costs

- Number of agents increased to **23,885 agents. 36% growth y/y**
- Agent transactions registered a **34.5% growth**
- More transactions now processed under 3rd party infrastructure

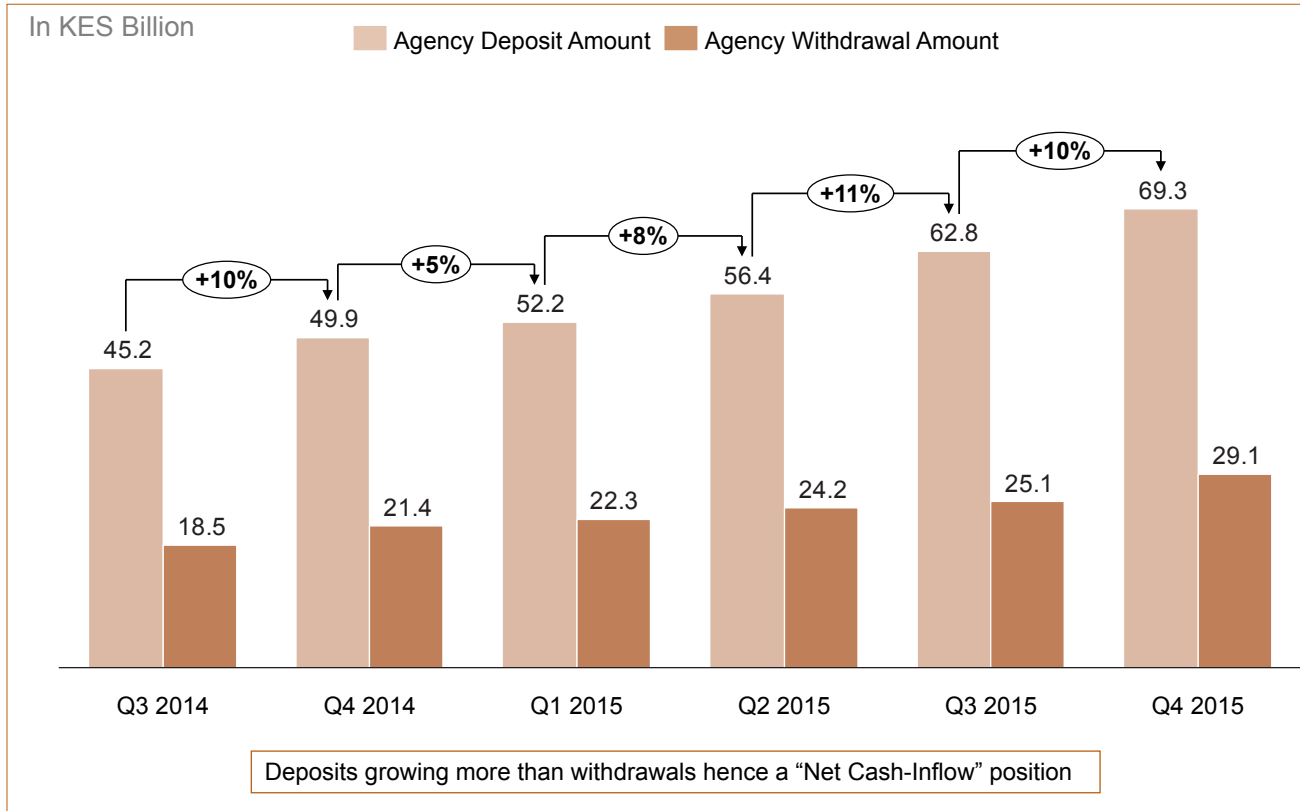


Cash related transactions



4

## Continuous Growth in Agency Deposits...





**SME Strategy**



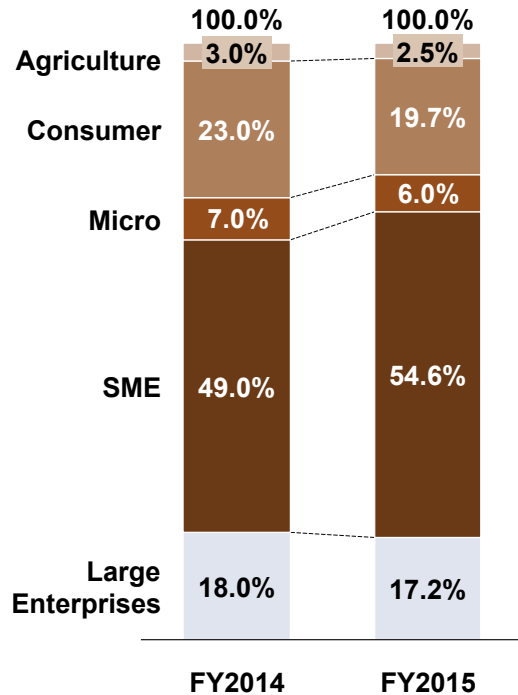




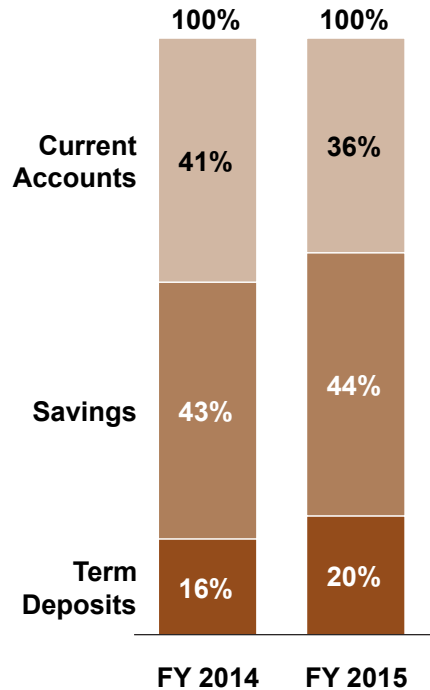
# SME contribution to the Loan Book and CASA



Loan book split by type



Deposit base split by type



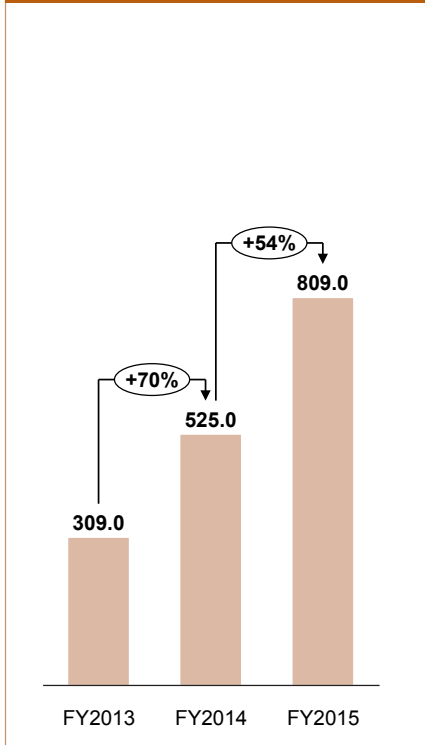


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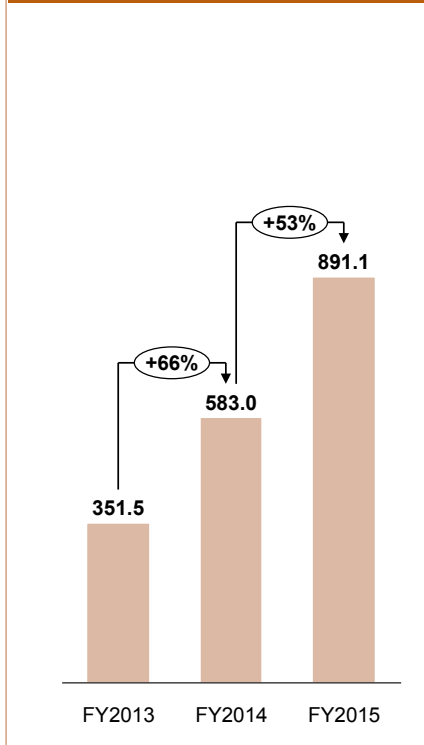
# SME Income Contribution

