



Investor Briefing  
&  
Q1 2017 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 maximise 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.



The background of the slide is a photograph of the Equity Centre building entrance. The building is a modern, multi-story structure with a prominent entrance. The words "EQUITY CENTRE" are visible in large, gold-colored letters above the entrance. Two people are walking away from the camera towards the entrance. The overall color scheme is warm, with shades of orange and brown. There are decorative elements: a stylized globe in the bottom left corner, a white rounded rectangle containing the main text, and various orange and brown geometric shapes and lines throughout the slide.

EQUITY CENTRE

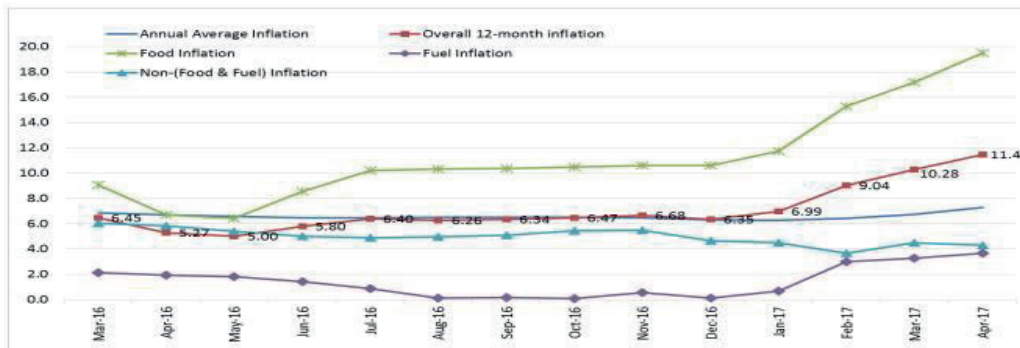
**Challenging Operating Environment Persists**





## Effects of worst drought recorded over the last 70 years

- Hydropower is the cheapest source of energy in Kenya; with the prolonged drought, power generation is constrained making the government turn to more expensive sources of energy such as thermal power leading to higher power prices
- The drought has resulted in significant crop failure and loss of livestock, leading to higher food prices
- The rising food and energy prices have driven inflation to a five-year high of 11.4% in April 2017 whilst food subsidies may impact on monetary policy
- Importation of food may exert pressure on the exchange rate and fiscal discipline and monetary policy which will place further pressure on the twin deficits
- The resultant importation of food may impact monetary policy and fiscal discipline affecting the level of deficits
- Though there has been an onset of the long rains in April, the outlook is still gloom going by Meteorological Dept. reports: “the distribution of March to May 2017 seasonal rainfall, both in time and space, is expected to be generally poor in most parts of the country” and the threat of the army worms on the surviving food crops exacerbating the situation

