



# Investor Briefing & H1 2017 Performance

**22<sup>nd</sup> August, 2017**



**Equity Group Holdings Plc Headquarters**  
**Equity Centre, Upper Hill, 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.

EQUITY CENTRE

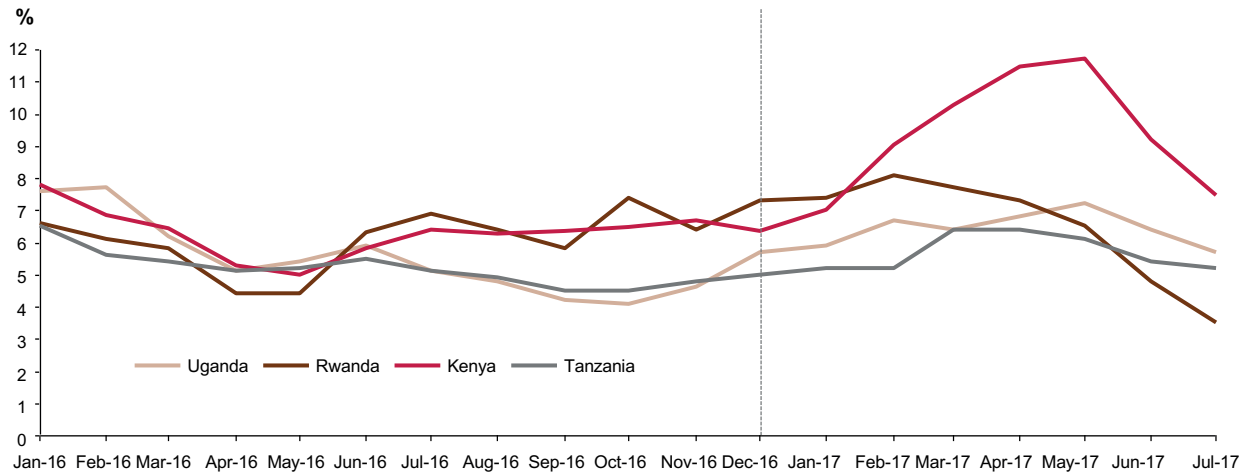
## Macro economic Environment Indicators & Trends





## Inflation and CPIs (selected East African Countries)

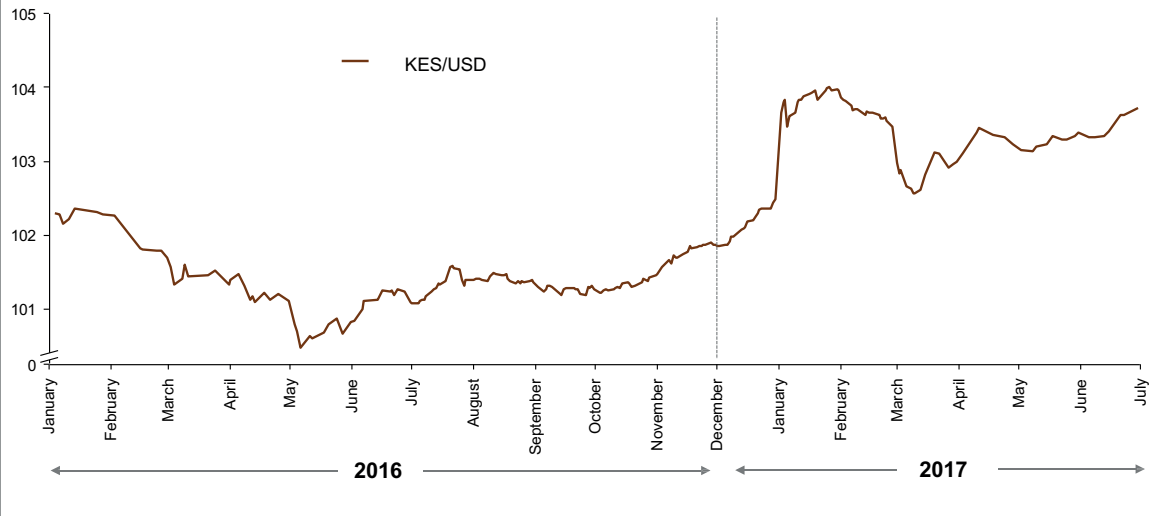
- Inflation rate in Kenya has been on a decline since May, decreasing from **11.7% in May 2017** to **9.21% in June 2017** and easing further to **7.47% in July 2017**
- July 2017 inflation is the lowest inflation rate since February, mostly **due to a slowdown in prices of fresh food**
- **Other East African countries** have also registered **improved inflation** attributed to easing food and fuel prices





# Foreign Exchange Movement – Kenya

The Kenyan Shilling has fluctuated against the dollar in 2017 within the range of KES. 102 and KES 104 to the USD, **depreciating mostly in January – March** due to increased importation of food.



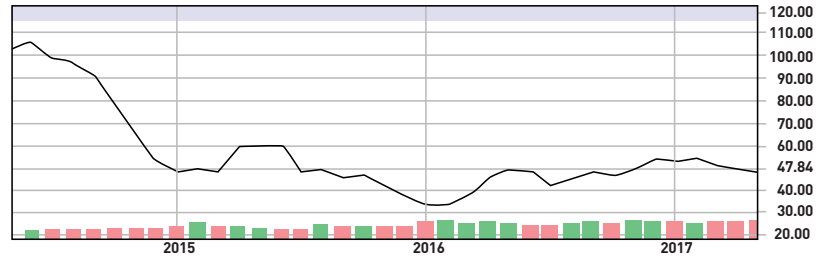


# Foreign Reserves – Kenya



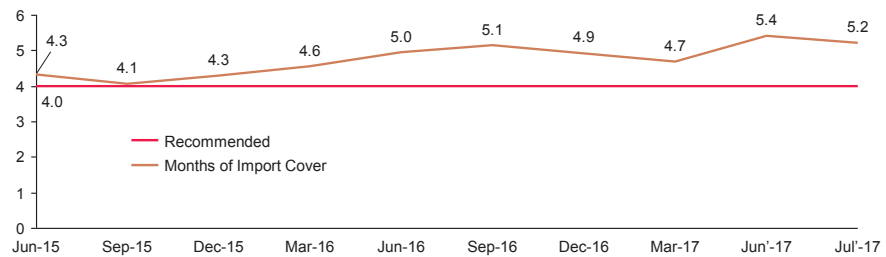
Average prices of Crude Oil in the international markets has continued to decline in 2017

### Crude Oil Price (USD per Barrel)



Foreign exchange reserves remain stable at 5.2 months of Import Cover which is over the recommended 4 months of Import Cover

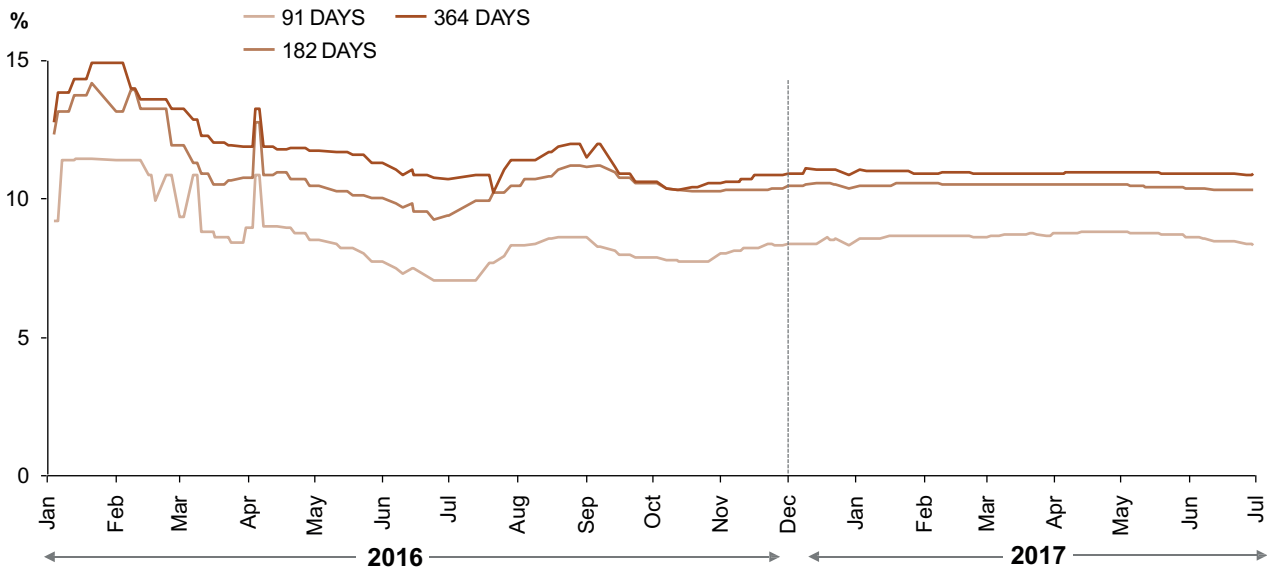
### Months of Import Cover





# Interest Rates – Kenya

- Yields on T-bills have been relatively stable in H1 but reduced going into elections
- The CBK has maintained the CBR at 10.0% in all the three meetings held during the first half of the year



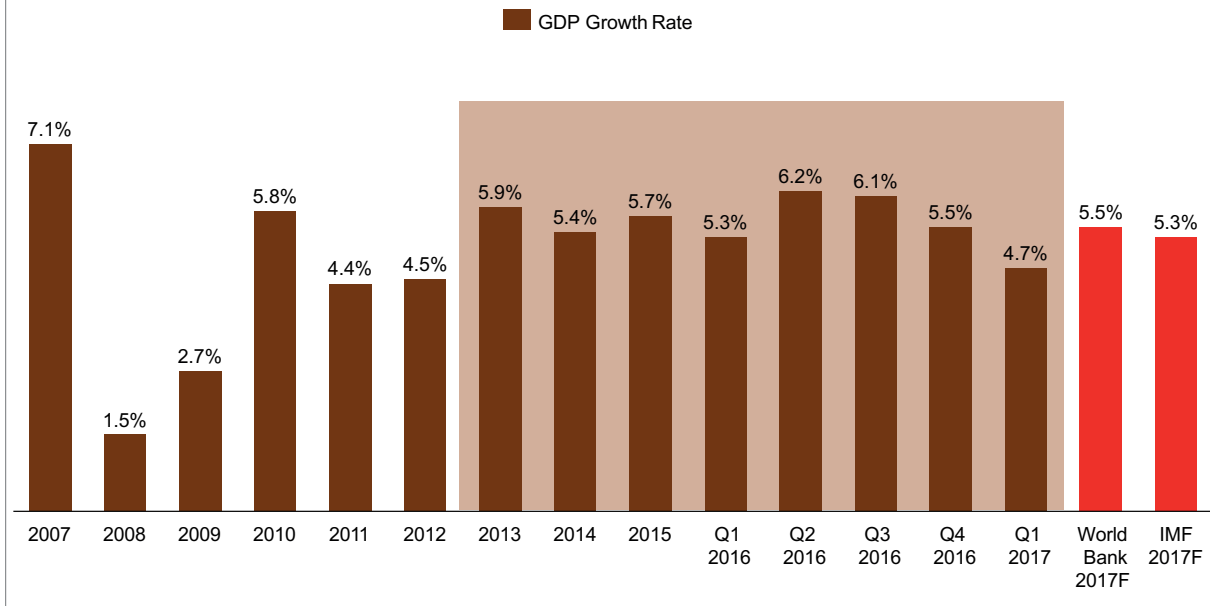




# Kenya GDP Growth

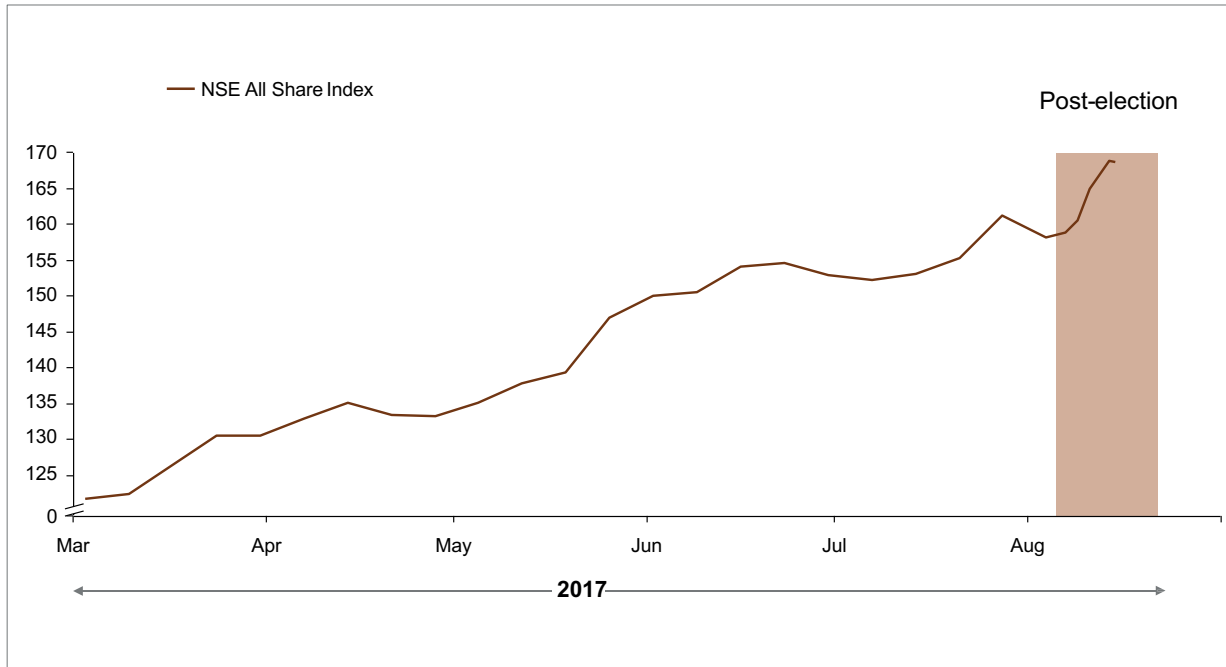


Economic growth robust in recent years but access to credit challenging growth outlook