In KES million

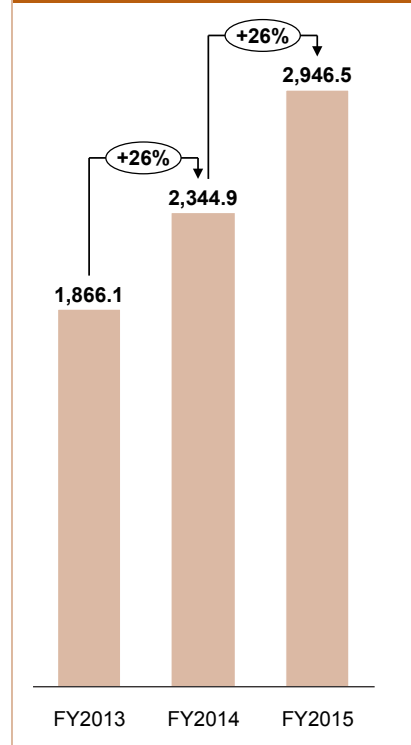
### Trade Finance Income Growth



### Merchant Income Growth



### FX Income Growth



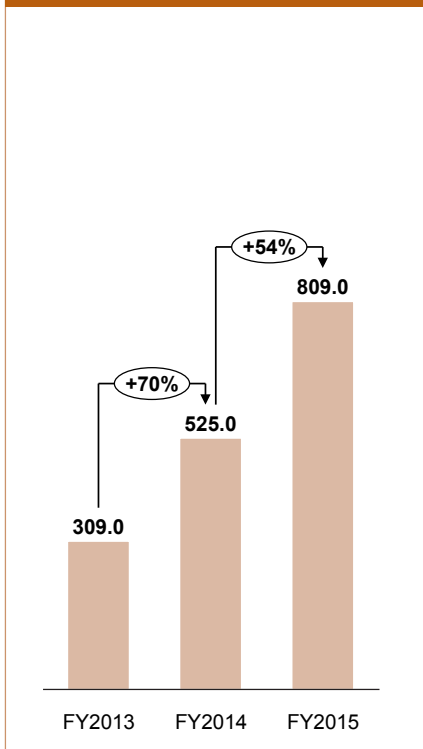


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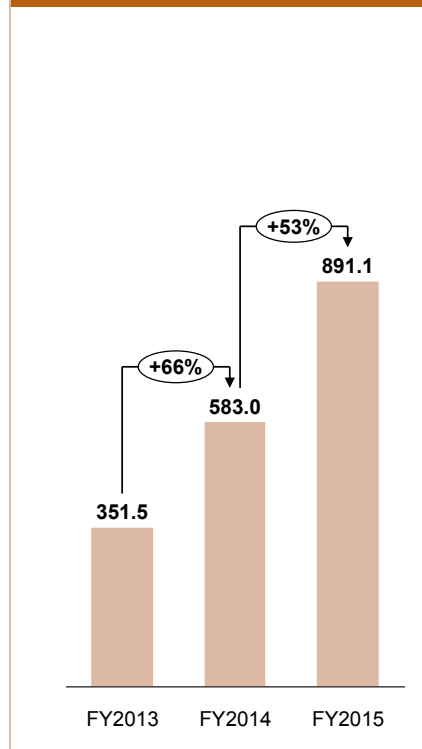
# SME Income Contribution

In KES million

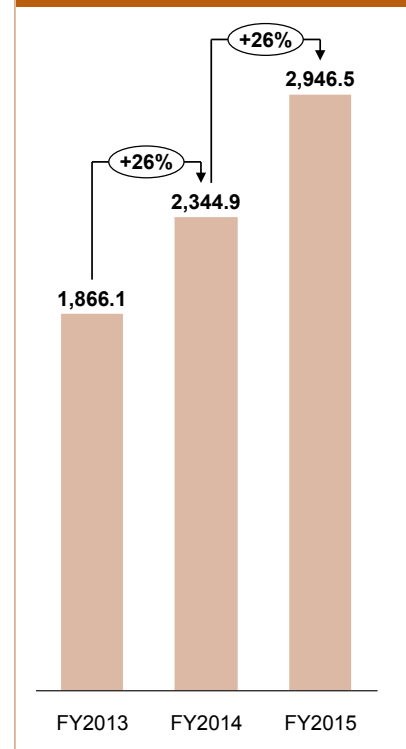
### Trade Finance Income Growth



### Merchant Income Growth



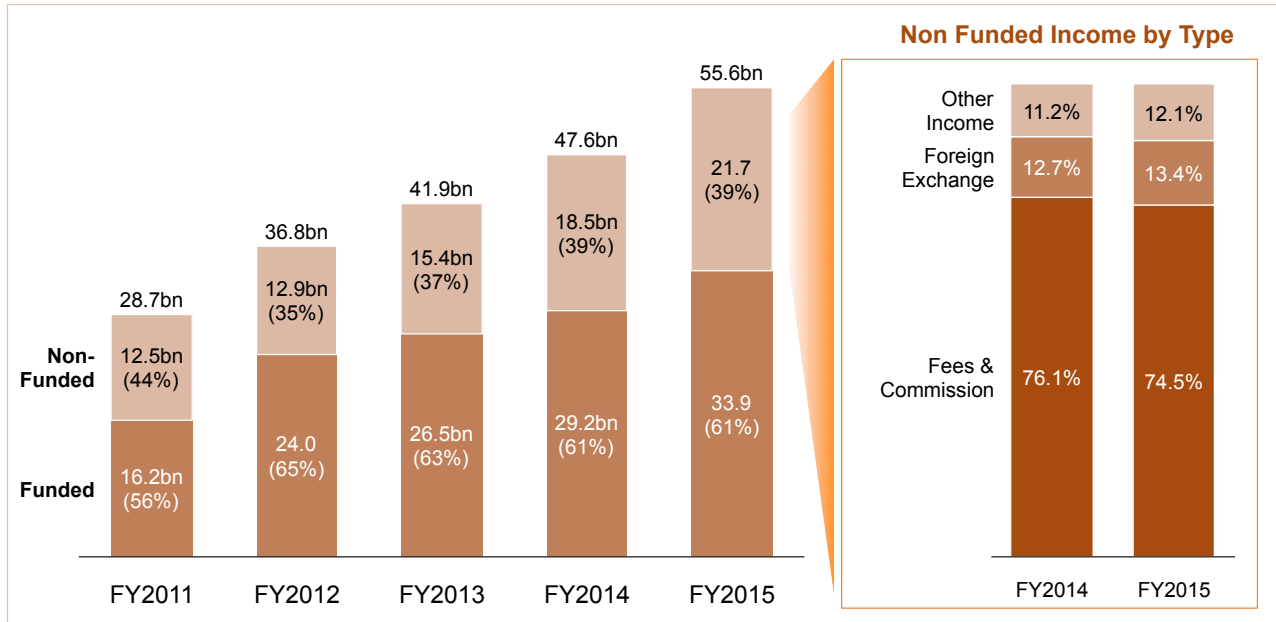
### FX Income Growth





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



### Highlights

- **Non Funded Income:** grew by 19% YoY
- **Funded Income:** Interest Income grew by 23% YoY due to growth in loan book and good NIM management; Interest expenses grew by 51% YoY due to increase in customer deposits and a volatile money market in Q4 2015



5

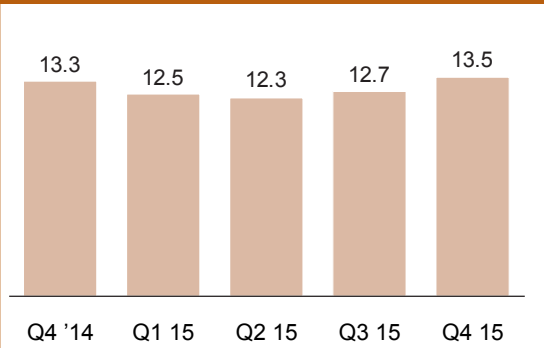
## Stable net interest margin



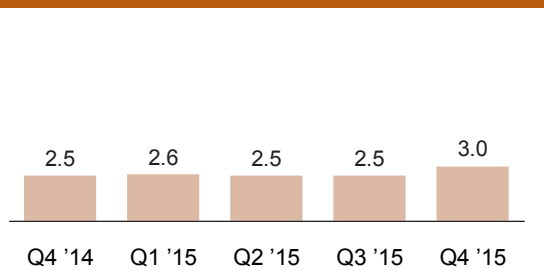
Percentage

Increase in interest yield to counter increasing cost of funds

Yield on interest Earning Assets

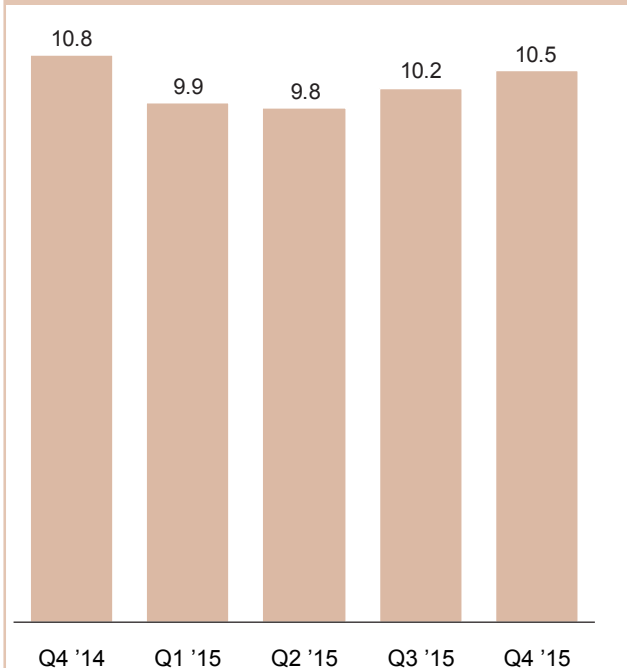


Cost of funds



Net Interest Margin increased between Q3 and Q4...

Net Interest Margin





**Merchant Business and Payments**





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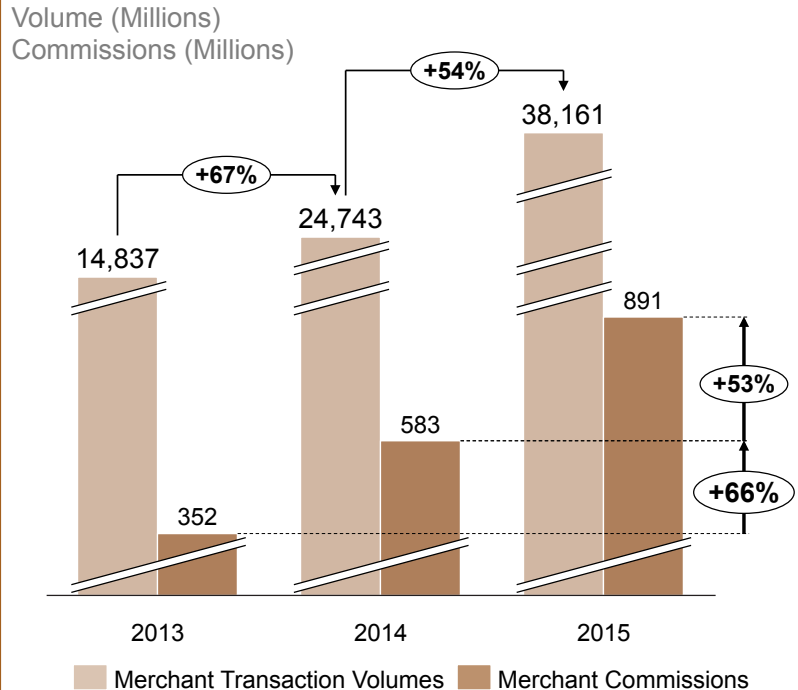
# We are building on our momentum in Payment Processing and Merchants...

