


EQUITY
Group Holdings Limited


**Investor Briefing &
H1 2016 Performance**

August 2016




Presentation Outline

1. Macro-economic overview
2. Governance & leadership structure
3. Regional expansion and diversification
4. Innovation & digital banking
5. SME strategy
6. Qualitative analysis
7. Social Impact
8. Performance of core business (intermediation)
9. Financial performance



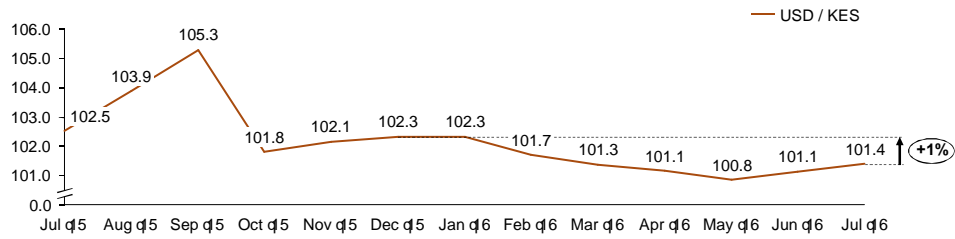
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1. **Macro-economic overview**
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1 Foreign Exchange Rate - Kenya

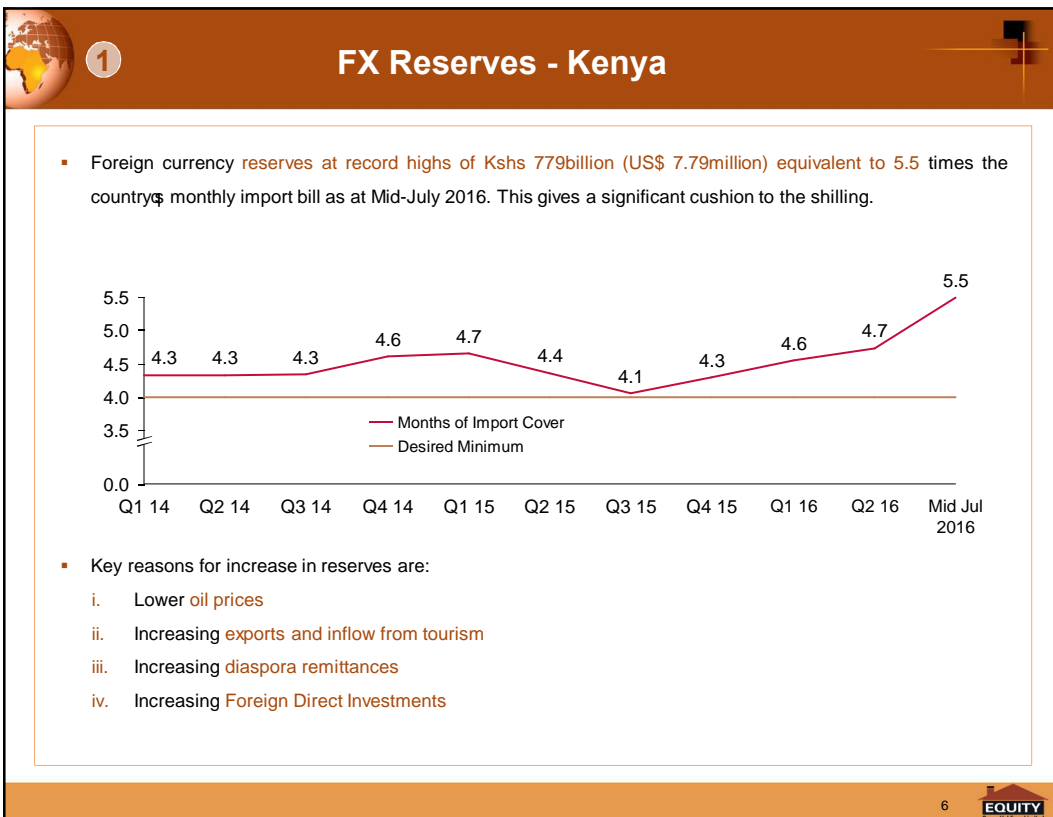
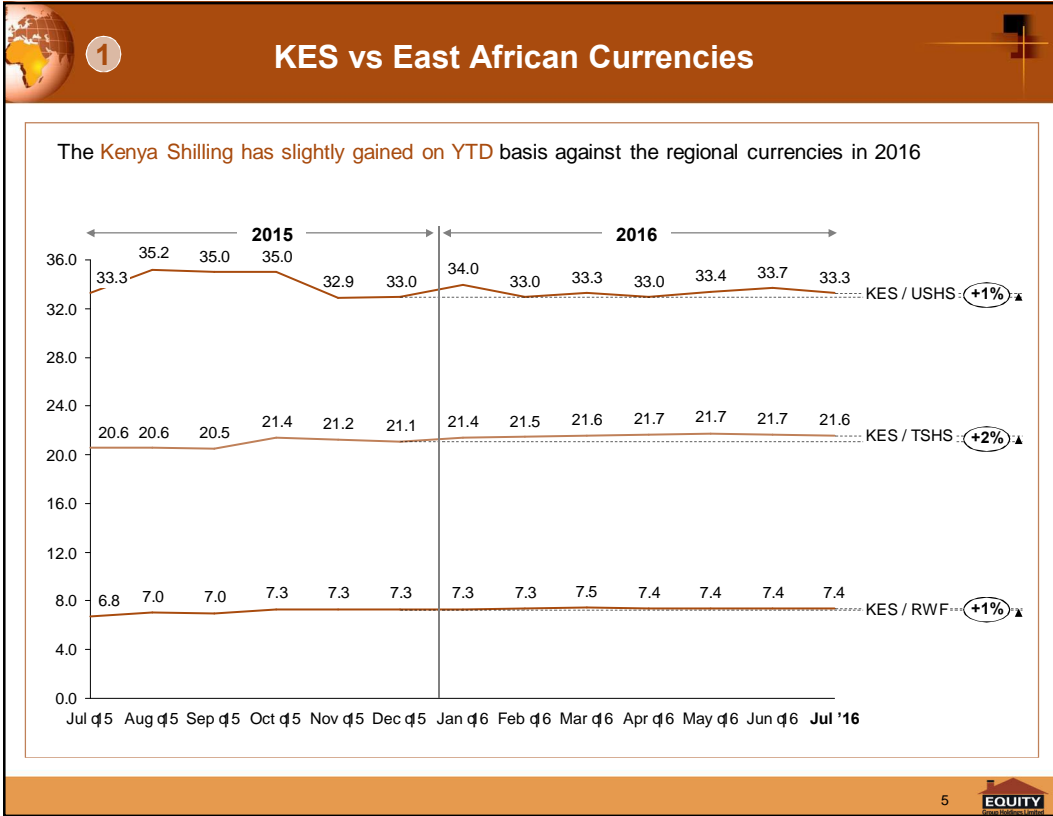
- The Kenya Shilling has appreciated by 1.0% on a YTD basis against the USD

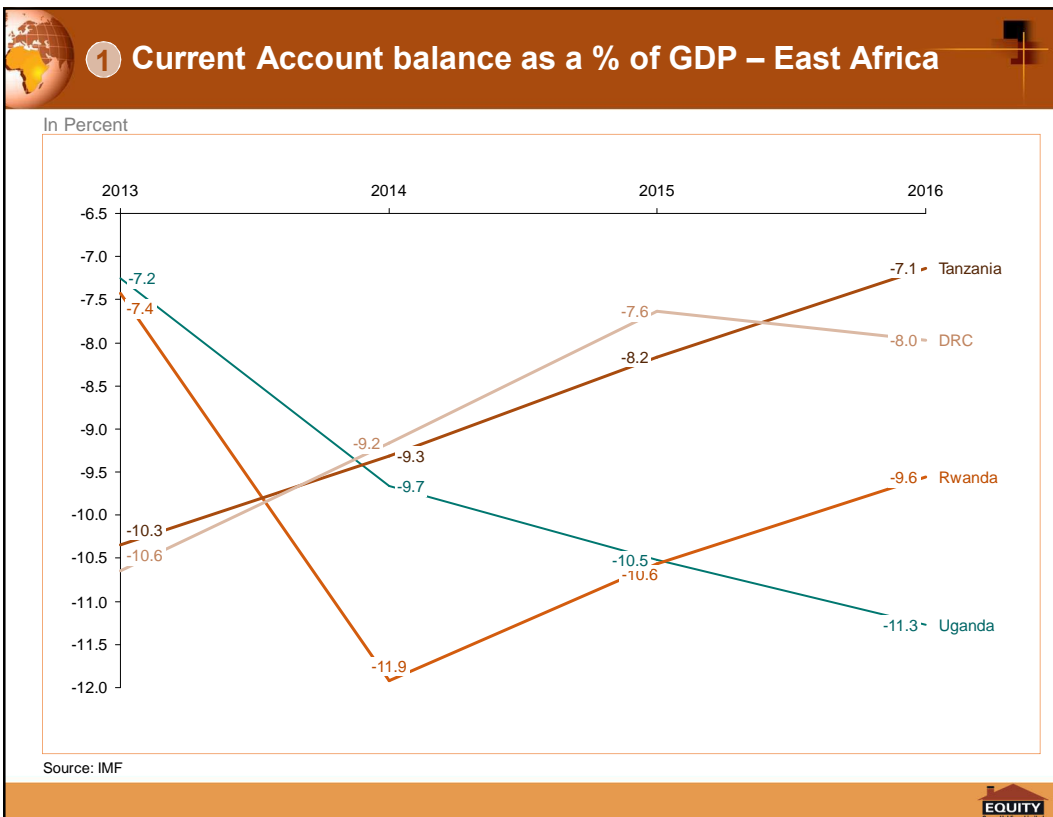
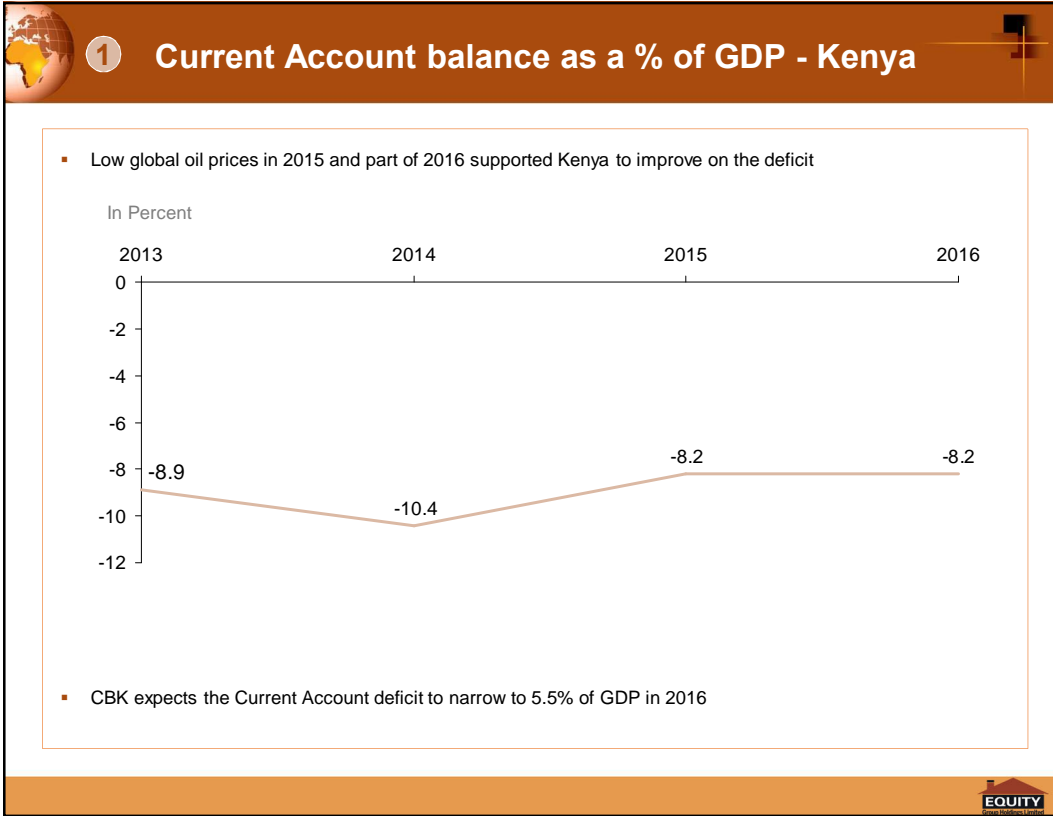


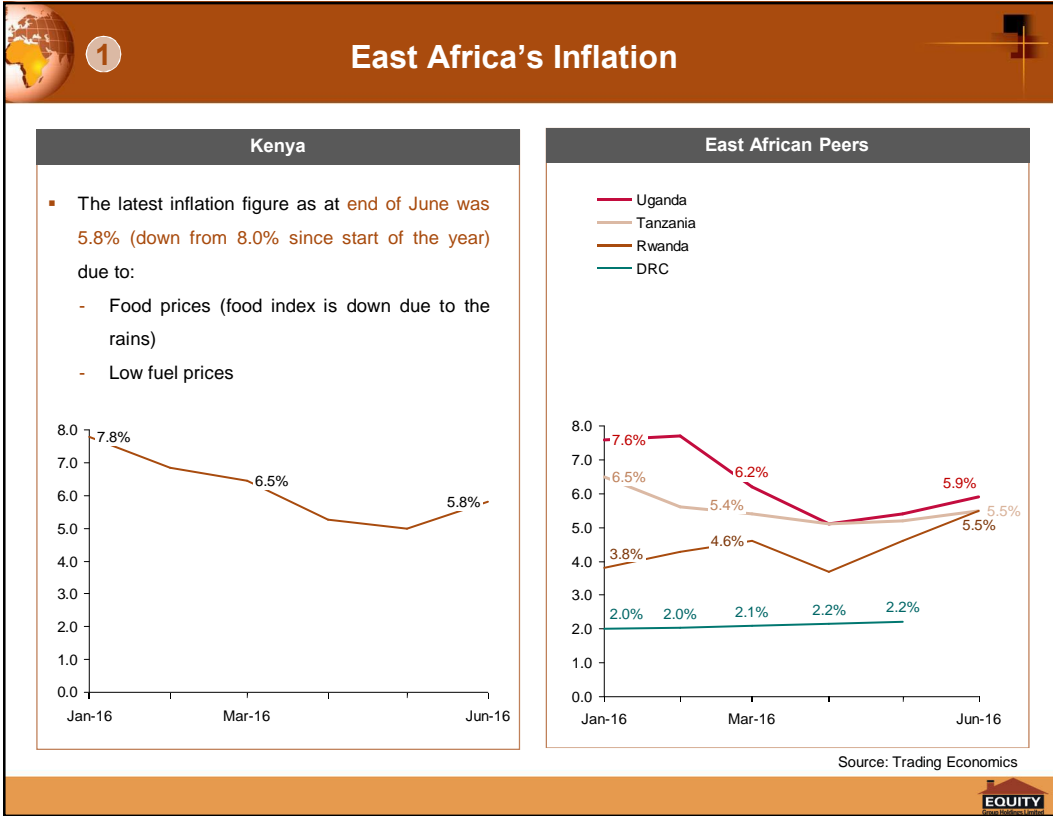
Month	USD / KES
Jul 15	102.5
Aug 15	103.9
Sep 15	105.3
Oct 15	101.8
Nov 15	102.1
Dec 15	102.3
Jan 16	102.3
Feb 16	101.7
Mar 16	101.3
Apr 16	101.1
May 16	100.8
Jun 16	101.1
Jul 16	101.4 (+1%)

- Stability in the foreign exchange market continues to be supported by improved forex reserves currently at USD 7.8 billion (equivalent to 5.5 months of import cover) as at mid July 2016 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.
- The slowdown in credit growth, amplified by the rise in lending rates in Q3-2015, also supported a stronger KES against the USD, as there was less borrowing to finance imports.