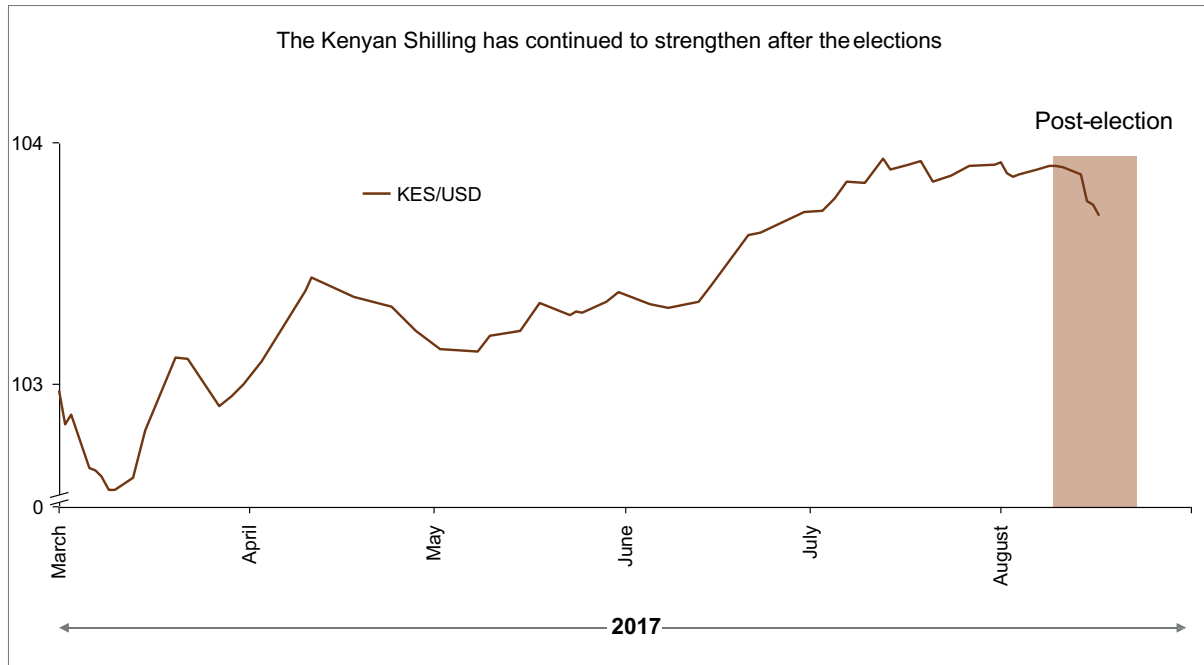


# NSE performance rallying post-elections showing investor confidence





## Foreign exchange movement post-elections (Kenya)





## Post-Election Outlook



- Flows of Foreign Direct Investments remain constant
- Foreign tourist inflow numbers remain strong
- Diaspora remittances upward trend remain steady
- Voting exercise rated by international observers as free, fair, well organised and credible
- Governance institutions maturing: IEBC noted as demonstrating capacity and competence to organise elections while Supreme Court endorsed as the vehicle for dispute resolution, showing confidence in the country's judicial system

EQUITY CENTRE



**Challenging Banking Environment**



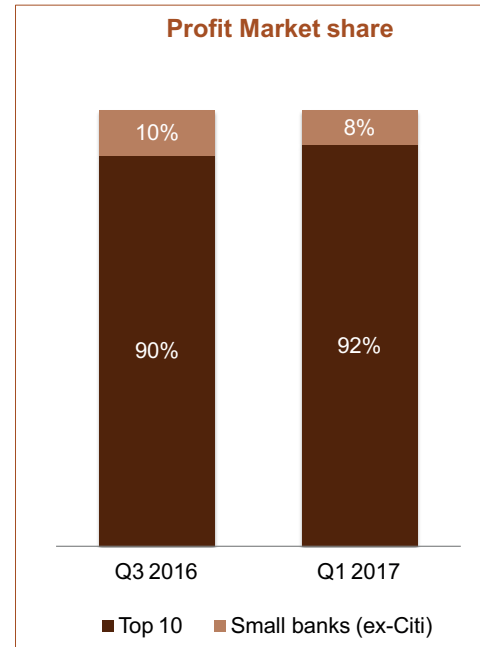
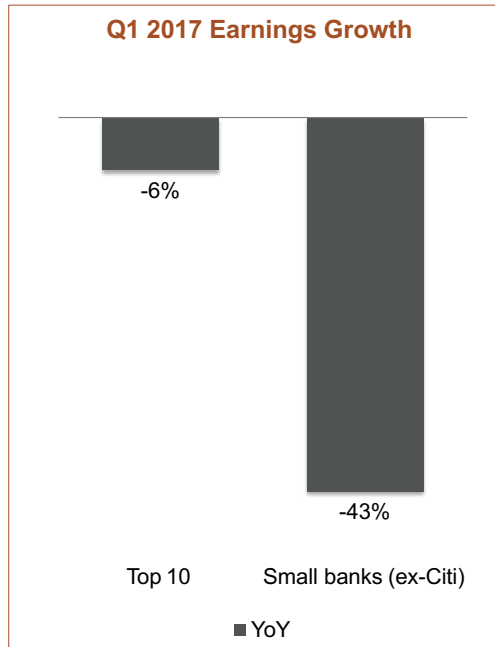


# Interest Rate Capping Law

- a) Effective 14<sup>th</sup> Sep 2016, loan interest rates capped at 400 basis points above the CBR per annum on a reducing basis method
  - CBR currently set at 10.0%
  - Interest rate currently capped at 14.0%Minimum interest rate on interest bearing deposits was set at 70% of the CBR (currently at 7.0% per annum)
- b) Risk free 5-year bond currently attracting 12.5% interest rate per annum
- c) Interest capping preceded by:
  - Adoption of stringent CBK supervision covering banking ICT systems and loan book management, quality and reporting
- d) CBK putting 3 commercial banks under statutory management resulting in:
  - Uncertainty within the banking sector adversely impairing the interbank mechanism
  - Adverse effect on public confidence in banking resulting in redistribution of liquidity and allocation of public deposits among the banks
- e) IFRS 9 to become operational in 2018. Need to assess impact on provisioning policies and asset mix

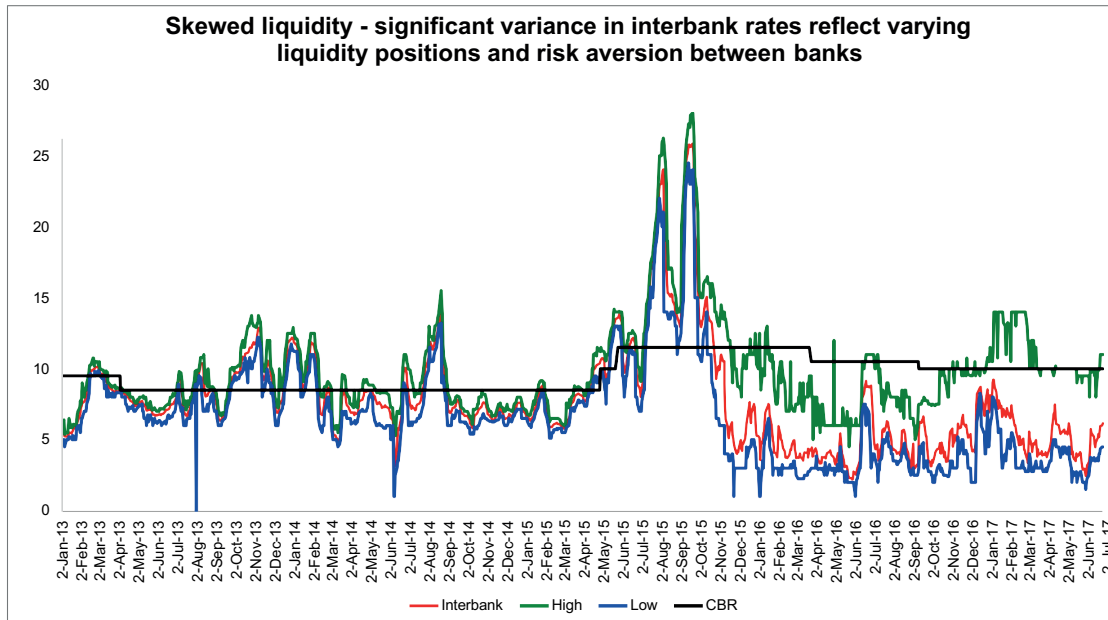


# Large banks better positioned than small banks going into 2017





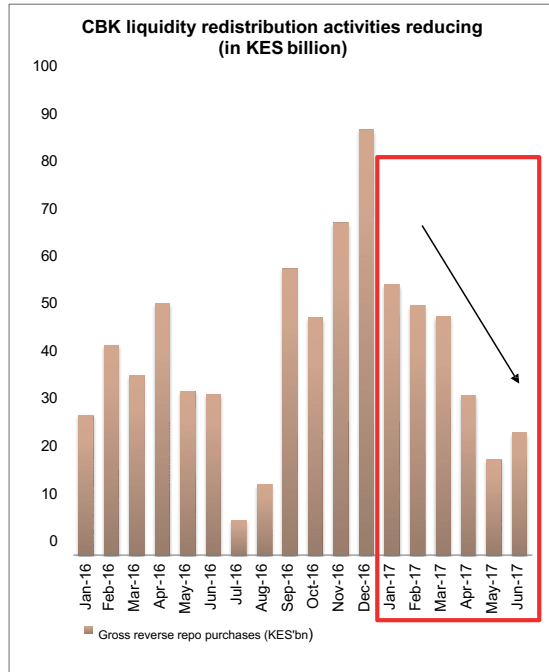
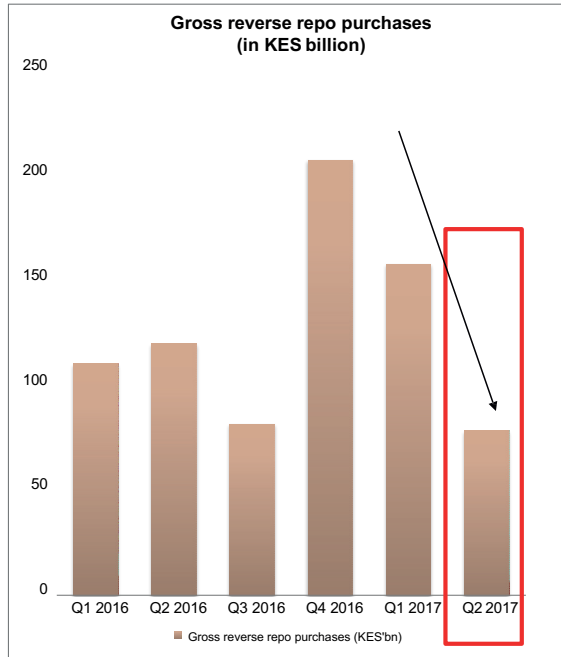
# Disaggregating interbank rates reflect continued risk aversion between banks (interbank mechanism challenged)





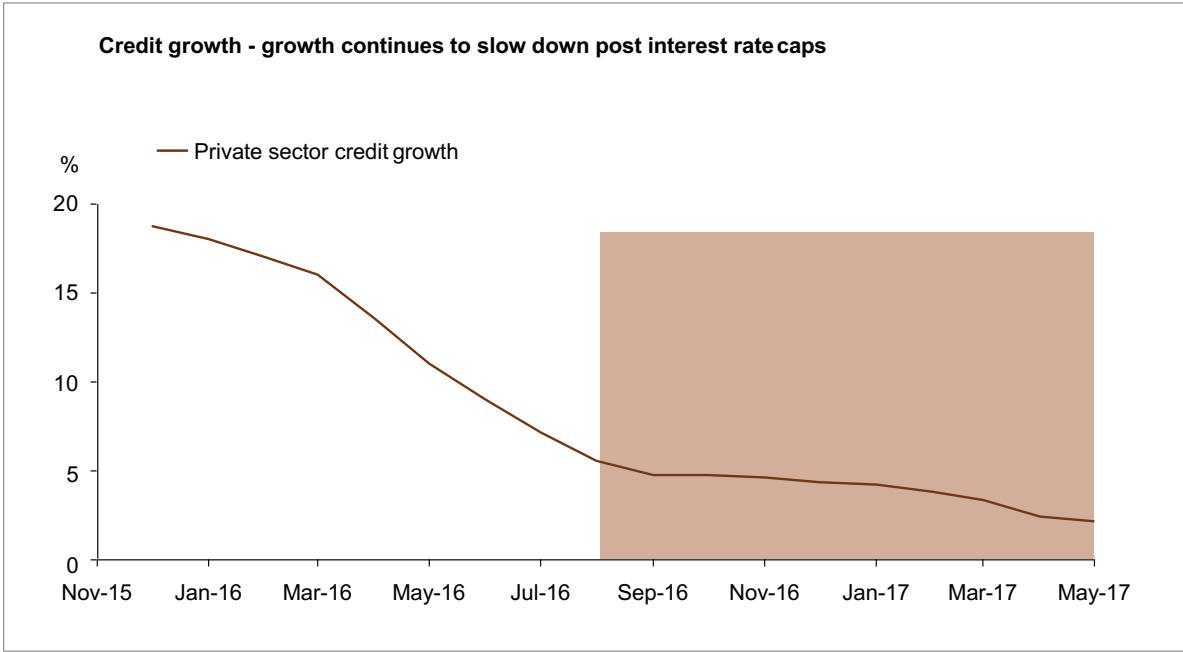


# CBK redistribution activity – addressing interbank mechanism challenge



The redistribution reduction is likely reflective of CBK refocus on inflation and exchange rate stability

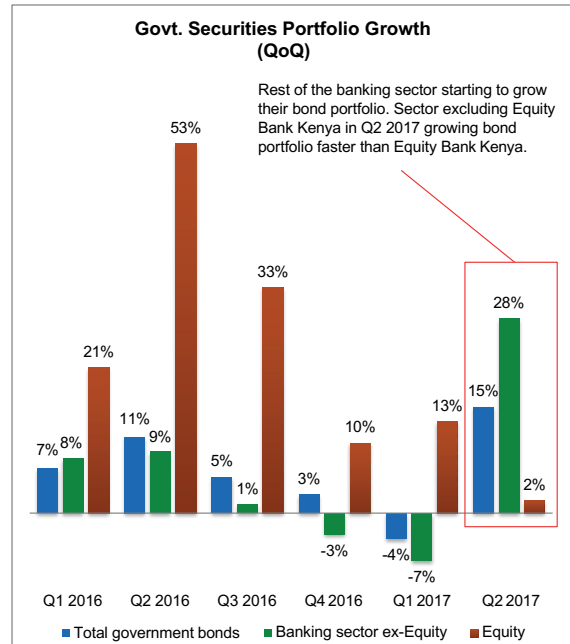
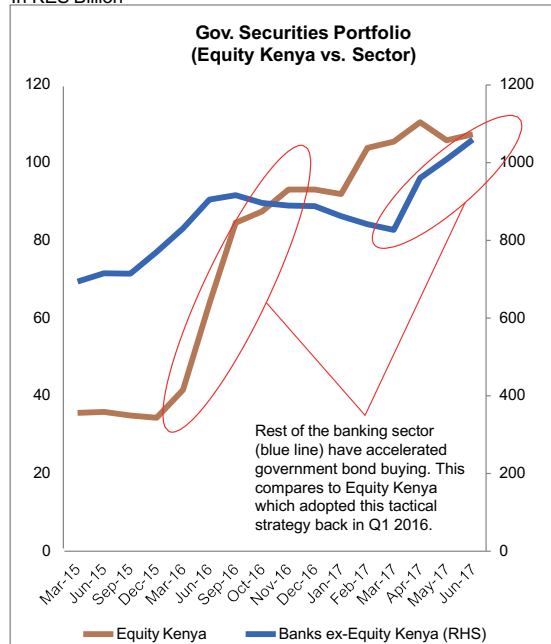
# Private Sector Credit Growth