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

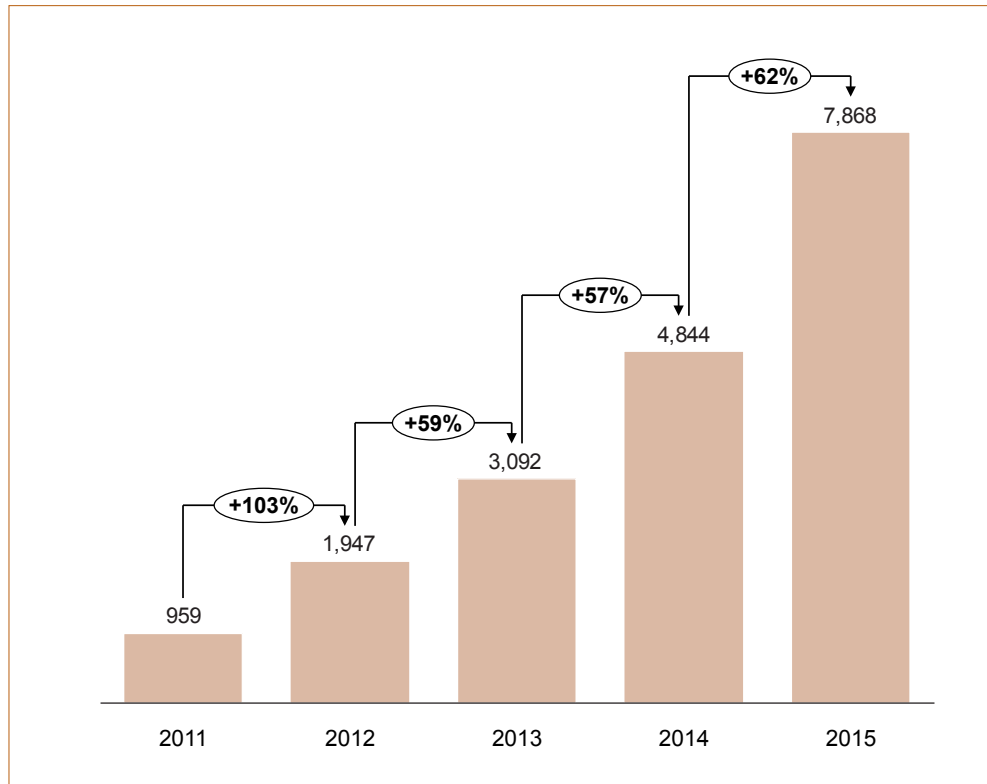




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## Growth in Merchant Outlets

Number of outlets







**Diaspora Remittances**





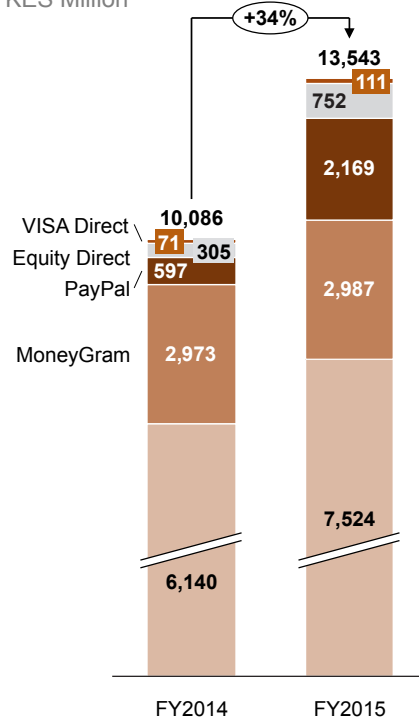
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# Diaspora Remittances