1 Interest Rates - Kenya

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

	2015				2016						
	Sep-Oct Peak	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Interbank rate	25.84%	14.87%	8.77%	5.19%	6.13%	4.51%	4.09%	3.88%	3.80%	4.48%	5.70%
91 Days T. Bill	21.35%	22.13%	9.21%	10.41%	11.76%	9.32%	8.41%	8.77%	7.71%	7.06%	7.92%
182 Days T. Bill	21.61%	22.29%	10.09%	12.34%	14.18%	11.93%	10.66%	10.69%	10.00%	9.24%	10.21%
364 Days T. Bill	21.50%	22.36%	11.93%	12.75%	14.92%	13.25%	11.91%	11.80%	11.29%	10.74%	11.03%

Source: Central Bank of Kenya

- CBR Rate remains at 10.5%
- In July 2016 the MPC reviewed KBRR downwards by one percentage point to 8.90% down from 9.87%

1 Interest Rates – East Africa

Uganda	2015				2016						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Interbank rate	13.40%	12.93%	12.87%	14.06%	12.98%	12.46%	11.53%	12.42%	12.84%	14.16%	13.91%
91 Days T. Bill	16.68%	18.75%	18.33%	17.60%	18.22%	18.70%	15.07%	13.69%	13.54%	13.88%	14.33%
182 Days T. Bill	17.69%	19.64%	19.50%	19.55%	19.79%	20.05%	16.65%	14.13%	14.30%	14.77%	14.38%
364 Days T. Bill	17.66%	19.11%	18.33%	18.54%	19.74%	19.15%	14.44%	13.64%	13.91%	14.92%	14.81%

Source: Bank of Uganda

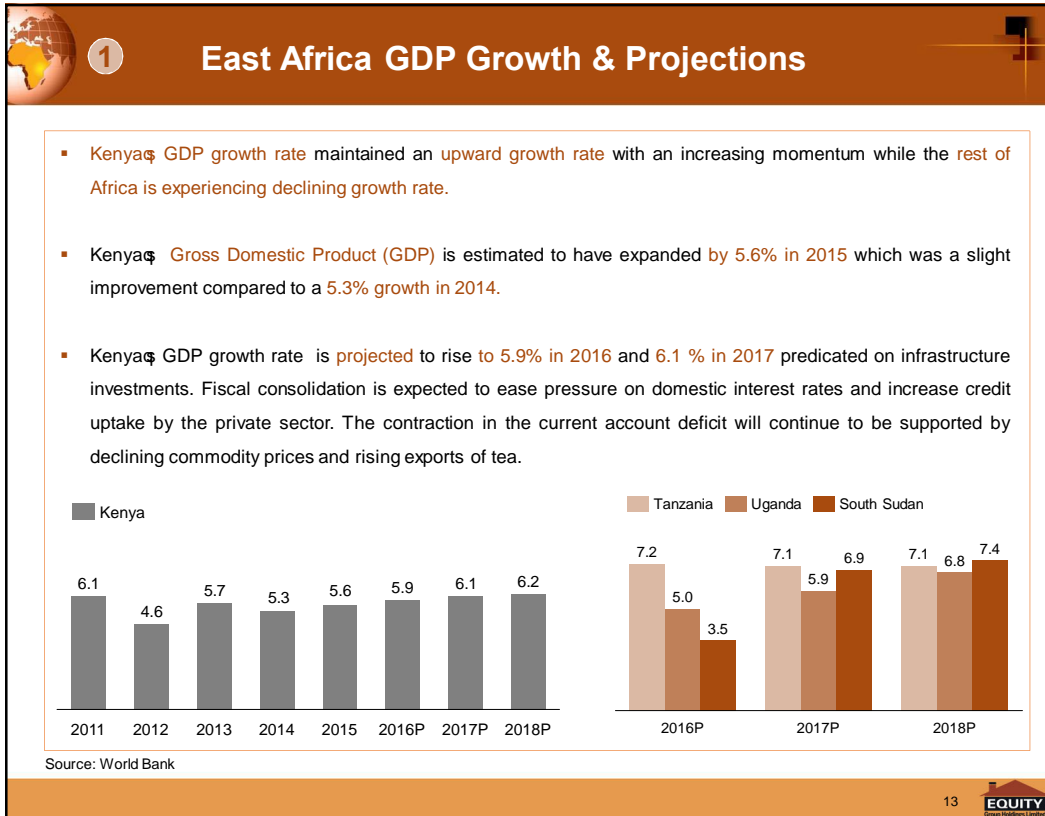
Rwanda	2015				2016						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
Interbank rate	3.67%	3.45%	3.45%	3.73%	4.93%	4.80%	5.18%	5.60%	5.92%	5.93%	5.93%
91 Days T. Bill	3.68%	4.17%	4.16%	4.66%	9.98%	5.89%	5.78%	5.81%	6.05%	6.17%	6.38%
182 Days T. Bill	4.47%	4.80%	5.51%	5.37%	6.18%	6.25%	6.13%	6.23%	6.27%	6.56%	6.75%
364 Days T. Bill	6.40%	6.52%	6.72%	8.10%	8.21%	8.46%	8.32%	8.37%	8.57%	8.85%	8.99%

Source: National Bank of Rwanda

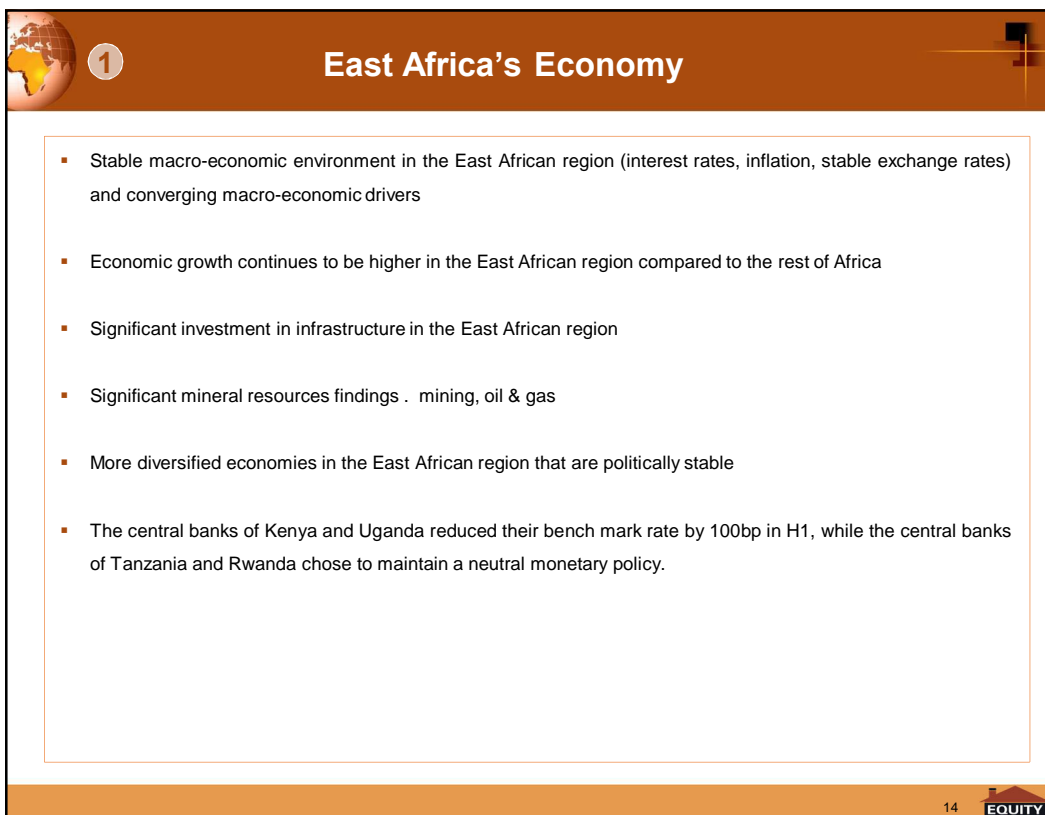
1 Interest Rates – East Africa

Tanzania	2015			2016				
	Sep	Oct	Dec	Jan	Feb	Mar	Apr	May
Interbank rate	6.62%	12.40%	7.29%	12.02%	13.31%	10.39%	11.17%	12.32%
91 Days T. Bill	8.28%	9.49%	9.28%	9.02%	8.78%	8.59%	8.15%	7.98%
182 Days T. Bill	13.77%	17.75%	17.15%	17.67%	17.79%	17.08%	15.78%	14.86%
364 Days T. Bill	14.45%	15.49%	18.72%	18.81%	18.96%	17.83%	16.62%	15.50%

Source: Bank of Tanzania




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Head Winds

- The ramifications of **Brexit**
- The sluggish and declining growth rates of **China**
- The politics and **elections in 2017 in Kenya**, the uncertainty of the **Peace Settlement in South Sudan**, and the **impending elections in DRC**
- The **challenges in the financial sectors** reflected by the failure of 3 institutions over the last year
- Threat from **interest rate capping**


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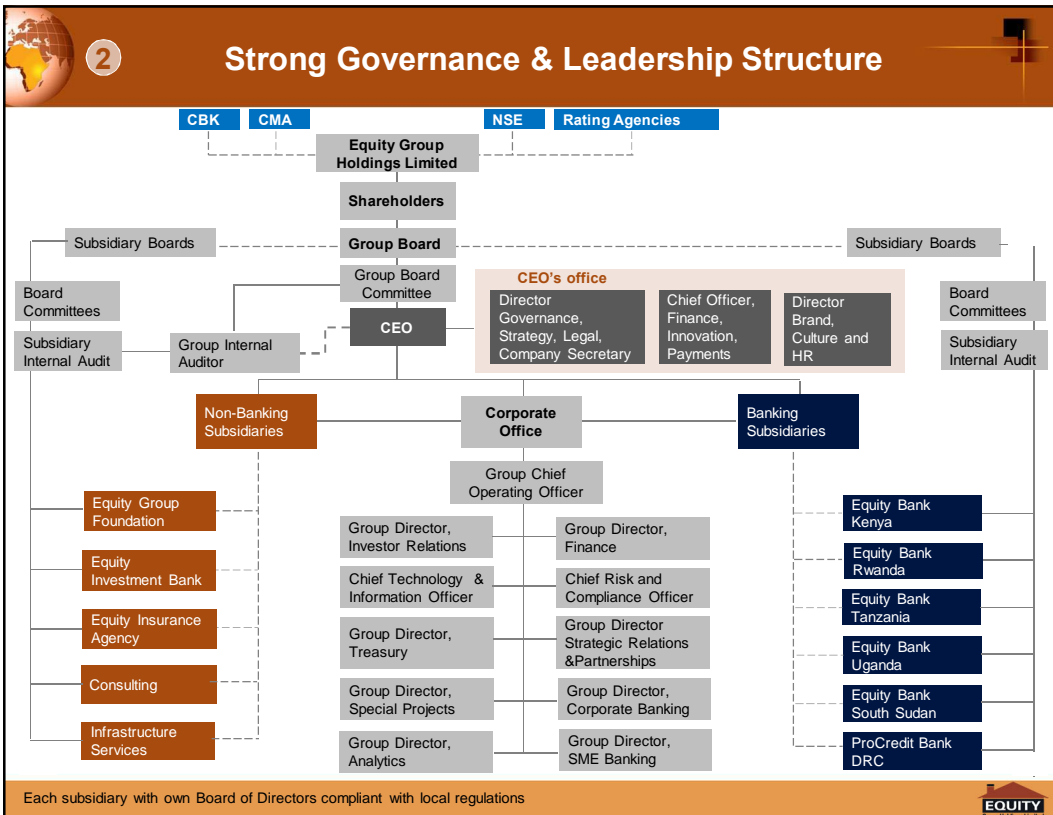
H2 2016 Strategic Priorities


- Increased focus on **Innovation and Digitization**
- Strengthening focus on **SME**
- Greater focus on **balance sheet structure** to make the **Group agile and responsive** to changing opportunities landscape
- **Processes optimization** to transform service delivery
- **Channel optimization and customer experience**
- **Cost optimization** to deliver lower cost to income ratio