# Government Securities Portfolio

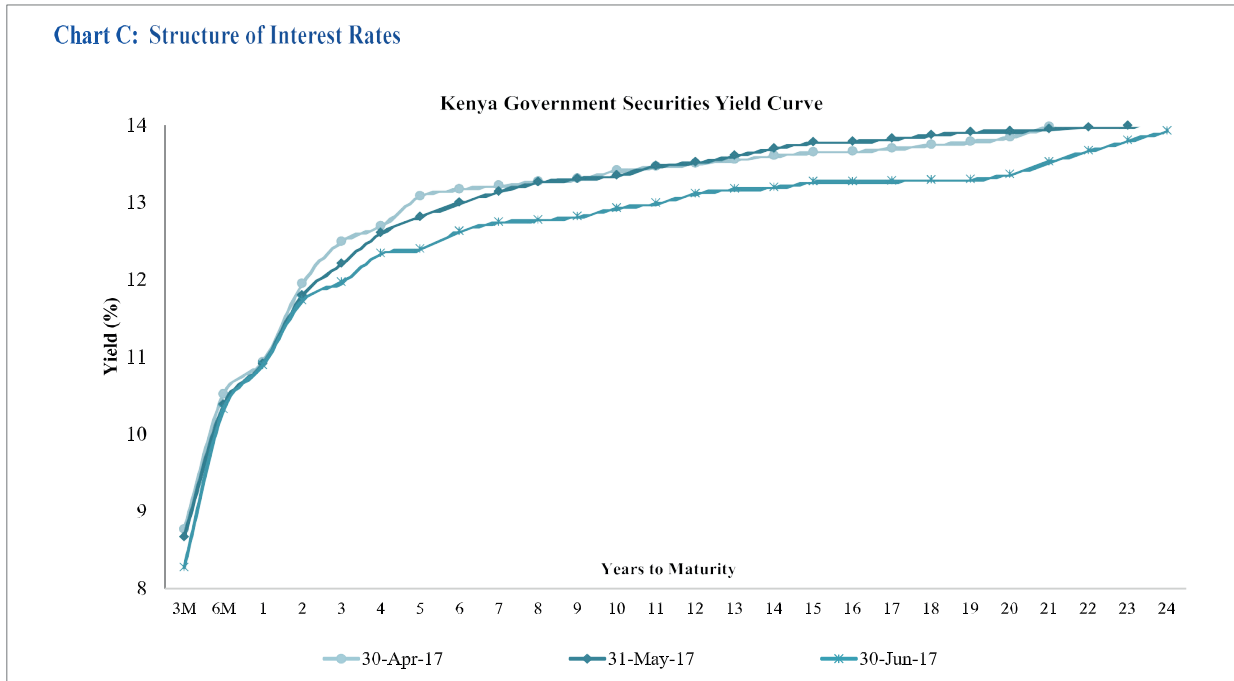
In KES Billion





# Risk of further decline in bond yields likely as other banks start to adopt similar strategy to Equity Bank

Chart C: Structure of Interest Rates

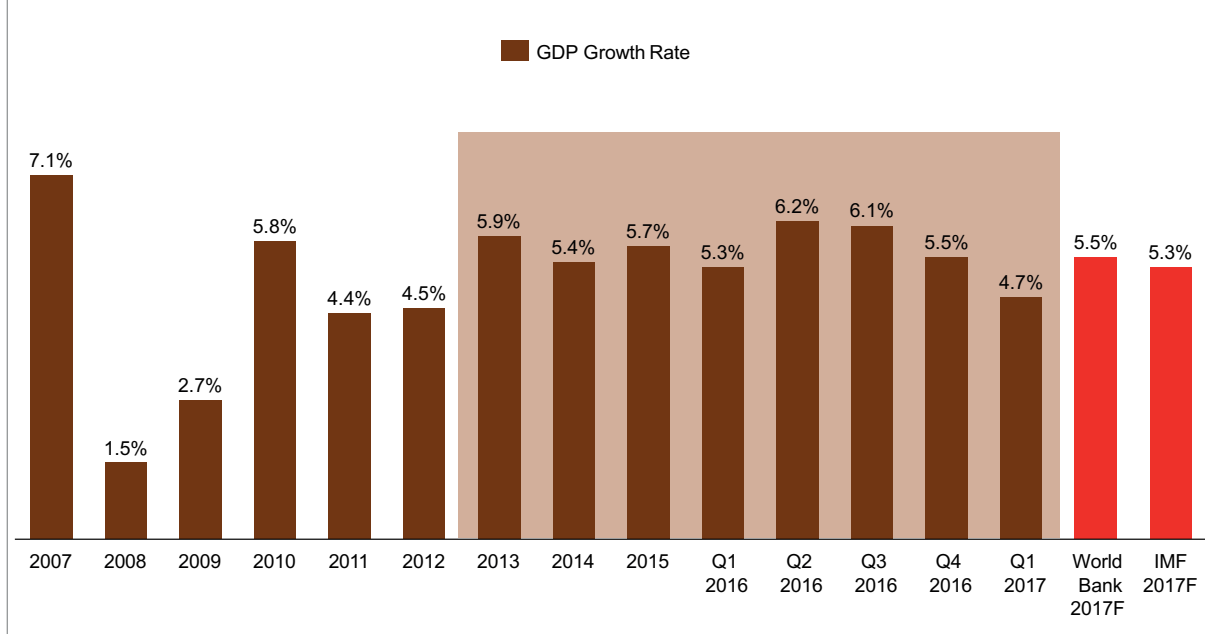




# Kenya GDP Growth



Economic growth robust in recent years but access to credit challenging growth outlook



EQUITY CENTRE



**Equity Group Business Model – Post Capping**





## Equity Bank Business Model – Post Capping (Adjusting and adapting to the new norm)

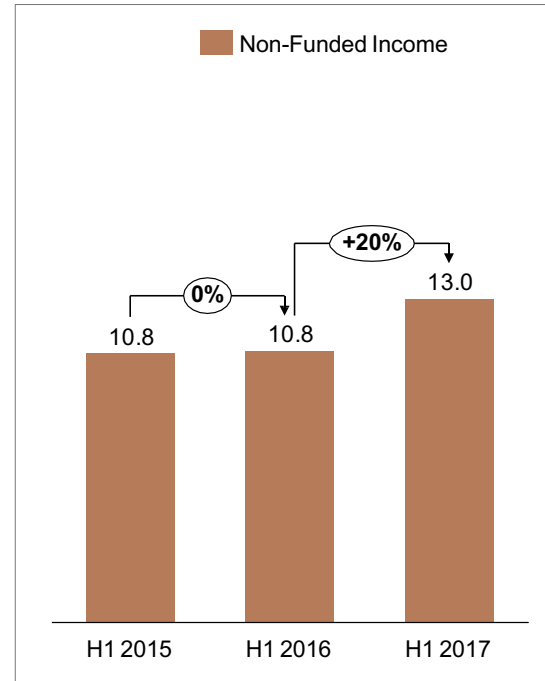
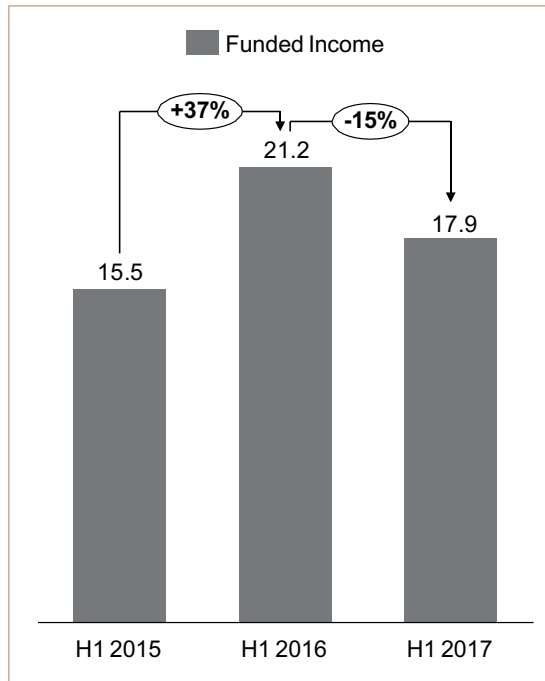


### Focus areas:

1. Non-funded income growth
2. Regional diversification
3. Strengthening liquidity and balance sheet agility
4. Treasury operations
5. Asset quality
6. Innovation and digitisation
7. Efficiencies and cost optimisation



## Focus Area 1: Non-funded income growth



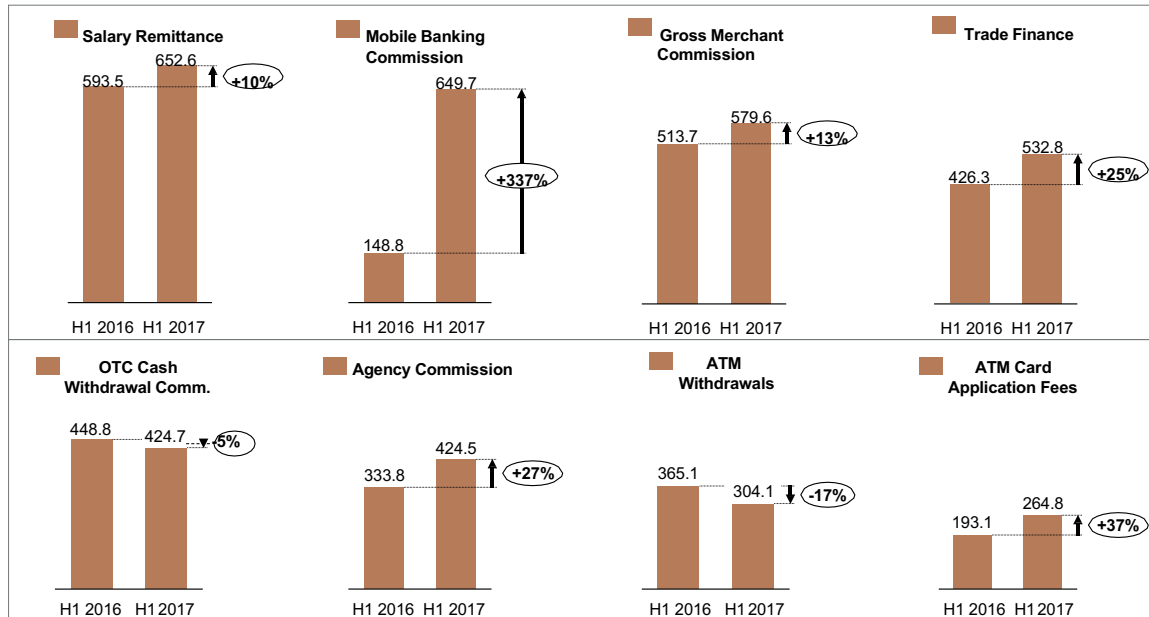




# Focus Area 1: Non-funded income growth

In KES Million

## Other Fees & Commissions (Key Lines - Kenya)



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



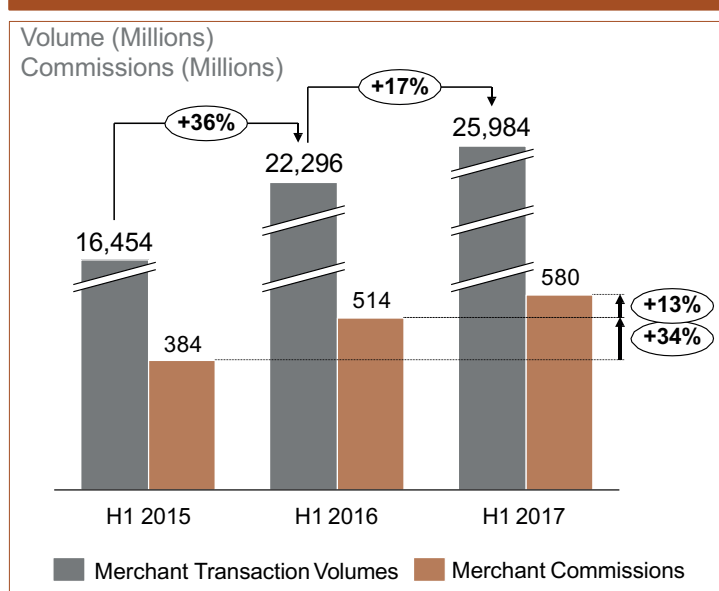
# Focus Area 1: Non-funded income growth

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





## Focus Area 2: Regional diversification

- Double digit growth in profitability by all subsidiaries except South Sudan
- Enhanced PBT contribution to Group from 5% to 10%

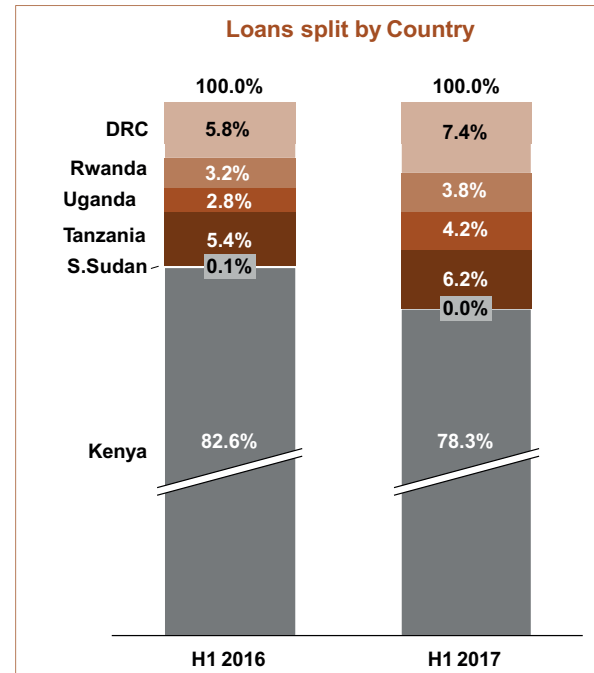
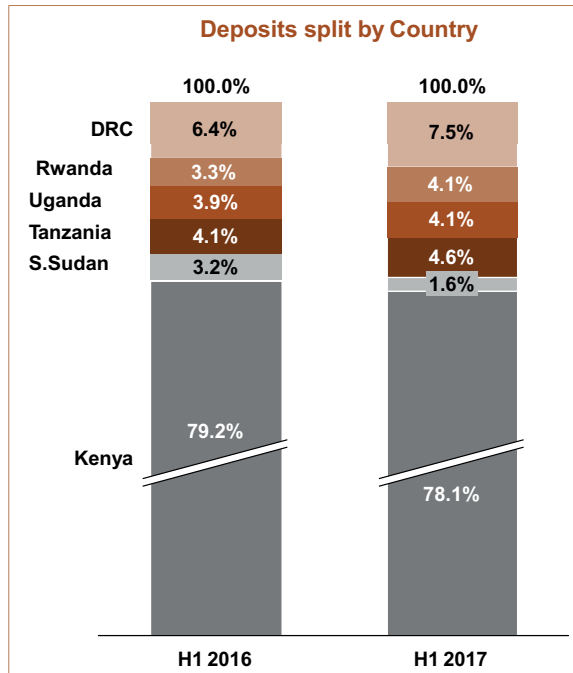
In KES Billion