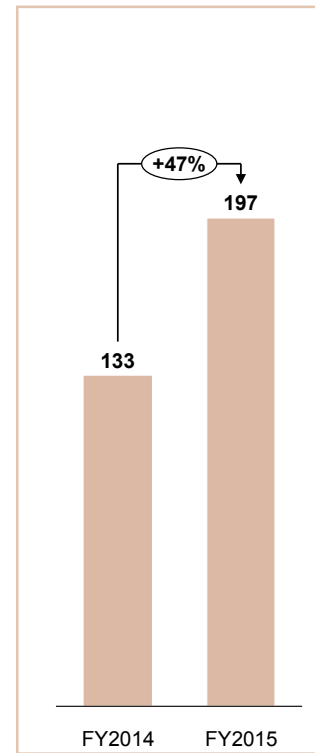


## Volume growth

In KES Million



## Commissions growth



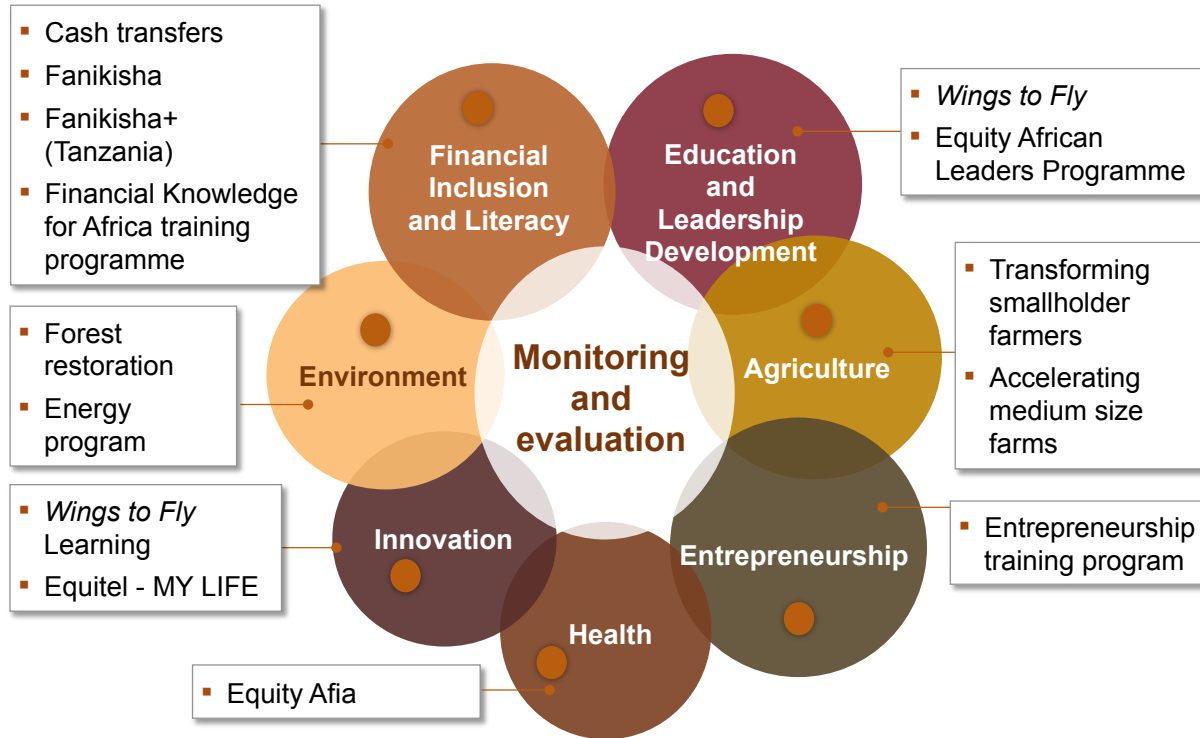


**Social Impact Investment**





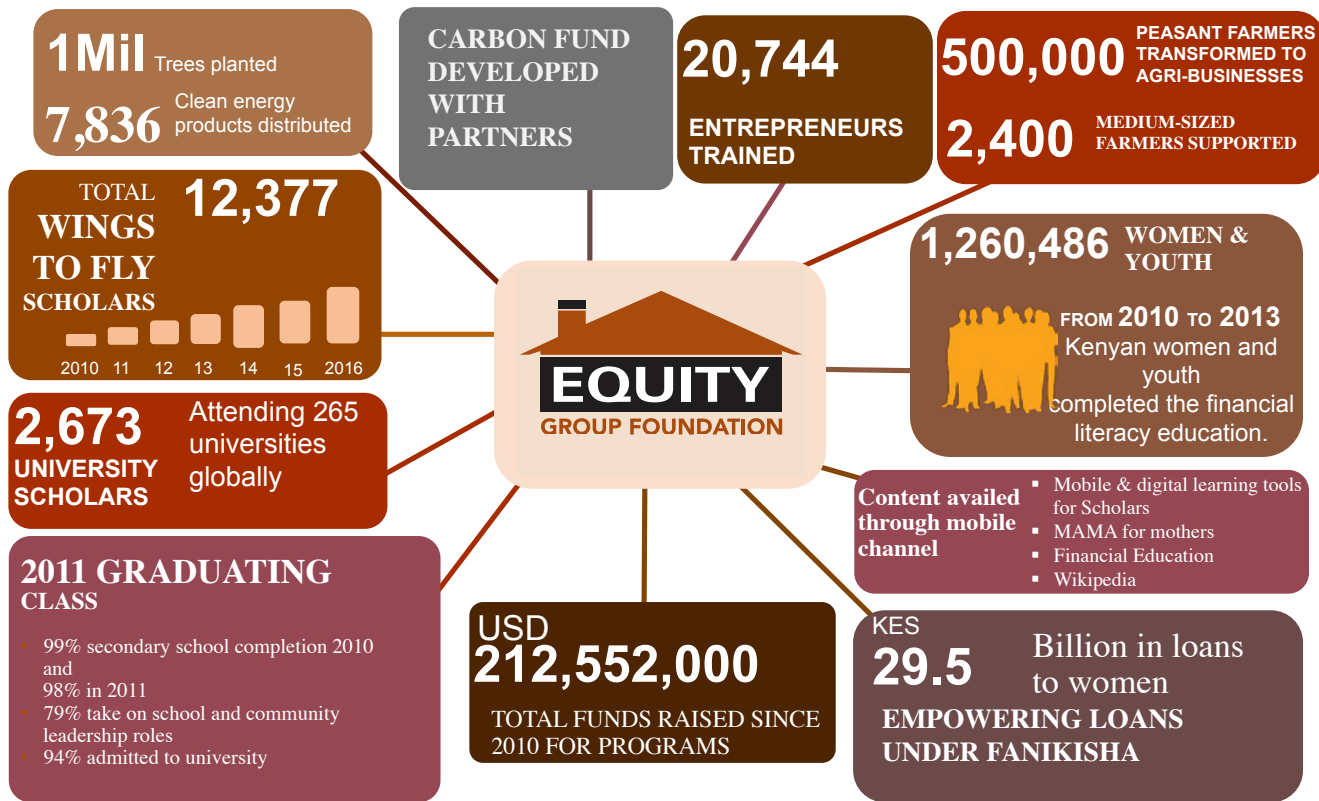
# 7 Programmatic Pillars





8

# Championing Social-Economic Revolution





## Qualitative Analysis





# Equity has earned recognition in 2015



## Equity's International Rankings

**The Banker**  
**TOP 1000**  
 WORLD BANKS 2015

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

## Equity's Global Credit Rating

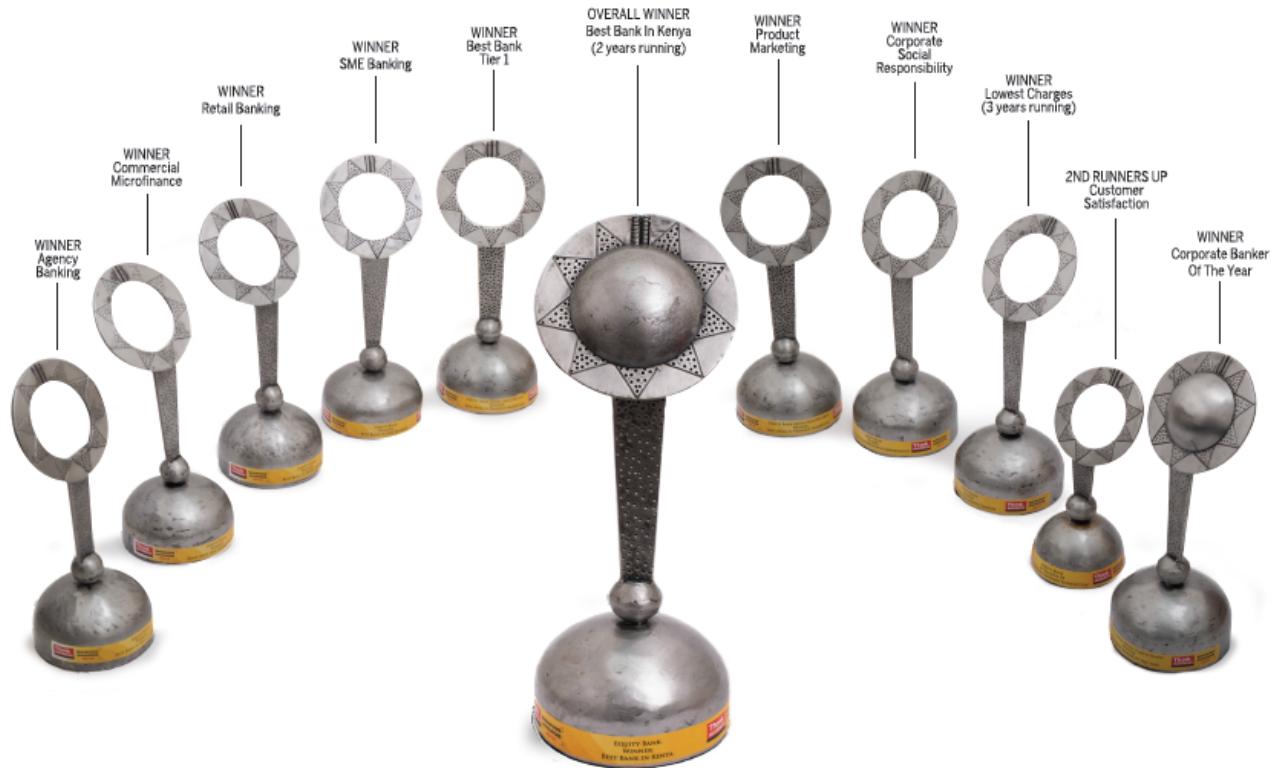


**GCR** GLOBAL CREDIT RATING CO.  
 Local Expertise • Global Presence

| Equity Bank Limited |              |         |                |
|---------------------|--------------|---------|----------------|
| Kenya Bank Analysis |              |         |                |
| Security Class      | Rating Scale | Rating  | Rating Outlook |
| Long term           | National     | AA-(KE) | Stable         |
| Short term          | National     | A1+(KE) |                |



# Equity has earned substantial accolades in 2015



2015 Think Business Banking Awards





# Equity has earned substantial accolades in 2015



## Most Innovative Bank 2015



## Best Mobile Payments Solution 2015





# Best Brand and Recognition for Transparency



2014 - Top Banking Brand in Kenya



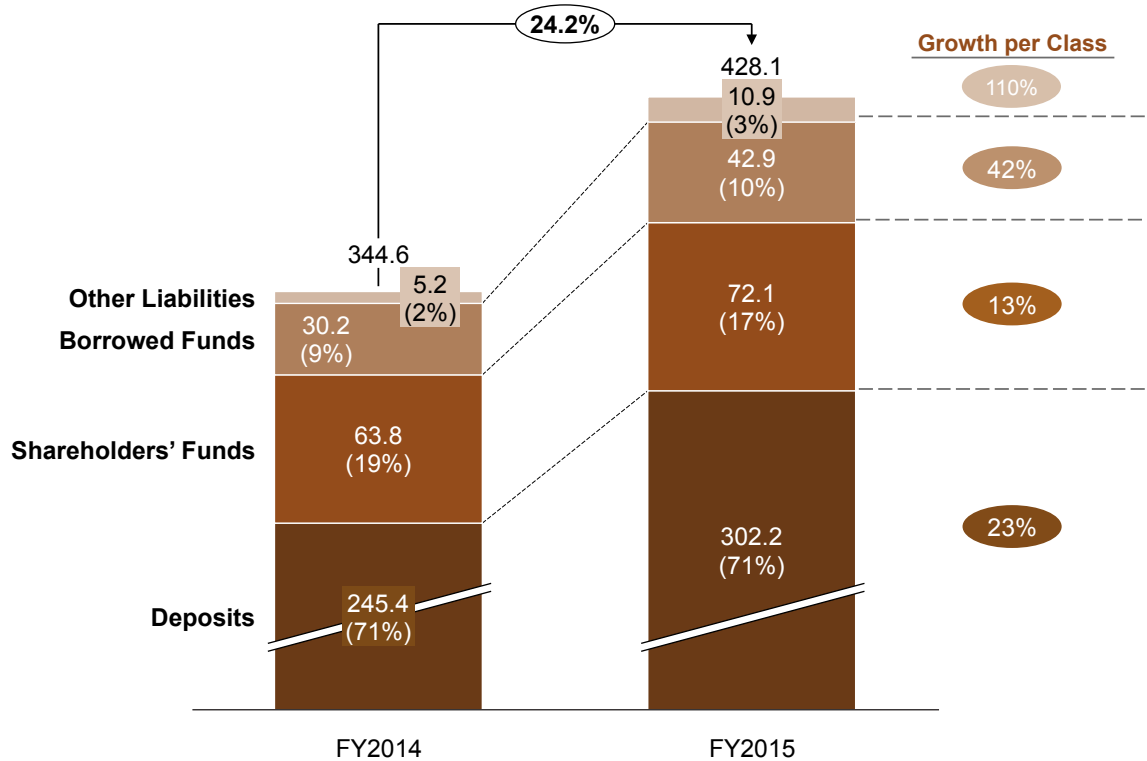
**Performance of Core Business (Intermediation)**