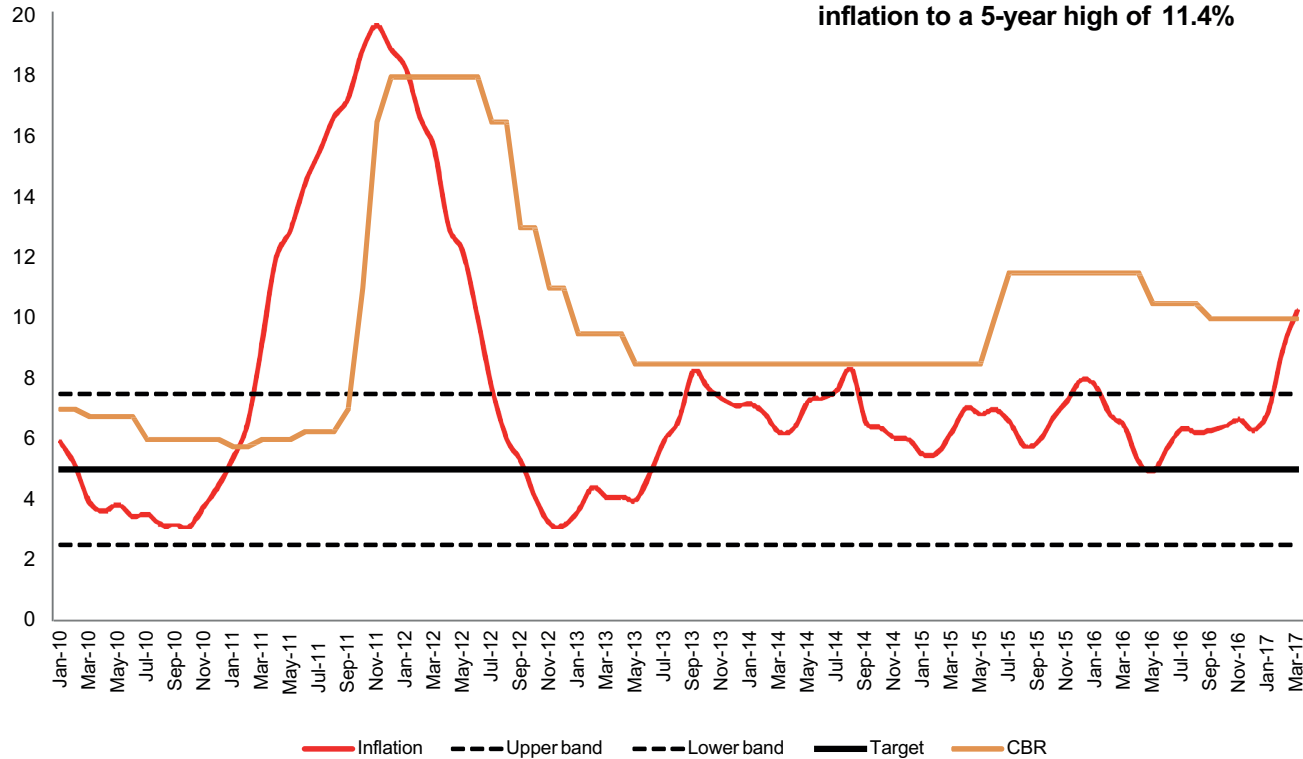


Source: KNBS and Central Bank of Kenya



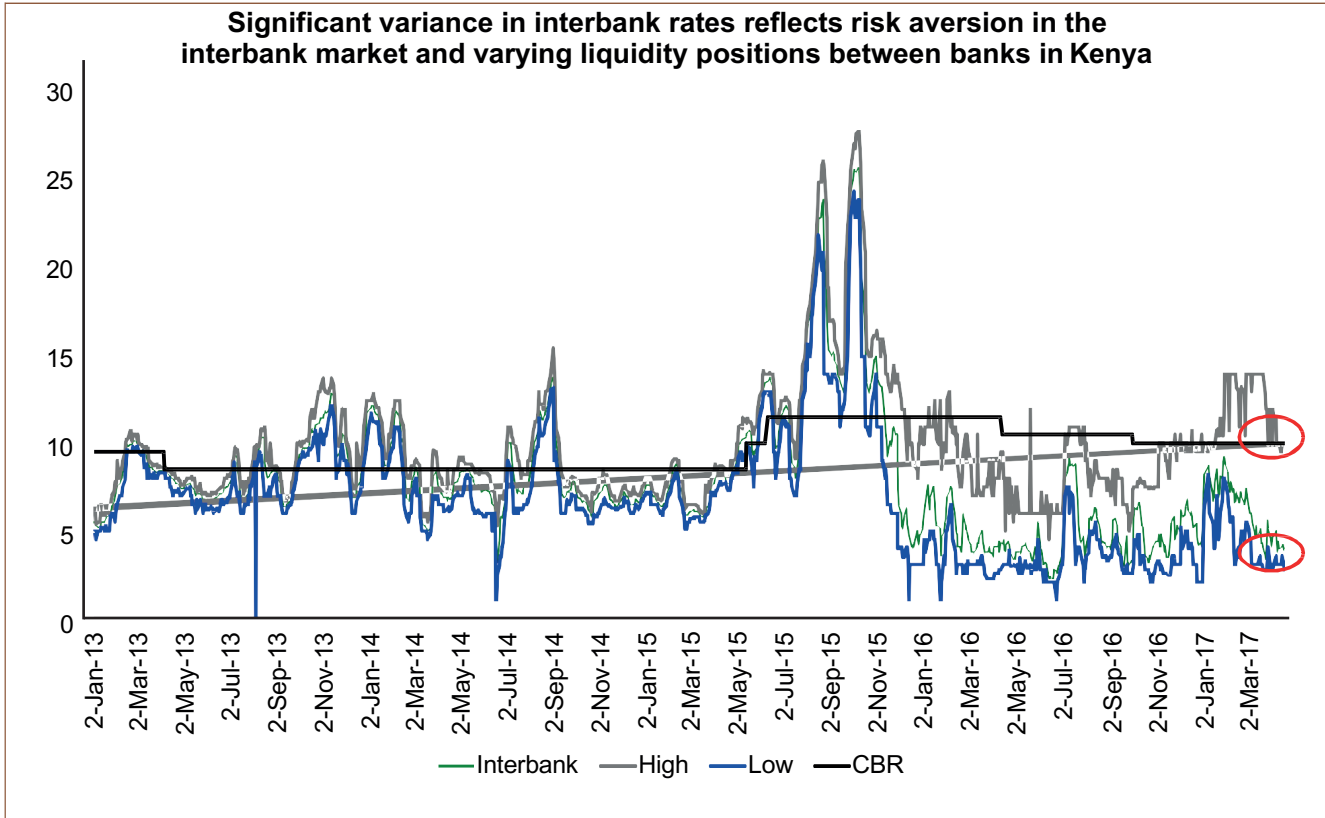
# Banking Sector Continues to Struggle

Rise in food and energy prices have driven inflation to a 5-year high of 11.4%





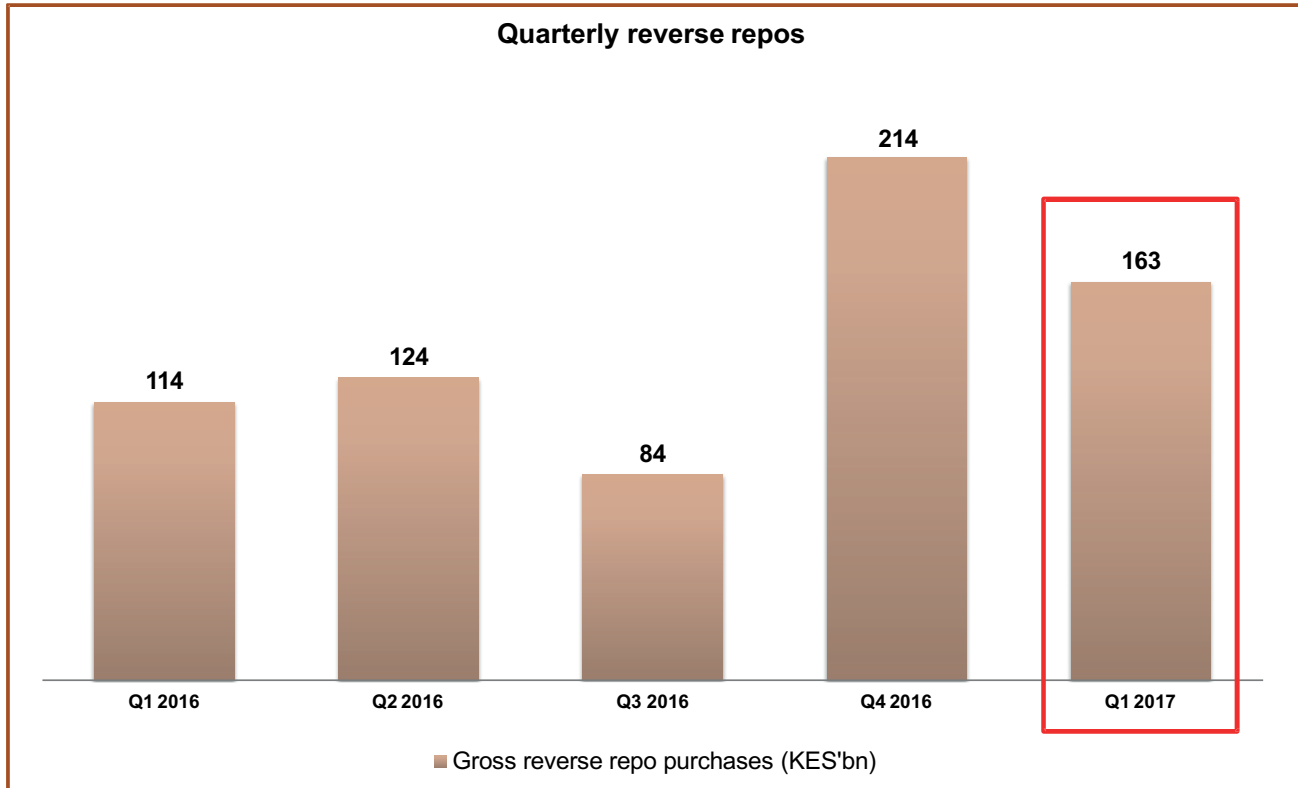
## Banking sector continues to struggle





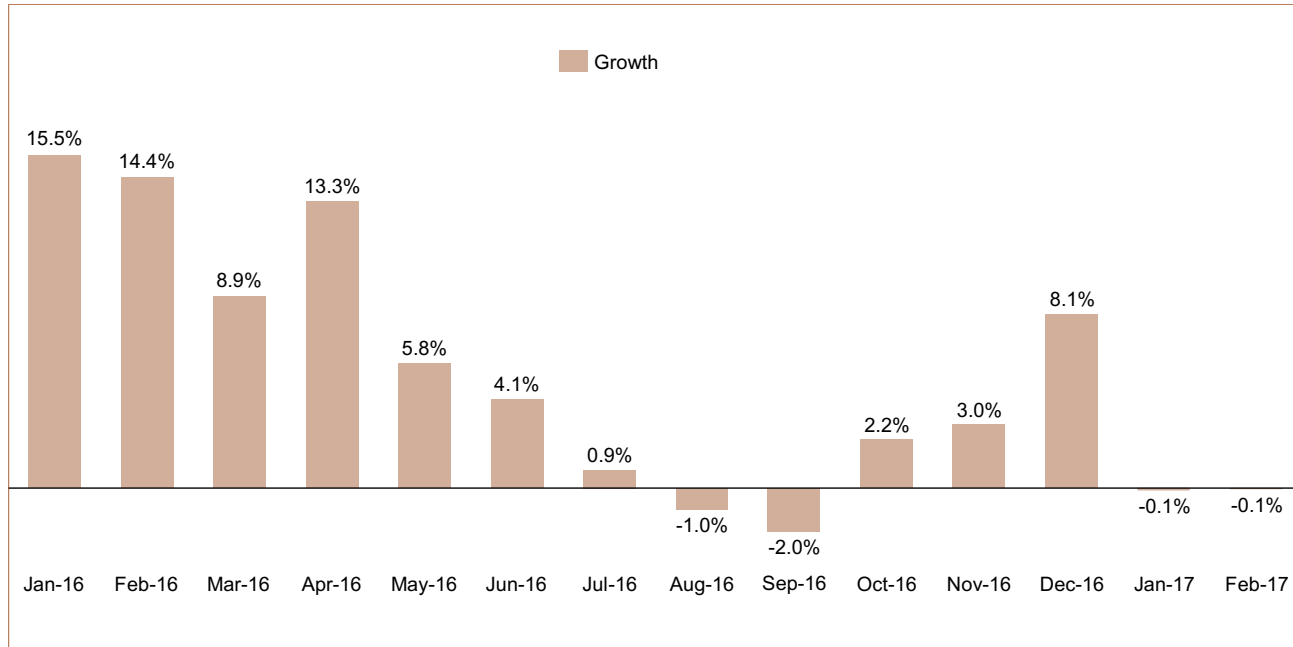


# Liquidity remains skewed with CBK redistributing liquidity via reverse repos



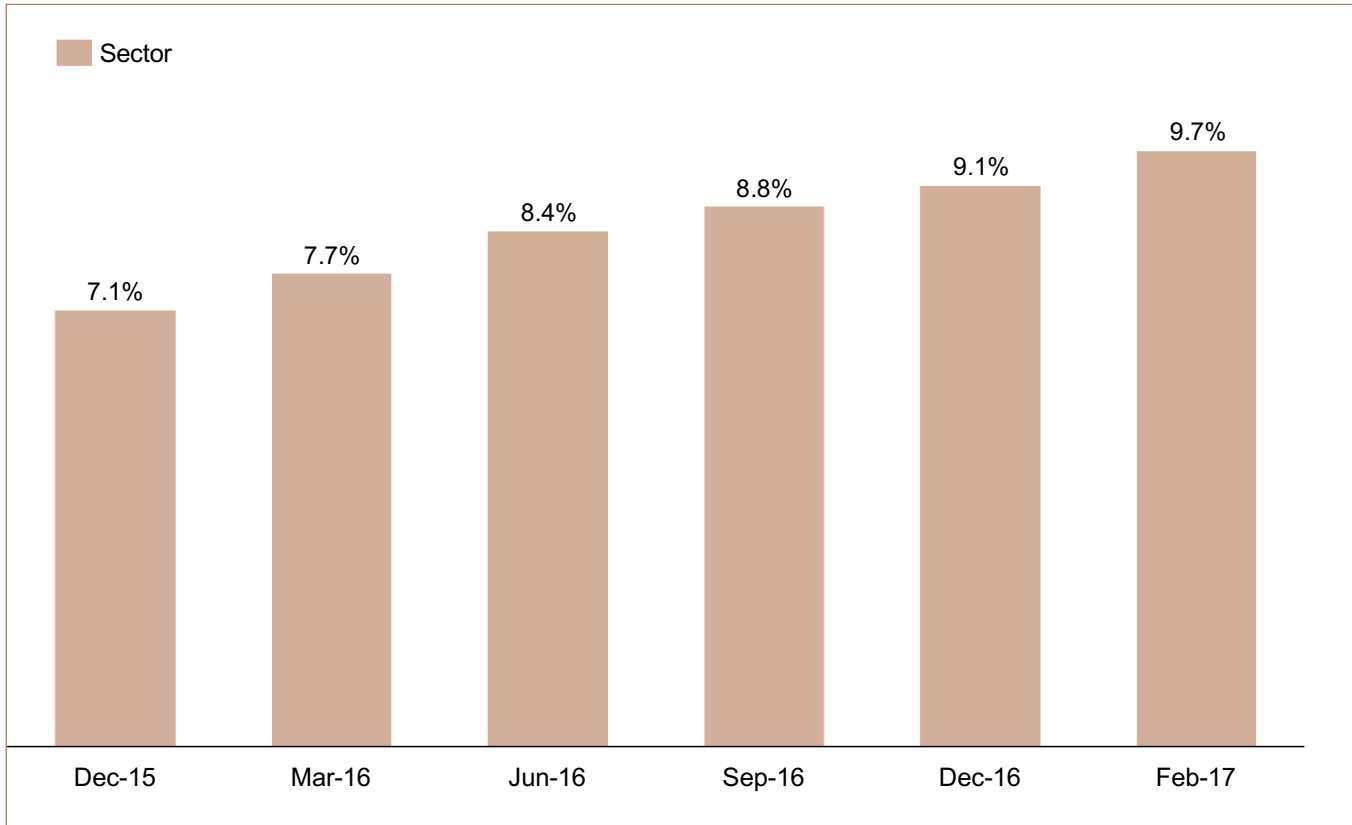


## Banking sector gross loss growth has now contracted





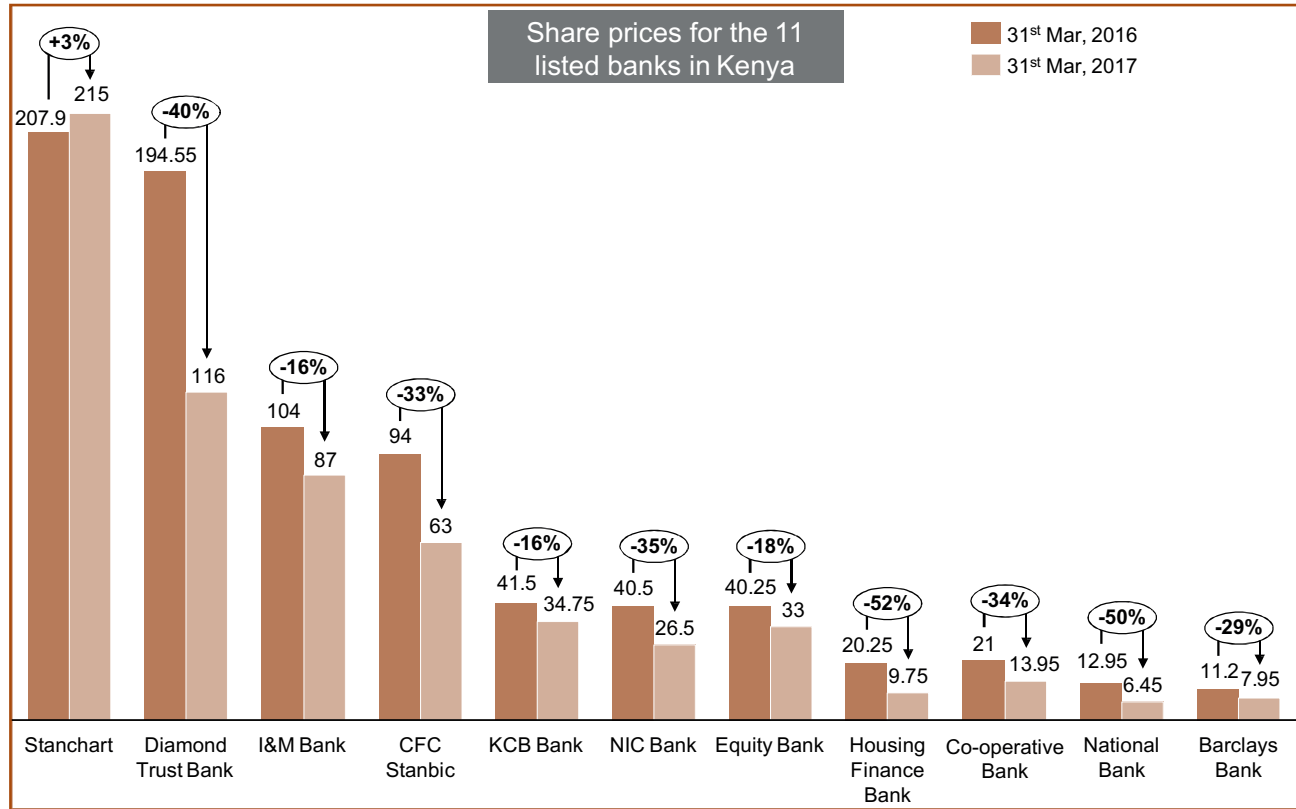
## Deteriorating banking sector NPLs





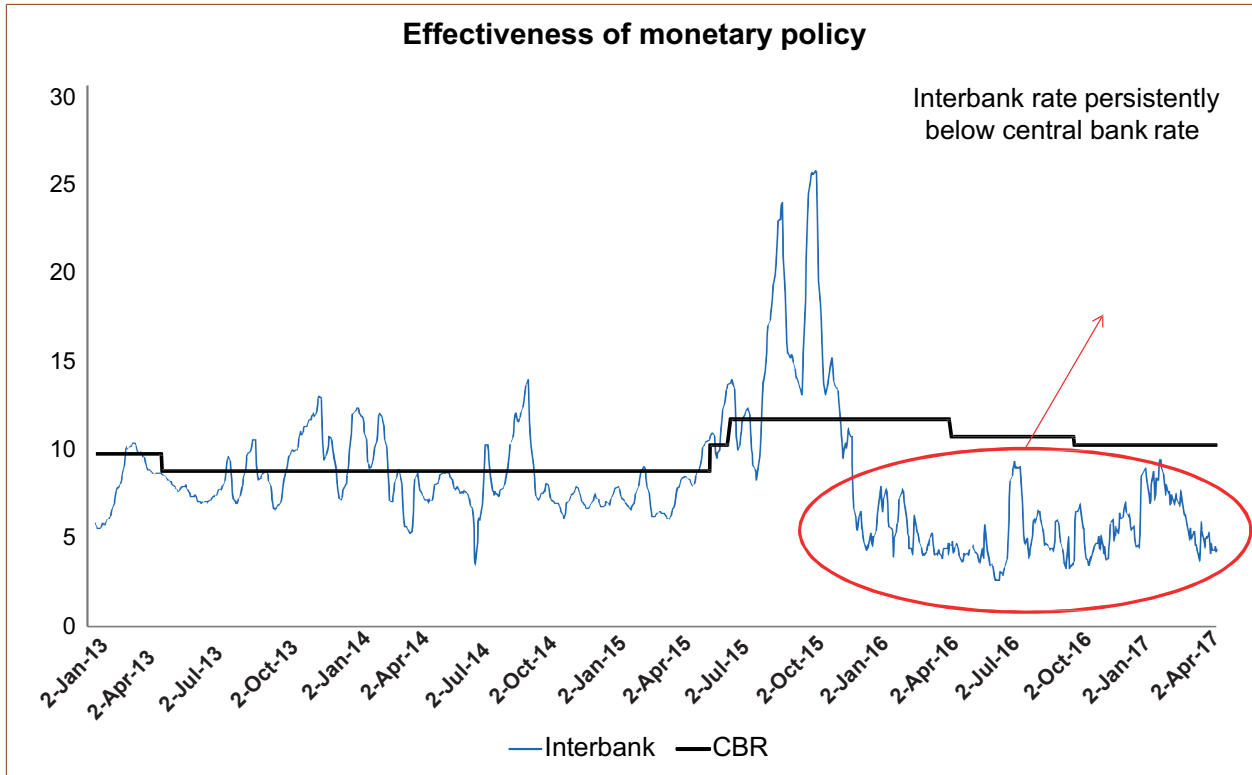


## Erosion of banking stock value at the NSE





# Monetary policy effectiveness under pressure interest rate tools challenged in current environment





## Rising interest rates in the US brings mixed fortunes

- The Fed Reserve has raised interest rates to 1% for the 3<sup>rd</sup> time in the past 15 months
- Rates currently at their highest since 2008 financial crisis

### **Expected mixed effects on emerging & frontier markets**

- Decline in FDI as foreign investors starting retracting to the US market
- USD expected to reprice upwards against other currencies
- The interest rate hike reflects a strengthening US economy that could benefit exporters if US, growth translates into higher import demand



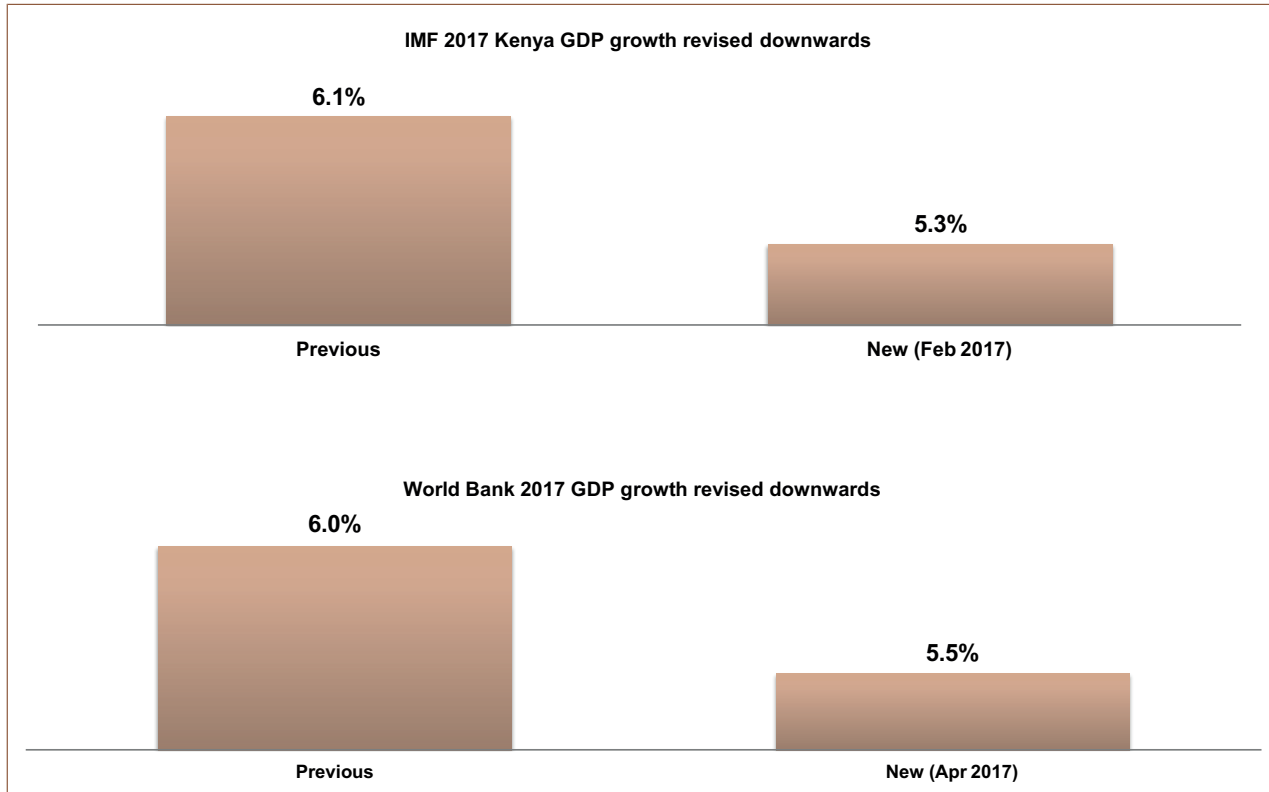


## Unquantified global phenomena challenges

- Donald Trump presidency and commencement of investigation of Russian interference in the US election
- Commencement of Brexit
- Slump in global commodity prices, particularly energy and minerals
- China slowdown



## Current net effect is an expected slowdown in economic growth



EQUITY CENTRE



**Silver Lining – Opportunities Still Exist  
Despite the Challenges**





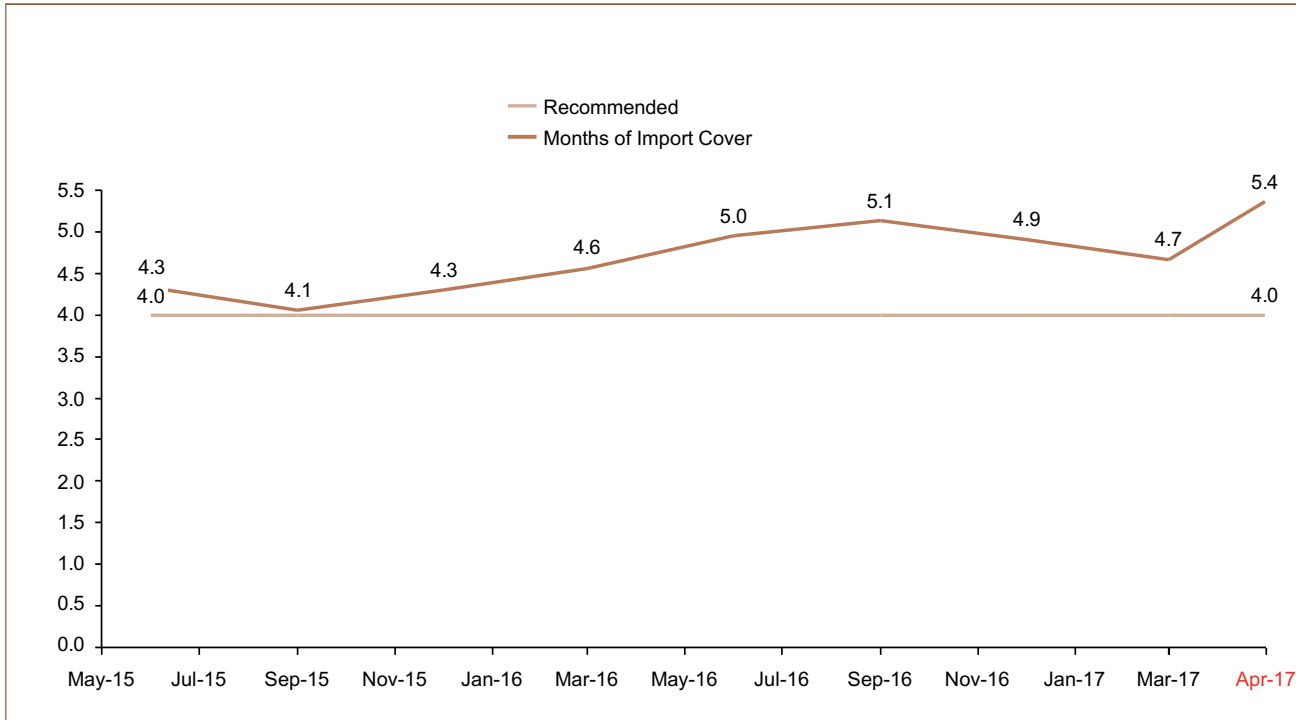


## Global oil prices remain depressed



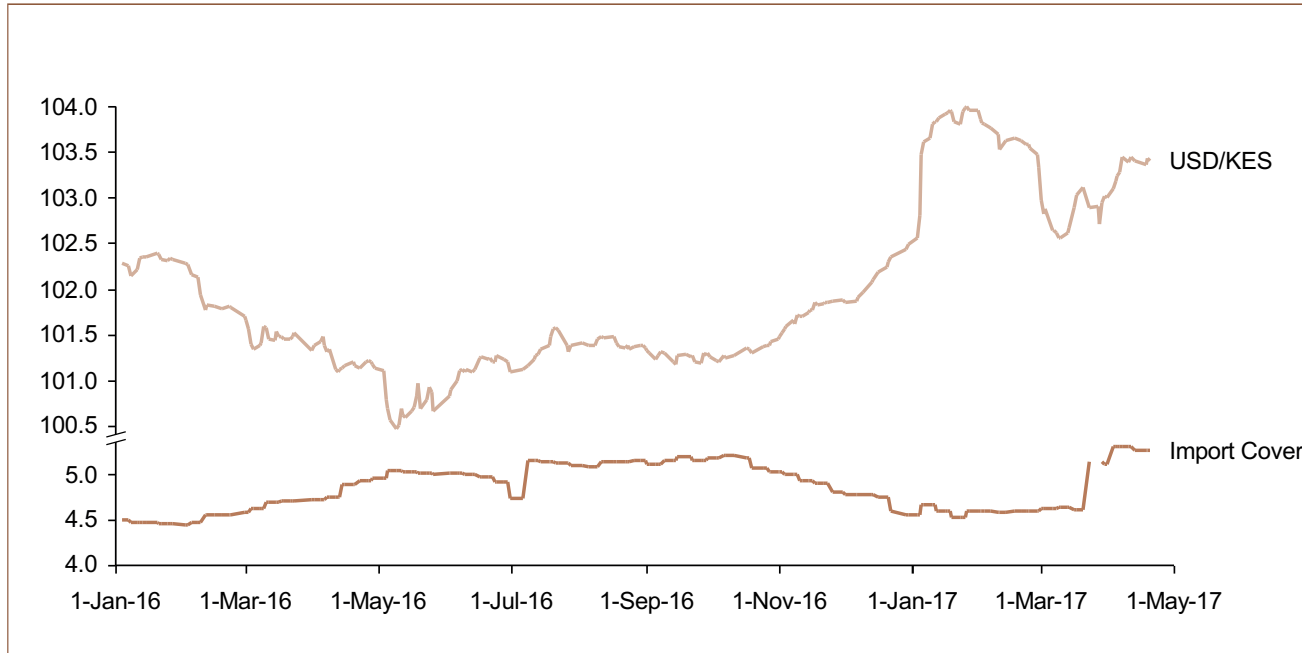


# ... and Kenya has benefited from improved months of import Cover





# KES beginning to strengthen against the dollar





## FREXIT Fears de-risked...a new pro-EU French President

- a) The concluded presidential election in France brings a sigh of relief
- The election of the pro-EU president Macron has abated fears on a possible FREXIT
  - The election has seen banking stocks up by over 7.5% within less than a week
  - Banking stocks expected to outperform the French stock market
  - European Central Bank might raise interest rates before the end of its quantitative easing program as the new president intends to strengthen the euro area
  - Global markets soared as the integrity of Euro Zone is affirmed
  - Gold, which had been used as the safe-haven for this political risk, is expected to see a downward volatility as investors liquidate gold positions
  - Euro strengthens against the USD with a new 6-month high