	Tanzania	Rwanda	Uganda	S. Sudan	DRC	Regional Total	Kenya	Regional Contribution H1 2017	Regional Contribution H1 2016
<b>Deposit</b>	17.1	15.2	15.1	5.8	27.7	<b>80.9</b>	<b>288.5</b>	22%	21%
<i>Growth</i>	27%	43%	20%	-44%	33%	19%	11%		
<b>Loan</b>	16.6	10.2	11.1	0.1	19.6	<b>57.6</b>	<b>207.5</b>	22%	17%
<i>Growth</i>	13%	17%	49%	-65%	26%	23%	-7%		
<b>Assets</b>	24.8	18.6	21.8	9.6	39.1	<b>113.8</b>	<b>403.4</b>	22%	21%
<i>Growth</i>	16%	34%	27%	-32%	30%	18%	11%		
<b>PBT</b>	0.3	0.3	0.6	-0.1	0.3	<b>1.3</b>	<b>11.9</b>	10%	5%
<i>Growth</i>	55%	75%	139%	-125%	20%	69%	-12%		

Kenya column above represents all entities in Kenya

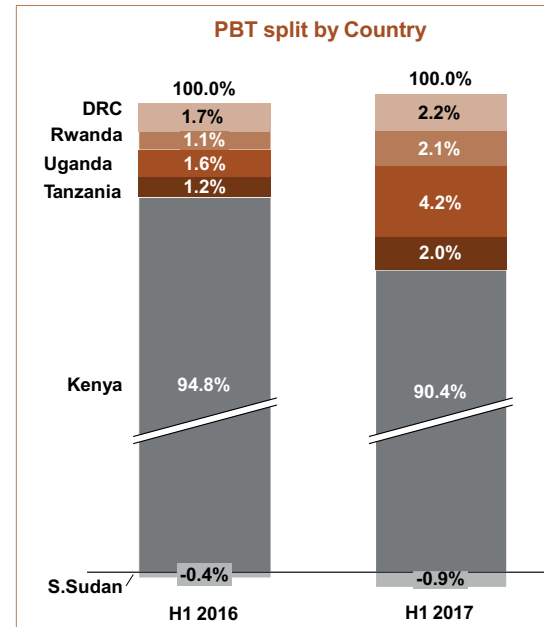
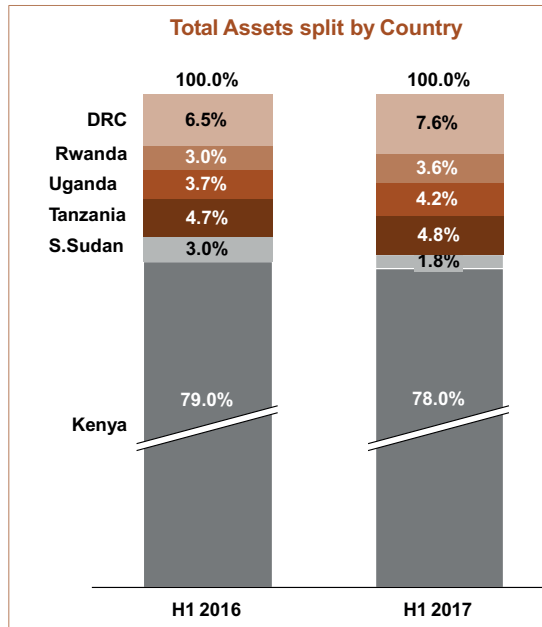


## Focus Area 2: Regional diversification





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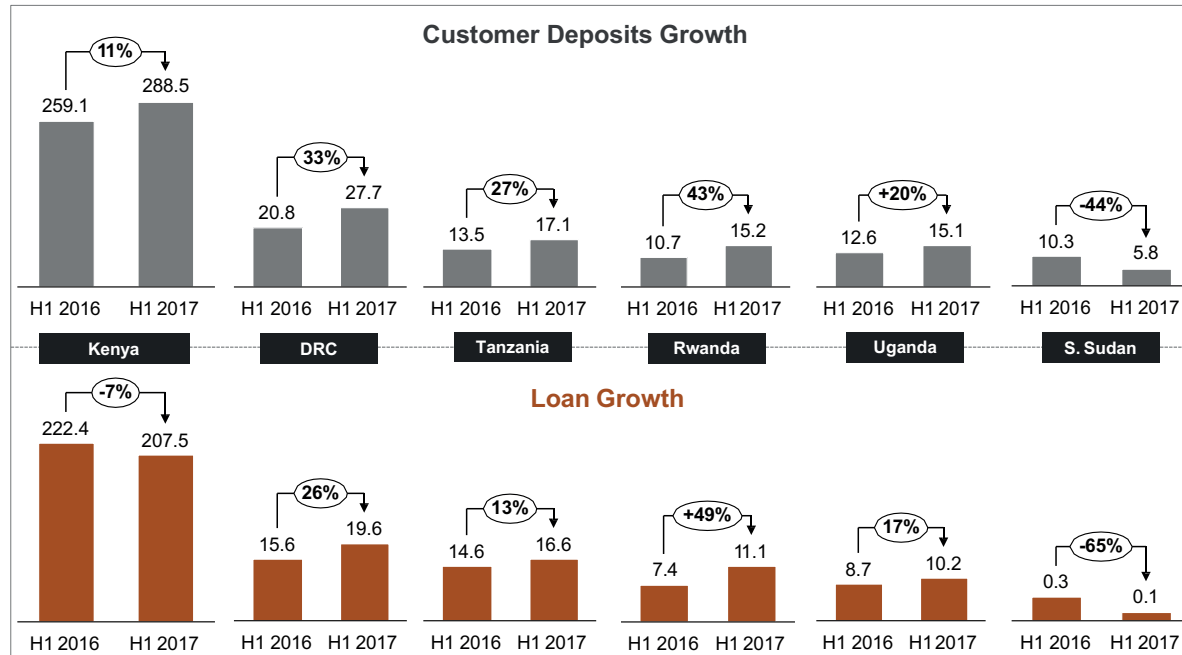


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## Focus Area 2: Regional diversification

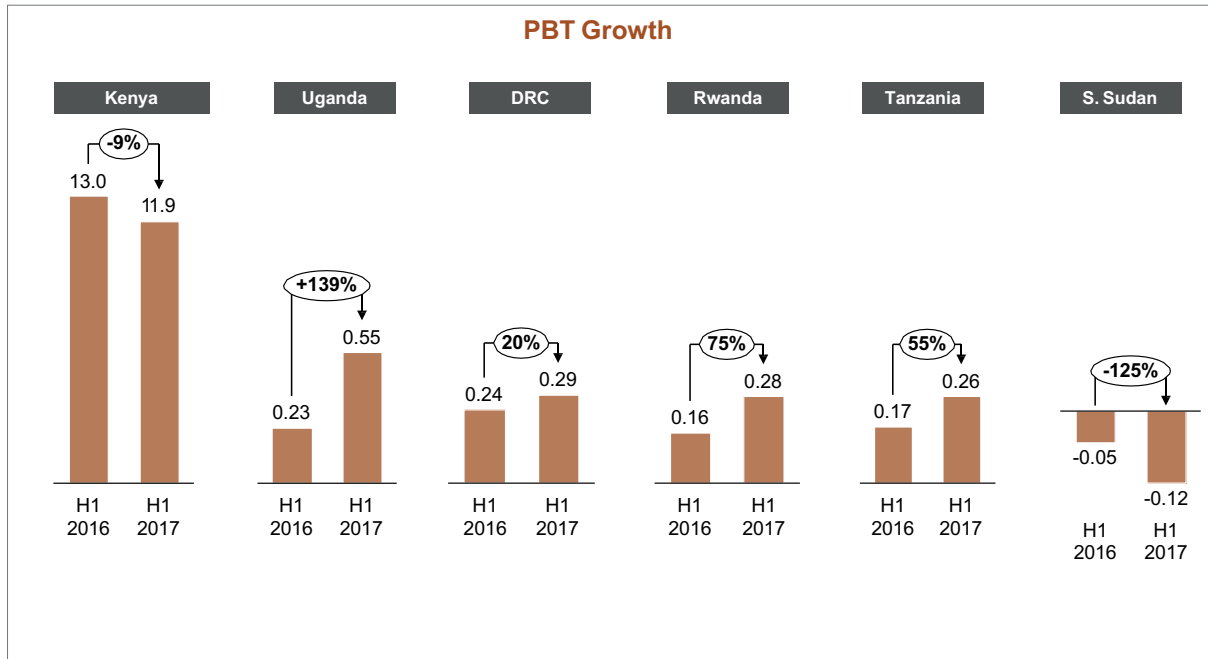
In KES Billions





## Focus Area 2: Regional diversification

In KES Billions



*Kenya column above represents all entities in Kenya*

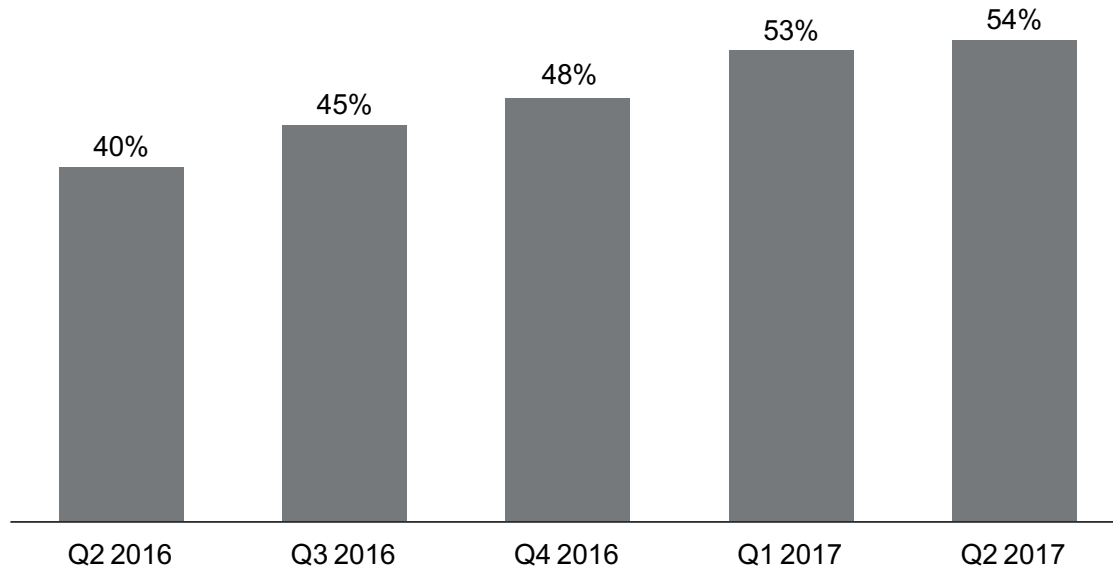


## Focus Area 3: Strengthening liquidity position and agile balance sheet



....to mitigate economic uncertainty and shocks

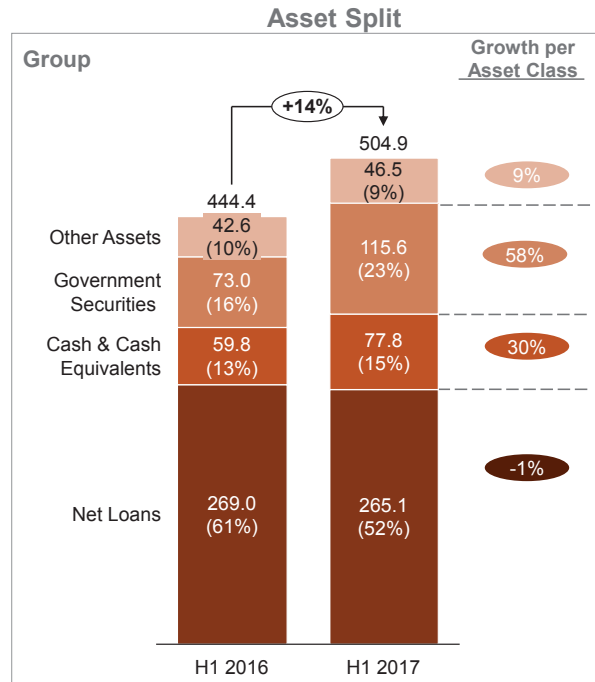
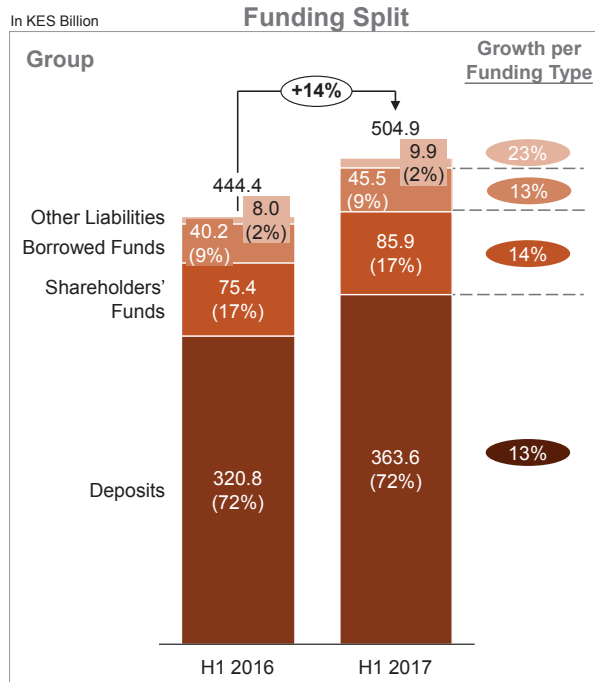
■ Liquidity Ratio (Kenya)