# Funding Base (Significant improvement in funding profile)

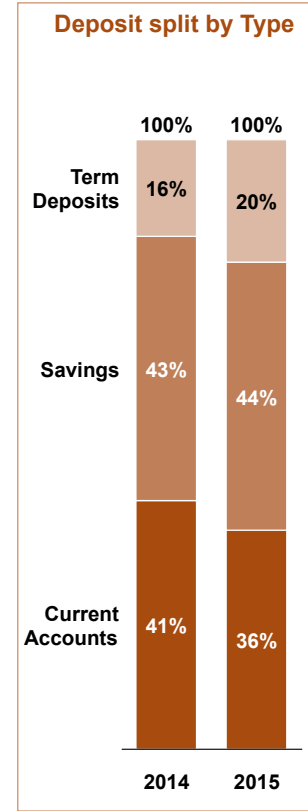
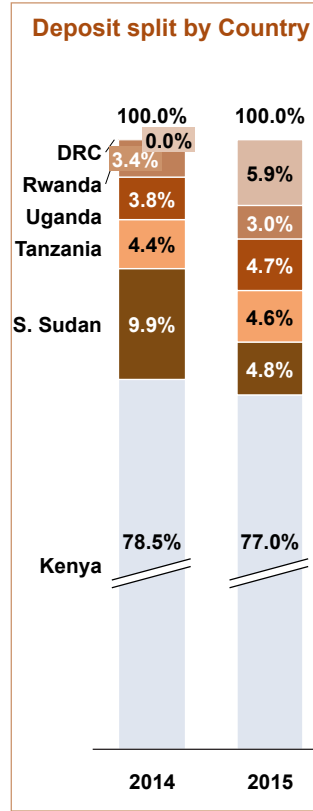
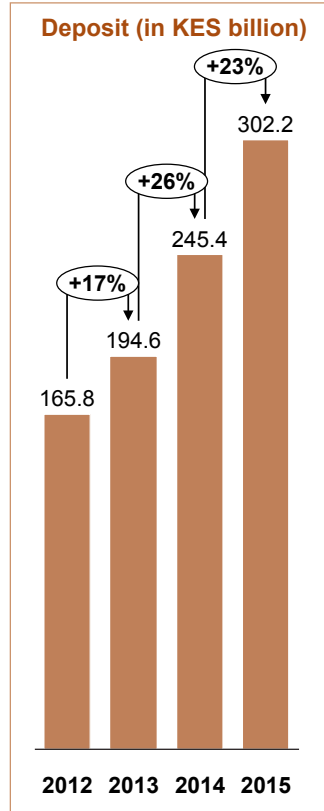
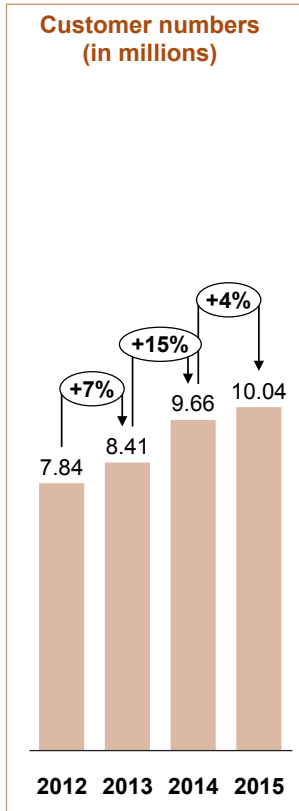
In KES "Billion"