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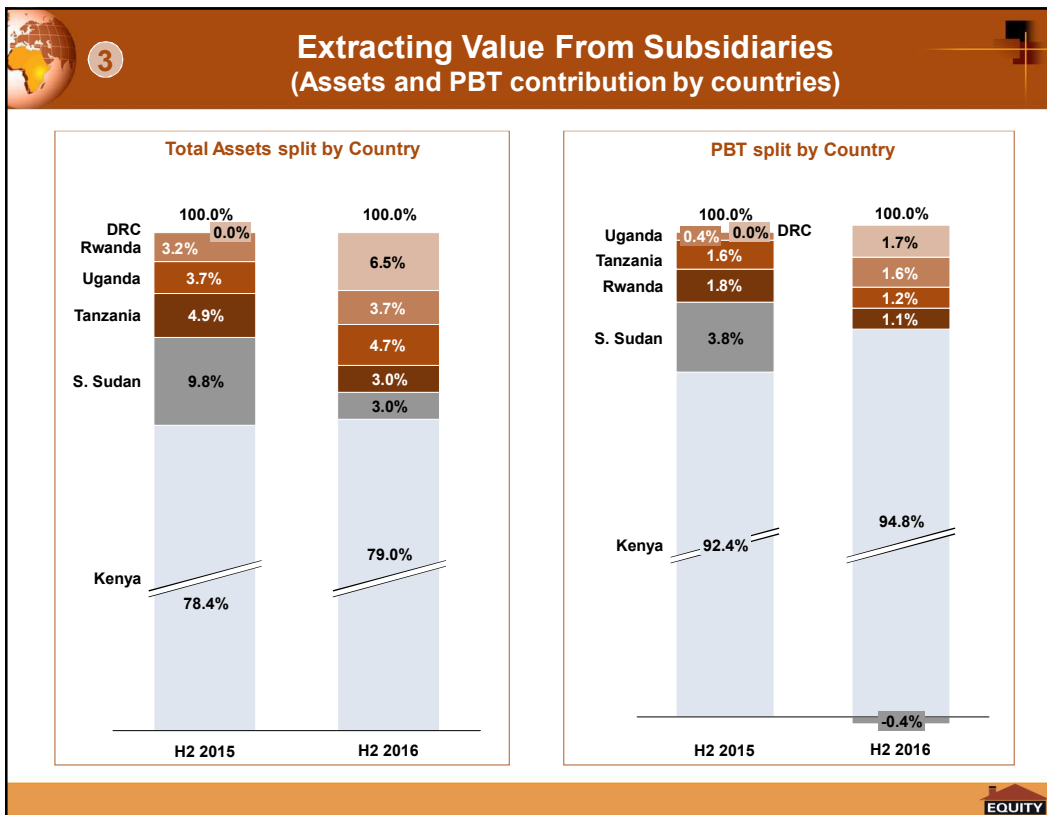
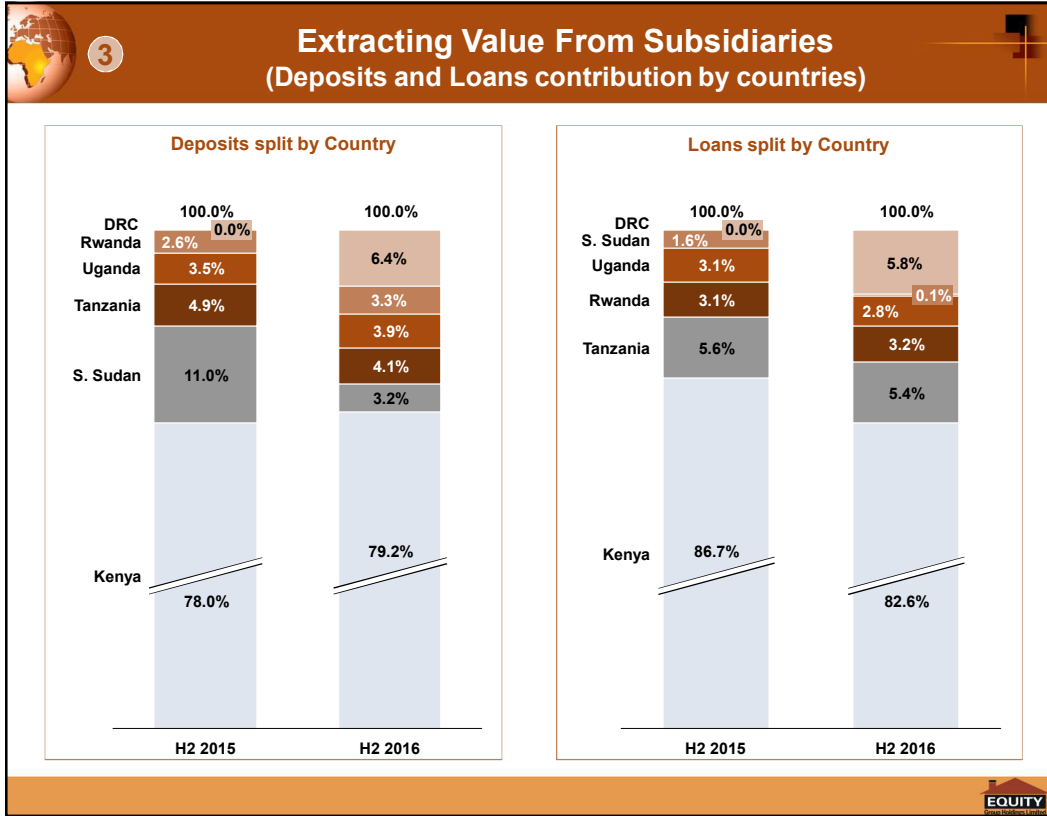
3 Extracting Value From Subsidiaries Key Metrics for Banking Subsidiaries

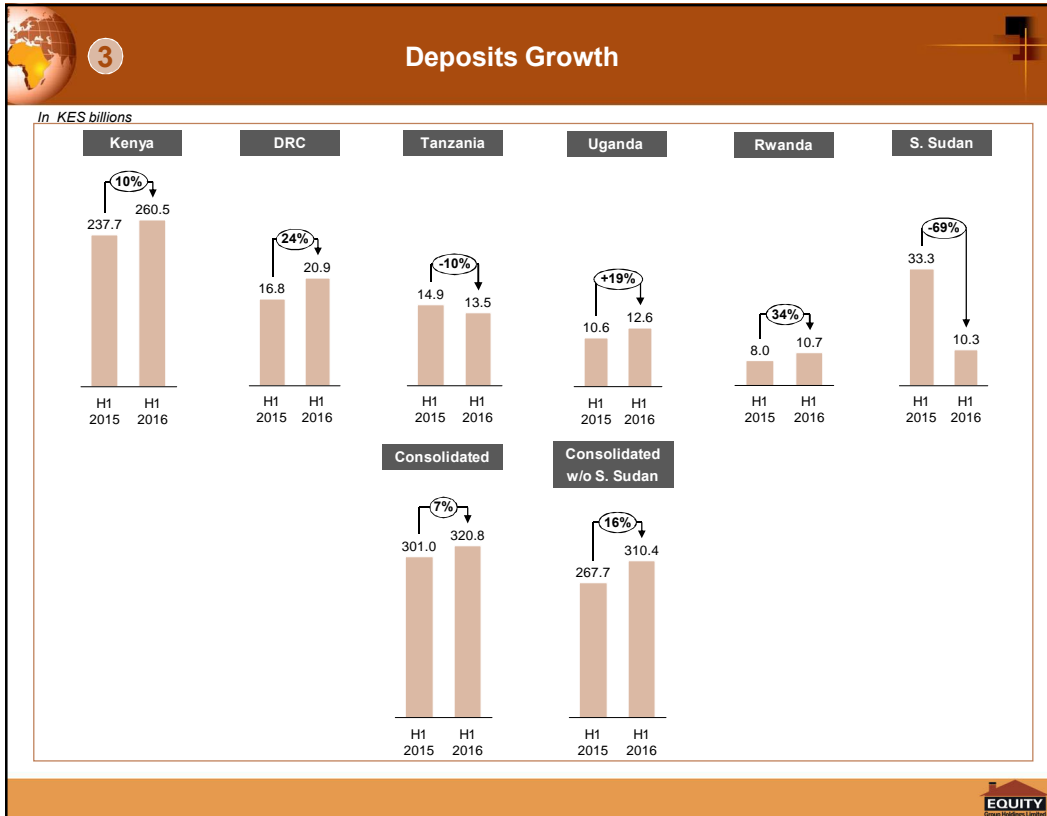
KES %Billion+

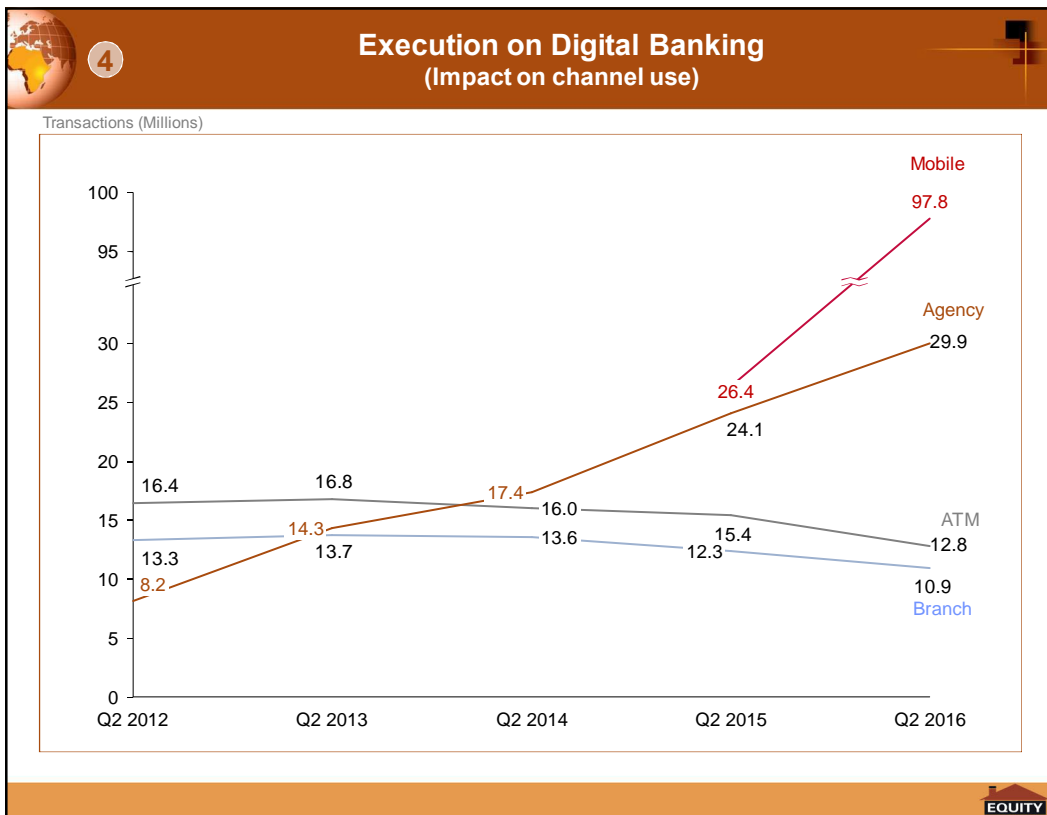
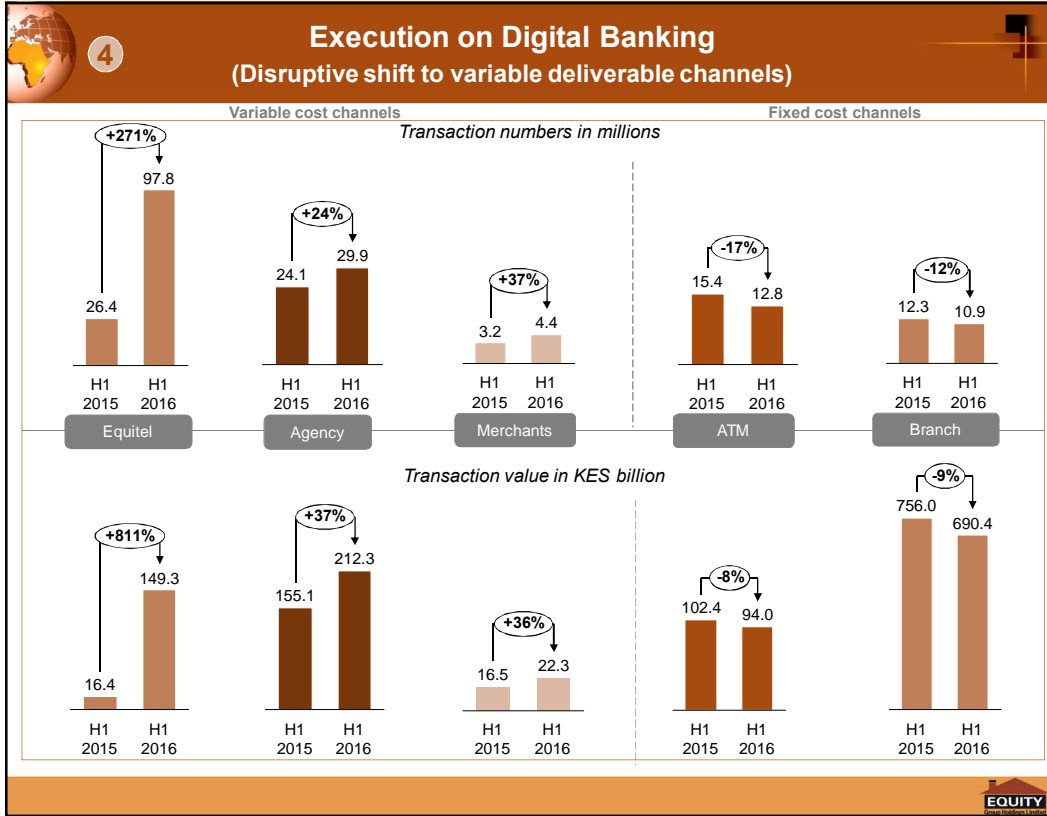
	Tanzania	Rwanda	Uganda	S. Sudan	DRC	Regional Total	Kenya	Regional Contribution H1 2016	Regional Contribution H1 2015
Deposits	13.5	10.7	12.6	10.3	20.8	67.9	259.1	21%	22%
Deposits Growth	-10%	34%	19%	-69%	24%	2%	10%		
Loan	14.6	8.7	7.4	0.3	15.6	46.7	222.4	17%	13%
Loan Growth	11%	17%	3%	-91%	45%	48%	8%		
Assets	21.5	13.8	17.2	14.0	30.1	96.7	364.0	21%	22%
Asset Growth	7%	4%	14%	-65%	34%	9%	13%		
PBT	0.17	0.16	0.23	-0.05	0.24	0.75	13.5	5%	8%
PBT Growth	-14%	-25%	330%	-112%	-5%	-19%	20%		