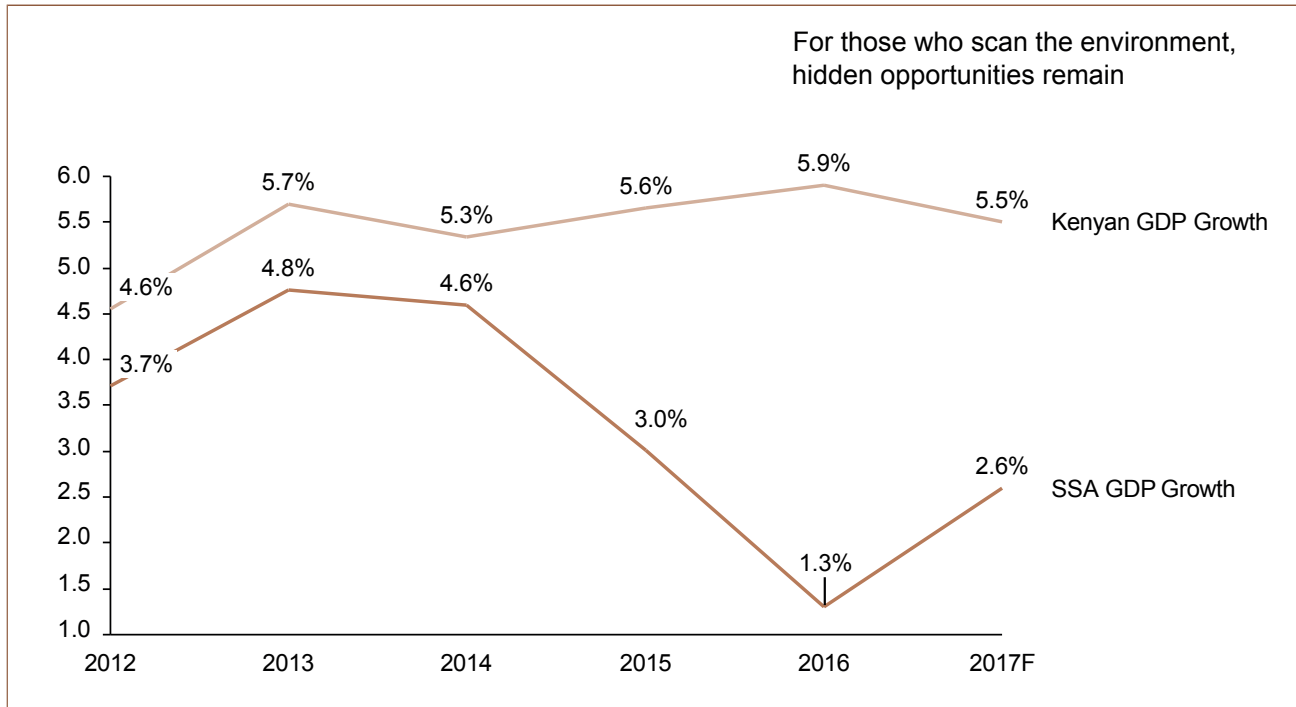
## Silver lining opportunities for Kenya

- a) Kenya signs preferential trade terms with Britain
- b) China has given Kenya preference as its hub and entry point into Africa
  - Funding of phase 2 of SGR Naivasha–Kisumu at a cost of KES. 37Bn
  - Continued funding of road construction projects
  - Continued flow of grants (KES. 21.9bn)
  - Inclusion of Kenya on Silk Road negotiation and road map
- c) Improving macroeconomic conditions
  - Improving ranking of ease of doing business
  - Improved FDI flows with Kenya ranked preferred investment destination
  - Growing exports over last three years together with a growing tourism sector flows and earnings
  - Growing diaspora remittances
  - Improving national state security
  - Improving regional hub status and enhanced regional integration and growth
- d) Eurobond yield falling significantly





## Effects of silver lining on Kenya's economic growth– growing faster than the rest of sub-Saharan Africa



The background of the slide features a photograph of the Equity Centre building entrance. The words "EQUITY CENTRE" are prominently displayed in large, white, sans-serif capital letters above the glass and metal entrance. Two people are seen walking away from the camera into the building. The entire scene is bathed in a warm, orange-gold light, and the image is partially obscured by decorative graphic elements like a wavy line and a globe in the lower-left corner.

EQUITY CENTRE

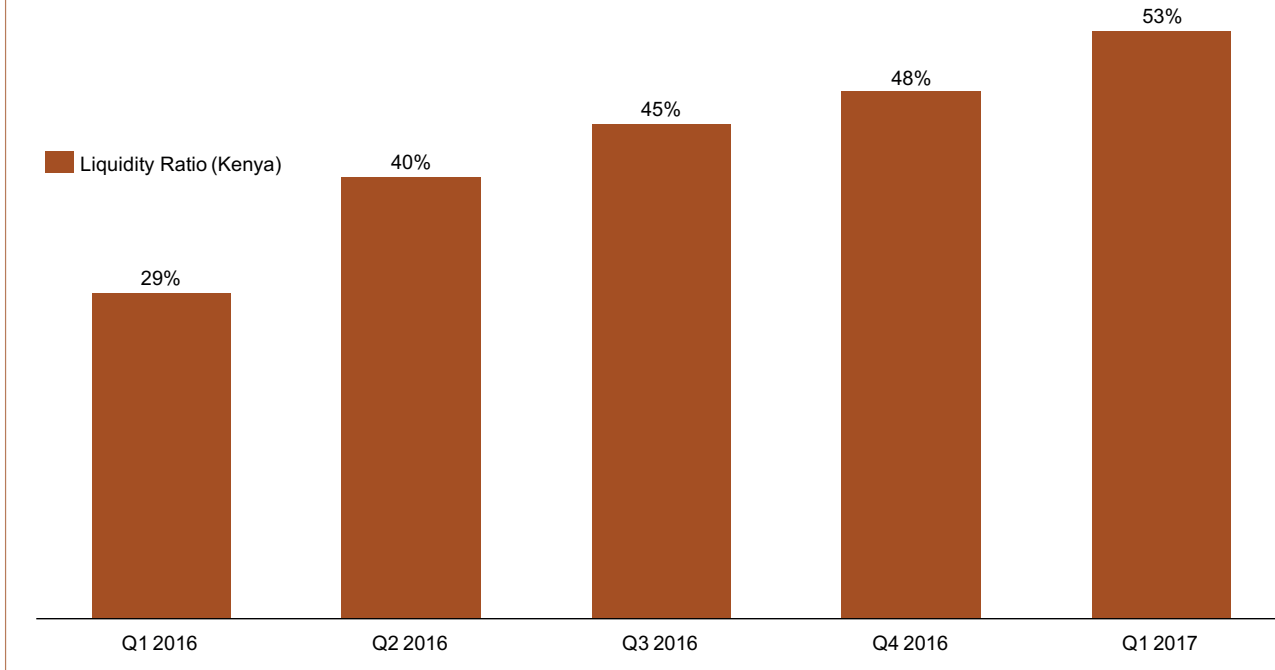
**Equity Bank's repositioning to avoid the economic turbulence and to exploit the silver lining opportunities**





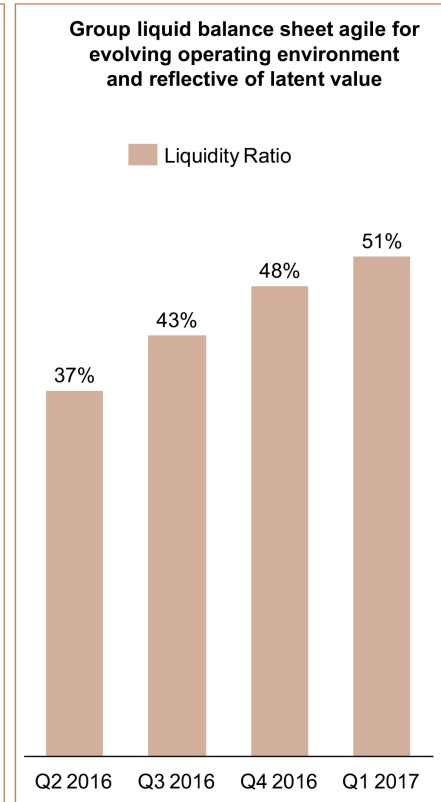
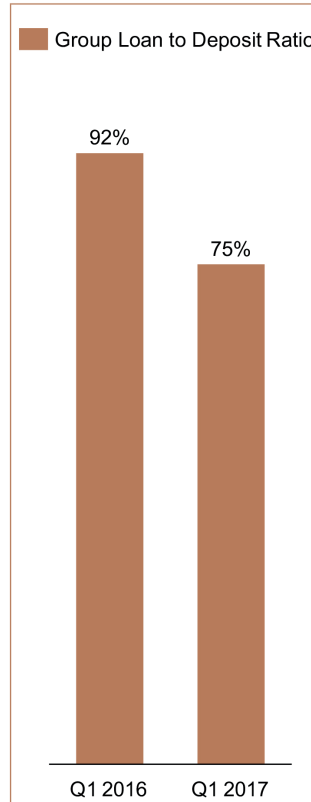
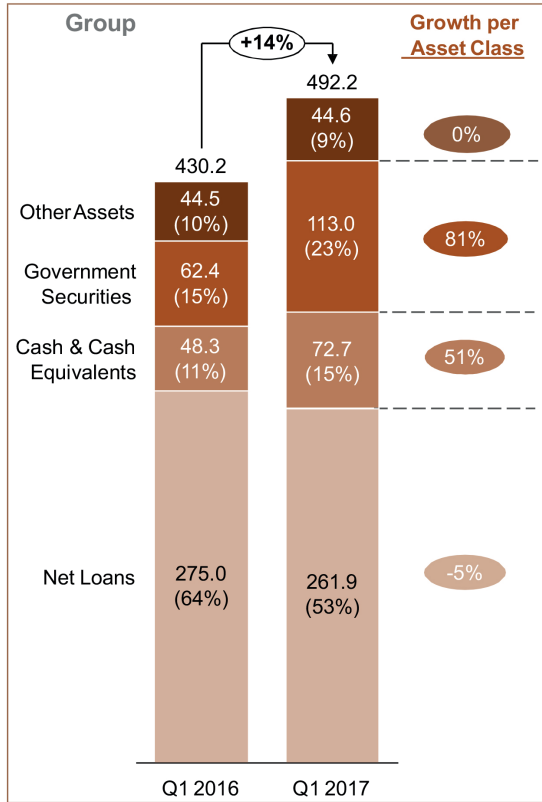
## Strengthening liquidity positioning to mitigate economic uncertainty and shocks (Kenya)

In uncertain times “cash is king”...trade off between profitability and stability, soundness and resilience