24% growth in funding with deposits accounting for 71%



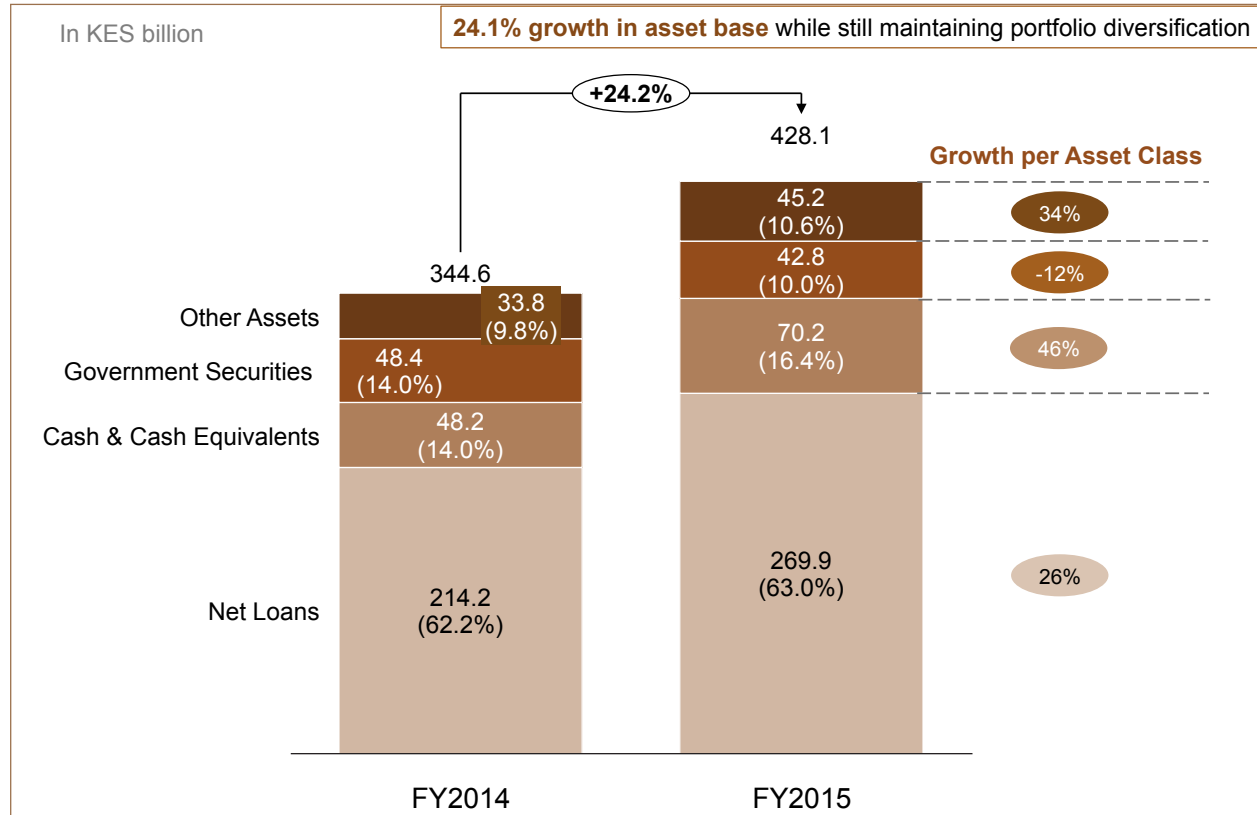


# Customer Deposits Growth



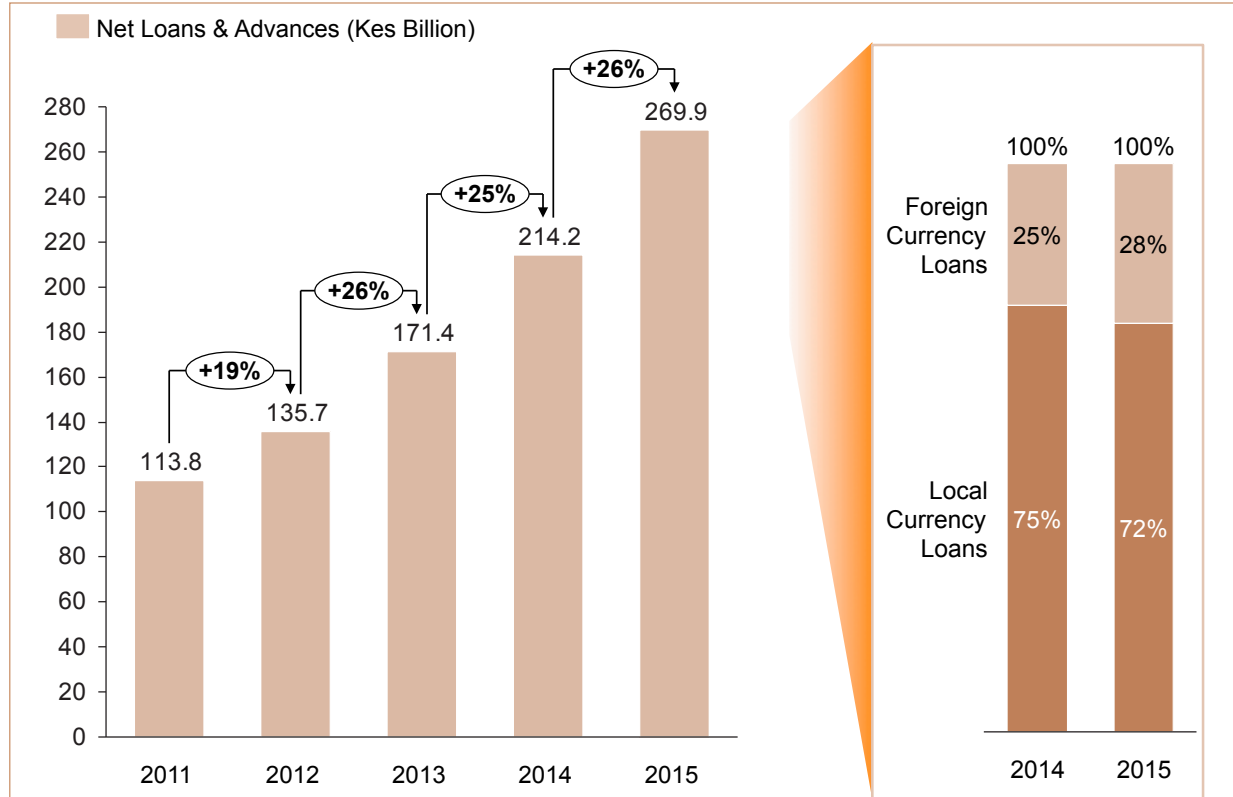


# Assets of KSH 428 Billion driven by stable Deposit base



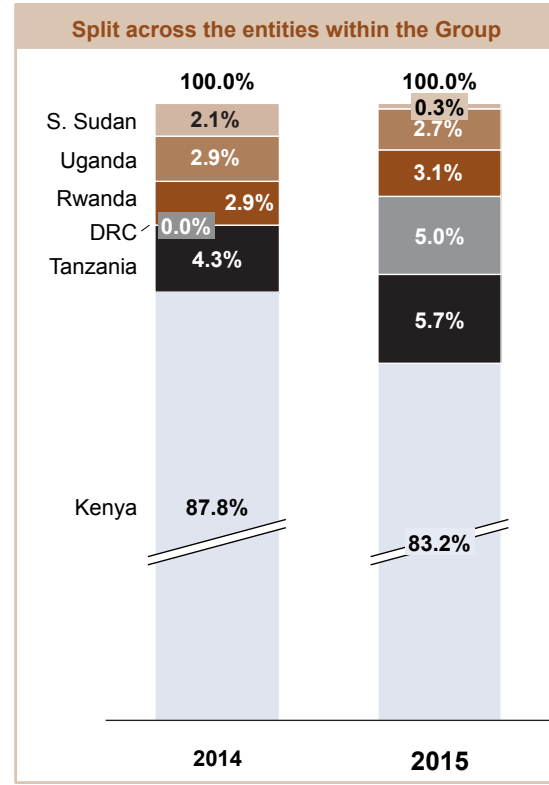
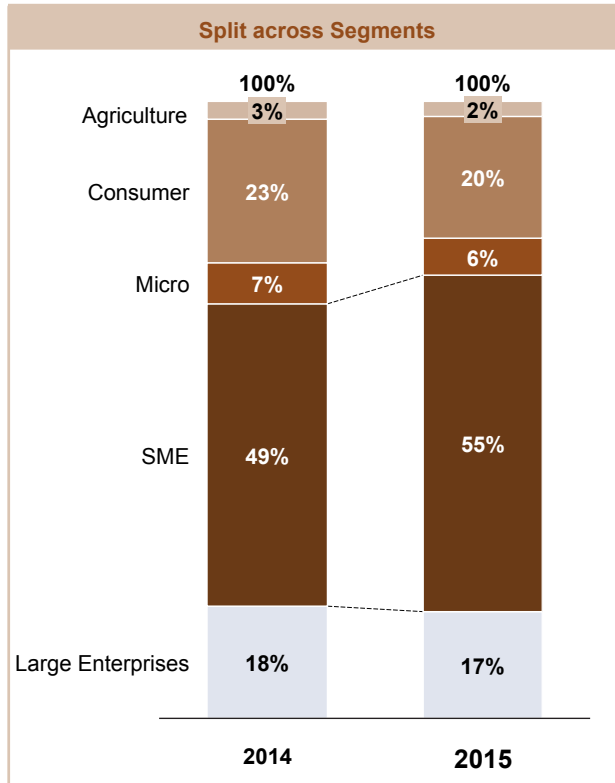