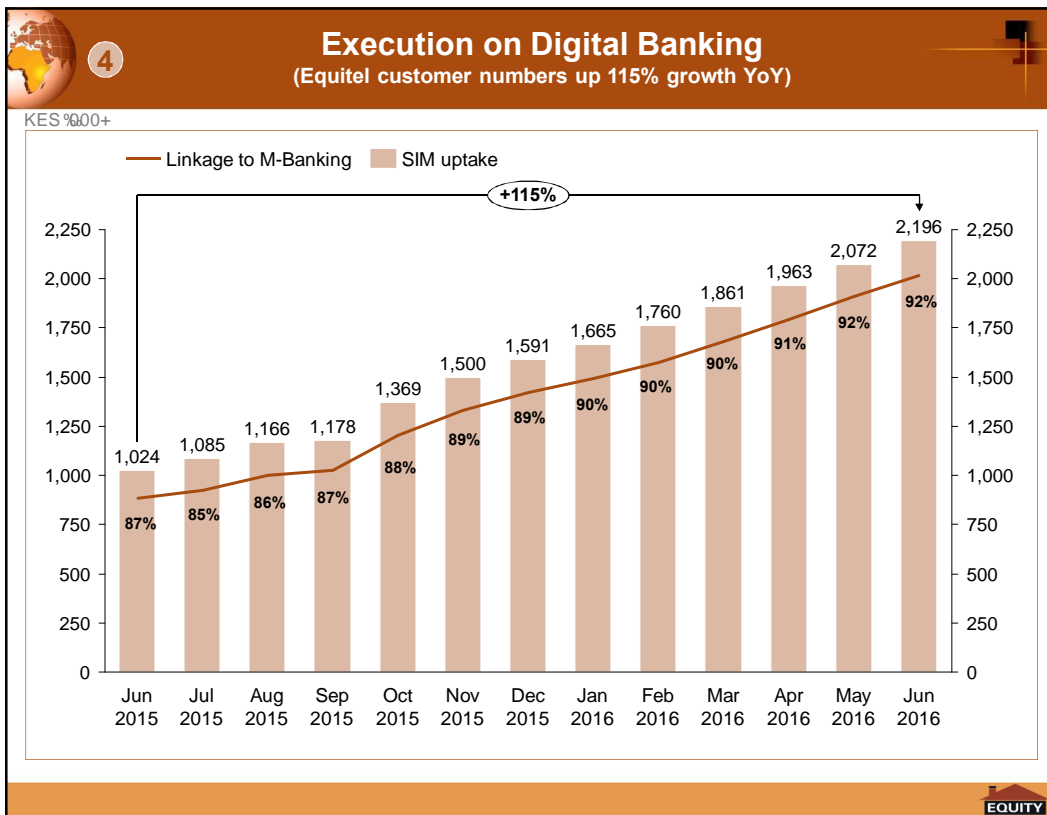
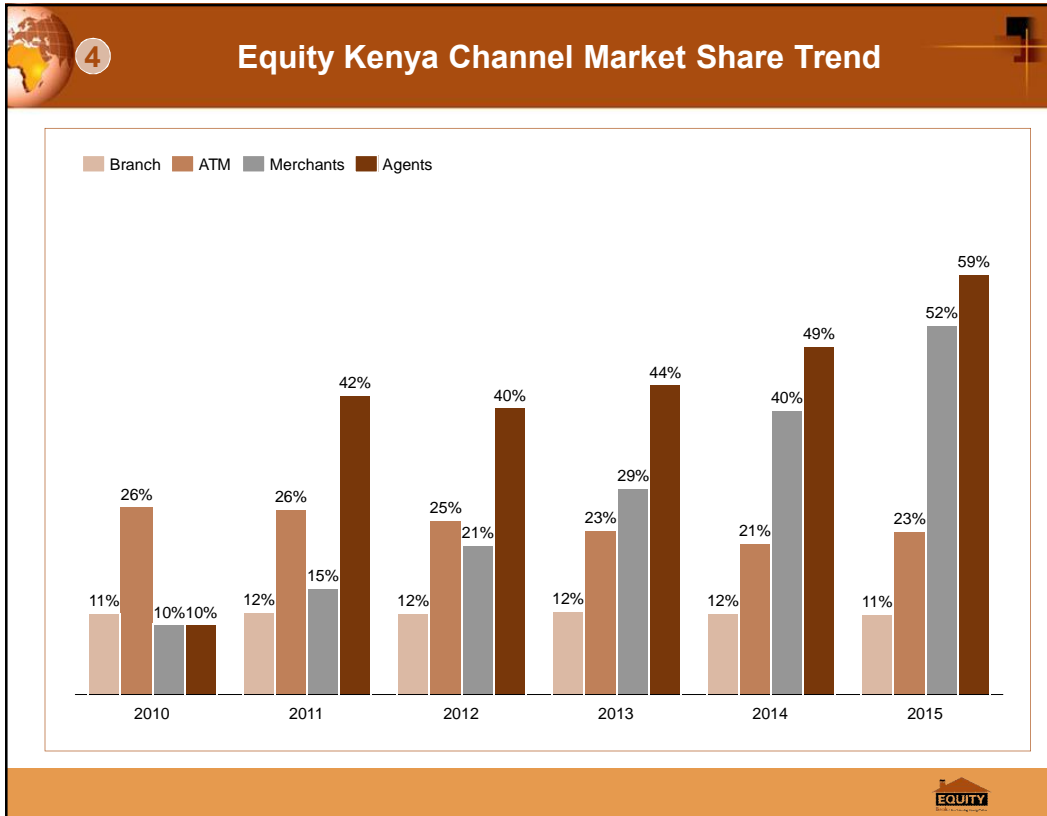
Kenya column above represents all entities in Kenya

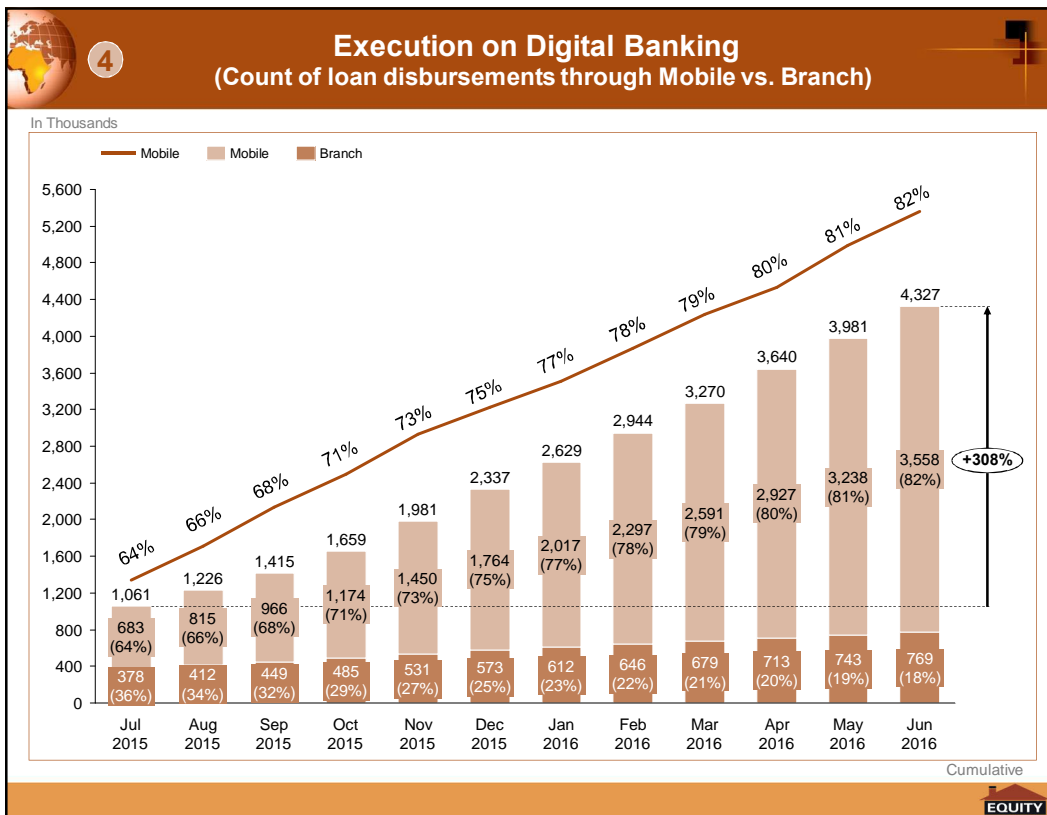
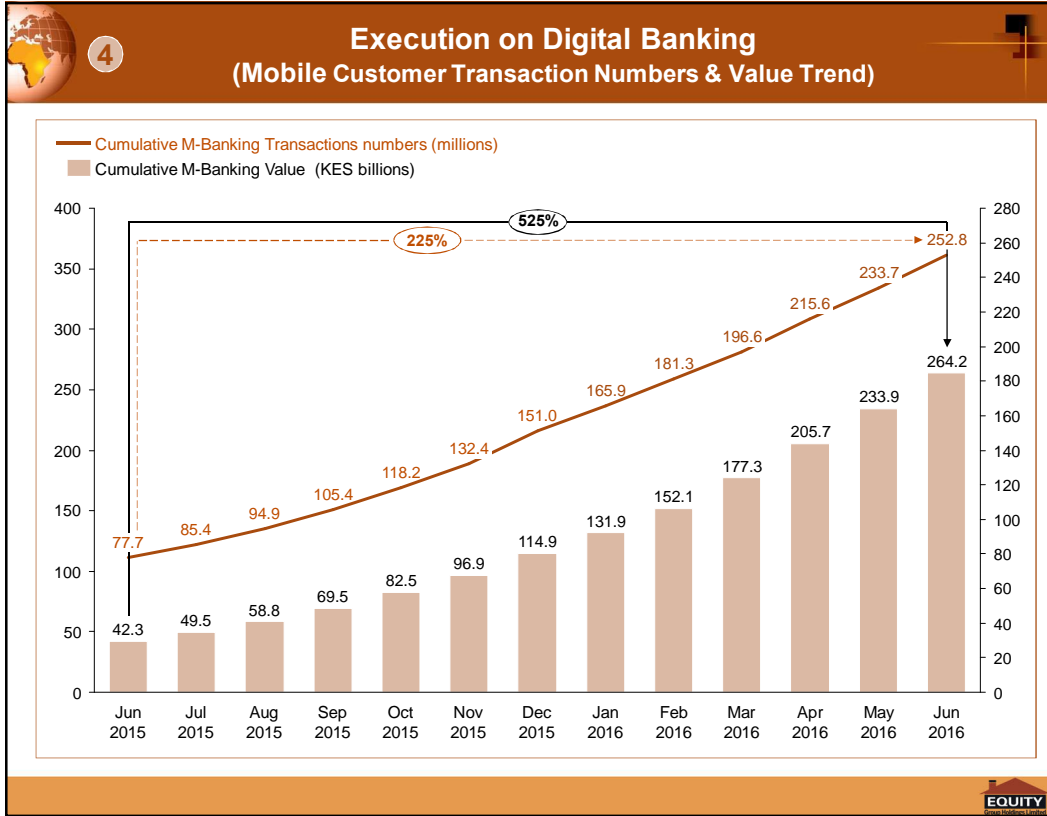


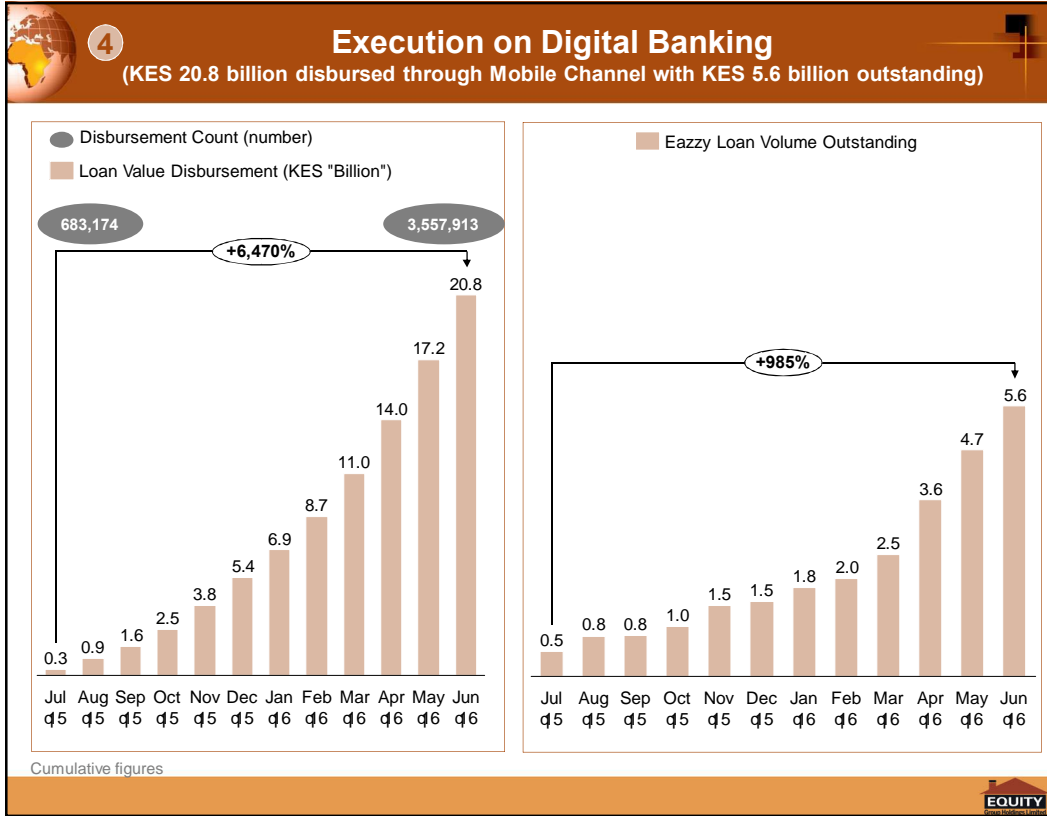






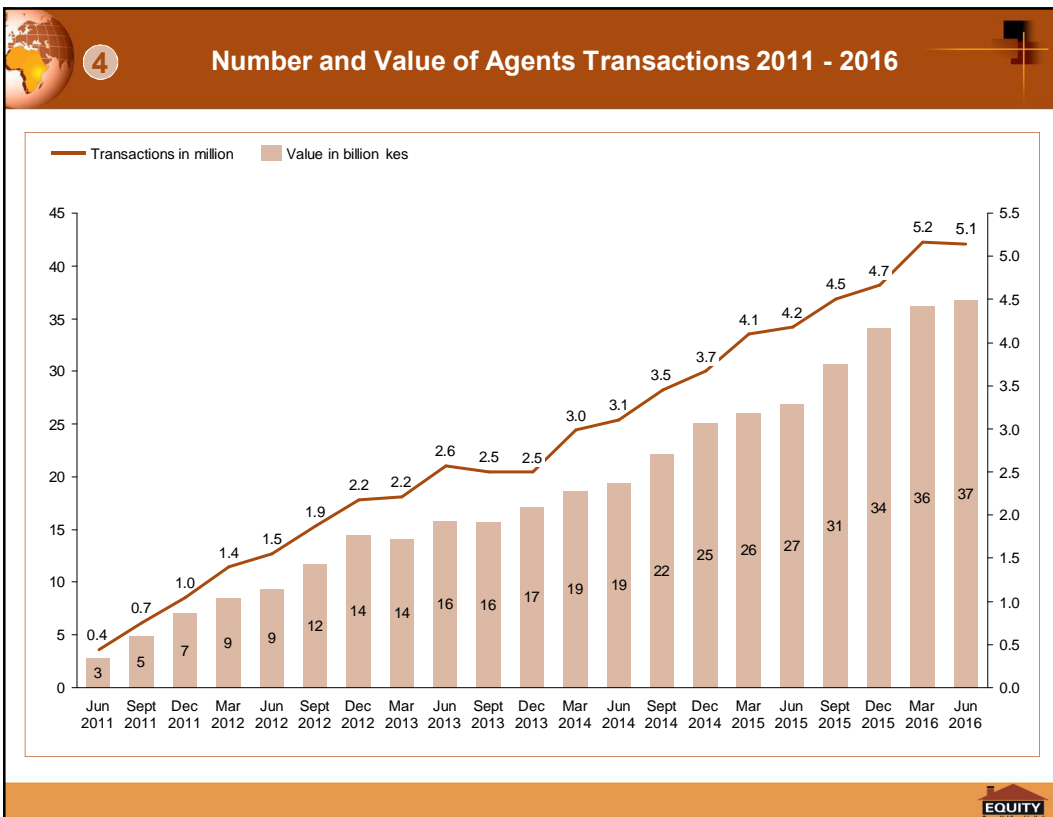
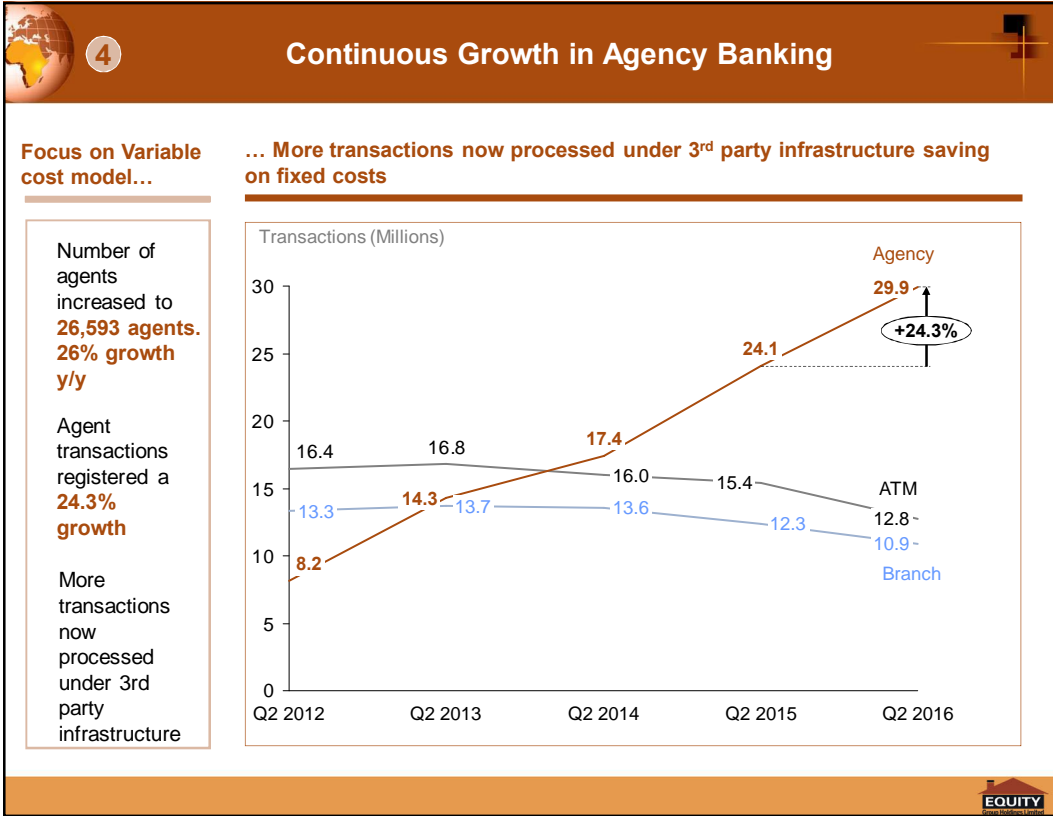