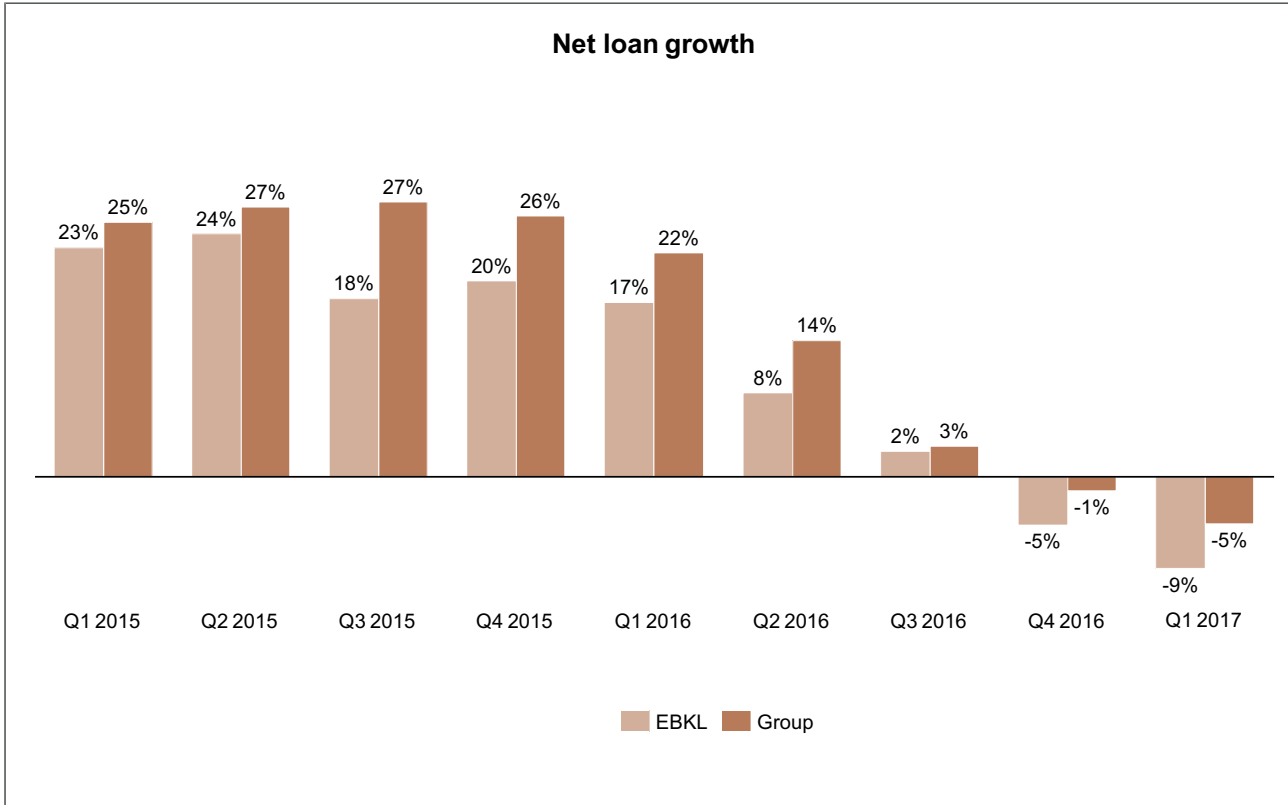




# Return vs risk trade-off (Group)



# Cautious underwriting of risk

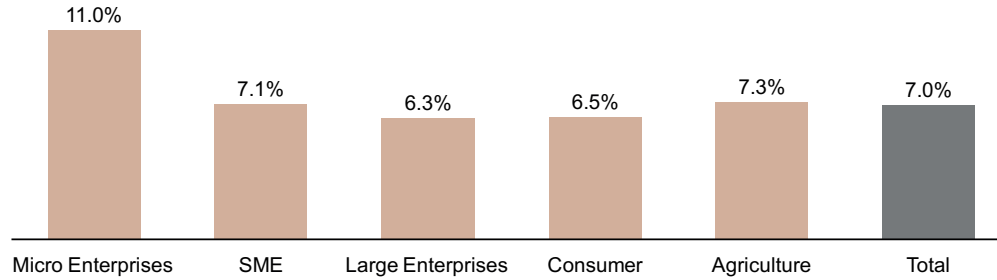




# Segment NPL's

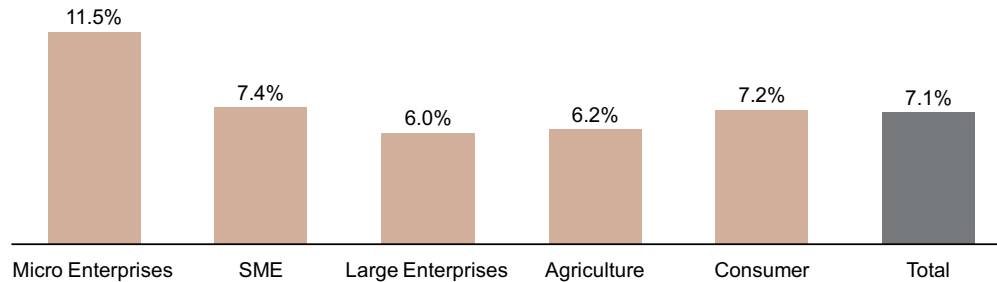
**KENYA**

■ Sector 90-Day NPL



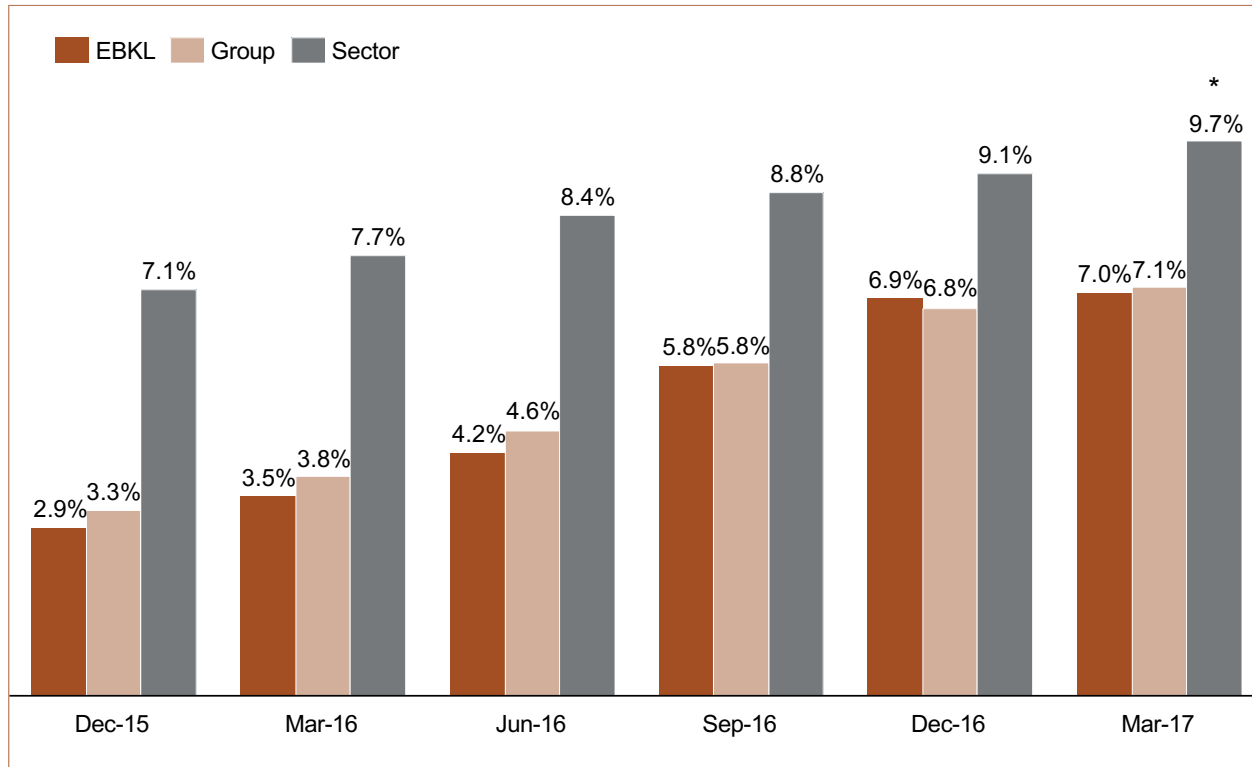
**GROUP**

■ Sector 90-Day NPL





# Focus on strengthening the quality of loan portfolio while mitigating credit risk underwriting

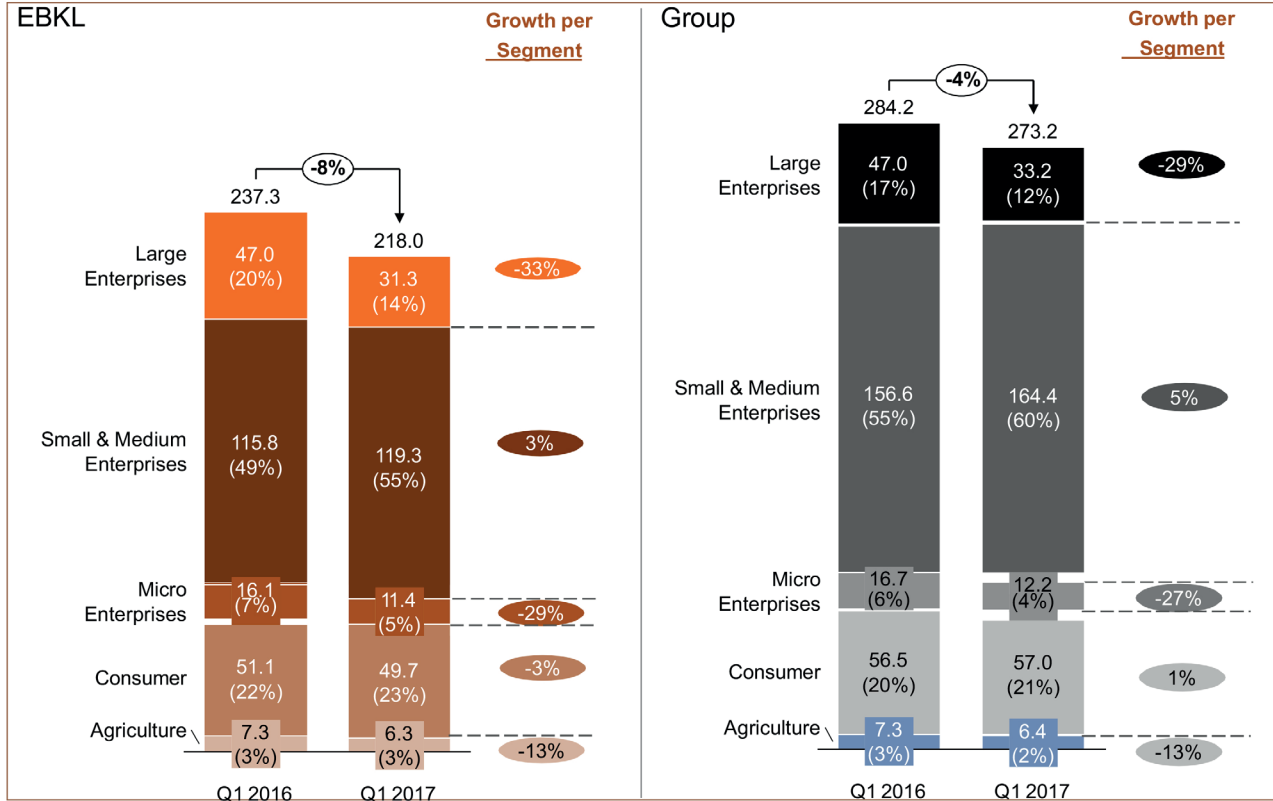






# Greater focus on low risk SME lending

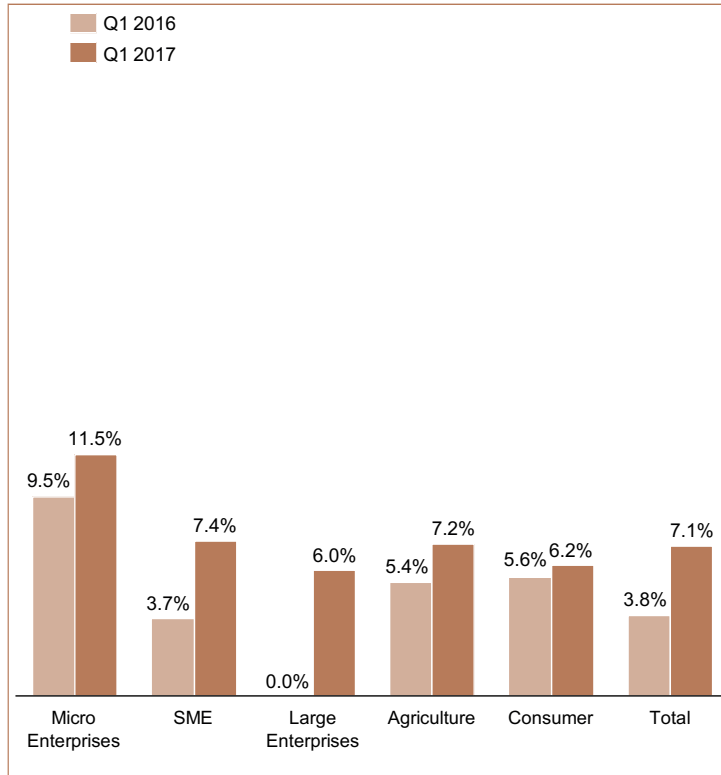
In KES billion



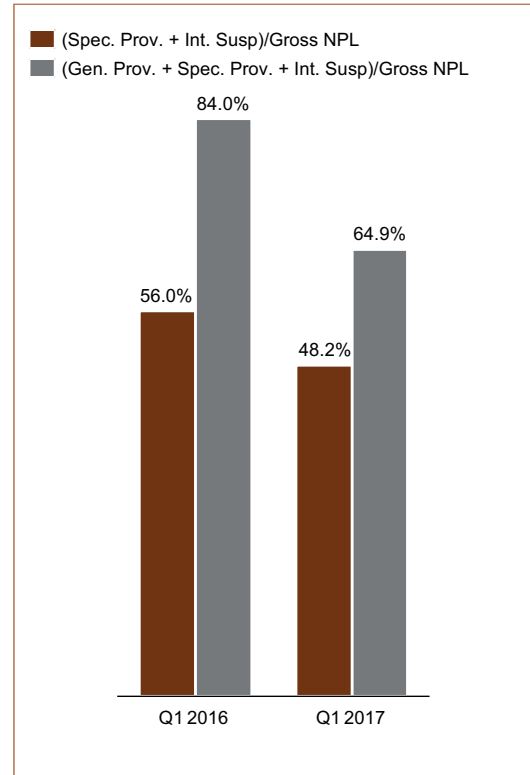


# NPL per segment and Coverage

### NPL increase in collateralised segments



### Coverage (Group)





## Great focus on regional subsidiaries performance

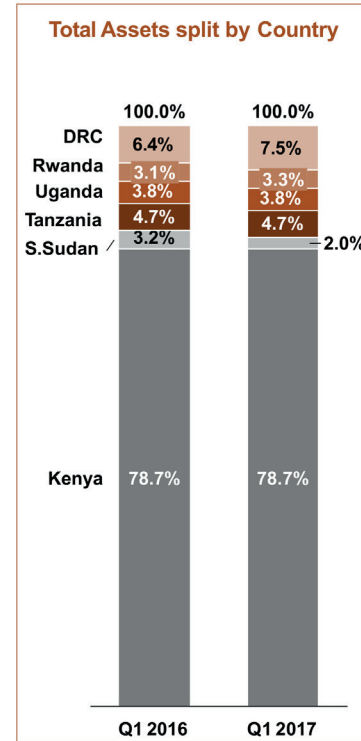
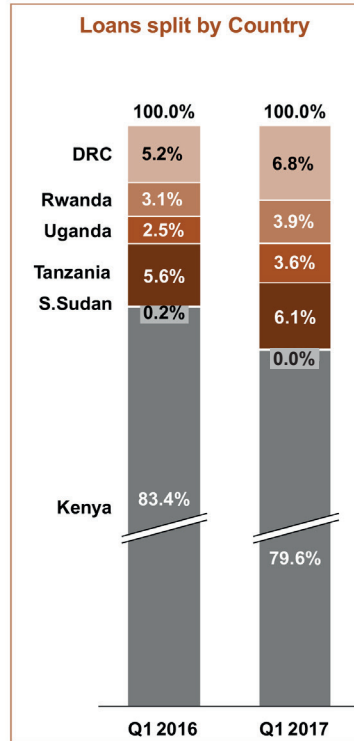
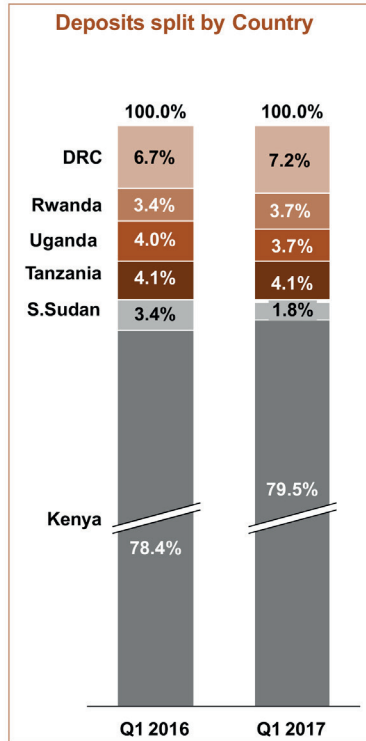
KES "Billion"

								With Sudan		Without Sudan	
	Tanzania	Rwanda	Uganda	S. Sudan	DRC	Regional Total	Kenya	Regional Contribution Q1 2017	Regional Contribution Q1 2016	Regional Contribution Q1 2017	Regional Contribution Q1 2016
<b>Deposit</b>	15.0	13.5	13.4	6.4	25.9	<b>74.2</b>	288.0	20%	22%	19%	19%
<i>Growth</i>	17%	29%	7%	-39%	25%	4%	18%				
<b>Loan</b>	15.9	10.1	9.5	0.1	17.9	<b>53.5</b>	208.4	20%	17%	20%	16%
<i>Growth</i>	3%	18%	36%	-71%	26%	15%	-9%				
<b>Assets</b>	23.6	16.6	19.2	10.0	38.0	<b>107.4</b>	397.5	21%	21%	20%	19%
<i>Growth</i>	12%	20%	13%	-30%	32%	2%	13%				
<b>PBT</b>	0.1	0.1	0.3	0.0	0.2	<b>0.7</b>	6.1	10%	5%	10%	4%
<i>Growth</i>	45%	117%	194%	-381%	182%	-30%	-12%				

*Kenya column above represents all entities in Kenya*



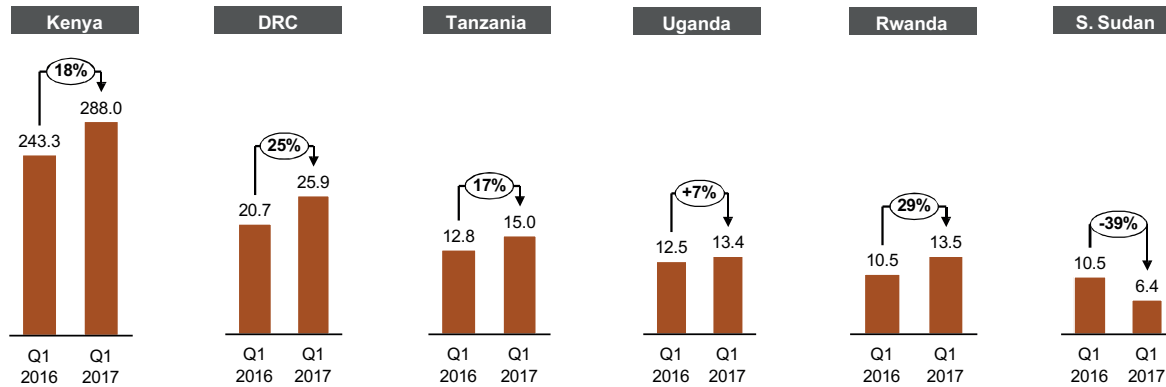
## Extracting Value From Subsidiaries (Deposits and Loans contribution by countries)





# DIVERSIFIED BUSINESS to support DEPOSITS growth across MULTIPLE GEOGRAPHIES

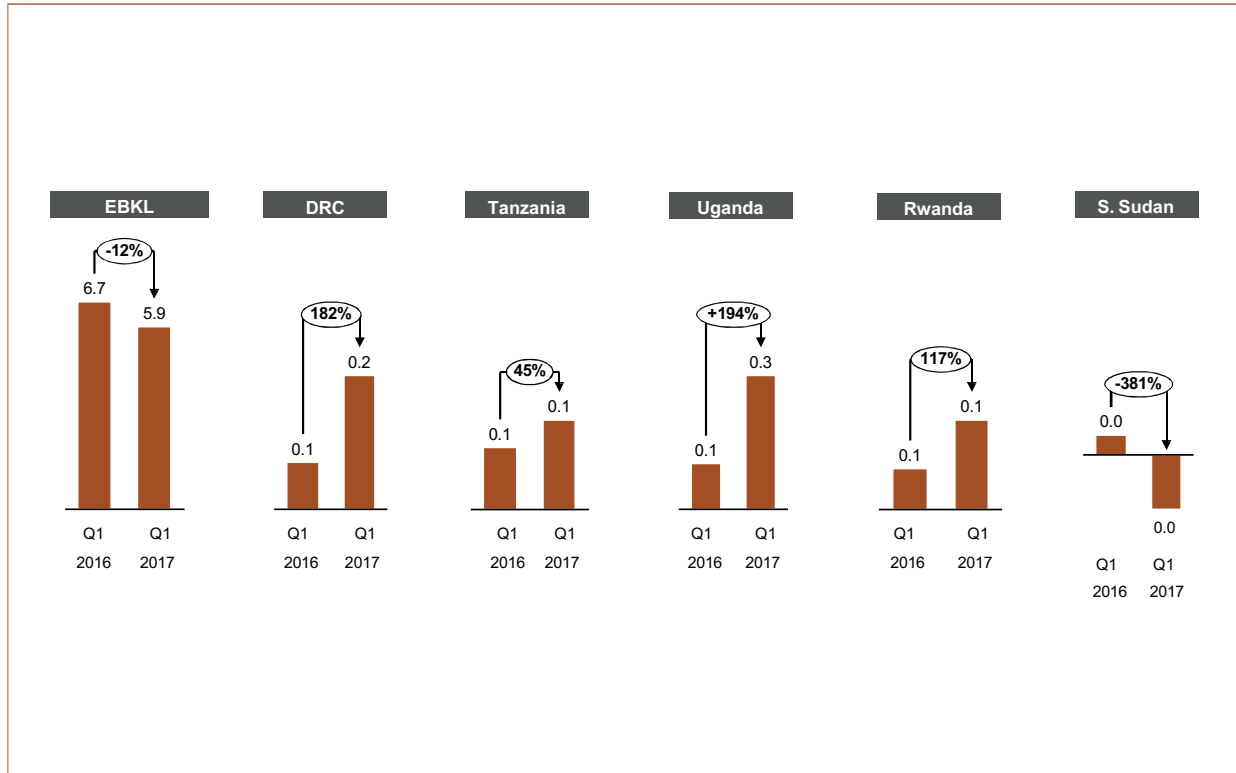
In KES billions





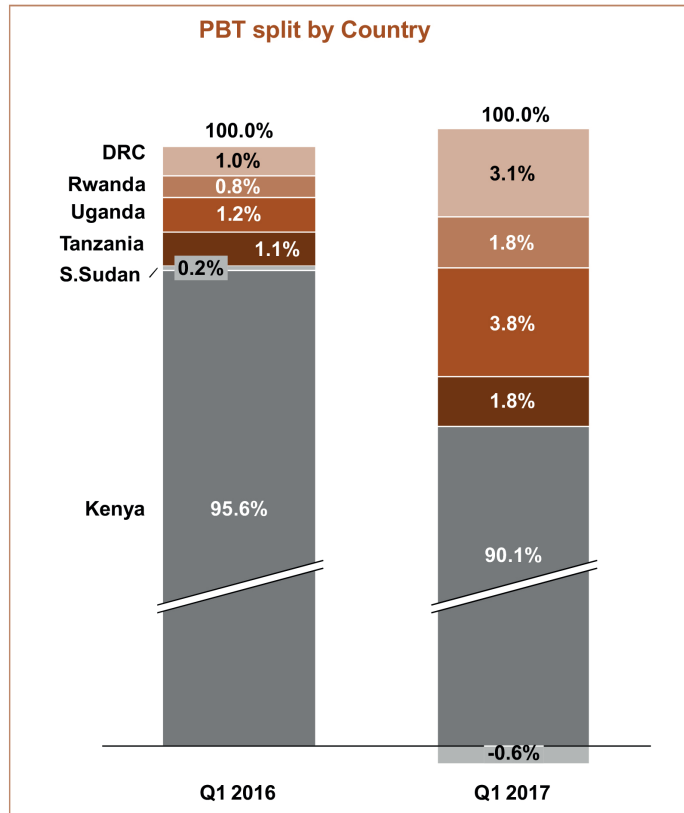
# DIVERSIFIED BUSINESS to support growth PBT across MULTIPLE GEOGRAPHIES

*KES billions*





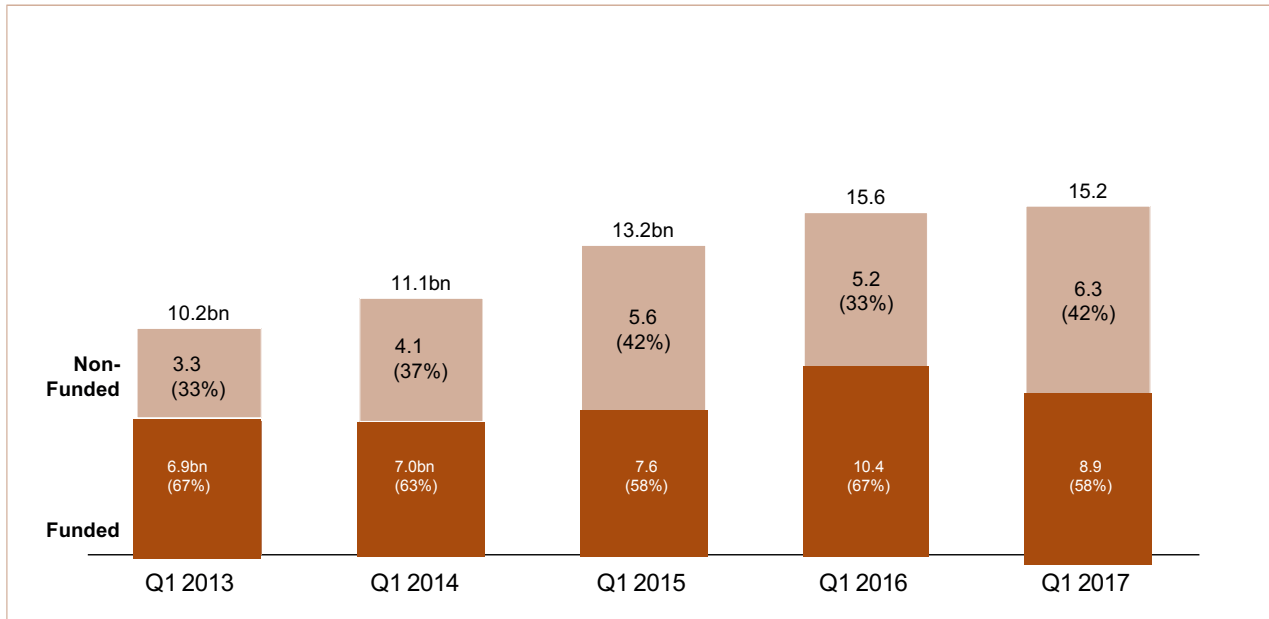
## Extracting Value From Subsidiaries (PBT contribution by countries)