# Net Loans & Advances Trend





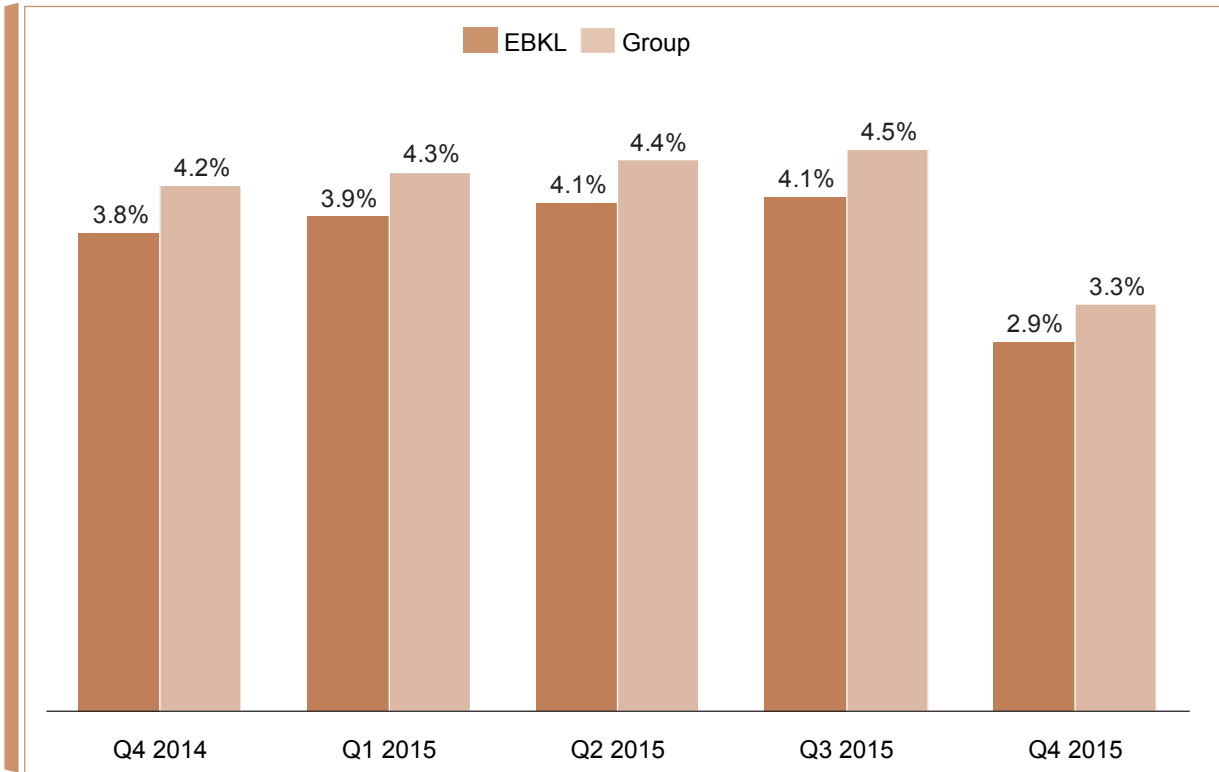
# Loan book by Segment and Entity





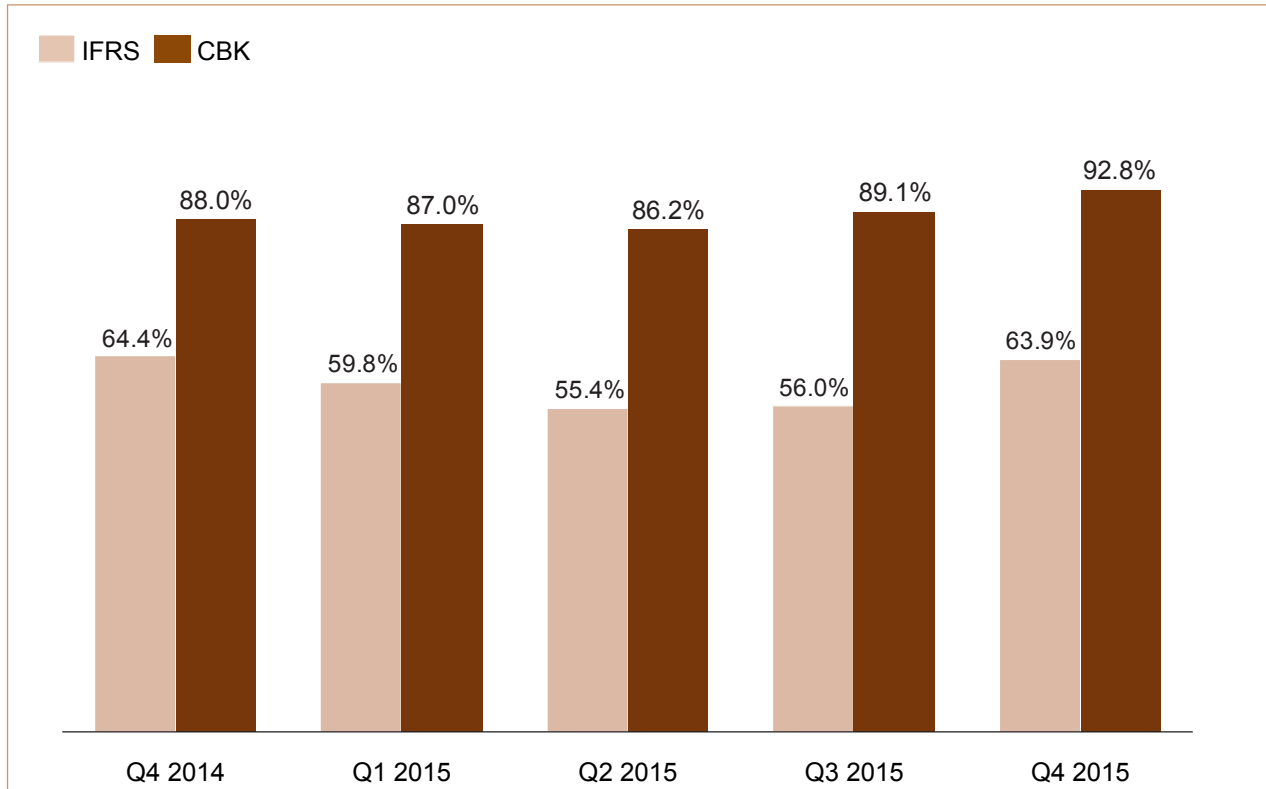


# Stable NPL Trend over time





# Non-Performing Loans: High Coverage Levels





**Financial Performance**

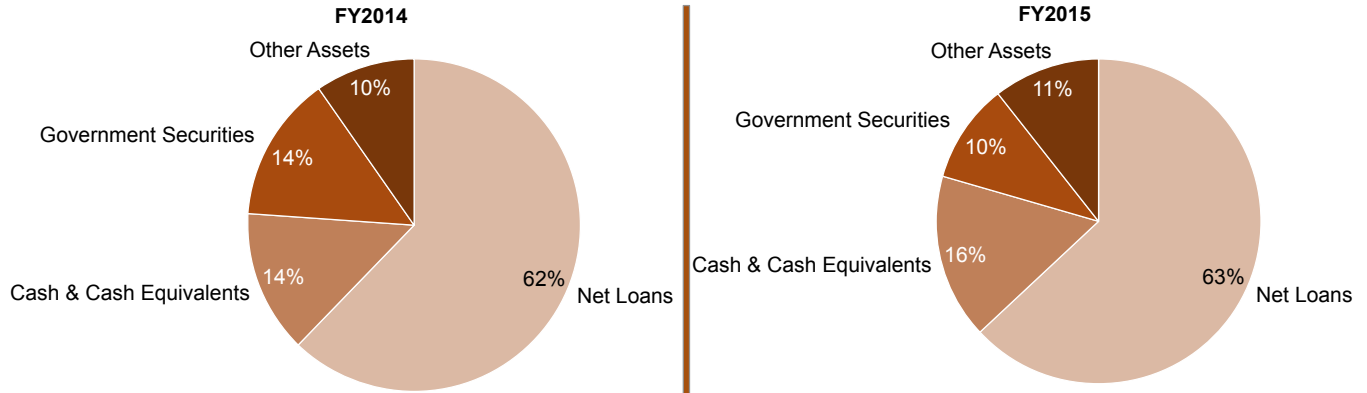


# Asset Portfolio & Distribution



|                                    | FY2014       | FY2015       | Growth Y/Y |
|------------------------------------|--------------|--------------|------------|
| Assets (bn)                        | KSH          | KSH          | %          |
| <b>Net Loans</b>                   | 214.2        | 269.9        | 26%        |
| <b>Cash &amp; Cash Equivalents</b> | 48.2         | 70.2         | 46%        |
| <b>Government Securities</b>       | 48.4         | 42.8         | (12)%      |
| <b>Other Assets</b>                | 33.8         | 45.2         | 34%        |
| <b>Total Assets</b>                | <b>344.6</b> | <b>428.1</b> | <b>24%</b> |

## Asset Distribution

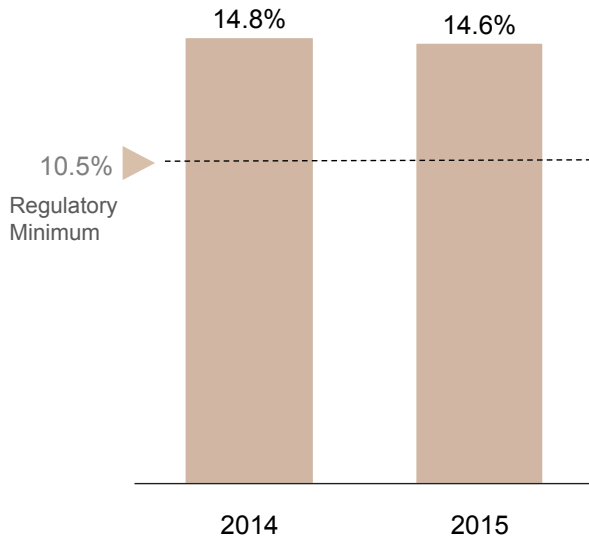




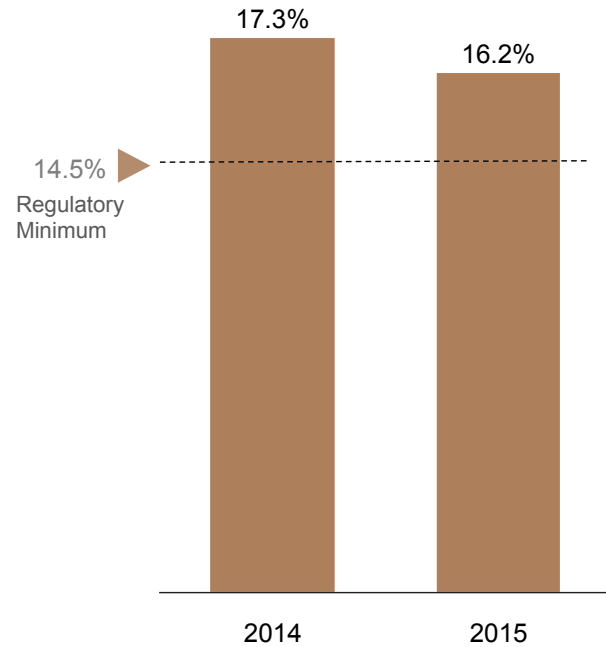
## Strong capital and liquidity position - EBKL