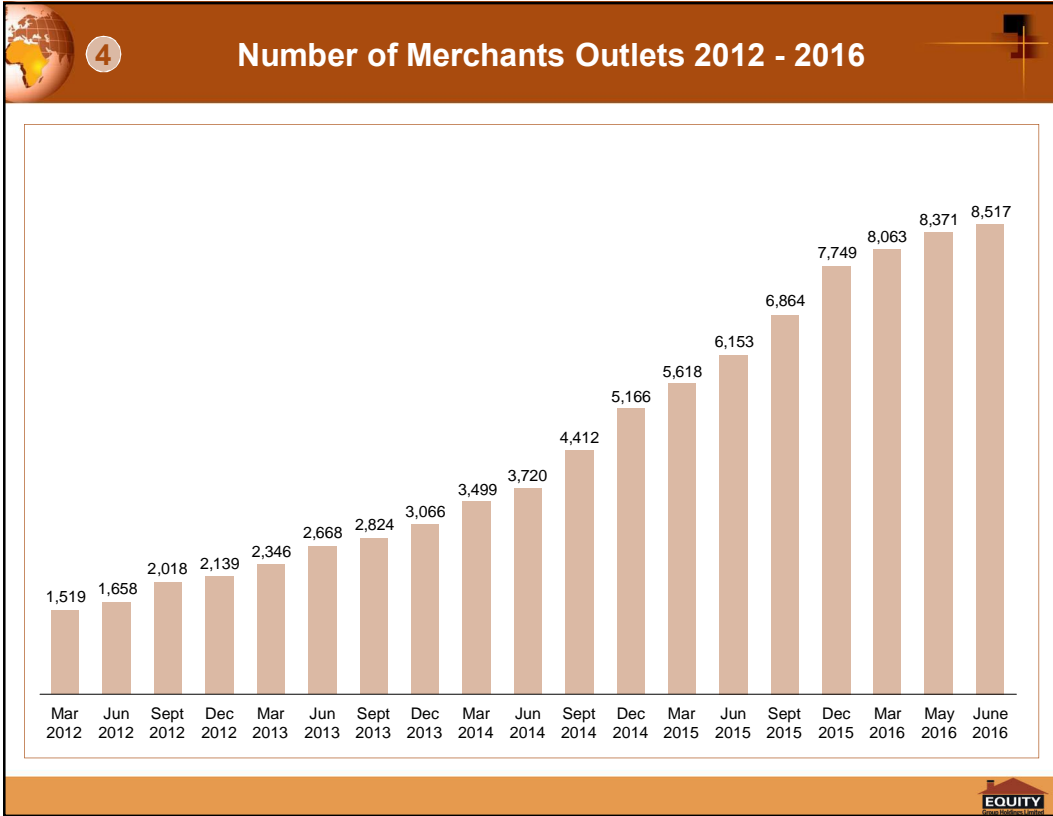




4 Execution on Digital Banking (Loan Repayments)

BREAKDOWN OF AMOUNT REPAYED PER MONTH AS AT 30TH JUN 2016										
MONTH	DISB AMOUNT	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	PERIOD	REPAYMENTS	RECOVERY RATE
OCT	934.4 M	165.1 M	607.6 M	125.1 M	6.3 M	3.6 M	1.4 M		909.1 M	97%
NOV	1,299.6 M	181.7 M	964.4 M	93.1 M	15.0 M	4.9 M	1.6 M		1,260.7 M	97%
DEC	1,538.6 M	232.5 M	1,032.2 M	211.8 M	16.3 M	7.4 M	3.1 M		1,503.3 M	98%
JAN	1,528.7 M	109.3 M	1,208.5 M	158.0 M	12.6 M	5.6 M	3.8 M		1,497.8 M	98%
FEB	1,706.3 M	146.6 M	1,363.5 M	133.7 M	15.8 M	8.9 M			1,668.5 M	98%
MAR	1,683.3 M	209.5 M	1,276.7 M	137.7 M	15.1 M				1,638.8 M	97%
APR	1,882.3 M	186.1 M	1,440.6 M	180.9 M					1,807.5 M	96%
MAY	1,904.0 M	221.9 M	1,450.1 M						1,672.0 M	88%
JUN	2,008.2 M	193.4 M							193.4 M	10%





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**


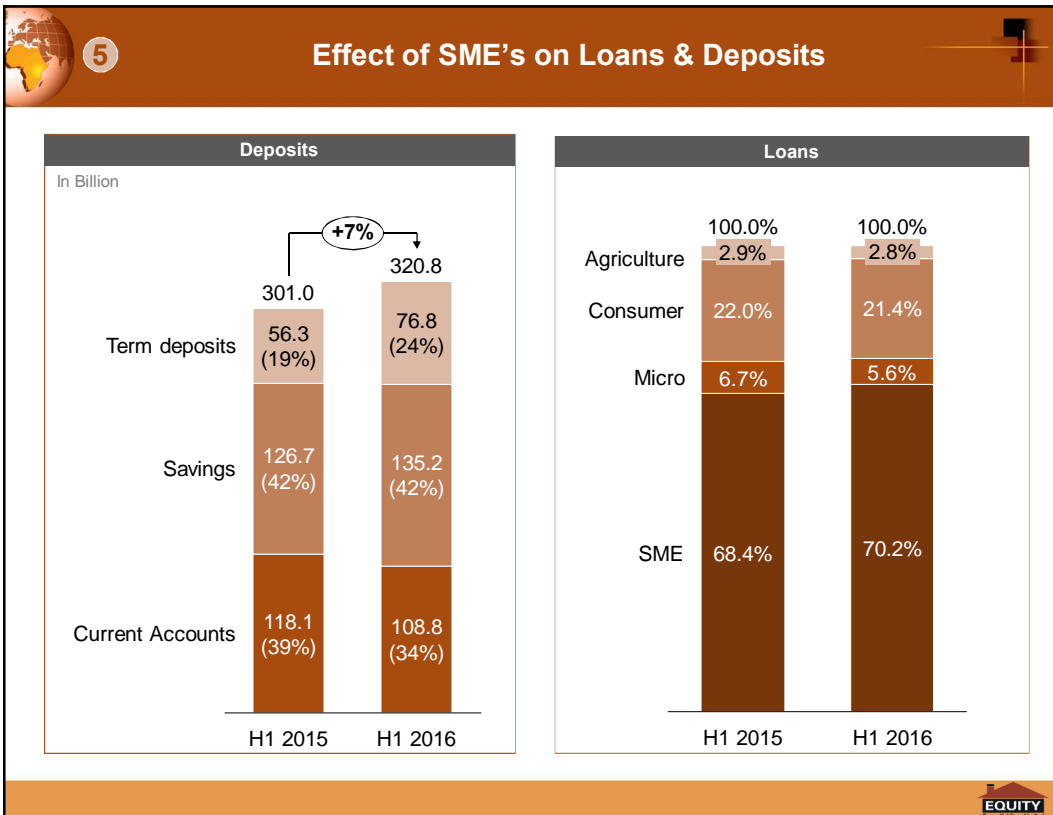
Best in class payment channel services work well with merchants

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

Period	Merchant Transaction Volumes (Millions)	Merchant Commissions (Millions)
H1 2014	10,320	244
H1 2015	16,454 (+59%)	384 (+57%)
H1 2016	22,296 (+36%)	514 (+34%)


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6 Equity has earned recognition in 2016


Equity's International Rankings

**The Banker
TOP 1000
WORLD BANKS 2016**

Equity Bank	Overall	Soundness (Capital Assets Ratio)	Performance (Profits on capital) (Return on assets)	
2016 Global Rank	835	43	34	8
2015 Global Rank	916	88	18	8


Equity's Global Credit Rating

 GCR GLOBAL CREDIT RATING CO. Local Expertise • Global Presence Aug 2016	Equity Bank Limited		
	Kenya Bank Analysis		
	Security Class	Rating Scale	Rating
Long term	National	AA-(KE)	Stable
Short term	National	A1+(KE)	




6 Equity has earned recognition in 2016

Think Business Banking Awards Kenya, 2016 Edition



EQUITY BEST BANK IN KENYA FOR 4TH TIME

Category	1st	2nd	3rd
Best Overall Bank	Equity Bank		
Best Bank Tier 1 (Big Banks)	Equity Bank		
Best Bank in SME Banking	Equity Bank		
Best Bank in Retail Banking	Equity Bank		
Best Microfinance Bank	Equity Bank		
Best in Agency Banking	Equity Bank		
Best in Asset Finance		Equity Bank	
Best Bank in Mortgage Finance		Equity Bank	
Product Marketing		Equity Bank	
Best in Internet Banking		Equity Bank	
Best in Mobile Banking			Equity Bank
Fastest Growing Bank			Equity Bank
Best in Customer Satisfaction		Equity Bank	



6 Think Business Awards



Multiple Award Winner at the 2016 Think Business Awards.



 **6** **Banker Awards**



Most innovative Bank
Equity Bank

Best Mobile Banking service
Equity Bank - Equitel

Banker AFRICA
EAST AFRICA AWARDS 2016
Most Innovative Bank
Equity Bank

Banker AFRICA
EAST AFRICA AWARDS 2016
Best Mobile Banking Service
Equity Bank - Equitel

Most Innovative Bank (2015, 2016) and Best Mobile Banking Service – Equitel (2015, 2016) Awards at the Banker Africa, East Africa Awards 2016. We commit and continue innovating products and services that support the expanding and evolving financial needs and aspirations of our people.

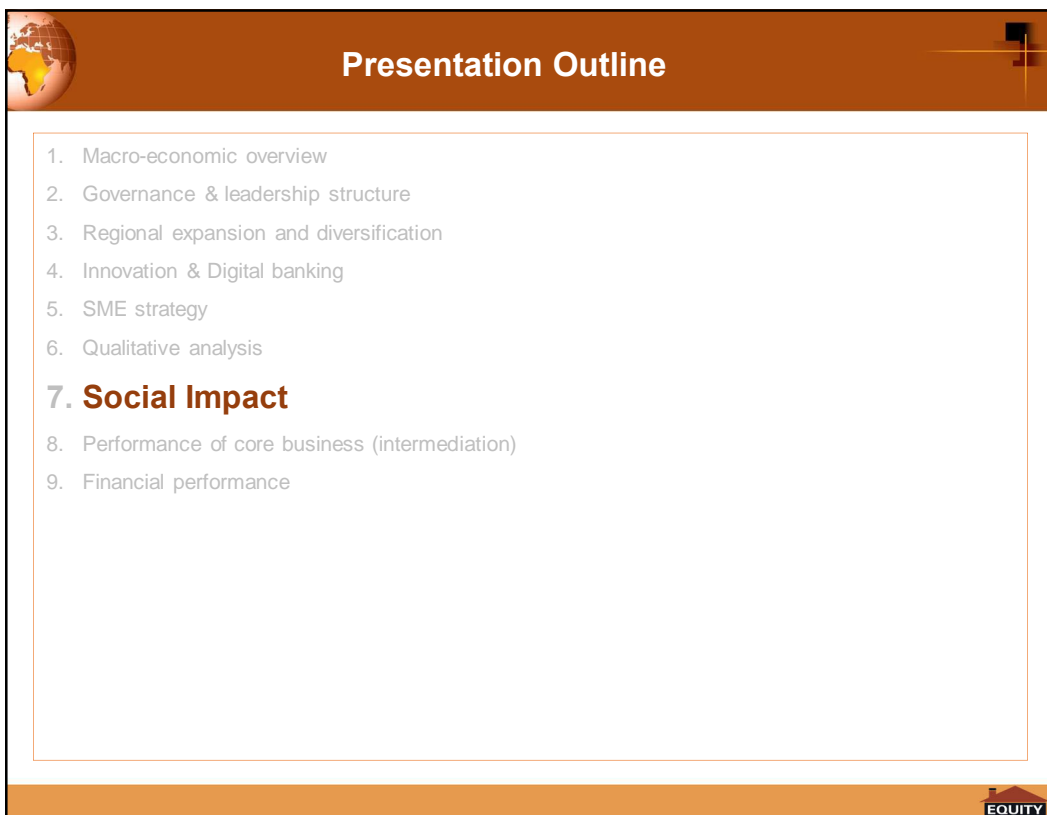
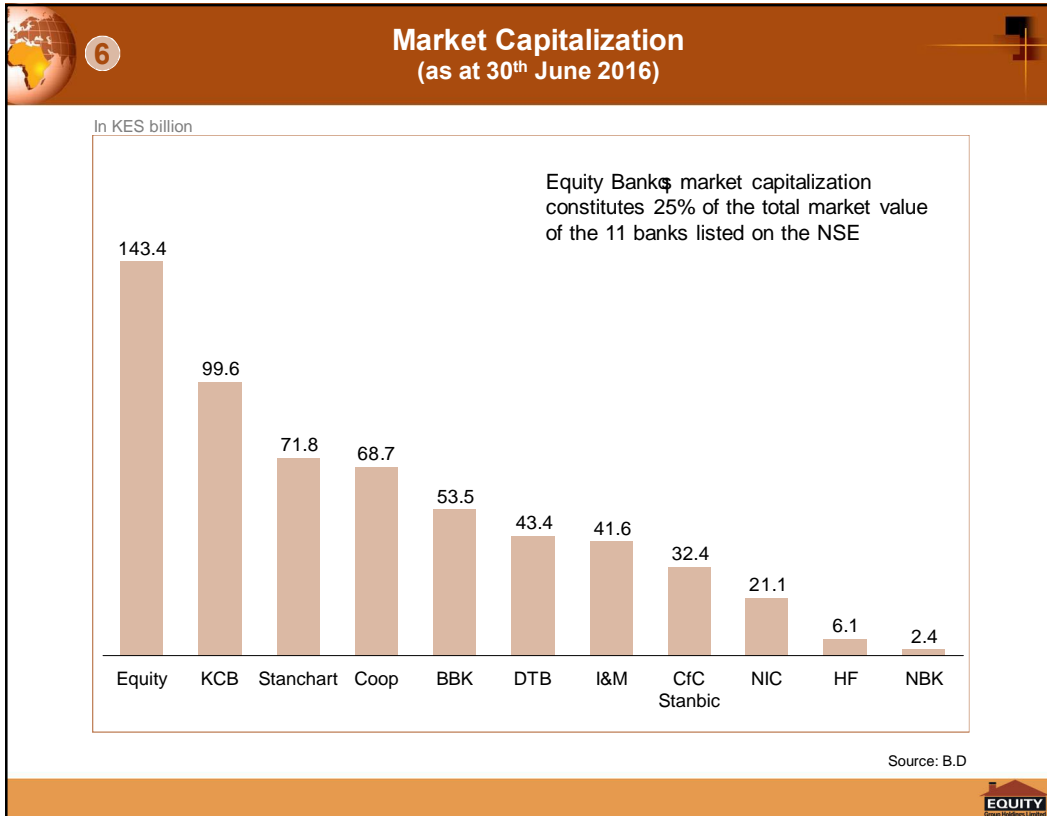