*Kenya column above represents all entities in Kenya*



## Focus on Non-Funded Income – Quality of revenue streams



### Highlights

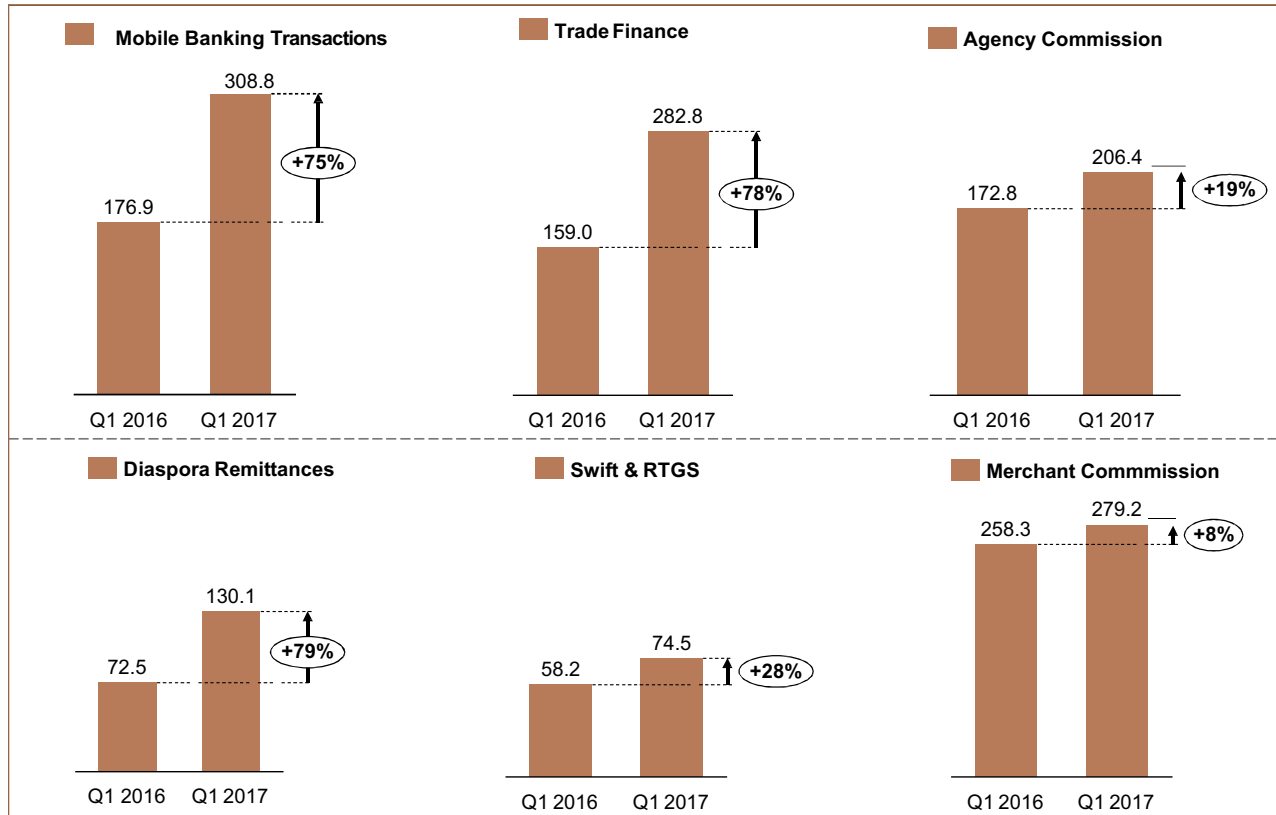
- **Non-Funded Income:** Grew by 21% YoY mainly due to increase in digital transactions
- **Funded Income:** Interest Income dropped by 11% YoY as a result of interest capping in loans, a negative loan growth of 5%





# EBKL Other Fees & Commissions - Key Lines

In KES Million

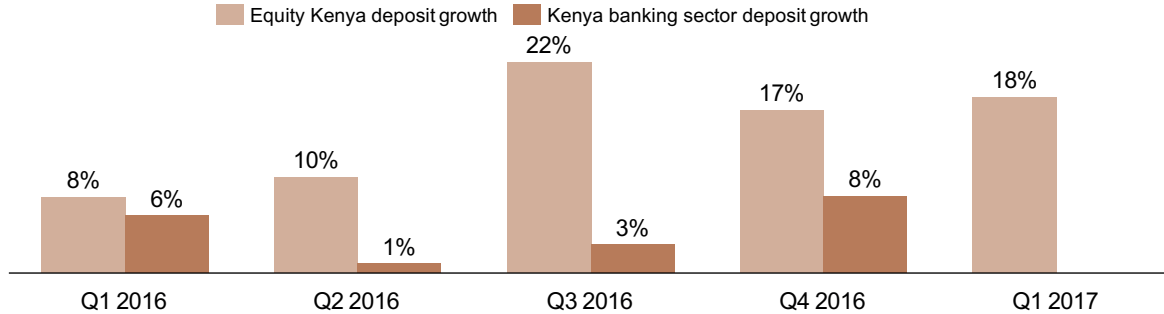


*\*Equitel only charges on transfers to other banks and mobile operators*

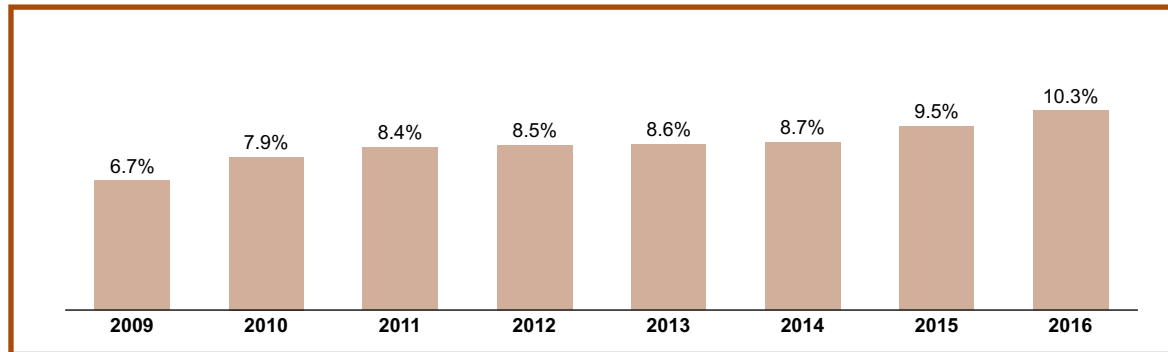


## LEADING DEPOSIT FRANCHISE continues to underpin latent value on the balance sheet

### Equity consistently growing deposits faster than the sector



### Equity Kenya deposit market share gains consistent through the years





# New banking model - Digital Bank



## Banking made Eazzy Channels available to customers....The tools



**EazzyNet**

Consumer Online Banking  
accessible on all devices



**EazzyBiz**

SME and Corporate Online  
Banking  
Cash and liquidity  
management



**EazzyAPI**

Exposing Equity  
Bank's capabilities to  
all digital ecosystem  
players



**Eazzy Diaspora**

Banking for Global Africans



**EazzyBanking App**

Most advanced App on the  
planet



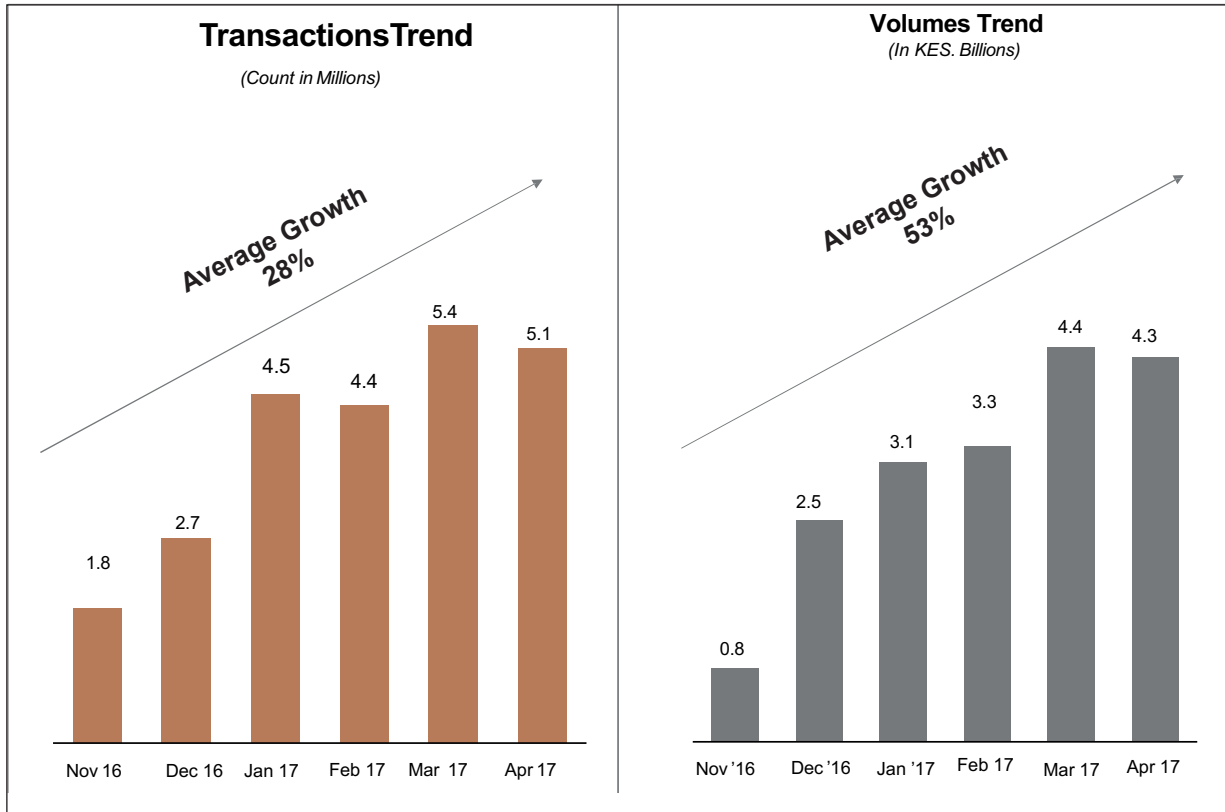
**My Money. My Phone.  
My Life.**

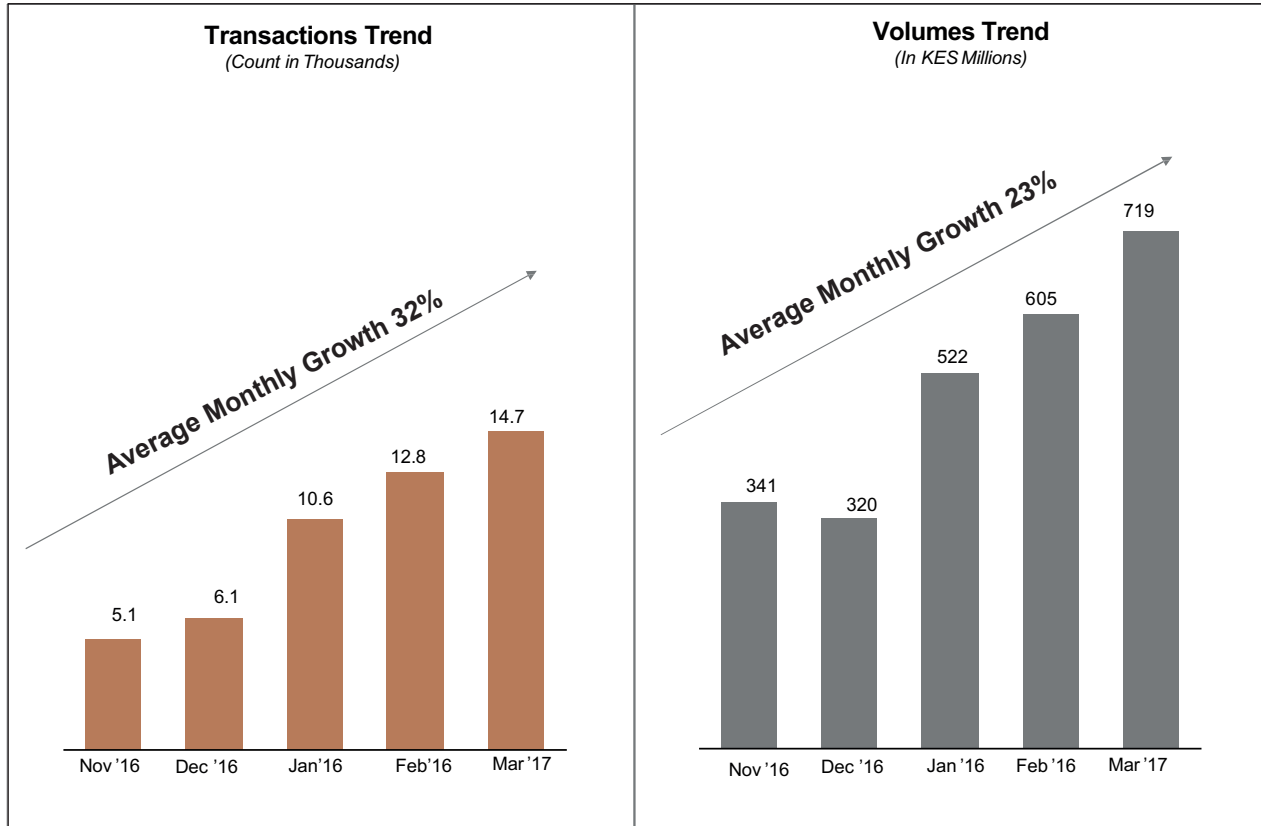
- Advanced security to protect your transactions – multiple factor authentication
- Only bank in the region to be certified on PCIDSS
- 24/7 monitoring and protection against cyber threats with monitoring locations across 3 continents
- Available on over 15m devices across Kenya
- Secure, open loop systems capable of integrating into ecosystems

**Eazzy, Secure and Convenient**



# EazzyBanking App

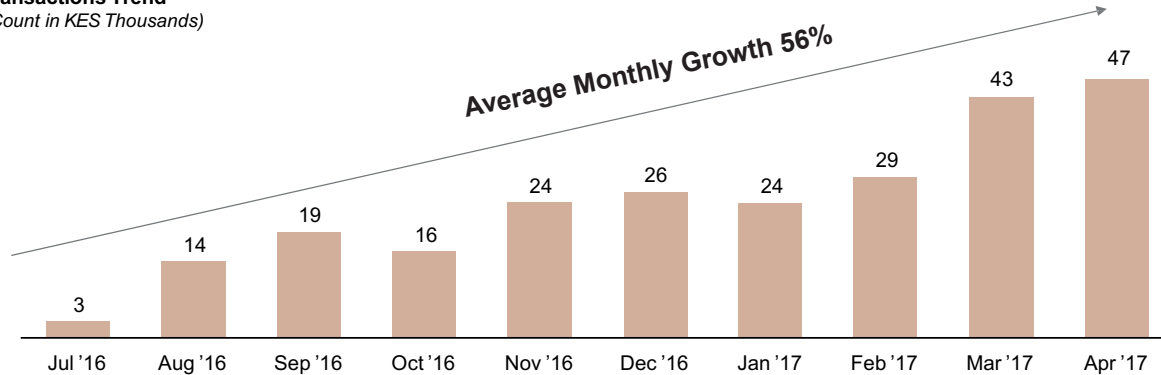




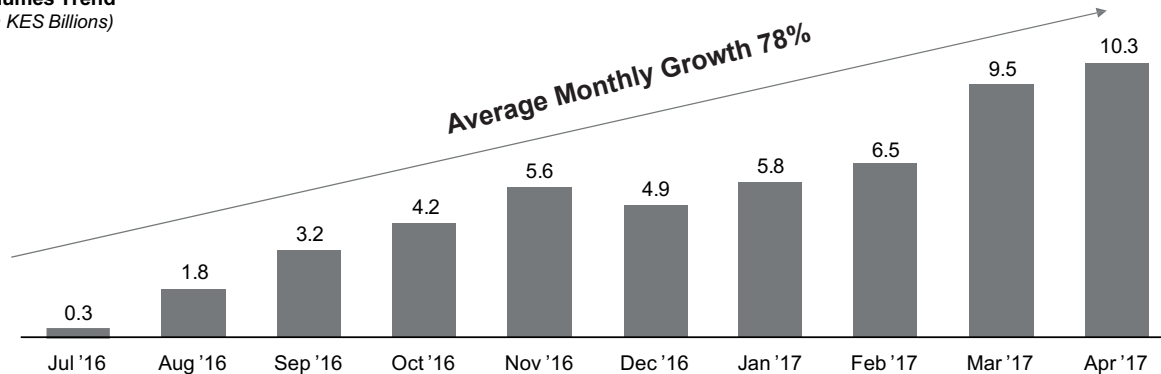
*Started in 2016, hence data is shown monthly*