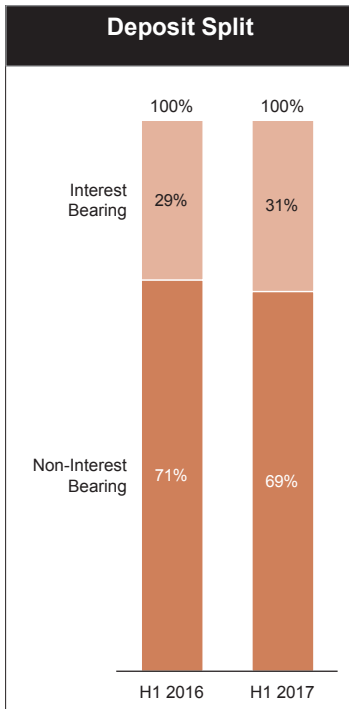


## Focus Area 3: Strengthening liquidity position and agile balance sheet

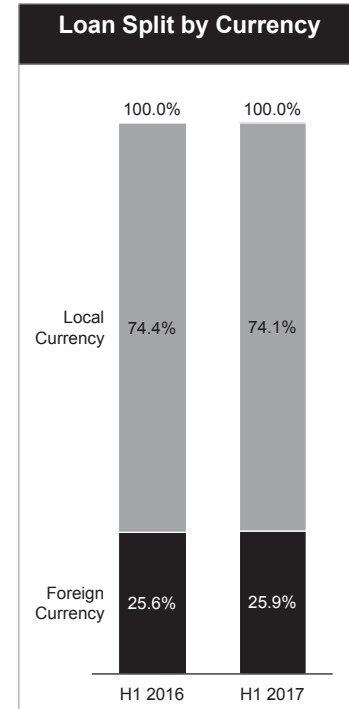
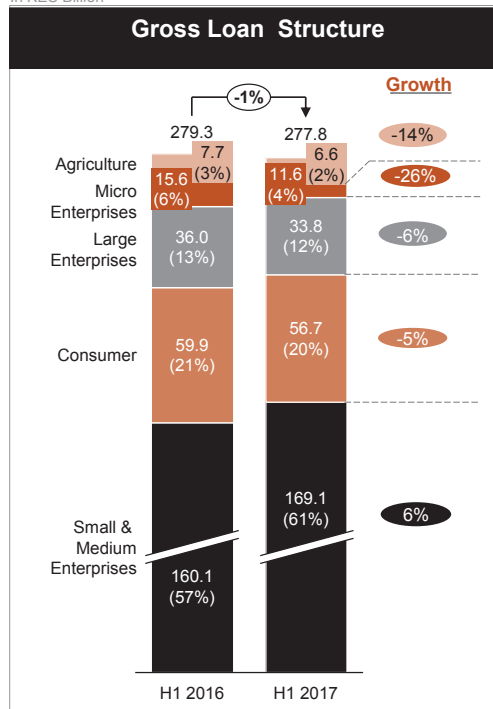




# Focus Area 3: Strengthening liquidity position and agile balance sheet



In KES Billion

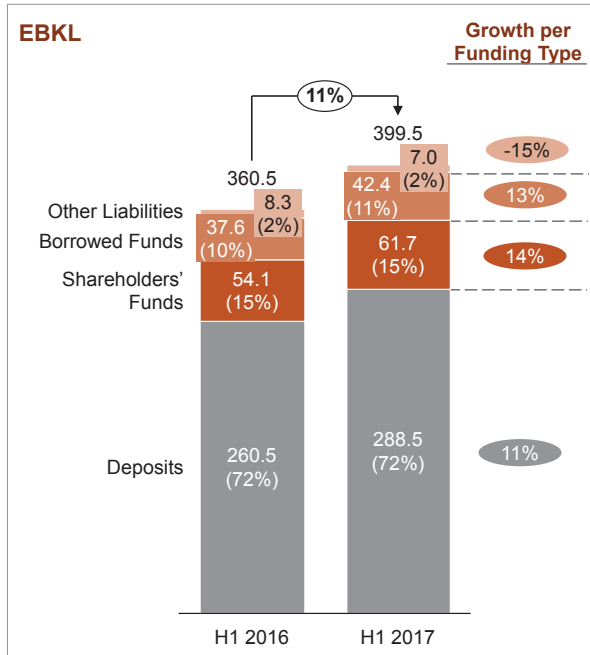




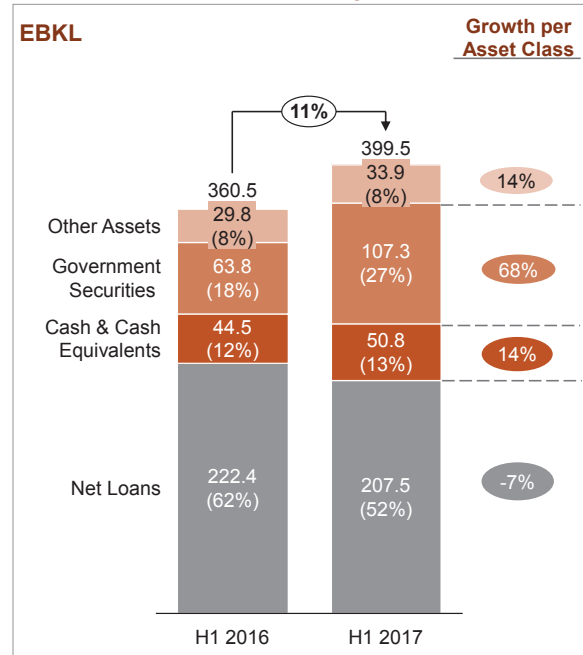
## Focus Area 3: Strengthening liquidity position and agile balance sheet

In KES Billion

### Funding Split



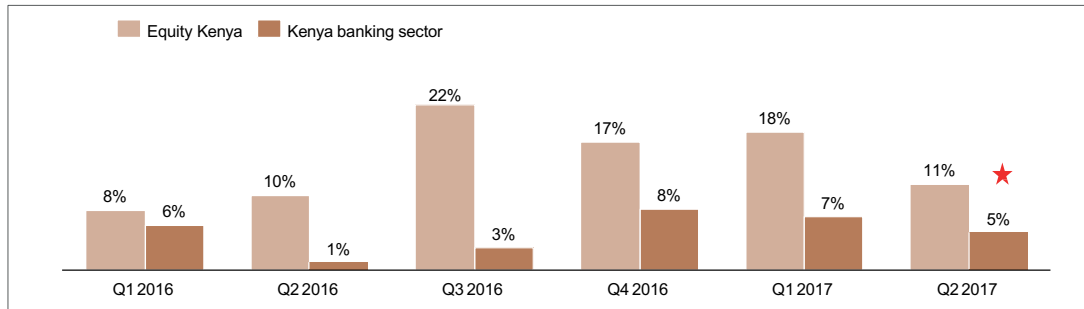
### Asset Split



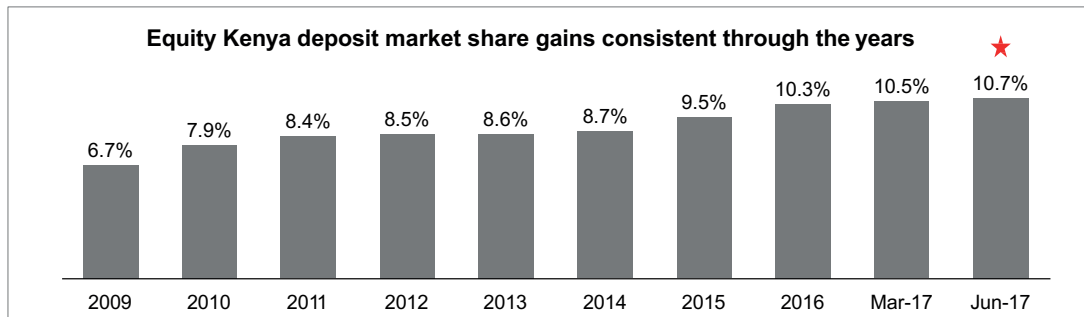


## Focus Area 3: Strengthening liquidity position and agile balance sheet

**Equity consistently growing deposits faster than the sector yet at a lower cost**



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

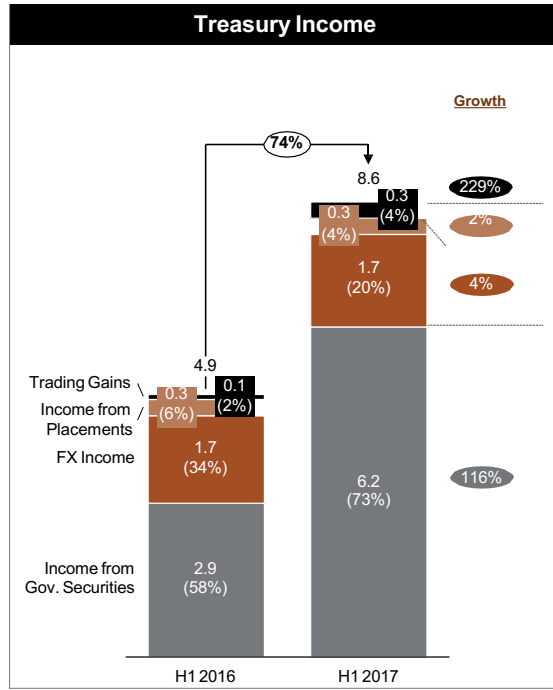
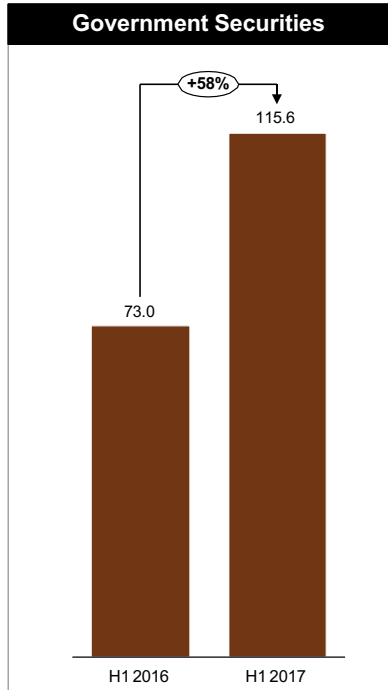


*\* June 2017 estimate*



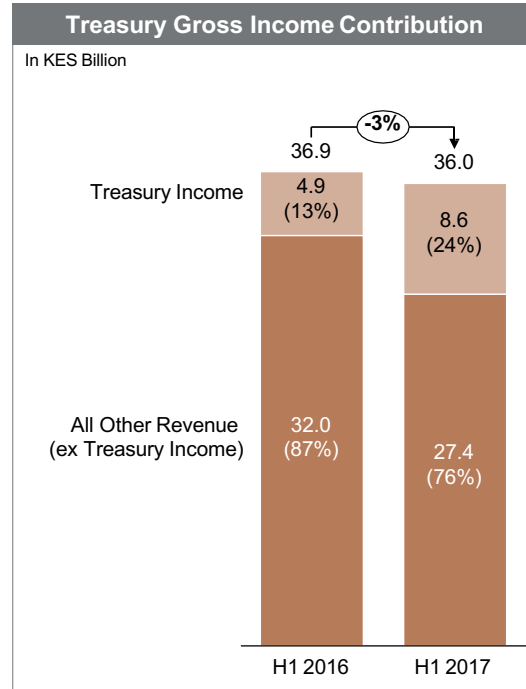
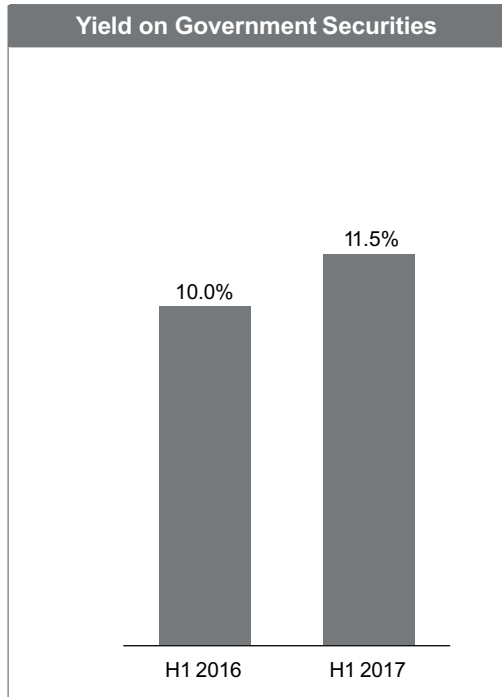
# Focus Area 4: Treasury operations

In KES Billion





## Focus Area 4: Treasury operations

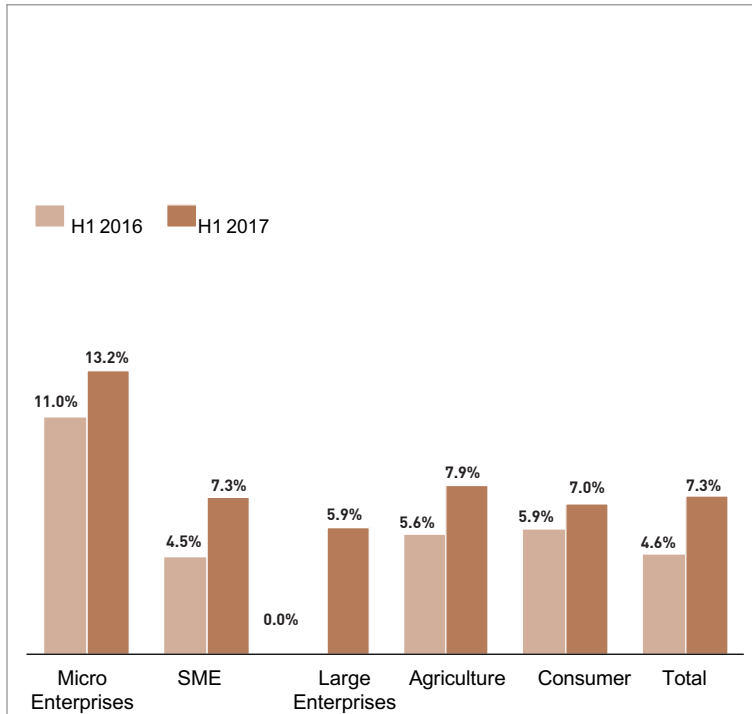


Note: Income calculation above is before funding costs

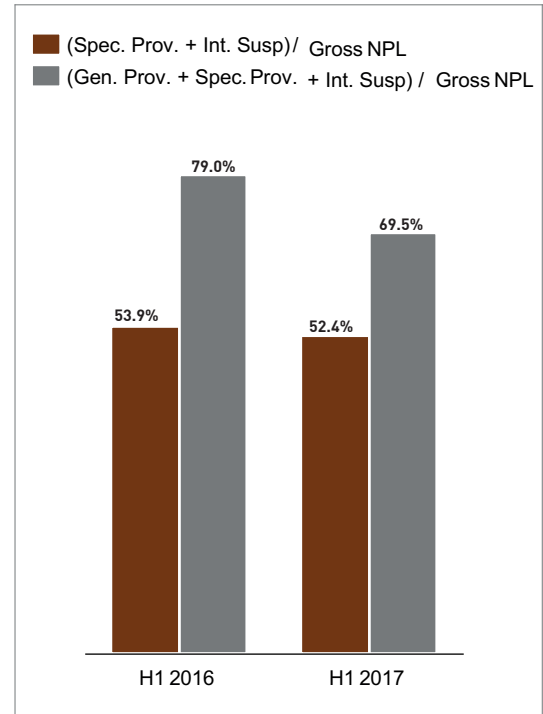


## Focus Area 5: Asset quality

NPL increase in collateralised segments



Coverage (Group)