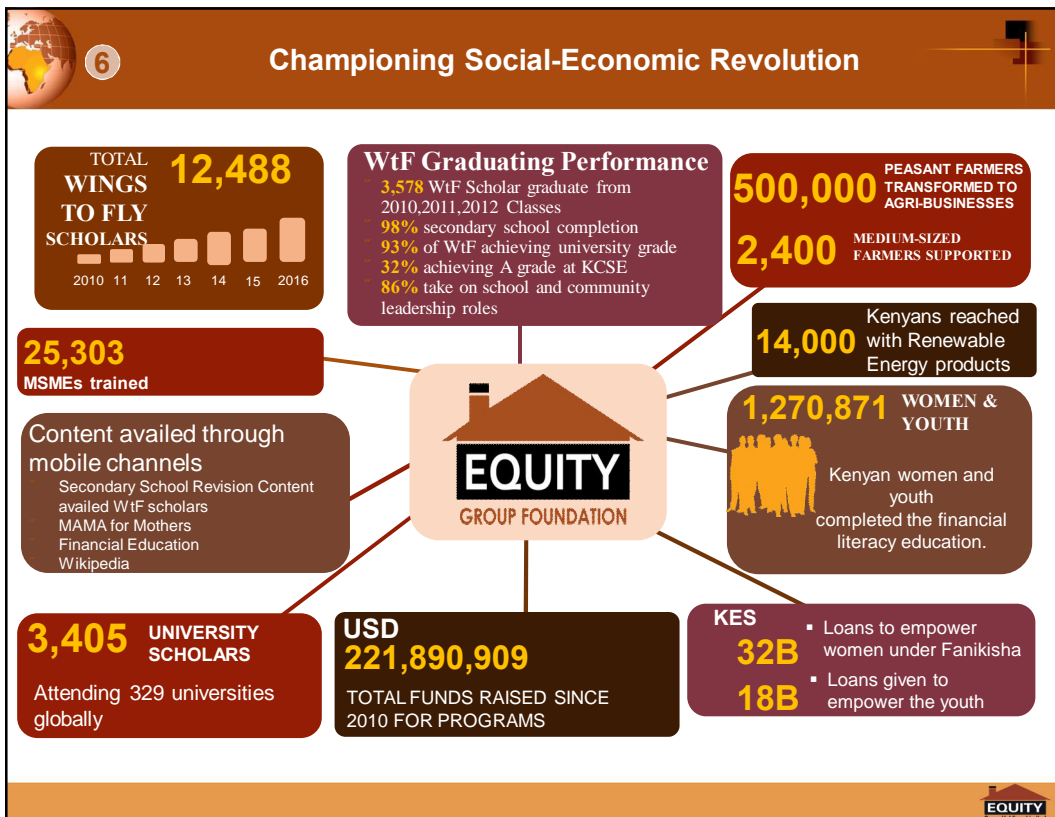
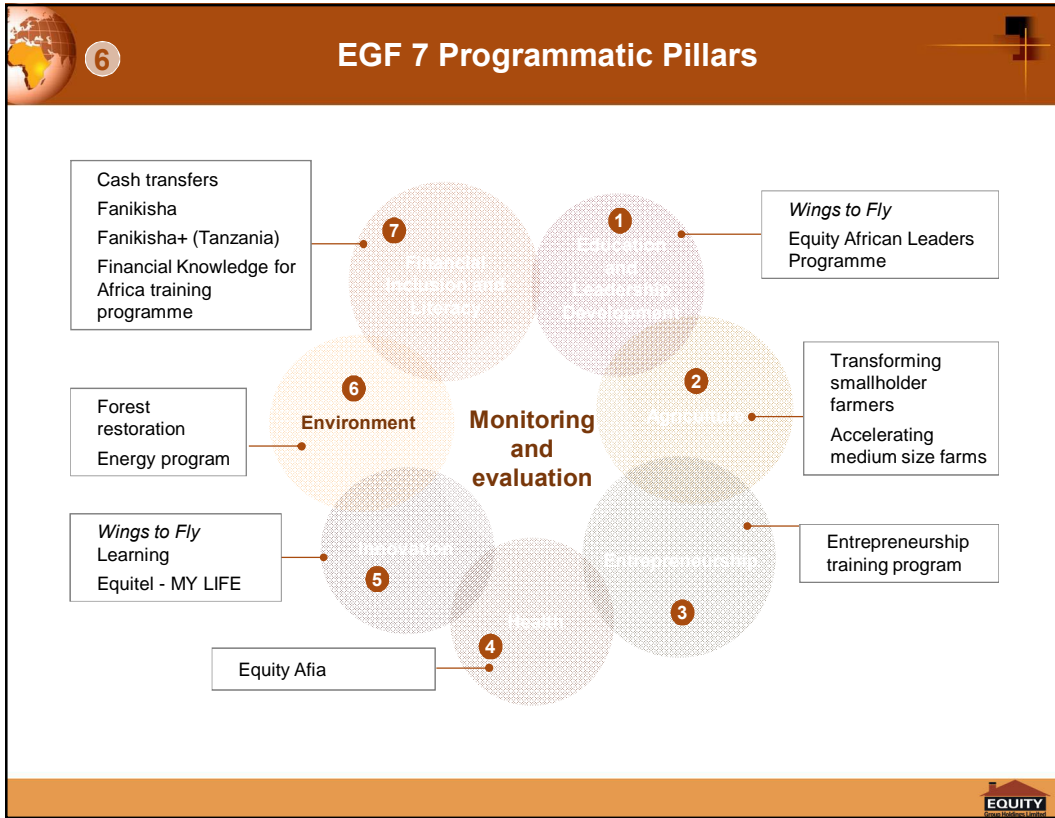
 **6** **Euromoney Awards**



Africa's best bank 2016: Equity Bank




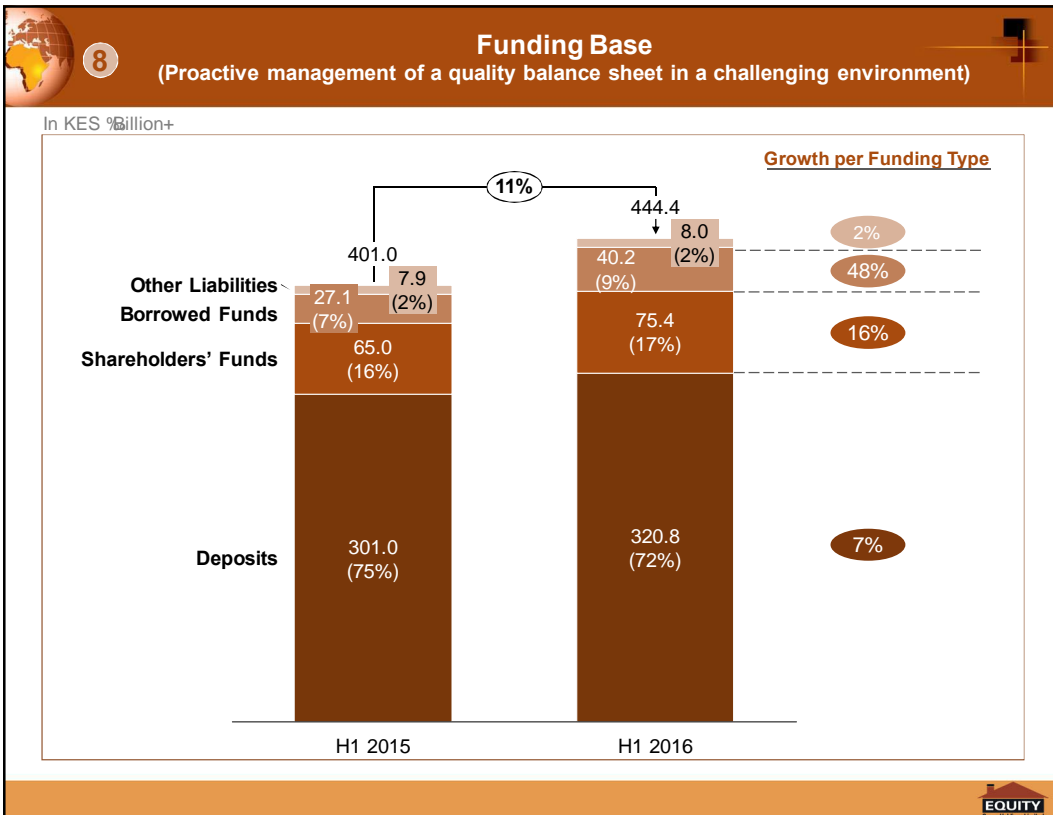


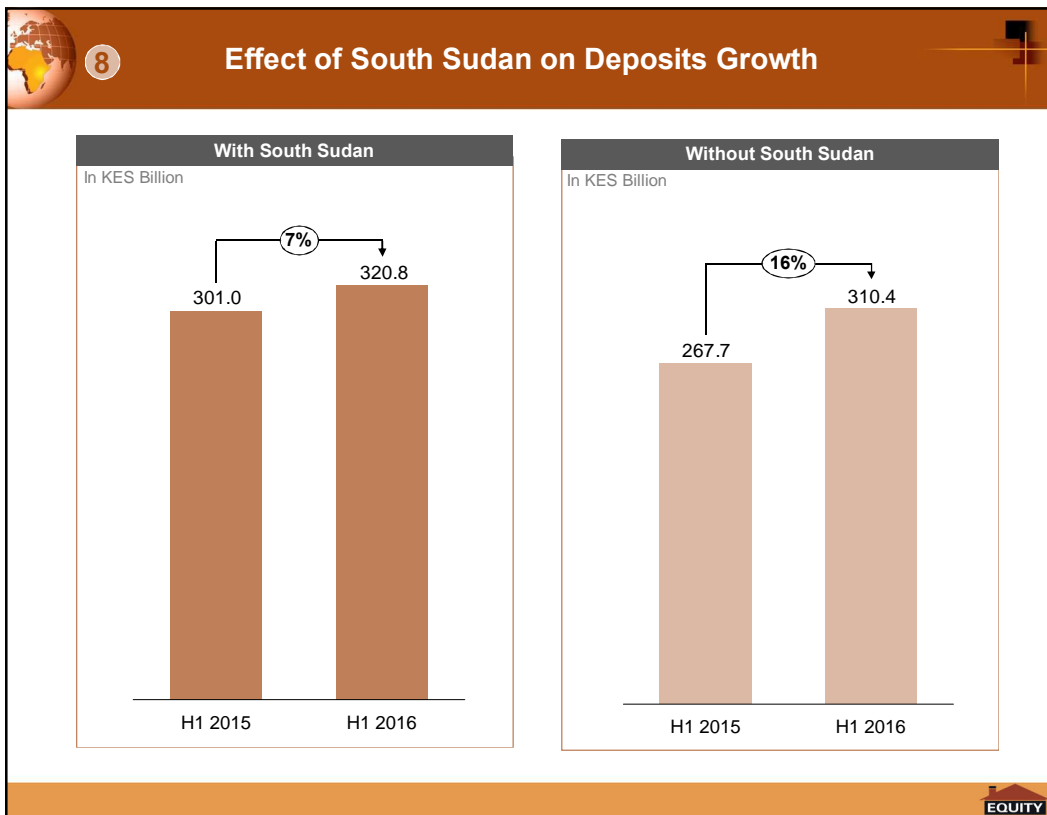
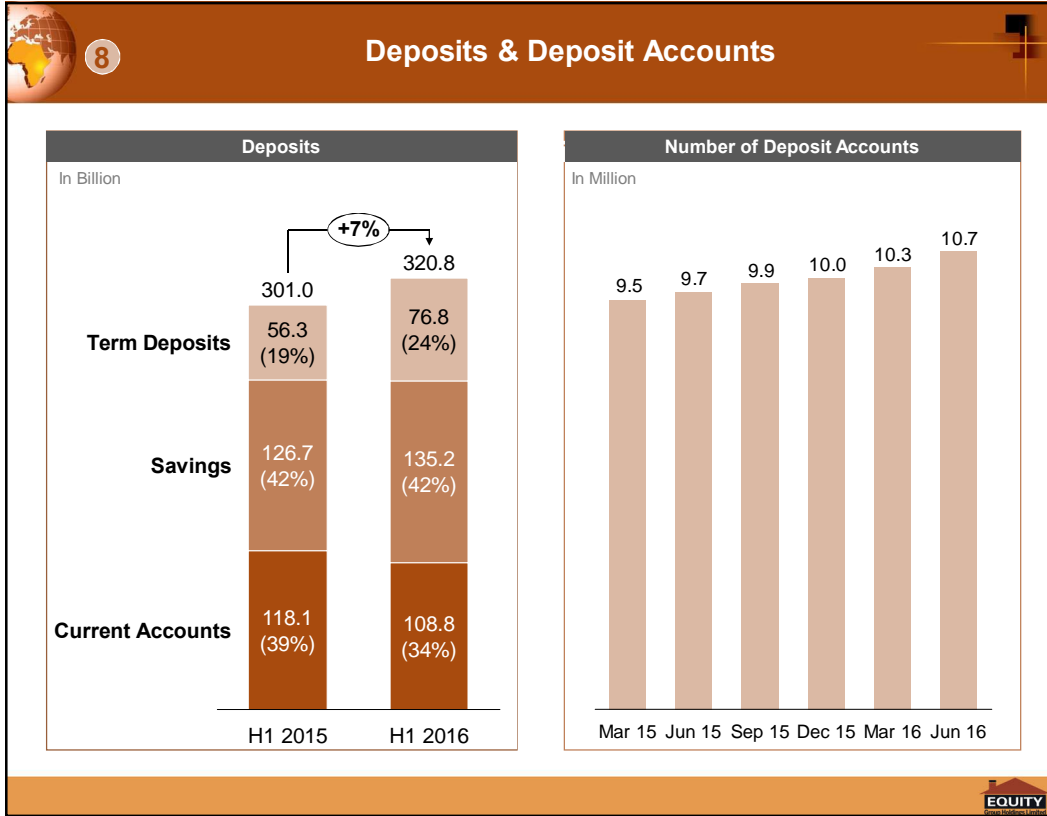