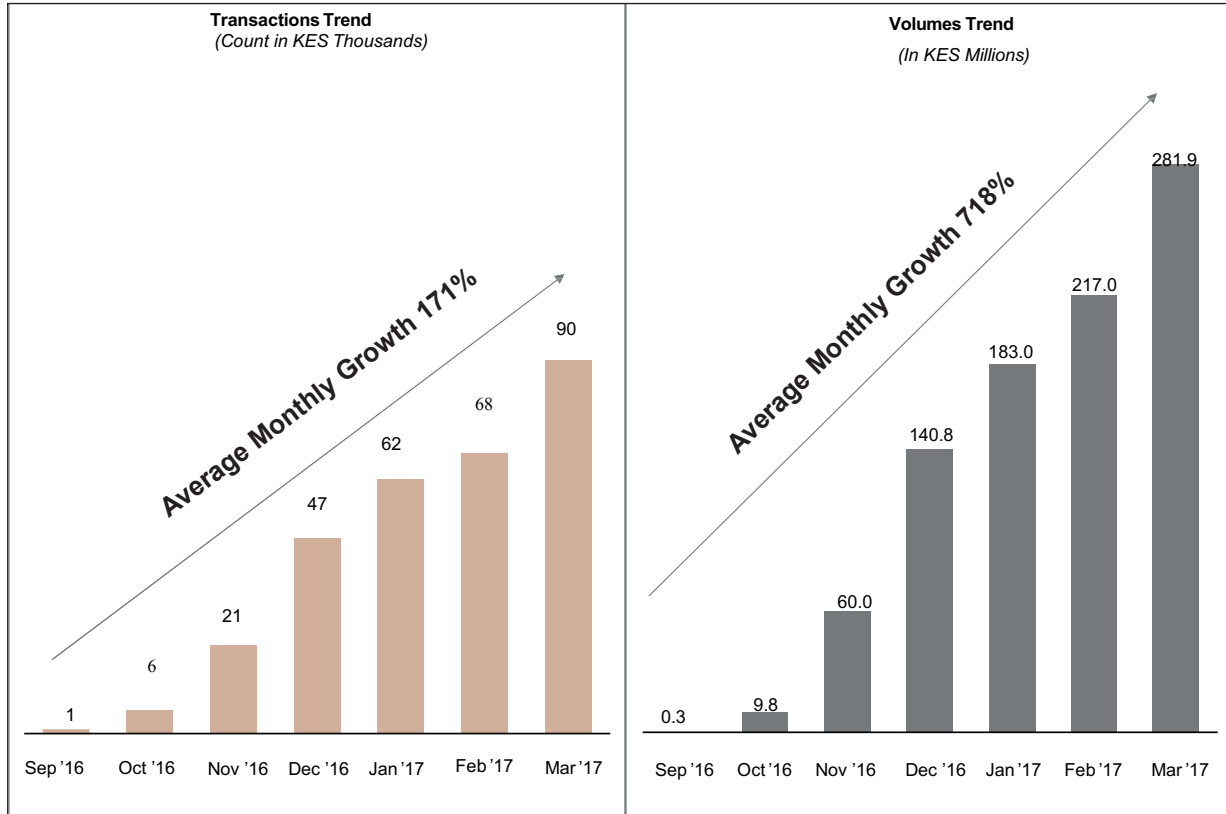


## Transactions Trend (Count in KES Thousands)



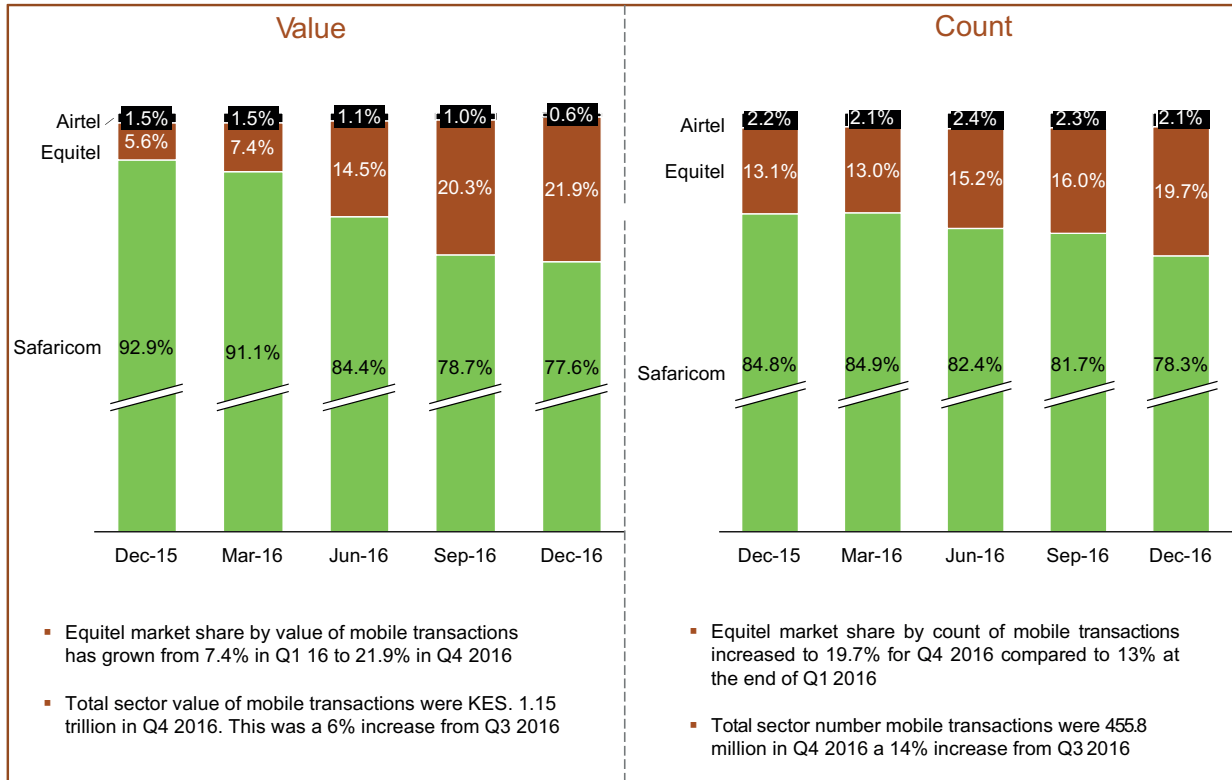
## Volumes Trend (In KES Billions)







# Innovation on mobile banking - Equitel



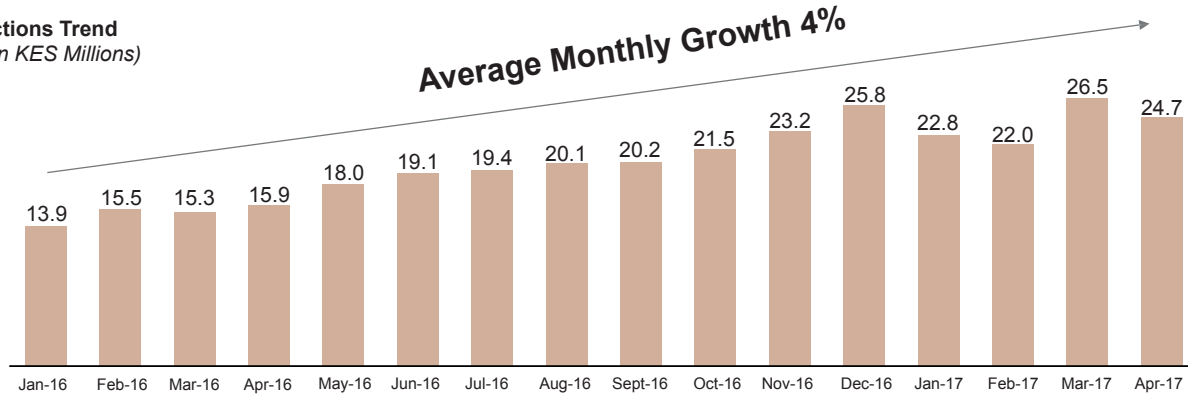




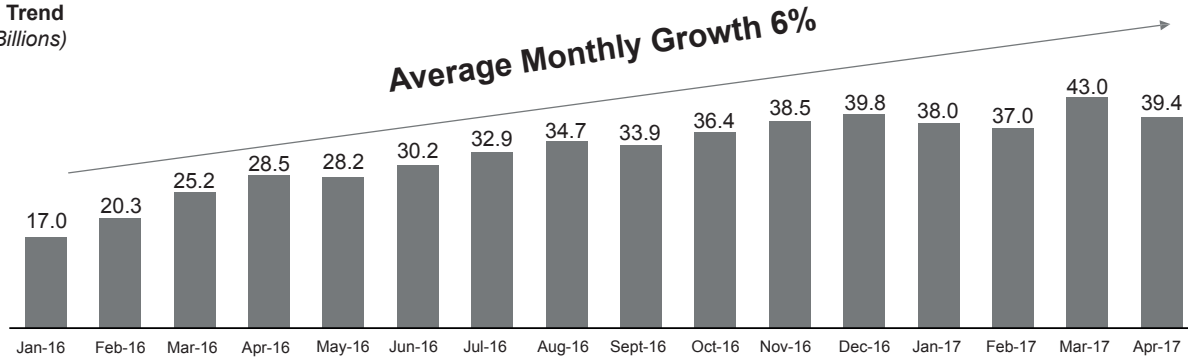
# Equitel



**Transactions Trend**  
(Count in KES Millions)

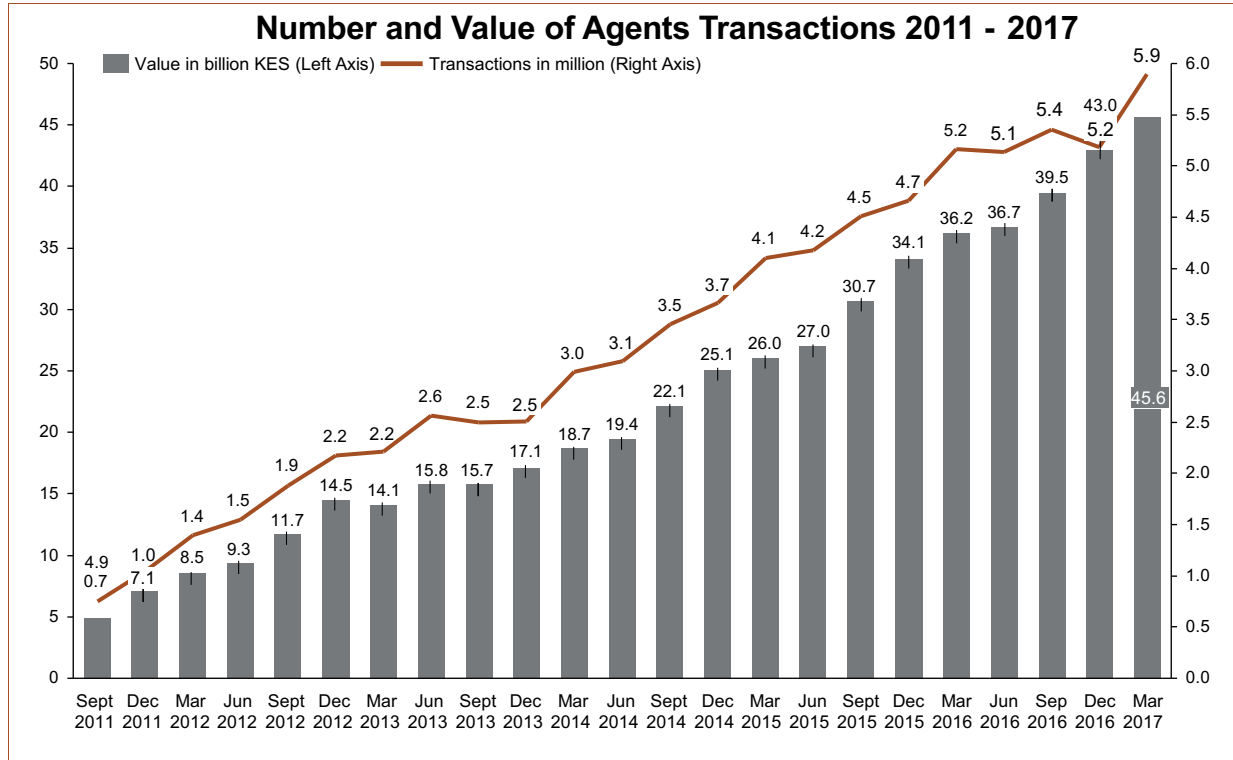


**Volumes Trend**  
(In KES Billions)



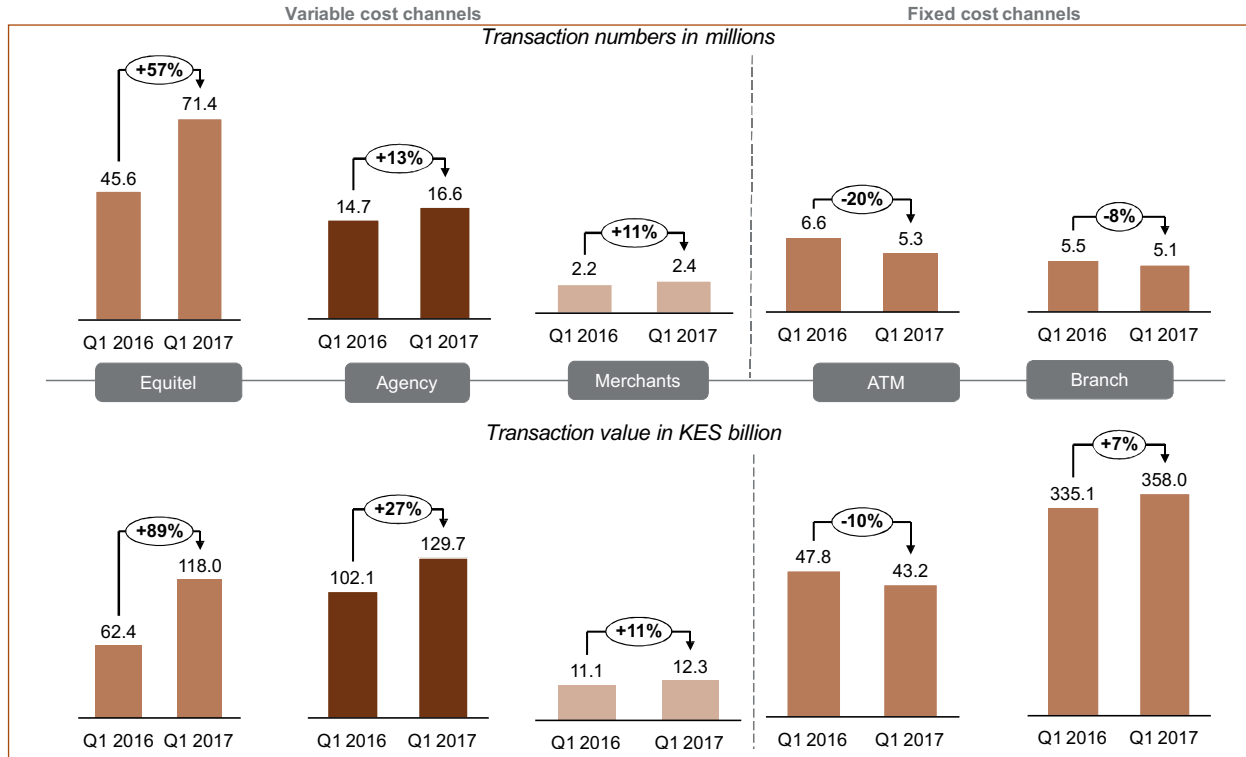


# DIFFERENTIATED BUSINESS MODEL (continued)



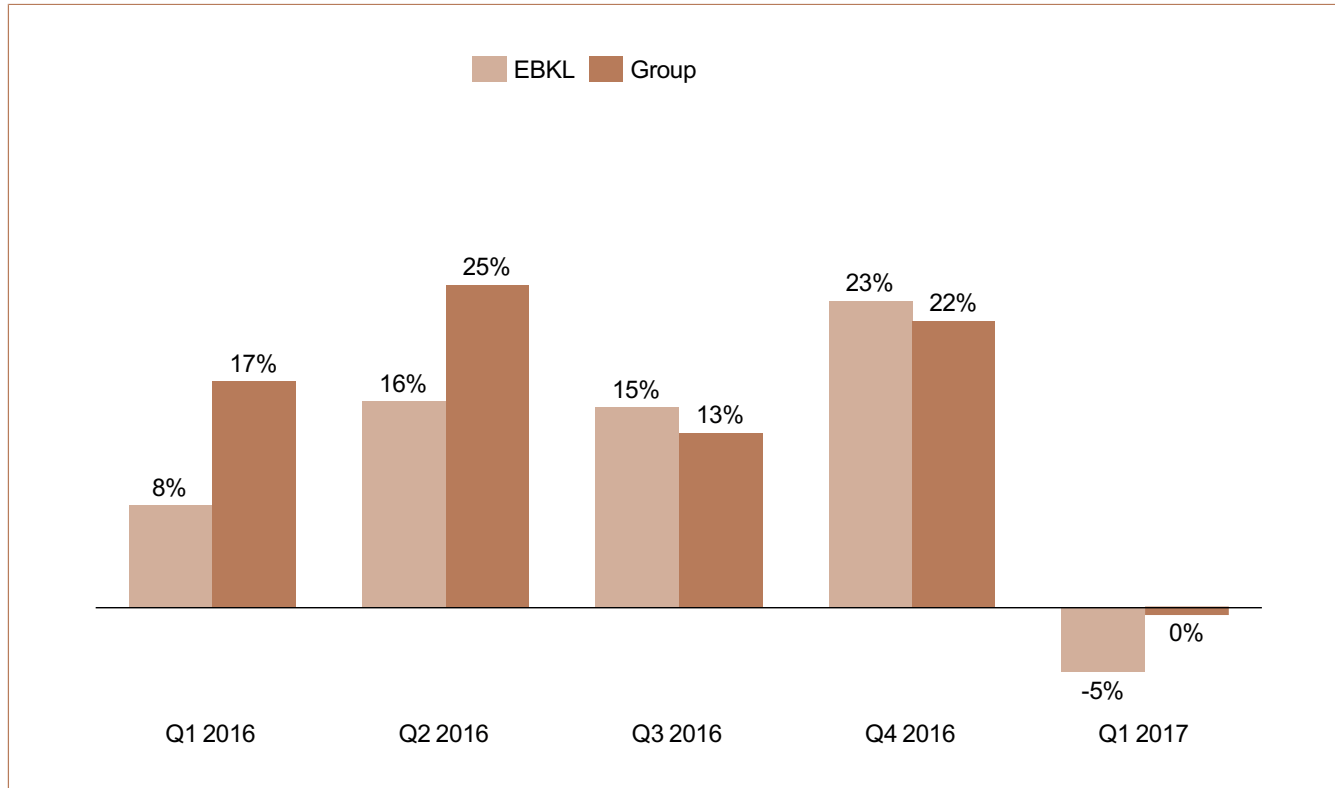


# Focus on efficiencies – move from fixed to variable channels





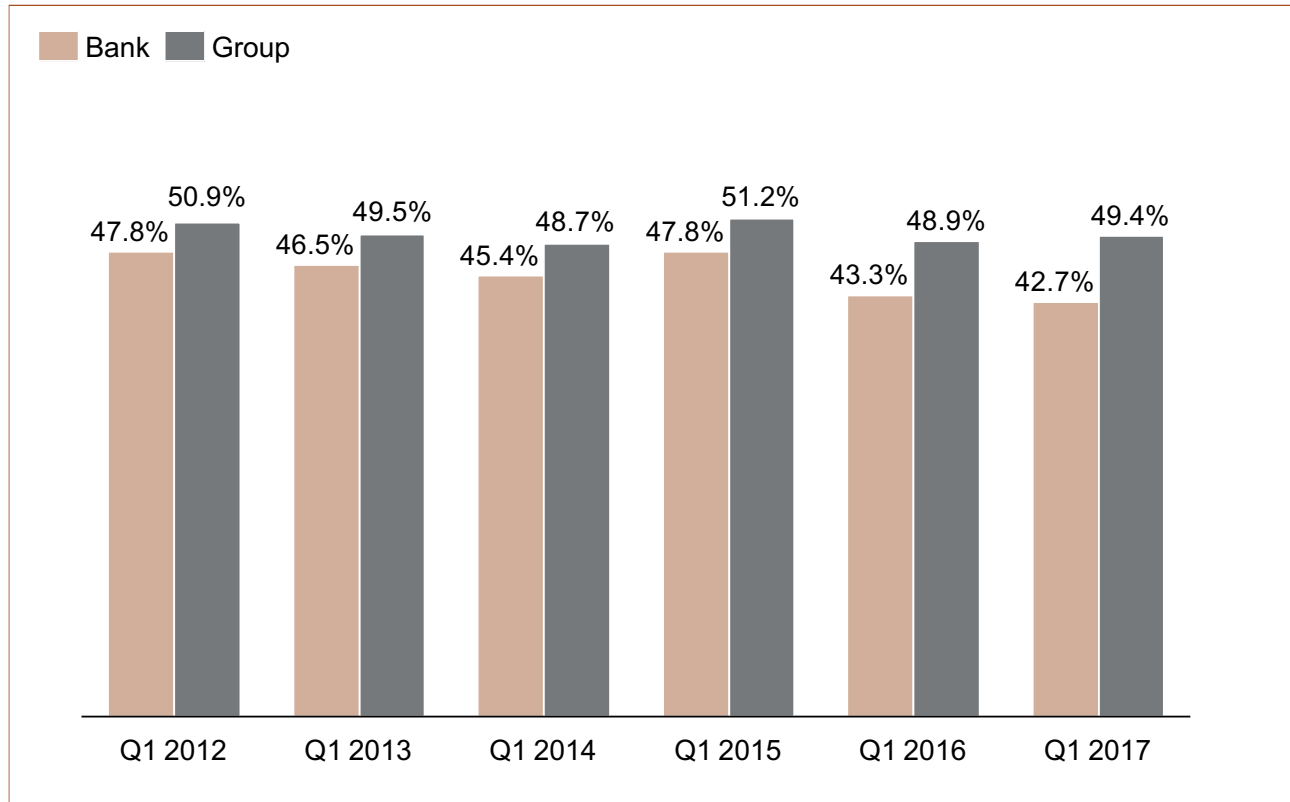
## Focus on efficiencies has resulted in cost reduction