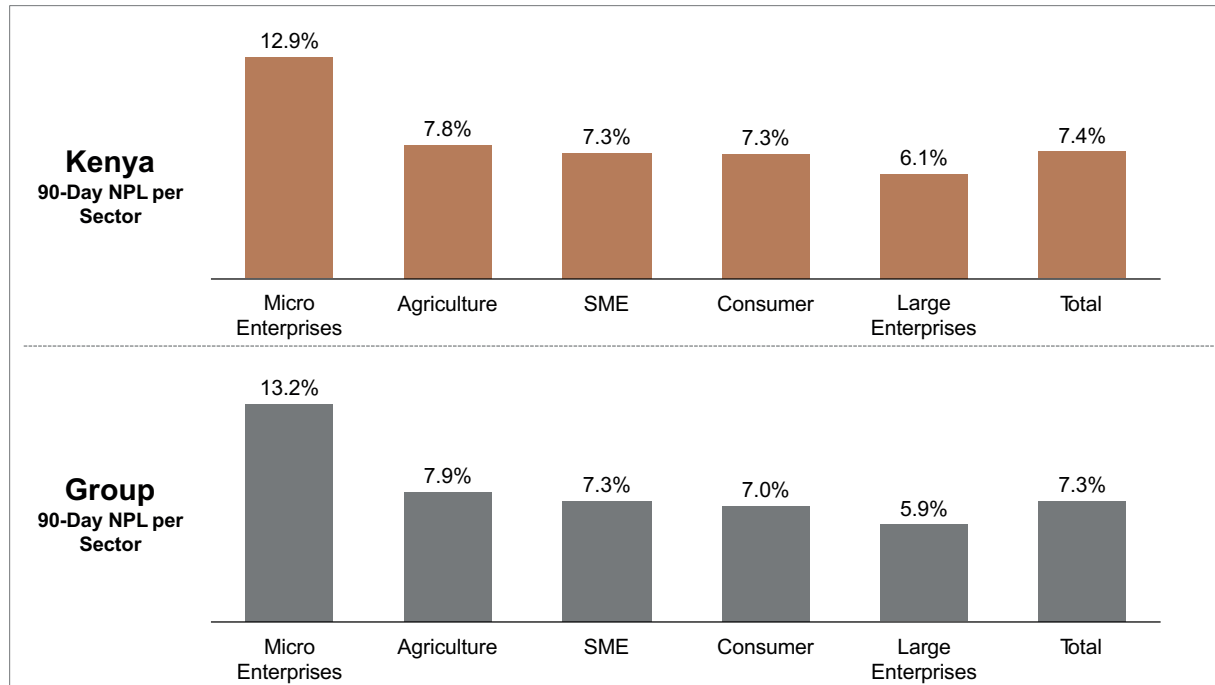




## Focus Area 5: Asset quality



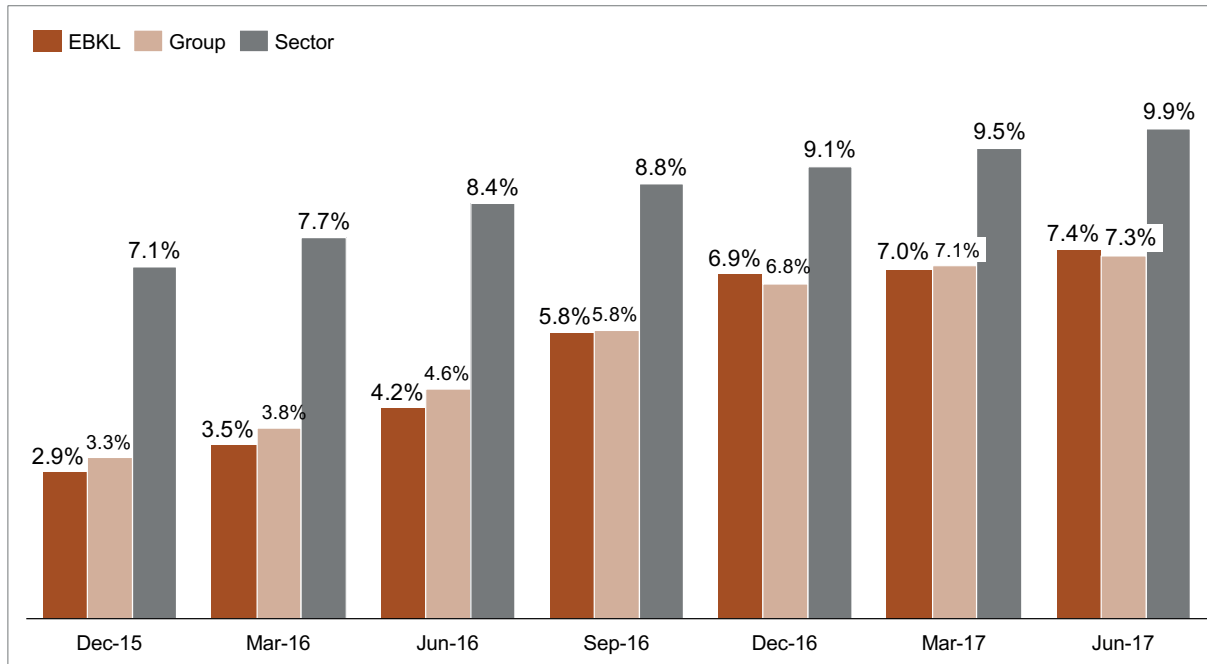
### Segment NPL's





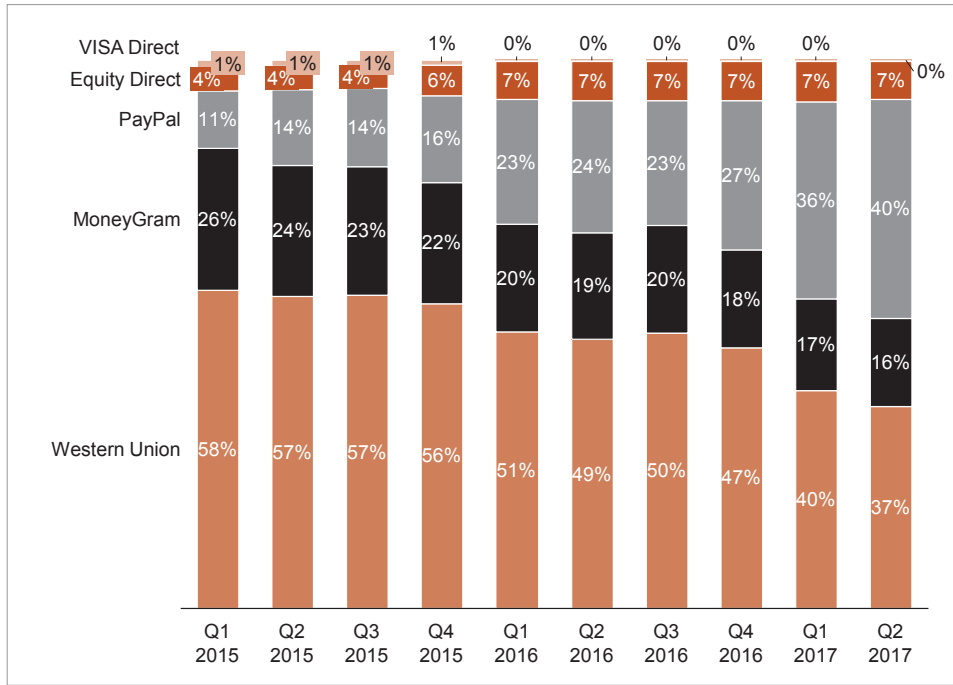


## Focus Area 5: Asset quality



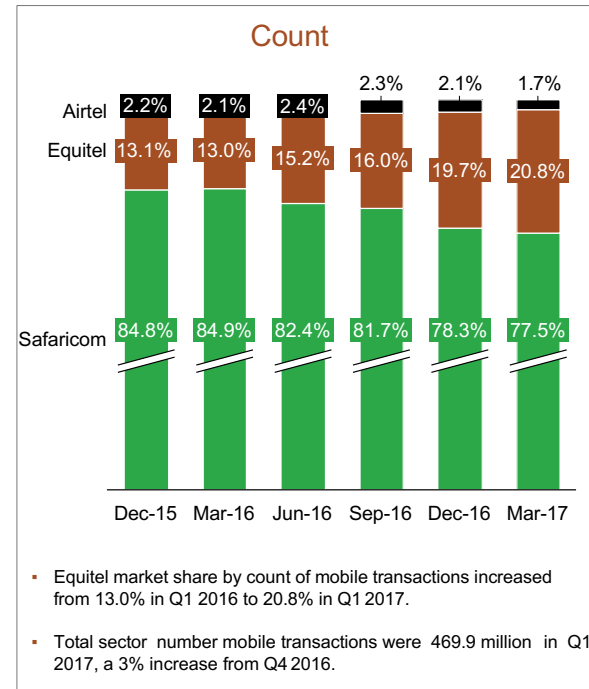
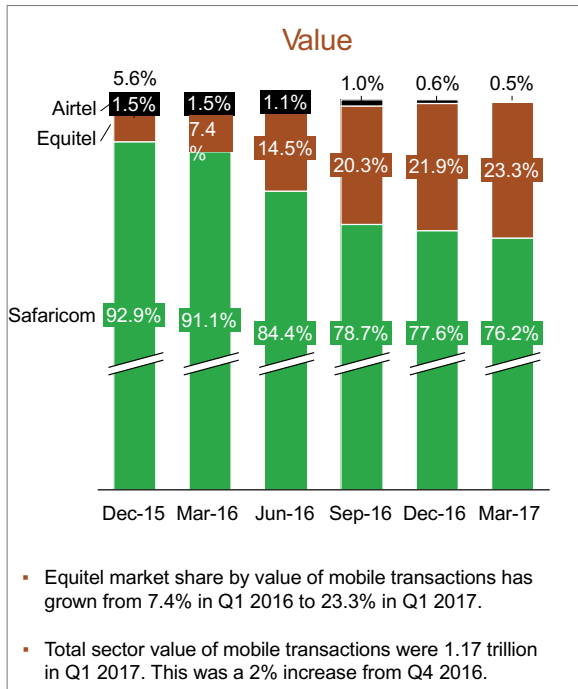


# Focus Area 6: Innovation and digitization – Diaspora



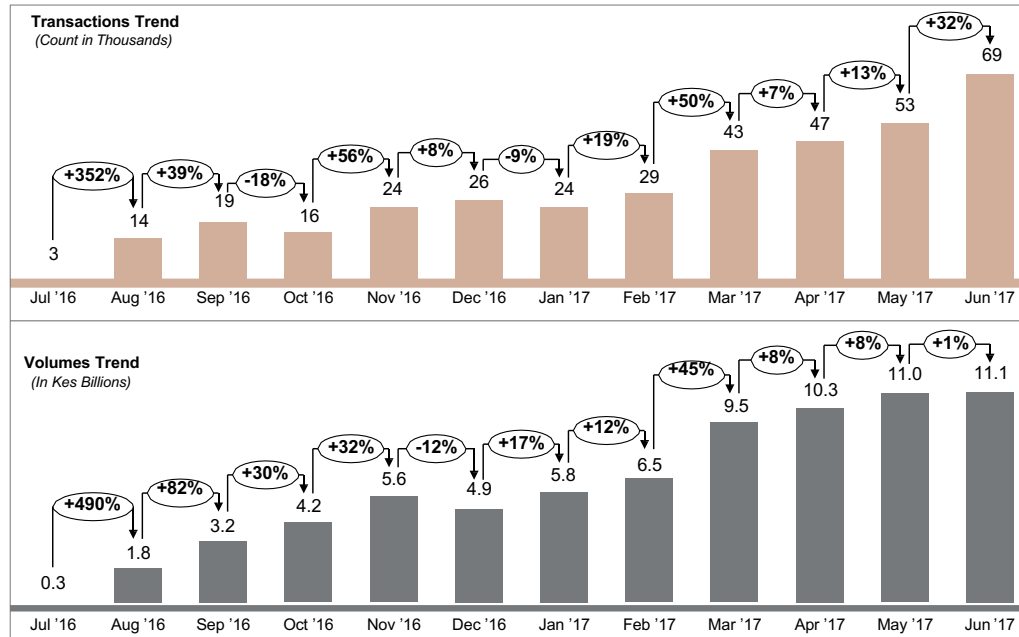


## Focus Area 6: Innovation and digitization – Equitel



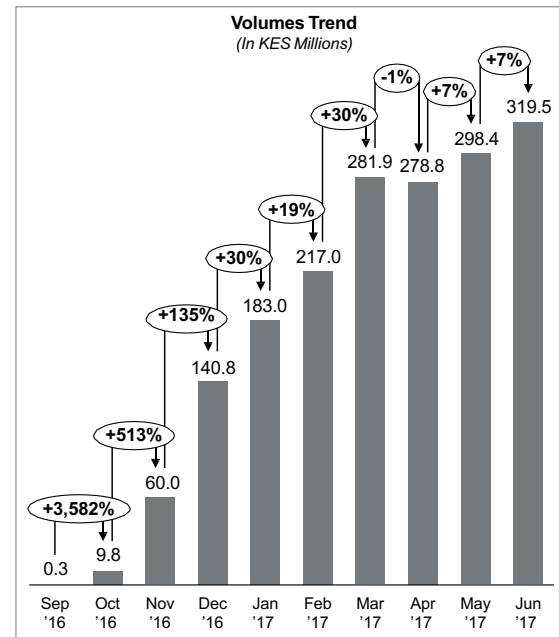
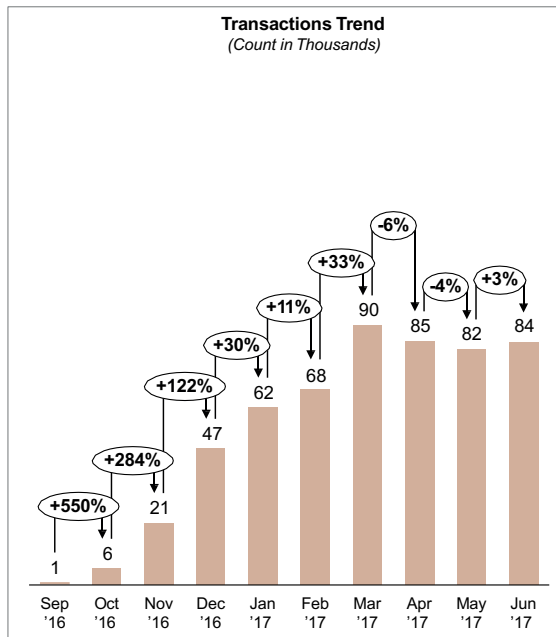