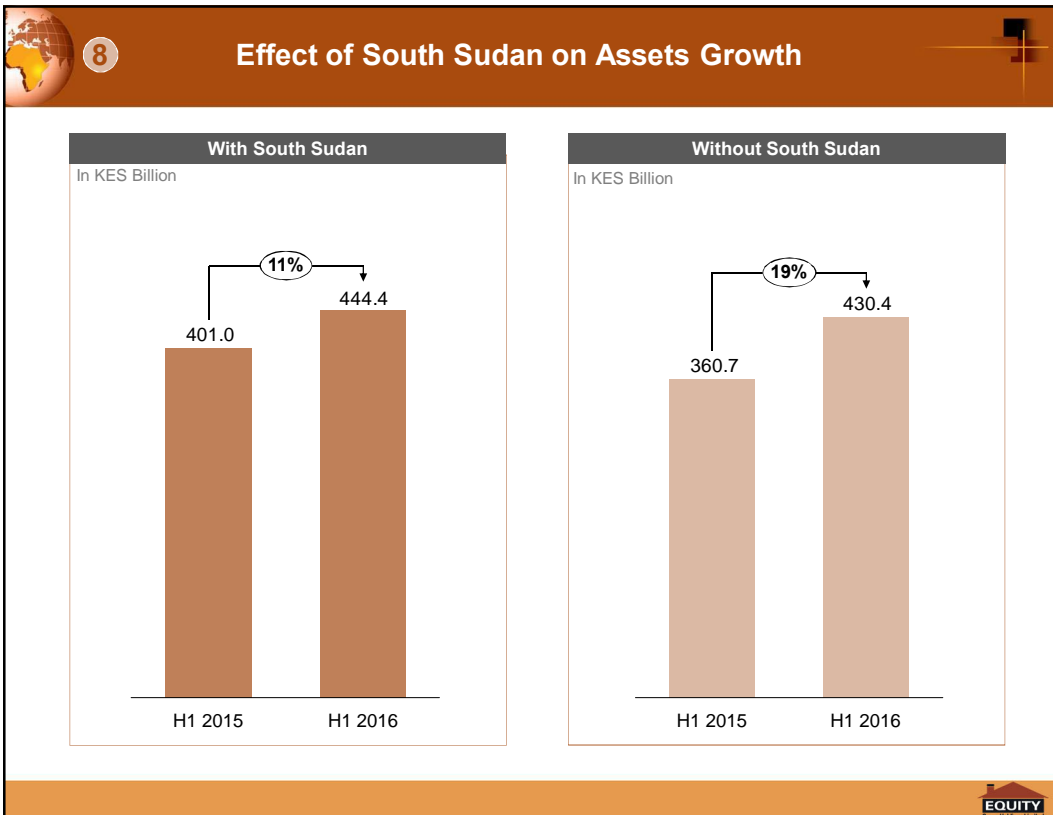
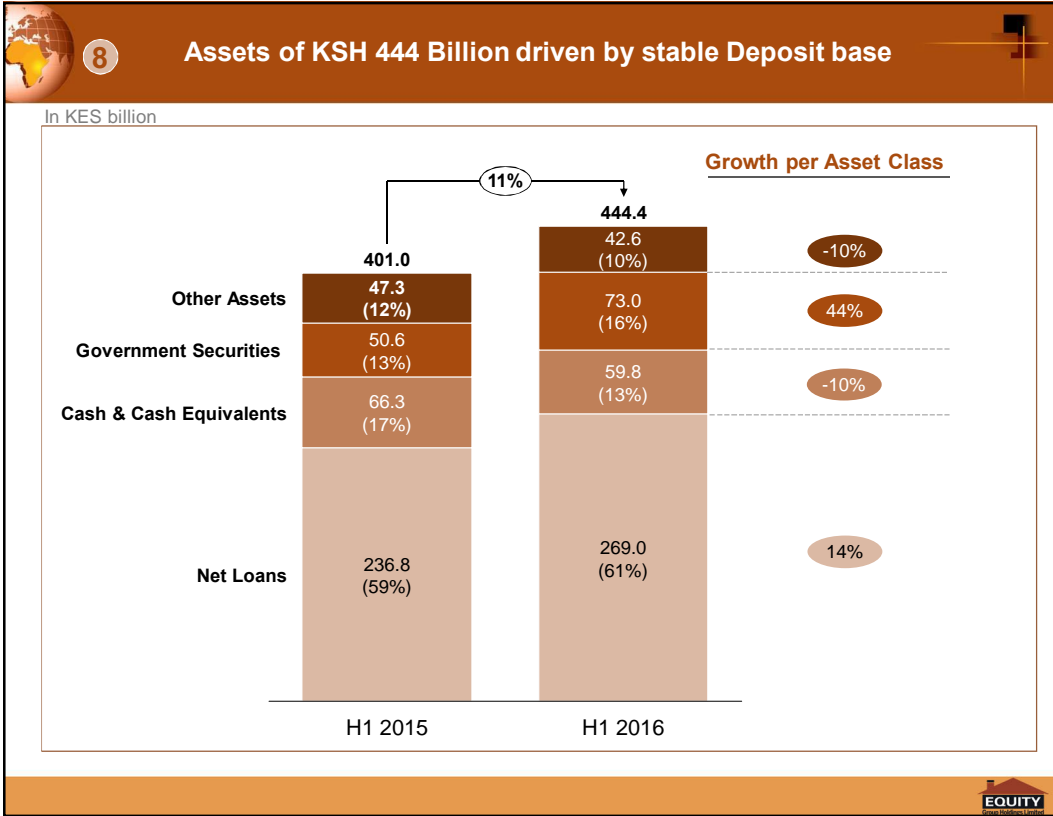
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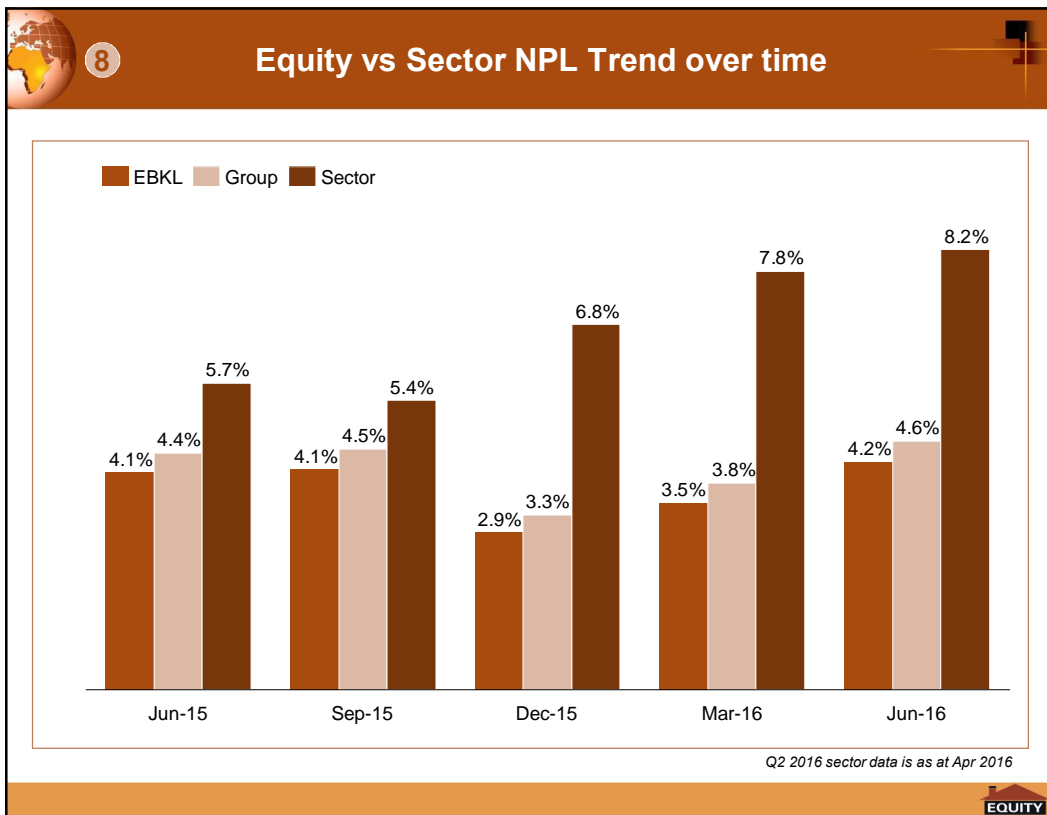
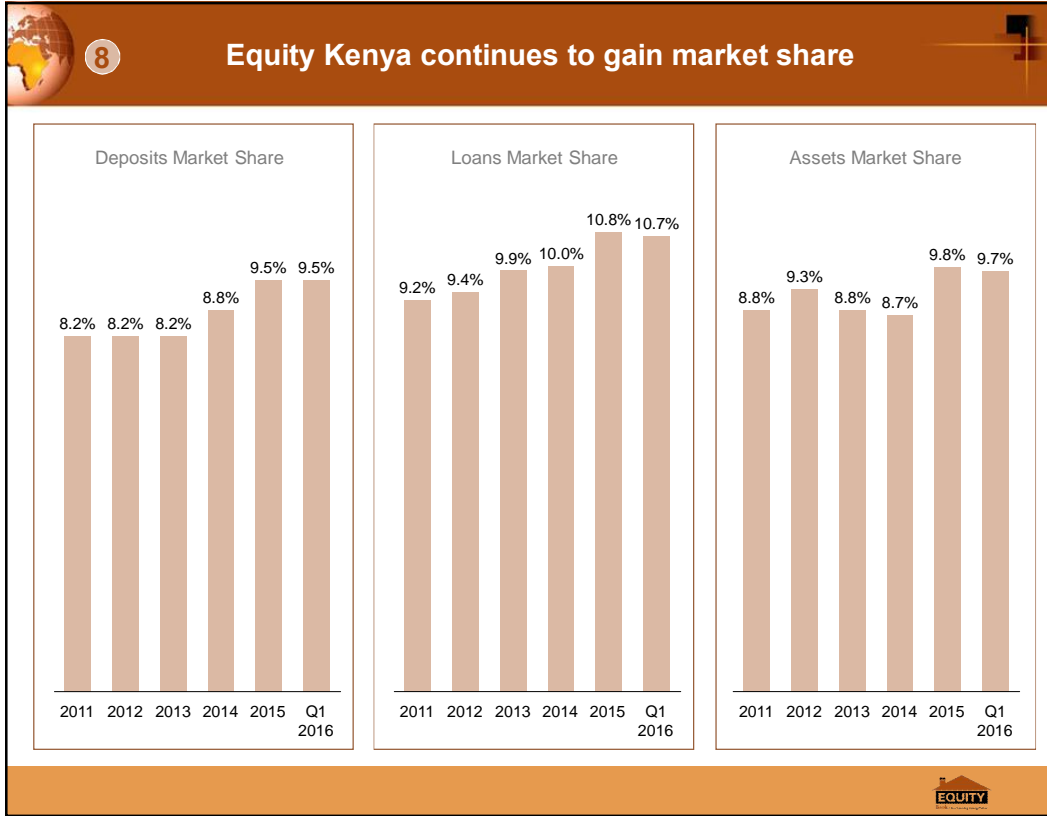
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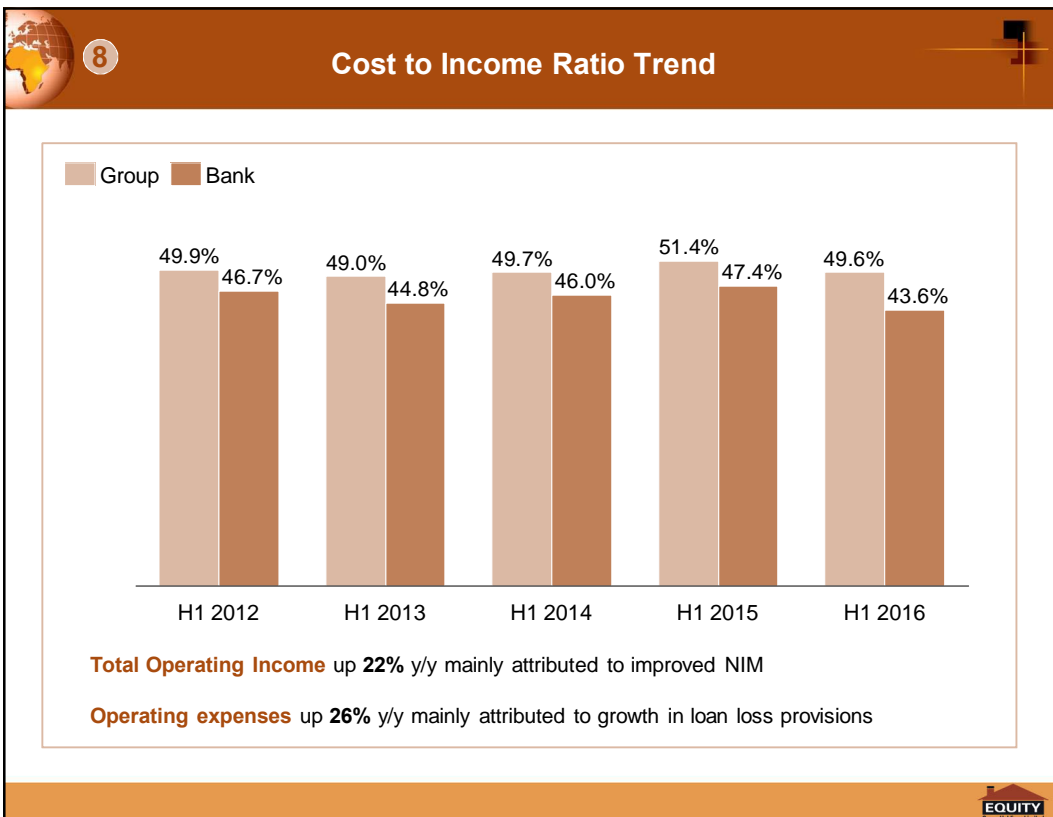
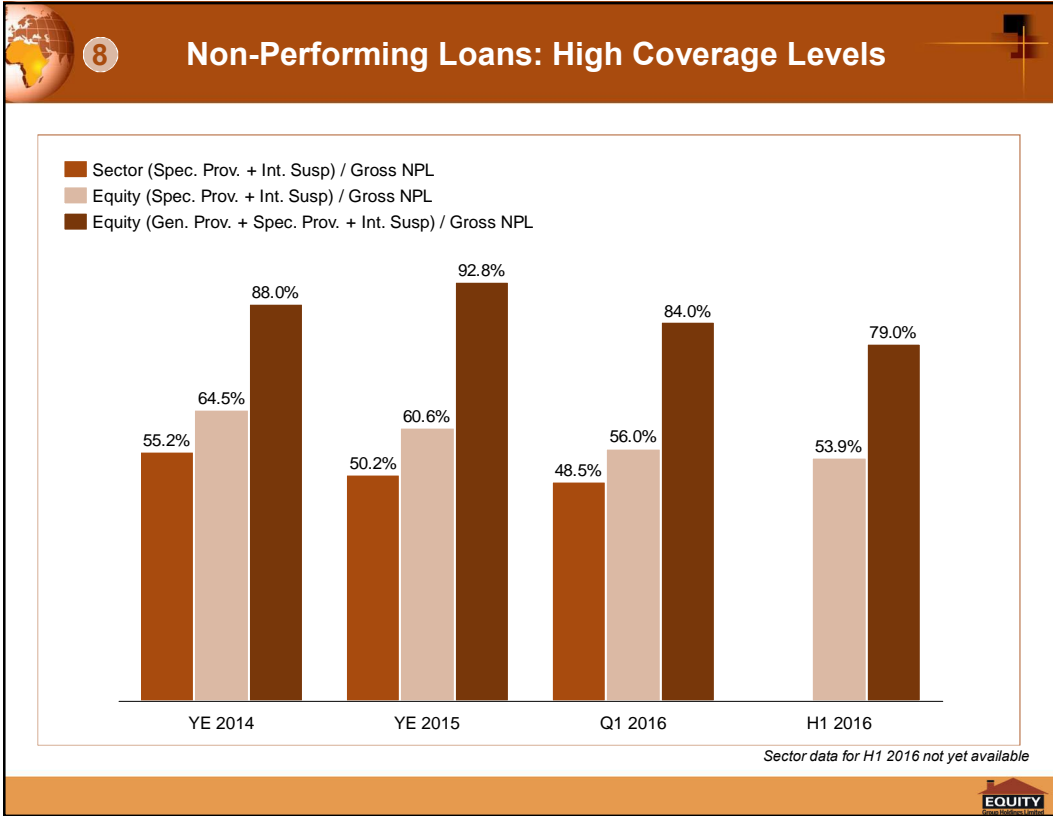
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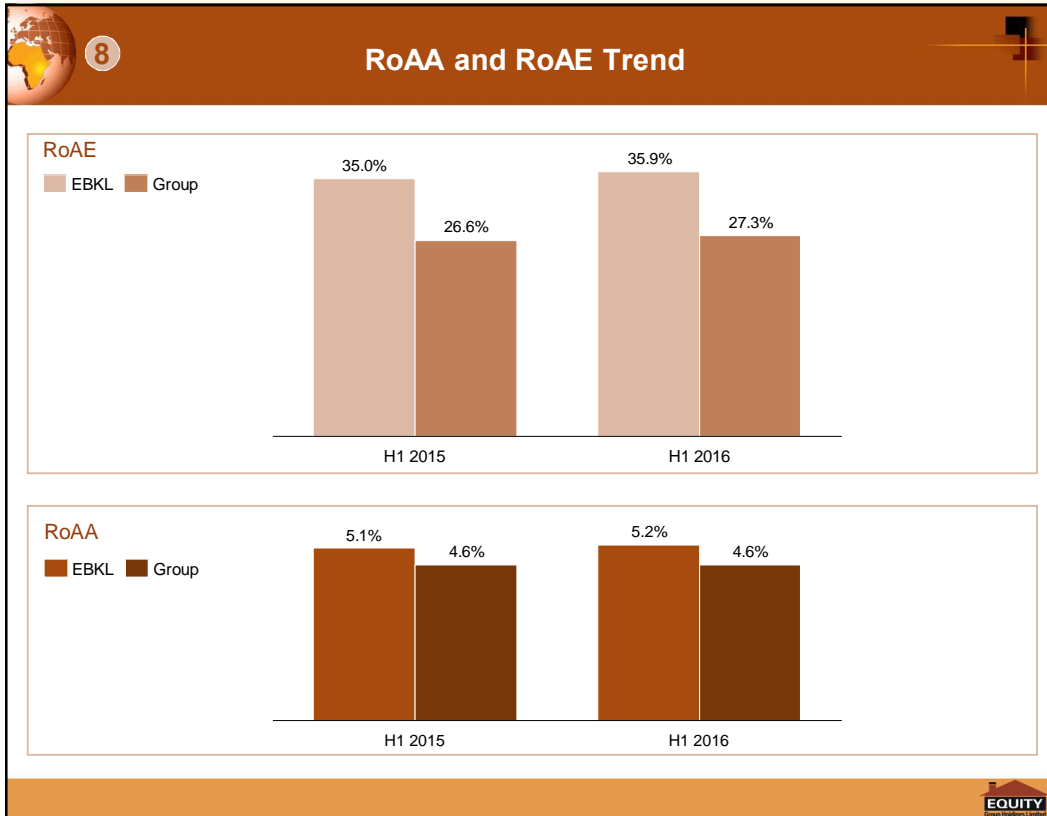