## Cost to Income Ratio Trend (YoY)

2016 Cost optimization & efficiencies of digitisation





## EGF continues to invest in social impact



1. Number of Wings to Fly beneficiaries reach 15,000 at a cost of KES. 14 billion.
2. FIKA financial literacy training for small medium enterprises reached 1.5 million youth, women and micro enterprises.
3. Air lifts to global leading universities reach 400 students at cost KES. 9.6 billion.
4. 600,000 small scale peasant farmers transformed into agro-businesses through training.
5. 25,000 enterprises receiving 3 years entrepreneurship training.
6. 2,500 medium scale farmers supported to transform through value addition.



## Fortified Brand made it top of mind

### Equity's International Rankings

**The Banker**  
**TOP 1000**  
WORLD BANKS 2016

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

Ranked fastest growing large bank in Africa 2016

### Equity's Global Credit Rating



**GCR**

GLOBAL CREDIT RATING CO.

Local Expertise • Global Presence

Aug 2016

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



# Equity has earned recognition in 2017 Think Business Awards



## EQUITY BEST BANK IN KENYA FOR THE 6<sup>TH</sup> TIME

Category	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>
Best Bank Overall	Equity Bank		
Best Bank in Kenya - Tier 1 (Big Banks)	Equity Bank		
Best Bank in Retail Banking	Equity Bank		
Best Commercial Bank in Microfinance	Equity Bank		
Best Bank in Agency Banking	Equity Bank		
Best Bank in Mortgage Finance	Equity Bank		
Best Bank in Product Innovation	Equity Bank		
Bank with the Lowest Charges - Individuals	Equity Bank		
Best Bank in Integrated Digital Marketing	Equity Bank		
Best Bank in Trade Financing	Equity Bank		
Best Bank in Sustainable Corporate Social Responsibility	Equity Bank		
Best Bank in Agriculture and Livestock Financing	Equity Bank		
Chief Executive of the Year	Dr. James Mwangi (Equity Bank)		
Outstanding Young Banker of the Year	Gakii Mwongera (Equity Bank)		
Best Bank in Product Marketing		Equity Bank	
Best Bank in Internet Banking		Equity Bank	
Best Bank in Corporate Banking		Equity Bank	
The most Customer-Centric Bank		Equity Bank	
Best Bank in Mobile Banking			Equity Bank





# Think Business Awards





## Recognition of innovation on mobile banking and Fintech



**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 as aspirations of our people.



# 2017 BEST RETAIL BANK KENYA AND EAST AFRICA





# 2017 BEST CSR BANK EAST AFRICA & BEST DIGITAL BANK







# 2017 BANKER OF THE YEAR AWARD





### **Africa's Best Bank 2016: EQUITY BANK**

- **Africa's Best SME Bank**
- **Kenya's Best Bank**



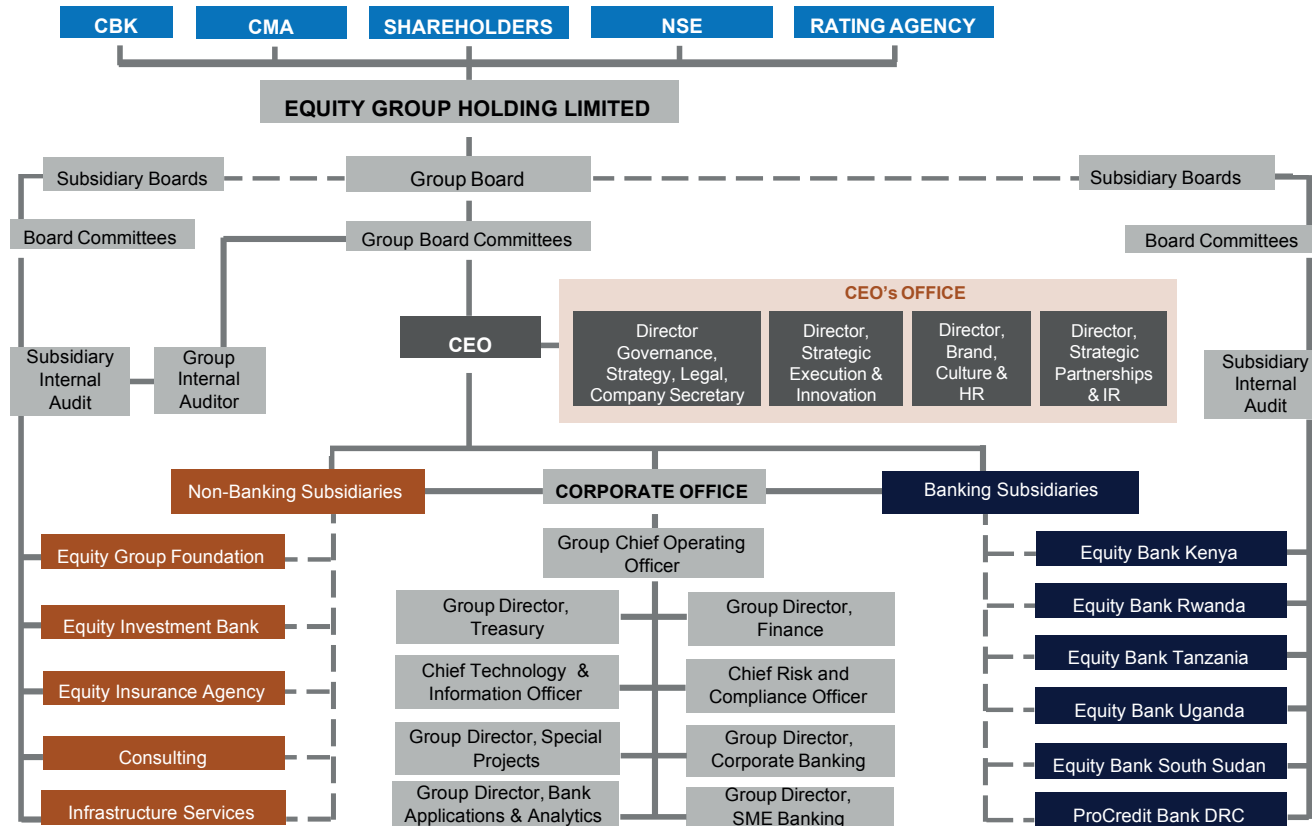
## Top of Mind, Banking Superbrand

Equity Bank has been recognised for the last 10 years since 2007 as the Top Banking Superbrand in Kenya and in East Africa in 2008 & 2009.





# Strong Governance & Leadership Structure supportive of executing differentiated performance





EQUITY CENTRE



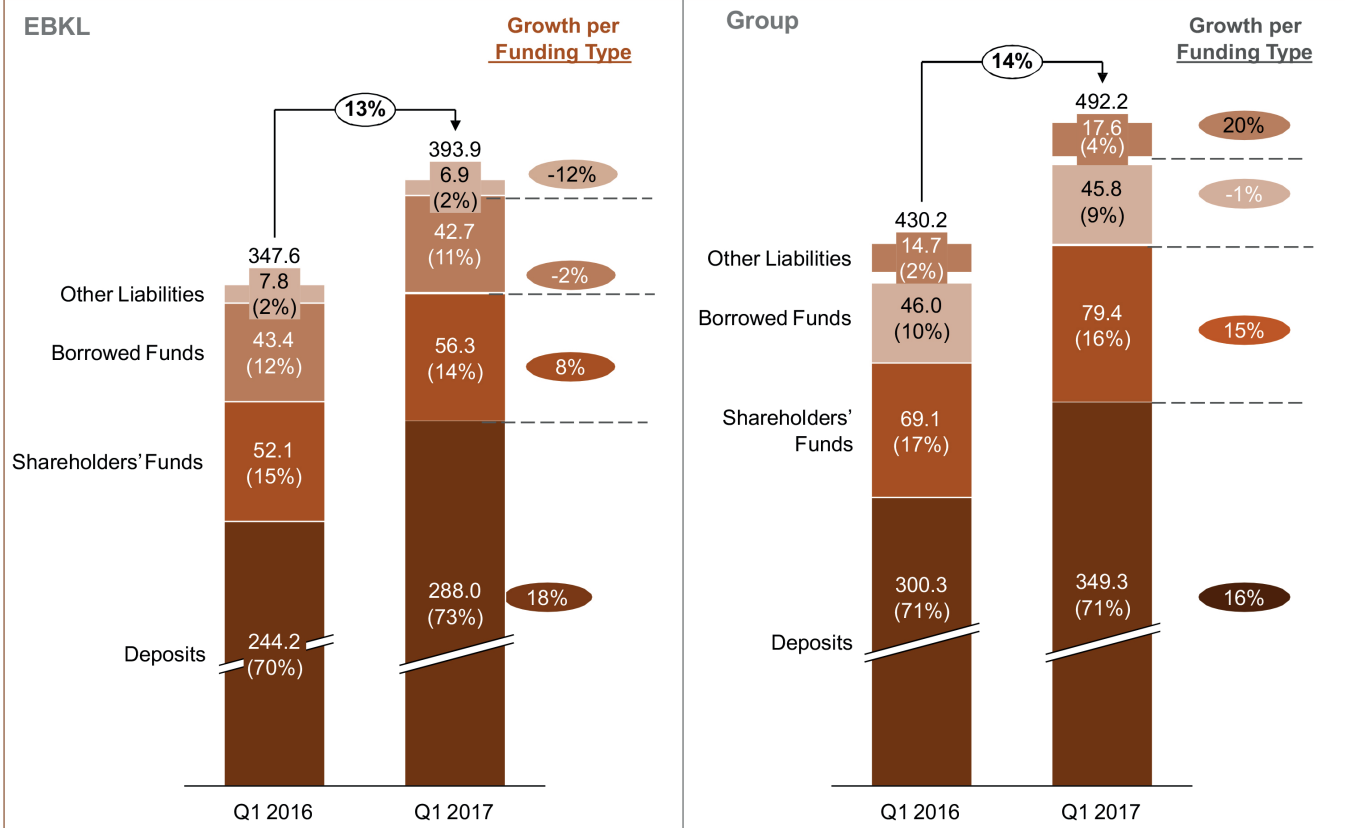
**Intermediation & Financial Performance**





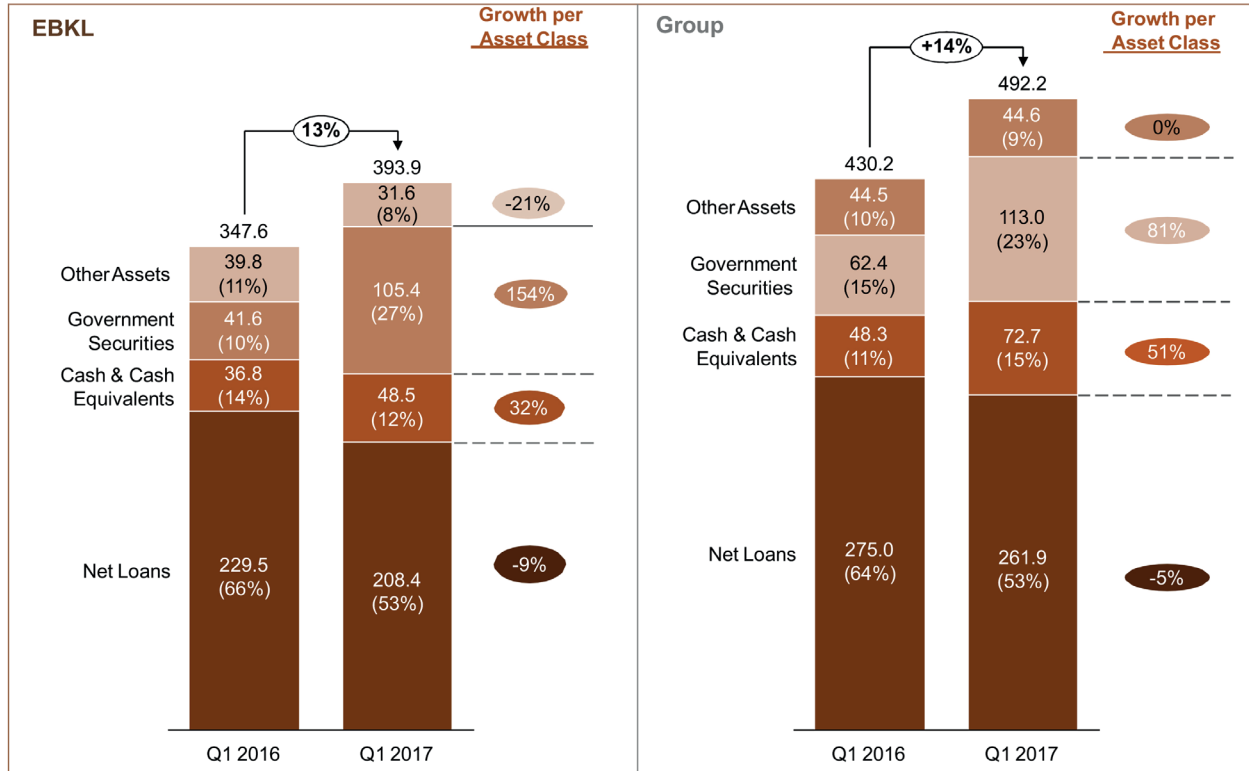
# Funding Base of KES 492 Billion

In KES "Billion"





# Group Assets of KES. 492 Billion driven by a growing deposit base





# Balance Sheet

<i>KES (Billion)</i>	EBKL			Group		
	Q1 2016	Q1 2017	Growth	Q1 2016	Q1 2017	Growth
<b>Assets</b>						
<b>Net Loans</b>	229.5	208.4	-9%	275.0	261.9	-5%
<b>Cash &amp; Cash Equivalents</b>	36.8	48.5	32%	48.3	72.7	51%
<b>Government Securities</b>	41.6	105.4	154%	62.4	113.0	81%
<b>Other Assets</b>	39.8	31.6	-21%	44.5	44.6	0%
<b>Total Assets</b>	347.6	393.9	13%	430.2	492.2	14%
<b>Liabilities &amp; Capital</b>						
<b>Deposits</b>	244.2	288.0	18%	300.3	349.3	16%
<b>Borrowed Funds</b>	43.4	42.7	-2%	46.0	45.8	-1%
<b>Other Liabilities</b>	7.8	6.9	-12%	14.7	17.6	20%
<b>Shareholder's Funds</b>	52.1	56.3	8%	69.1	79.4	16%
<b>Liabilities &amp; Capital</b>	347.6	393.9	13%	430.2	492.2	14%



## -5% growth in PBT

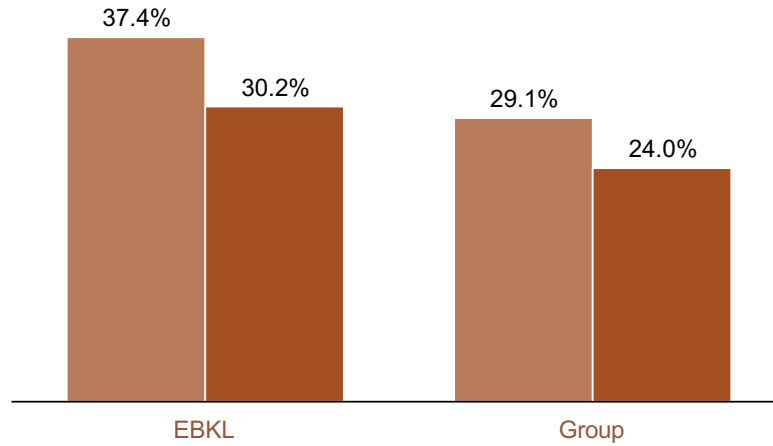
<i>KES (Billion)</i>	Q1 2016	Q1 2017	Growth
<b>Interest Income</b>	12.9	11.5	-11%
<b>Interest Expense</b>	2.4	2.6	5%
<b>Net Interest Income</b>	10.4	8.9	-15%
<b>Non-Funded Income</b>	5.2	6.3	21%
<b>Total Income</b>	15.6	15.2	-3%
<b>Loan Loss Provision</b>	0.7	0.8	13%
<b>Staff Costs</b>	3.0	2.5	-17%
<b>Other Operating Expenses</b>	4.7	5.0	8%
<b>Total Costs</b>	8.4	8.3	0%
<b>PBT</b>	7.3	6.9	-5%
<b>Tax</b>	(2.2)	(2.1)	
<b>PAT</b>	5.1	4.9	-6%