## Focus Area 6: Innovation and digitization – EazzyBiz



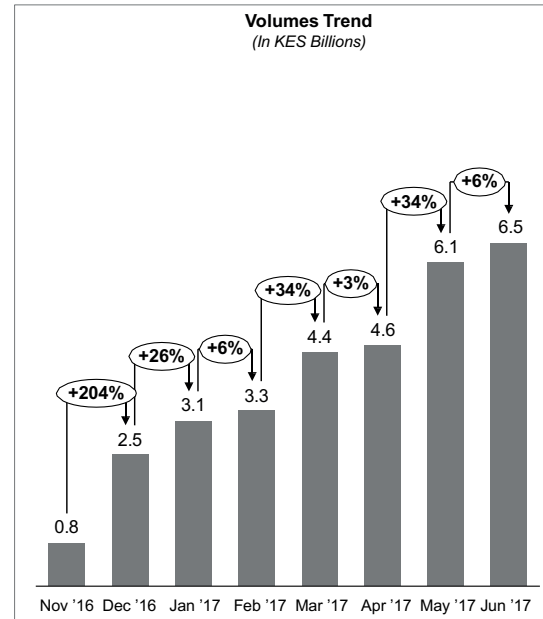
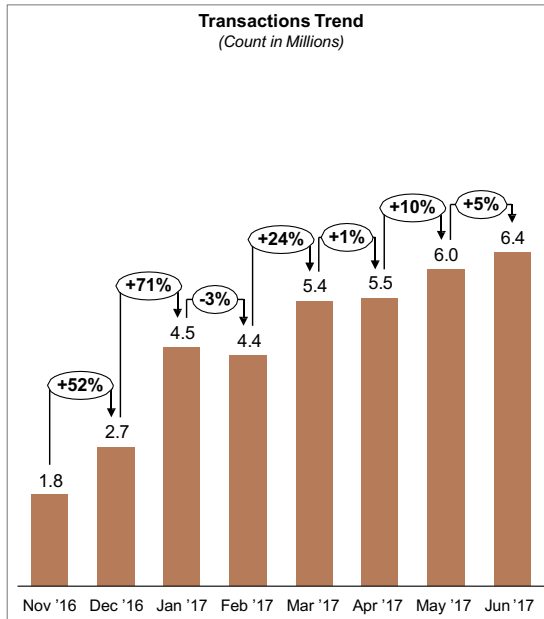


## Focus Area 6: Innovation and digitization – EazzyPay





## Focus Area 6: Innovation and digitization – EazzyApp





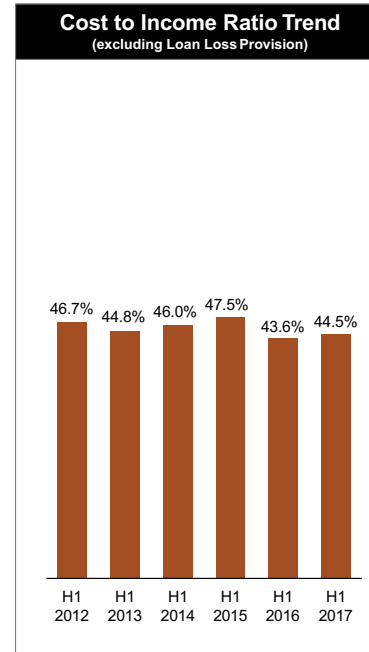
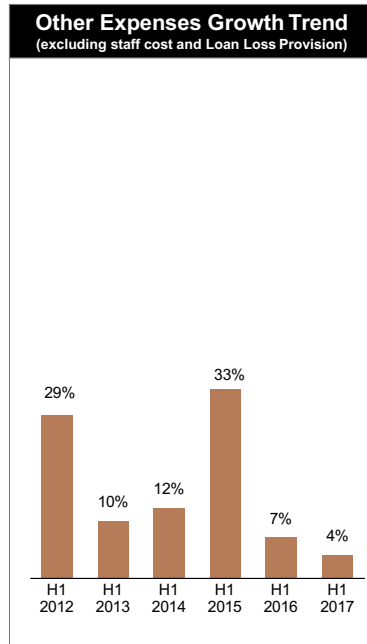
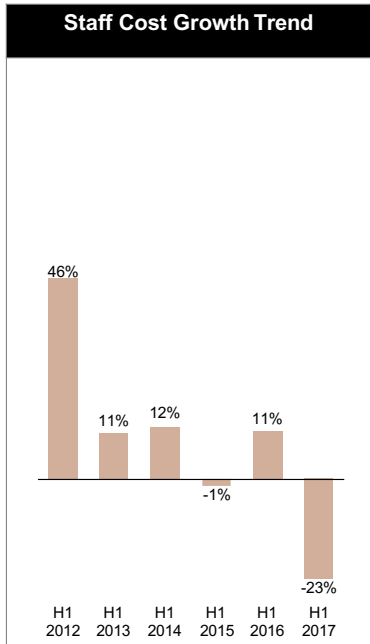
## Focus Area 6: Recognition of innovation on mobile banking and Fintech



**Most Innovative Bank (2015, 2016) and Best Mobile Banking Services – 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 aspirations of our people.**



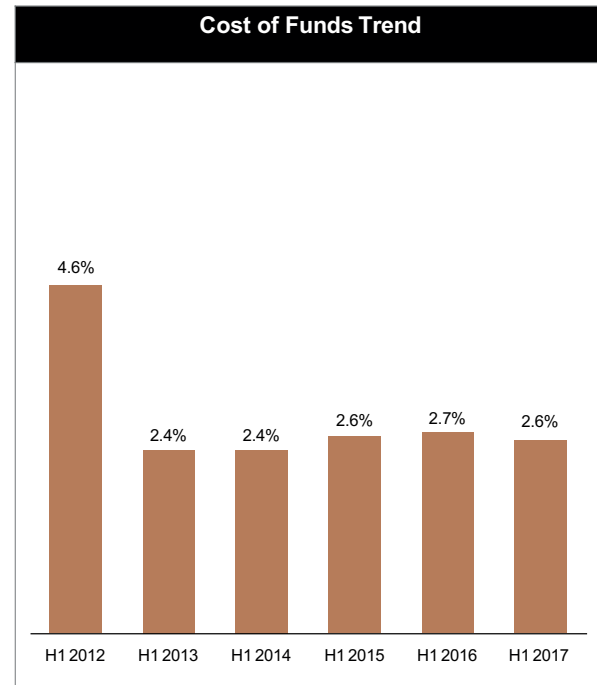
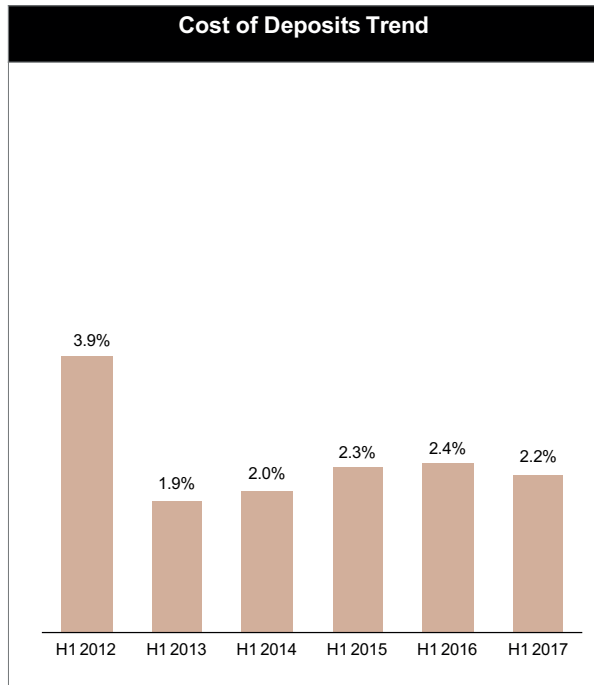
## Focus Area 7: Efficiencies and cost optimisation







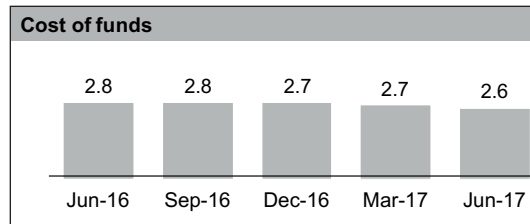
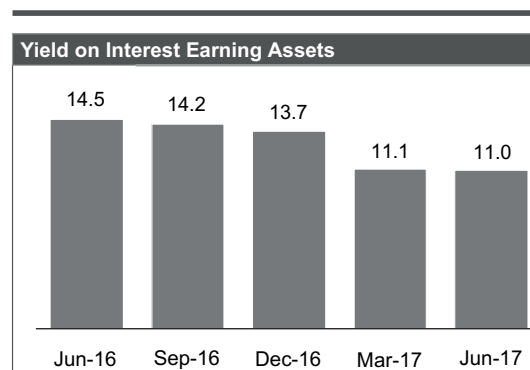
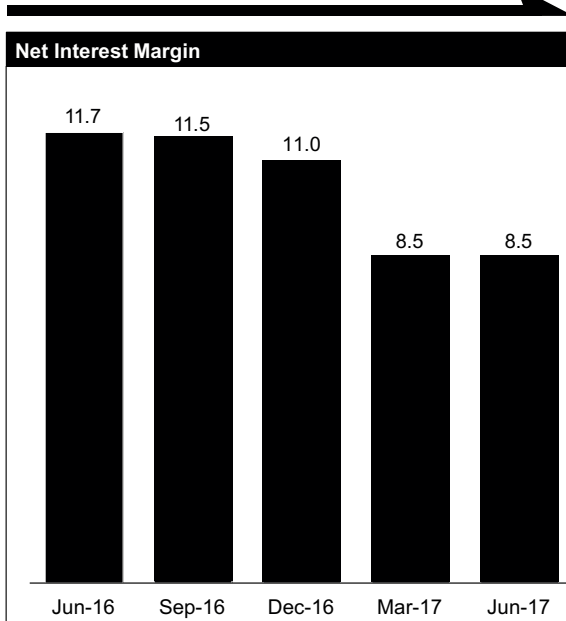
## Focus Area 7: Efficiencies and cost optimisation