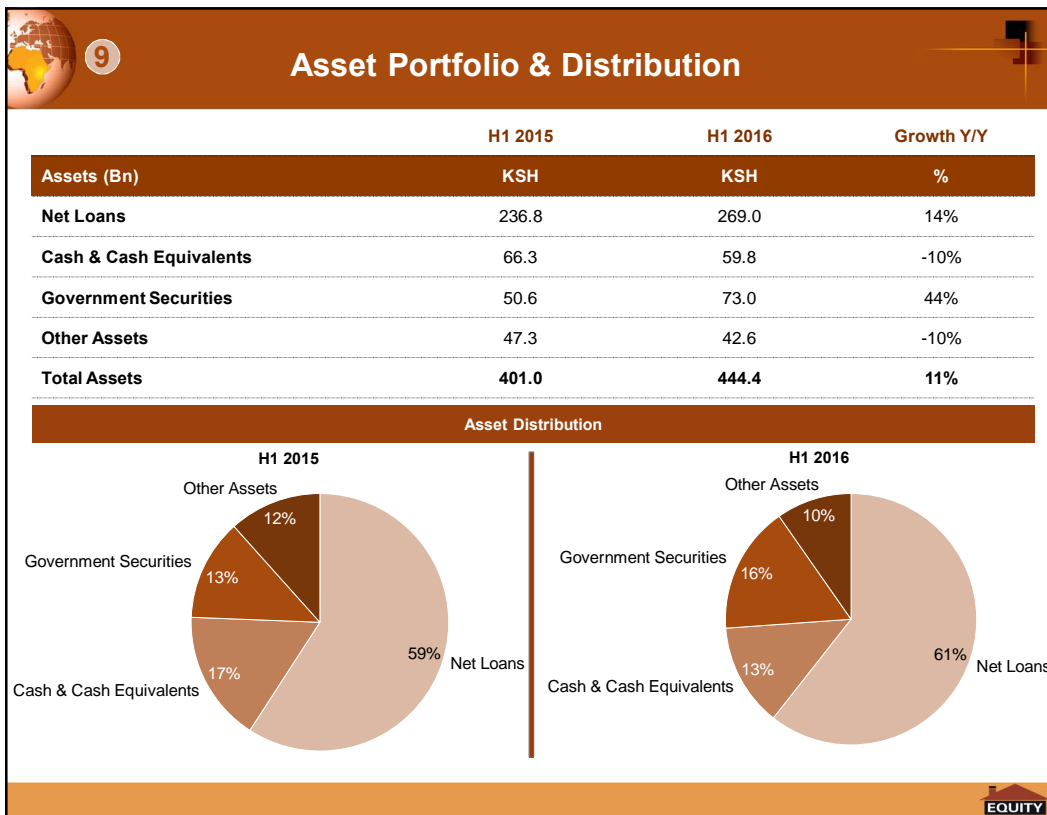
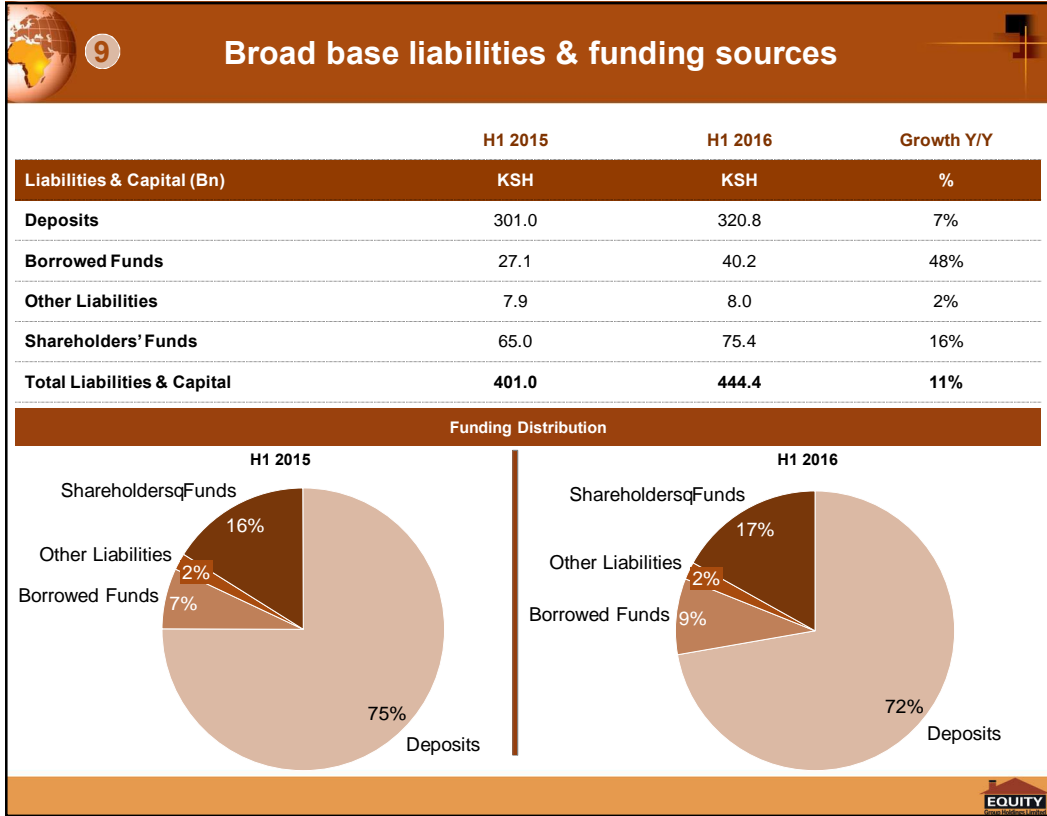




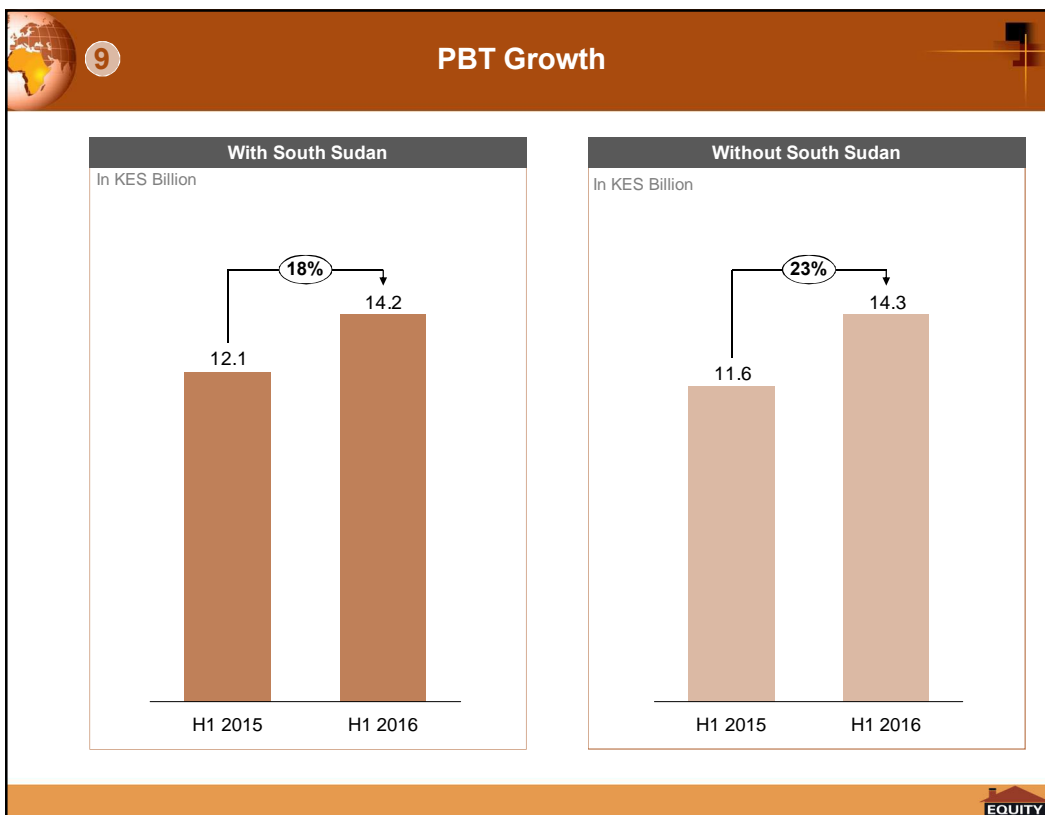



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<i>KES (Billion)</i>	H1 2015	H1 2016	Growth
Interest Income	19.3	26.1	35%
Interest Expense	(3.8)	(4.9)	29%
Net Interest Income	15.5	21.2	37%
Non-Funded Income	10.8	10.8	0%
Total Income	26.3	32.1	22%
Loan Loss Provision	(0.7)	(1.9)	182%
Staff Costs	(5.1)	(6.1)	19%
Other Operating Expenses	(8.4)	(9.8)	17%
Total Costs	(14.2)	(17.9)	26%
PBT	12.1	14.2	18%
Tax	(3.5)	(4.1)	17%
PAT	8.6	10.1	18%






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Positive Financial Ratios

	Kenya	Kenya	Group	Group
	H1 2015	H1 2016	H1 2015	H1 2016
Profitability				
NIM	10.9%	12.5%	9.8%	11.7%
Cost to Income Ratio (with provisions)	49.0%	48.6%	54.0%	55.6%
Cost to Income Ratio (without provision)	47.5%	43.6%	51.4%	49.6%
RoAE	35.0%	35.9%	26.6%	27.3%
RoAA	5.1%	5.2%	4.6%	4.6%
Asset Quality				
Cost of Risk	0.34%	1.00%	0.61%	1.43%
Liquidity / Leverage				
Loans / Deposits	86.3%	85.3%	78.7%	83.9%
Loans / (Deposits + Borrowed Funds)	77.4%	74.6%	72.2%	74.5%
Loans / (Deposits + Borrowing Funds + S/H Funds)	65.6%	63.1%	60.2%	61.6%
Liquidity	28.0%	39.9%	31.0%	37.0%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	14.6%	14.4%	17.7%	18.7%
Total Capital to Risk Weighted Assets	16.6%	15.6%	18.3%	19.8%
Core Capital to Deposits Ratio	18.4%	18.9%	20.4%	23.4%




THANK YOU

Dr James Mwangi, CBS
Group Managing Director & CEO

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