Core Capital to Risk Weighted Assets

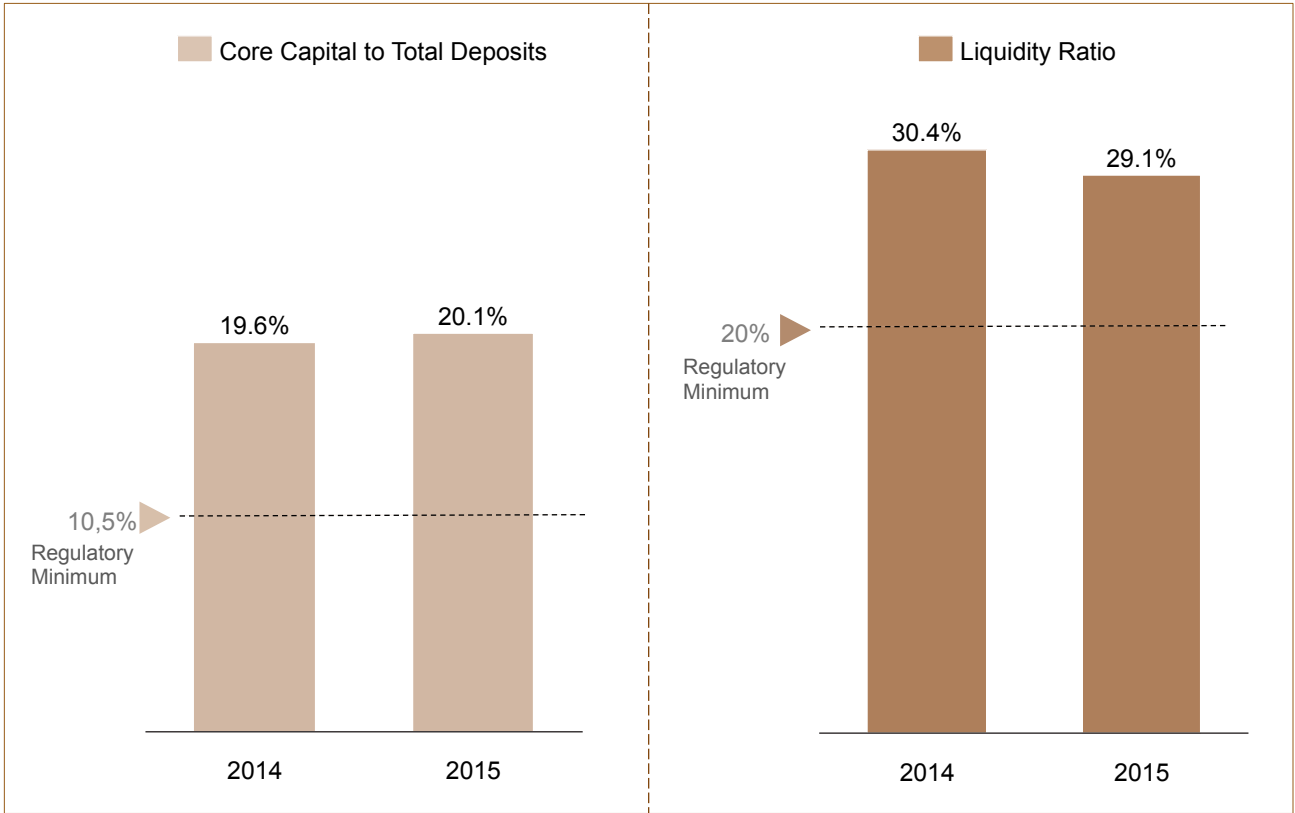


Total Capital to Risk Weighted Assets



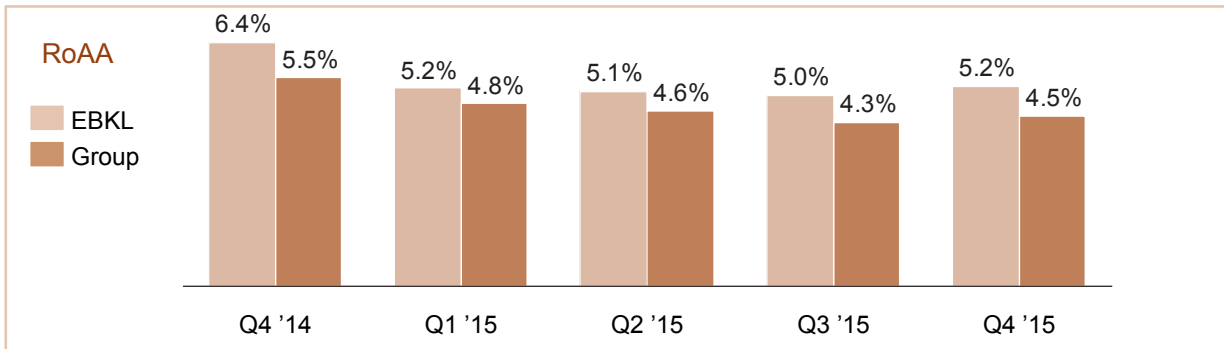
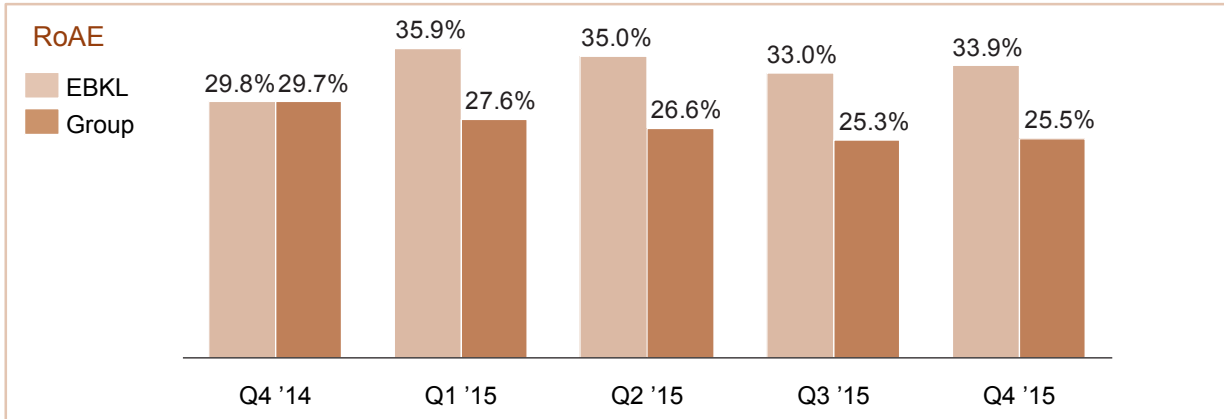


# Strong capital and liquidity position - EBKL





## Stable RoAA and RoAE overtime





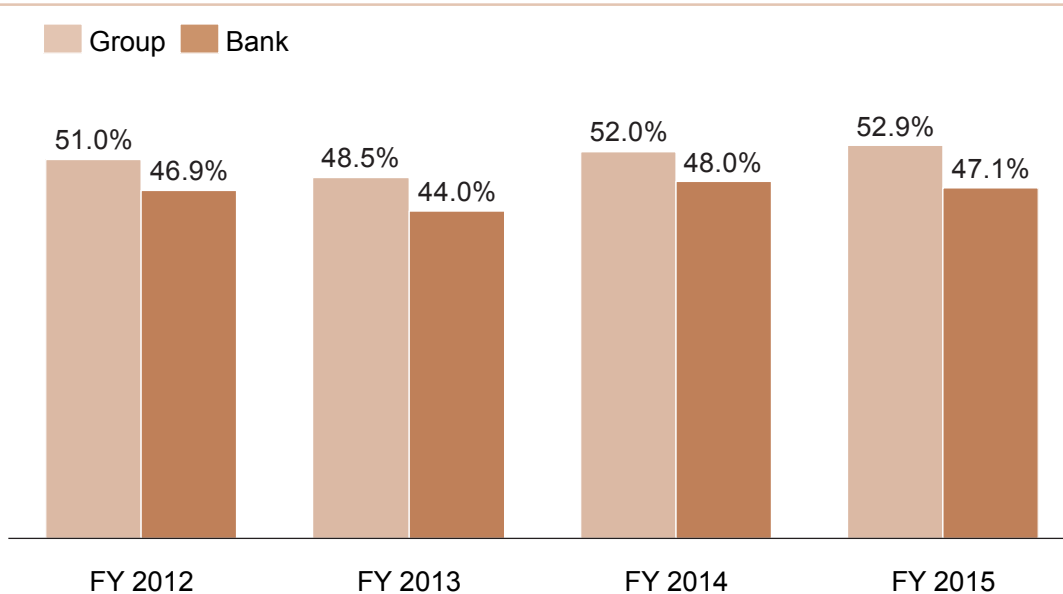
## Delivering 12% growth in PBT from recurring operations

| <i>KES (Billion)</i>                | <b>FY2014</b> | <b>FY2015</b> | <b>Growth</b> |
|-------------------------------------|---------------|---------------|---------------|
| <b>Interest Income</b>              | <b>35.4</b>   | <b>43.5</b>   | <b>23%</b>    |
| <b>Interest Expense</b>             | <b>(6.2)</b>  | <b>(9.3)</b>  | <b>51%</b>    |
| <b>Net Interest Income</b>          | <b>29.2</b>   | <b>34.1</b>   | <b>17%</b>    |
| <b>Non-Funded Income</b>            | <b>18.5</b>   | <b>21.9</b>   | <b>19%</b>    |
| <b>Total Income</b>                 | <b>47.6</b>   | <b>56.1</b>   | <b>18%</b>    |
| <b>Loan Loss Provision</b>          | <b>(1.6)</b>  | <b>(2.4)</b>  | <b>53%</b>    |
| <b>Staff Costs</b>                  | <b>(10.8)</b> | <b>(10.3)</b> | <b>(4)%</b>   |
| <b>Other Operating Expenses</b>     | <b>(14.0)</b> | <b>(19.4)</b> | <b>39%</b>    |
| <b>Total Costs</b>                  | <b>(26.3)</b> | <b>(32.1)</b> | <b>22%</b>    |
| <b>PBT</b>                          | <b>21.3</b>   | <b>24.0</b>   | <b>12%</b>    |
| <b>Exceptional items</b>            | <b>1.1</b>    | <b>-</b>      |               |
| <b>PBT after exceptional income</b> | <b>22.4</b>   | <b>24.0</b>   | <b>7%</b>     |
| <b>Tax</b>                          | <b>(5.2)</b>  | <b>(6.6)</b>  | <b>27%</b>    |
| <b>PAT</b>                          | <b>17.2</b>   | <b>17.3</b>   | <b>1%</b>     |
| <b>Dividend</b>                     | <b>6.7</b>    | <b>7.5</b>    | <b>13%</b>    |
| <b>Dividend per share</b>           | <b>1.8</b>    | <b>2.0</b>    | <b>11%</b>    |
| <b>Dividend yield</b>               | <b>3.6%</b>   | <b>5.0%</b>   |               |





## Cost to Income Ratio Trend



- **Total Operating Income** up **18%** y/y .The growth is mainly attributed to increased diversification of income streams
- **Operating expenses** up **22%** y/y



## Positive Financial Ratios

|   | Kenya  | Kenya  | Group  | Group  |
|---|--------|--------|--------|--------|
|   | FY2014 | FY2015 | FY2014 | FY2015 |
| <b>Profitability</b>                            |        |        |        |        |
| <b>NIM</b>                                      | 11.9%  | 11.4%  | 10.8%  | 10.5%  |
| <b>Cost to Income Ratio (with provisions)</b>   | 50%    | 50%    | 55%    | 57%    |
| <b>Cost to Income Ratio (without provision)</b> | 48%    | 47%    | 52%    | 53%    |
| <b>RoAE</b>                                     | 29.8%  | 37.1%  | 29.7%  | 25.5%  |
| <b>RoAA</b>                                     | 6.4%   | 5.2%   | 5.5%   | 4.5%   |
| <b>Asset Quality</b>                            |        |        |        |        |
| <b>Cost of Risk</b>                             | 0.68%  | 0.62%  | 0.83%  | 1.01%  |
| <b>Liquidity / Leverage</b>                     |        |        |        |        |
| <b>Loan / Deposit Ratio</b>                     | 93%    | 95%    | 87%    | 89%    |
| <b>Capital Adequacy Ratios</b>                  |        |        |        |        |
| <b>Core Capital to Risk Weighted Assets</b>     | 14.8%  | 14.6%  | 18.6%  | 17.9%  |
| <b>Total Capital to Risk Weighted Assets</b>    | 17.3%  | 16.2%  | 20.9%  | 19.2%  |
| <b>Core Capital to Deposits Ratio</b>           | 19.6%  | 20.1%  | 22.9%  | 22.1%  |



# Appendix



## South Sudan – Devaluation Impact

KES “Billion”

|  | Sep-15      | Dec-15      | % Change    |
|--|-------------|-------------|-------------|
| Cash & Cash Equivalents                  | 37.1        | 16.3        | -56%        |
| Investment Securities                    | 11.3        | 2.0         | -82%        |
| Loans                                    | 3.4         | 0.7         | -81%        |
| Other Assets                             | 2.4         | 0.5         | -80%        |
| <b>Total Assets</b>                      | <b>54.2</b> | <b>19.4</b> | <b>-64%</b> |
| Deposits                                 | 44.0        | 14.9        | -66%        |
| Borrowed Funds                           | 1.6         | 2.4         | 52%         |
| Other Liabilities                        | 3.7         | 1.4         | -64%        |
| S/h Funds                                | 5.0         | 0.9         | -82%        |
| <b>Total Liabilities &amp; S/H Funds</b> | <b>54.2</b> | <b>19.4</b> | <b>-64%</b> |

# Notes

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# 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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