## RoAA and RoAE Trend

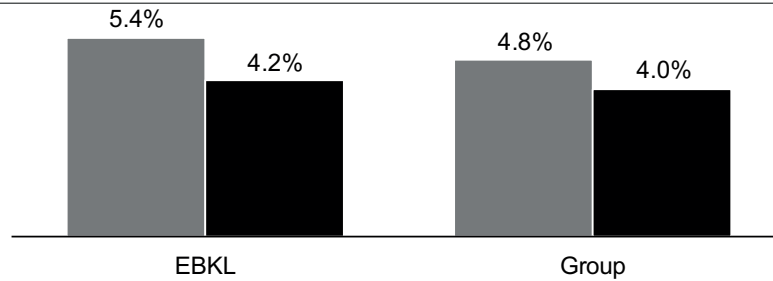
### RoAE

■ Q1 2016 ■ Q1 2017



### RoAA

■ Q1 2016 ■ Q1 2017





## Strong Financial Ratios

	EBKL	EBKL	Group	Group
	Q1 2016	Q1 2017	Q1 2016	Q1 2017
<b>Profitability</b>				
<b>NIM</b>	12.8%	8.2%	11.7%	8.5%
<b>NFI/Total Income</b>	28%	39%	33%	42%
<b>Cost to Income Ratio (with provisions)</b>	46%	48%	53%	55%
<b>Cost to Income Ratio (without provision)</b>	43%	43%	49%	49%
<b>RoAE</b>	37.4%	30.2%	29.1%	24.0%
<b>RoAA</b>	5.4%	4.2%	4.8%	4.0%
<b>Asset Quality</b>				
<b>Cost of Risk</b>	0.67%	1.14%	1.03%	1.16%
<b>Liquidity/Leverage</b>				
<b>Liquidity</b>	29.4%	53.2%	34.9%	50.6%
<b>Loans/Deposits</b>	94.0%	72.3%	91.6%	75.0%
<b>Capital Adequacy Ratios</b>				
<b>Core Capital to Risk Weighted Assets</b>	14.8%	14.9%	18.3%	19.3%
<b>Total Capital to Risk Weighted Assets</b>	16.1%	15.8%	19.6%	20.2%
<b>Core Capital to Deposits Ratio</b>	20.5%	18.5%	24.2%	23.2%



## Outlook – Kenya & Group

	Kenya		Group	
	2017 Outlook	Actual	2017 Outlook	Actual
<b>Loan Growth</b>	0 to -5%	-9.5%	0 to 5%	-5.7%
<b>Deposit Growth</b>	25%	15.5%	25%	17.1%
<b>Net Interest Margin</b>	9 – 10%	8.2%	9 – 10%	8.5%
<b>Non Funded Income Mix</b>	38%	39%	40%	42%
<b>Cost to Income Ratio</b>	43%	43%	47%	50%
<b>Return on Equity</b>		31.9%	22% - 25%	25.1%
<b>Return on Assets</b>		4.5%	3.5% - 4.0%	4.2%
<b>Cost of Risk</b>		1.14%	1.0% - 1.25%	1.16%
<b>NPL</b>		7.04%	5.5% - 6.0%	7.14%
<b>Regional Contribution (Assets)</b>			30%	21%
<b>Regional Contribution (PBT)</b>			7% - 8%	10%



EQUITY CENTRE



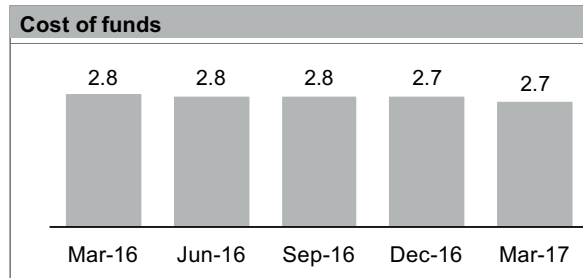
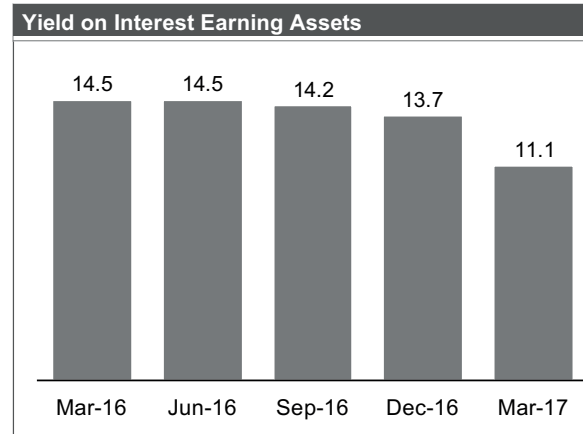
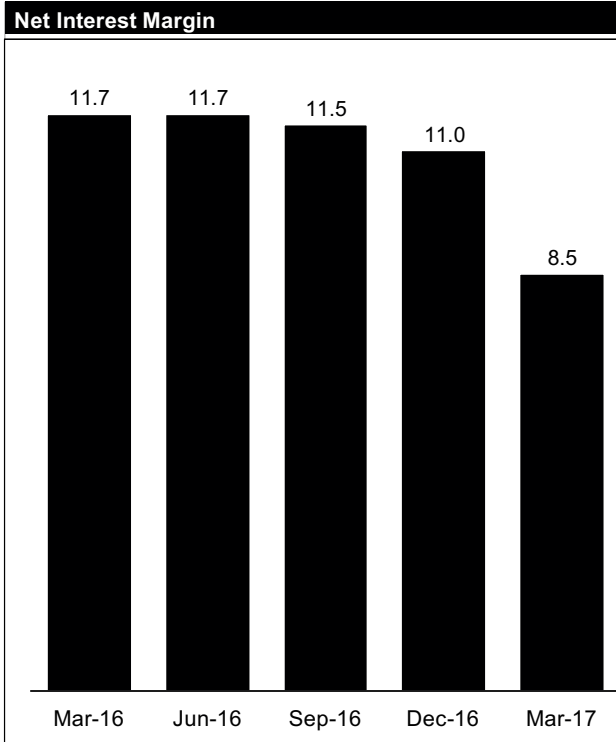
**Appendix**





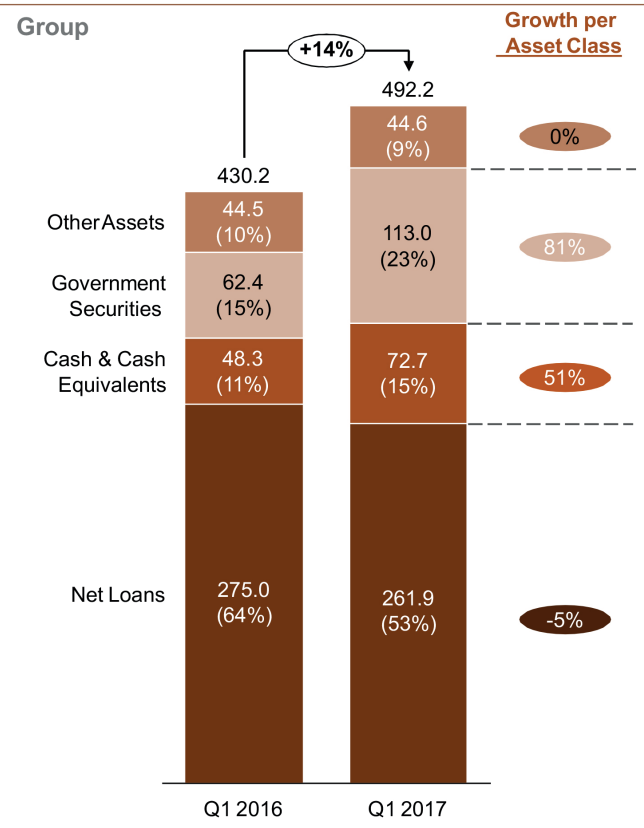
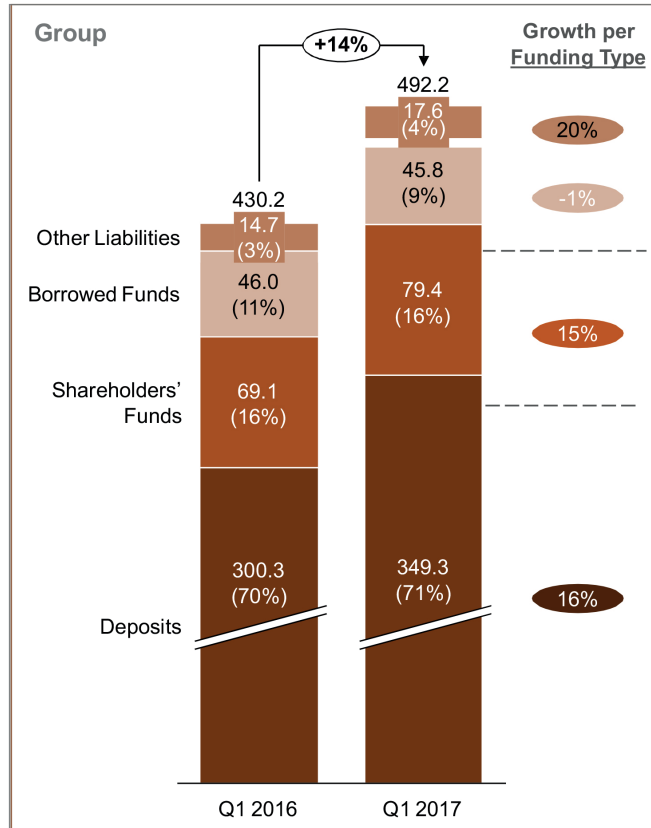
# Net Interest Margin

Percentage





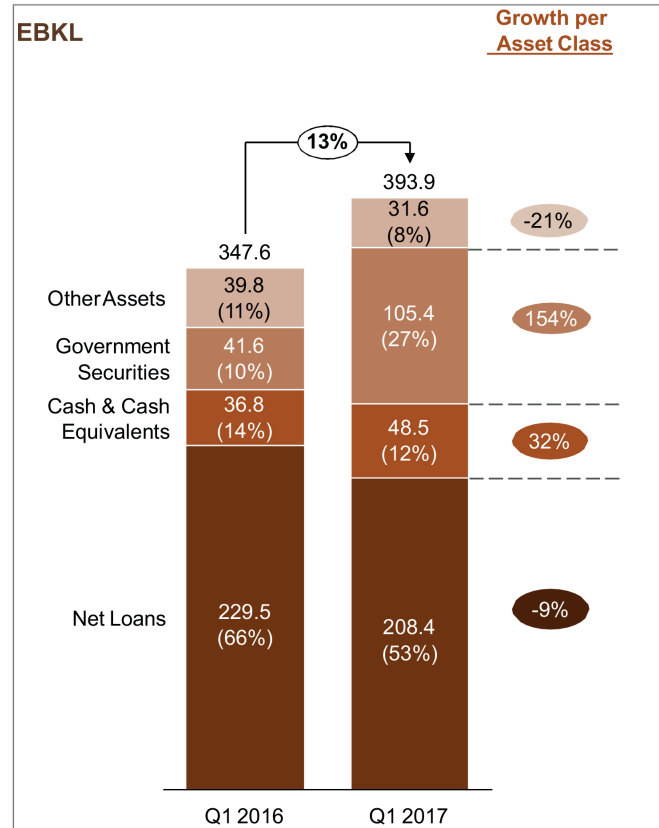
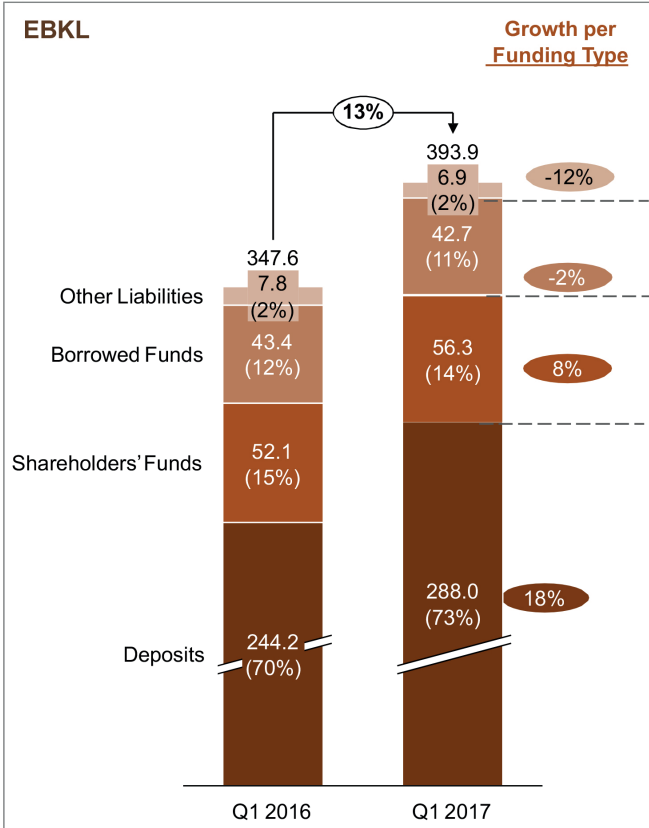
# Responsive Balance Sheet - Group





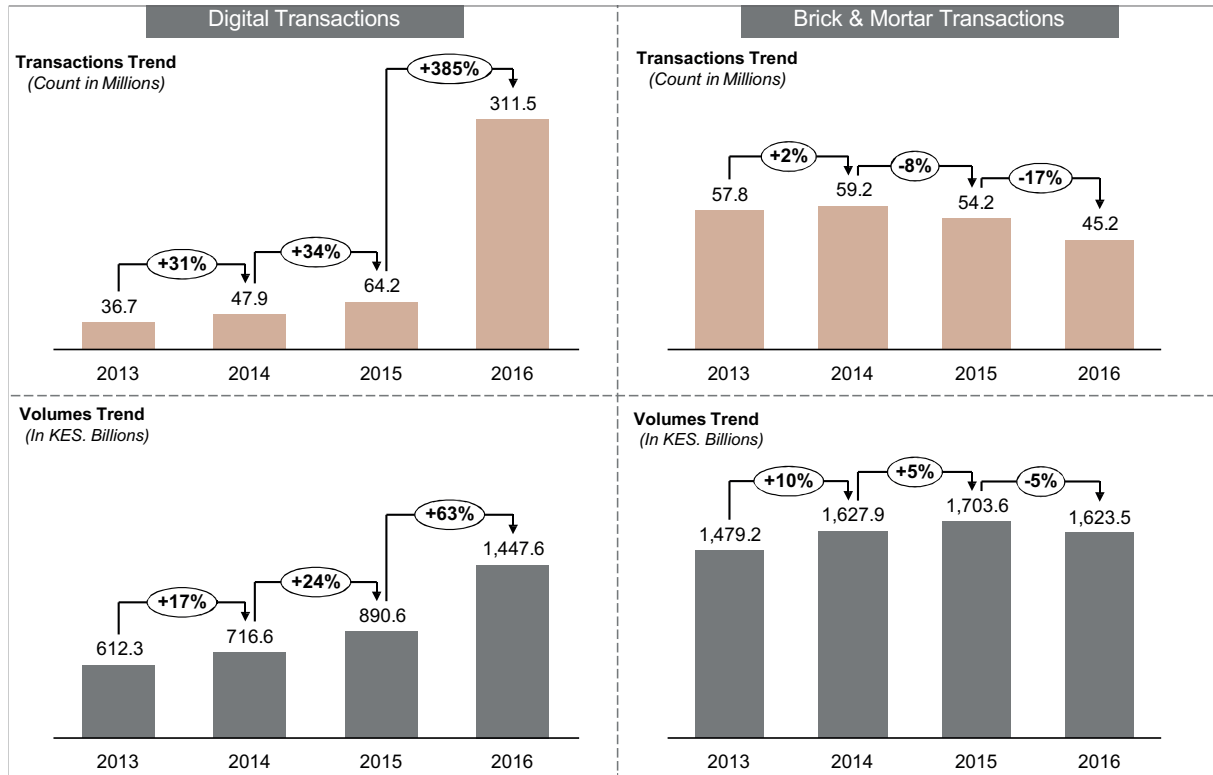
# Responsive balance sheet - Kenya

In KES "Billion"





# Digital v/s Brick and Mortar



Digital transactions include all transactions apart from ATM and Branch OTC

Brick & Mortar includes ATM and Branch OTC




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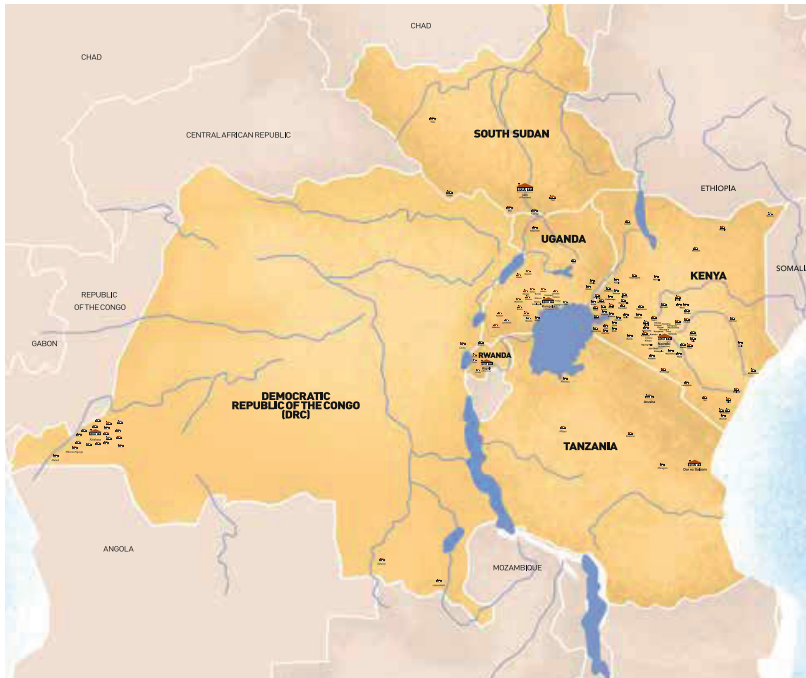
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## REGIONAL FOOTPRINT



## Transforming lives in Africa, one branch at a time

<b>BRANCHES</b>		<b>266</b>
(a) Branches in Kenya	177, Nairobi	50
(b) Branches in Uganda	28, Kampala	15
(c) Branches in South Sudan	5, Juba	4
(d) Branches in Tanzania	13, Dar es Salaam	8
(e) Branches in Rwanda	12, Kigali	6
(f) Branches in DRC	31, Kinshasa	26
<b>Agent Outlets</b>		<b>29,561</b>
<b>Point of Sale Terminals (POS)</b>		<b>17,791</b>
<b>ATMs</b>		<b>697</b>



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