## Focus Area 7: Efficiencies and cost optimisation

Percentage

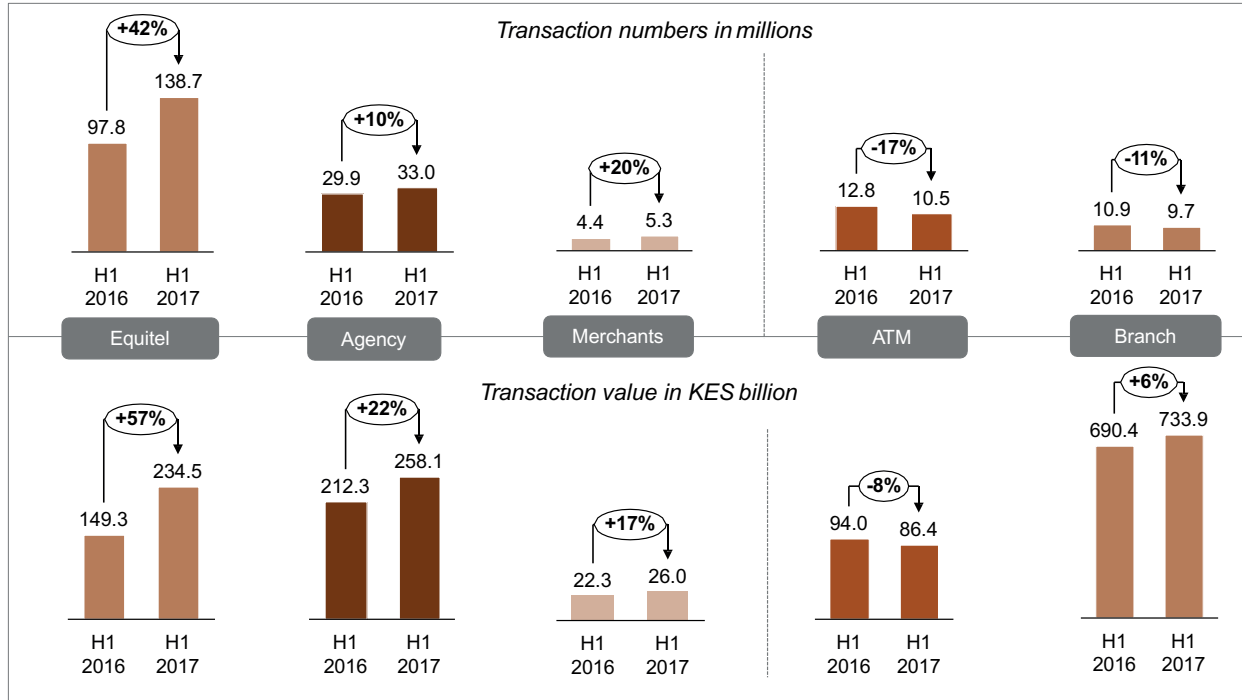




## Focus Area 7: Efficiencies and cost optimisation

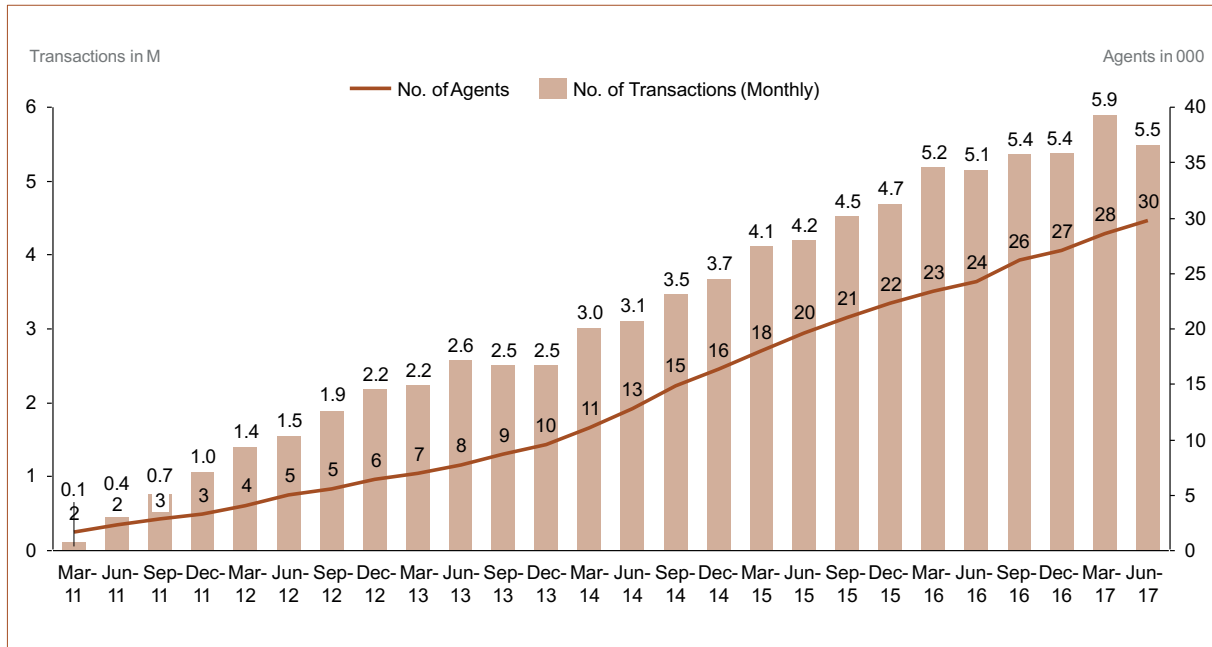
### Variable cost channels

### Fixed cost channels





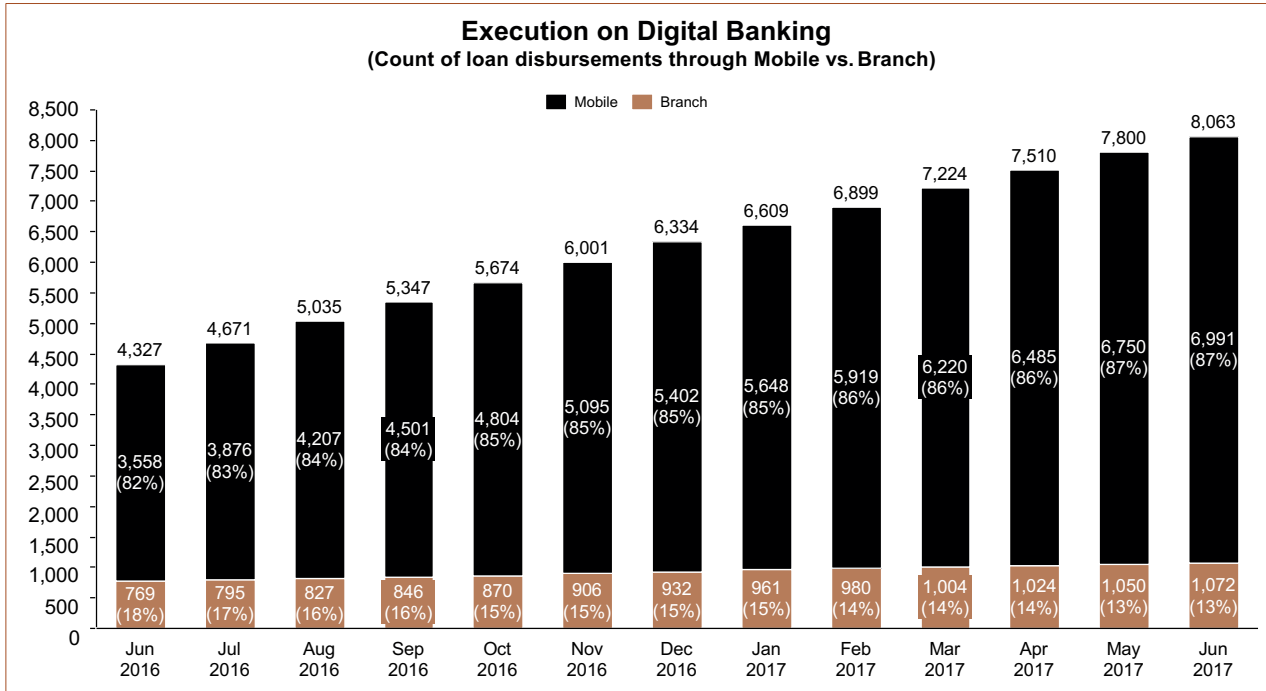
# Focus Area 7: Efficiencies and cost optimisation





## Focus Area 7: Efficiencies and cost optimisation

In Thousands



Cumulative

EQUITY CENTRE



**Business Validation**





## Moody's Investor Service rates Equity Bank Kenya best credit in Kenya

- Strong investor interest has resulted in Moody's Investor Service rating and assigning Equity Bank Kenya a global and national scale credit rating
- Moody's rates Equity Bank Kenya the same as Kenya Government on a **Global Rating of B1, Stable Outlook**
- Moody's rates Equity Bank the **highest credit within Kenya** with a **National Scale Rating of Aa1**
- Moody's credit ratings affirm Equity Bank Kenya's:
  - Strong brand recognition
  - Solid liquidity buffers and resilient funding profile
  - Established domestic franchise
  - Extensive adoption of digital and alternative distribution channels
- Moody's highlights that this compares with the bank's peers that have a "more aggressive loan growth strategy despite the challenging environment"

Equity Bank Limited		
Rating Scale	Rating	Rating Outlook
National	Aa1.ke/KE-1	Stable
Global	B1	



# Fortified Brand made it top of mind

## 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)
2017 Global Rank	806	37	45	11
2016 Global Rank	835	43	34	8
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

Aug 2016

### 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 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



### **Africa's Best Bank 2016: Equity Bank**

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



## 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





## 2017 African Banker Awards

Equity Bank has been named as the  
Best Retail Bank in Africa





## 2017 Banker Africa East Africa Awards



EQUITY CENTRE

## Intermediation & Financial Performance





# Balance Sheet



<i>KES (Billion)</i>	EBKL			Group		
	H1 2016	H1 2017	Growth	H1 2016	H1 2017	Growth
<b>Assets</b>						
Net Loans	222.4	207.5	-7%	269.0	265.1	-1%
Cash & Cash Equivalents	44.5	50.8	14%	59.8	77.8	30%
Government Securities	63.8	107.3	68%	73.0	115.6	58%
Other Assets	29.8	33.9	14%	42.6	46.5	9%
<b>Total Assets</b>	<b>360.5</b>	<b>399.5</b>	<b>11%</b>	<b>444.4</b>	<b>504.9</b>	<b>14%</b>
<b>Liabilities &amp; Capital</b>						
Deposits	260.5	288.5	11%	320.8	363.6	13%
Borrowed Funds	37.6	42.4	13%	40.2	45.5	13%
Other Liabilities	8.3	7.0	-15%	8.0	9.9	23%
Shareholders' Funds	54.1	61.7	14%	75.4	85.9	14%
<b>Liabilities &amp; Capital</b>	<b>360.5</b>	<b>399.5</b>	<b>11%</b>	<b>444.4</b>	<b>504.9</b>	<b>14%</b>



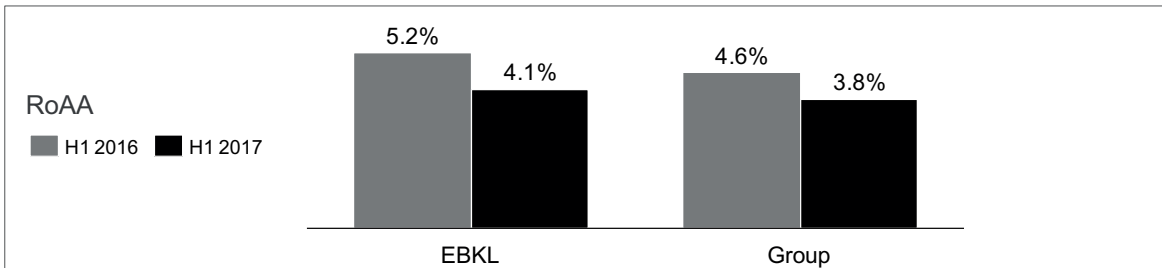
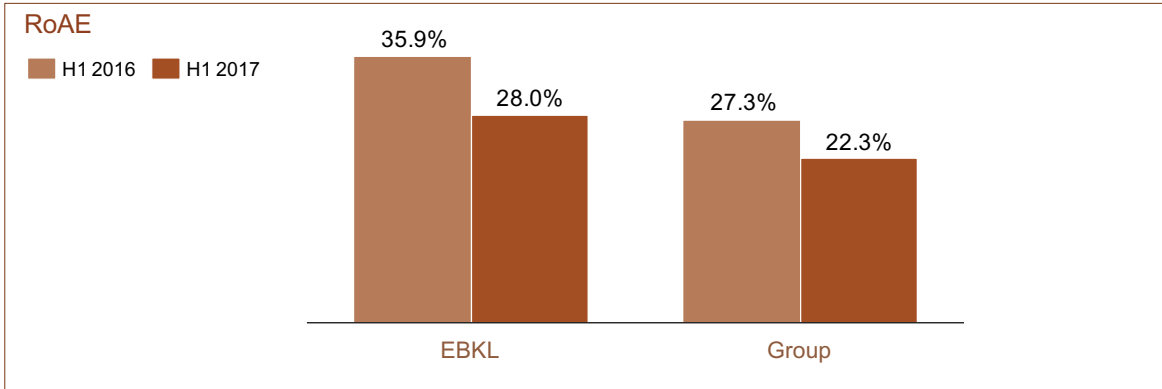
## -7% growth in PBT (Group)

<i>KES (Billion)</i>	<b>H1 2016</b>	<b>H1 2017</b>	<b>Growth</b>
<b>Interest Income</b>	<b>26.1</b>	<b>23.0</b>	<b>-12%</b>
<b>Interest Expense</b>	<b>4.9</b>	<b>5.1</b>	<b>4%</b>
<b>Net Interest Income</b>	<b>21.2</b>	<b>17.9</b>	<b>-15%</b>
<b>Non-Funded Income</b>	<b>10.8</b>	<b>13.0</b>	<b>20%</b>
<b>Total Income</b>	<b>32.1</b>	<b>30.9</b>	<b>-4%</b>
<b>Loan Loss Provision</b>	<b>1.9</b>	<b>1.9</b>	<b>-4%</b>
<b>Staff Costs</b>	<b>6.1</b>	<b>5.2</b>	<b>-16%</b>
<b>Other Operating Expenses</b>	<b>9.8</b>	<b>10.6</b>	<b>8%</b>
<b>Total Costs</b>	<b>17.9</b>	<b>17.6</b>	<b>-1%</b>
<b>PBT</b>	<b>14.2</b>	<b>13.3</b>	<b>-7%</b>
<b>Tax</b>	<b>(4.1)</b>	<b>(3.9)</b>	
<b>PAT</b>	<b>10.1</b>	<b>9.4</b>	<b>-7%</b>





## RoAA and RoAE Trend





## Financial Ratios

	<b>EBKL</b>	<b>EBKL</b>	<b>Group</b>	<b>Group</b>
	<b>H1 2016</b>	<b>H1 2017</b>	<b>H1 2016</b>	<b>H1 2017</b>
<b>Profitability</b>				
<b>NIM</b>	12.5%	8.1%	11.7%	8.5%
<b>NFI/Total Income</b>	28.0%	39.8%	33.8%	42.0%
<b>Cost to Income Ratio (with provisions)</b>	48.6%	50.6%	55.6%	57.0%
<b>Cost to Income Ratio (without provisions)</b>	43.6%	44.5%	49.6%	51.0%
<b>RoAE</b>	35.9%	28.0%	27.3%	22.3%
<b>RoAA</b>	5.2%	4.1%	4.6%	3.8%
<b>Asset Quality</b>				
<b>Cost of Risk</b>	1.00%	1.35%	1.43%	1.40%
<b>Liquidity/Leverage</b>				
<b>Liquidity</b>	39.9%	54.4%	37.0%	51.1%
<b>Loans/Deposits</b>	85.3%	71.9%	83.9%	72.9%
<b>Capital Adequacy Ratios</b>				
<b>Core Capital to Risk Weighted Assets</b>	14.4%	15.3%	18.7%	19.6%
<b>Total Capital to Risk Weighted Assets</b>	15.6%	16.1%	19.8%	20.4%
<b>Core Capital to Deposits Ratio</b>	18.9%	19.1%	23.4%	22.9%



## Outlook – Kenya & Group

	Kenya		Group	
	2017 Outlook	Actual	2017 Outlook	Actual
<b>Loan Growth</b>	0 to -5%	7%	0 to 5%	-1%
<b>Deposit Growth</b>	25%	11%	25%	13%
<b>Net Interest Margin</b>	9 -10%	8.1%	9 - 10%	8.5%
<b>Non Funded Income Mix</b>	38%	40%	40%	42%
<b>Cost to Income Ratio</b>	43%	44%	47%	51%
<b>Return on Equity</b>		28.0%	22% - 25%	22.3%
<b>Return on Assets</b>		4.1%	3.5% - 4.0%	3.8%
<b>Cost of Risk</b>		1.35%	1.0% - 1.25%	1.40%
<b>NPL</b>		7.4%	5.5% - 6.0%	7.3%
<b>Regional Contribution (Assets)</b>			30%	22%
<b>Regional Contribution (PBT)</b>			7% - 8%	10%

EQUITY CENTRE



**Appendix**



## Ratios - Banking Subsidiaries

RoAE		
Subsidiary	Jun-16	Jun-17
EBKL	35.9%	28.0%
EBTL	8.5%	11.7%
EBUL	16.2%	33.3%
EBRL	8.2%	13.5%
EBSSL	-17.8%	-6.8%
DRC	9.8%	5.7%

RoAA		
Subsidiary	Jun-16	Jun-17
EBKL	5.2%	4.1%
EBTL	1.1%	1.5%
EBUL	1.7%	4.9%
EBRL	1.7%	2.3%
EBSSL	-0.6%	-2.3%
DRC	1.0%	0.9%

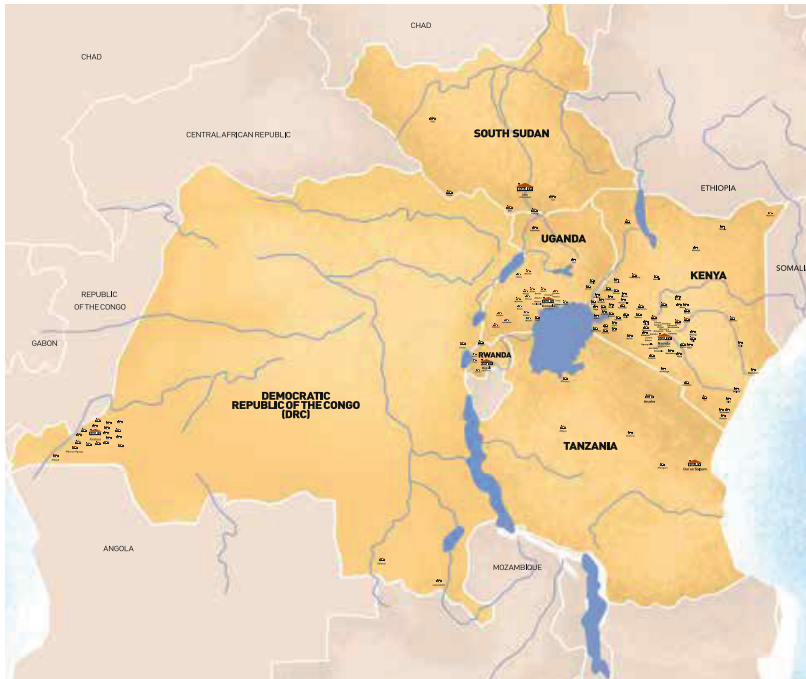
NPL		
Subsidiary	Jun-16	Jun-17
EBKL	4.2%	7.4%
EBTL	4.9%	5.0%
EBUL	14.2%	10.1%
EBRL	3.4%	3.6%
EBSSL	51.1%	66.8%
DRC	4.8%	7.8%

Cost-to-Income Ratio		
Subsidiary	Jun-16	Jun-17
EBKL	43.6%	44.5%
EBTL	69.5%	67.2%
EBUL	58.9%	55.9%
EBRL	75.2%	61.3%
EBSSL	110.9%	143.3%
DRC	76.8%	83.8%





## REGIONAL FOOTPRINT



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

<b>BRANCHES</b>		<b>278</b>
(a) Branches in Kenya	177, Nairobi	51
(b) Branches in Uganda	32, Kampala	18
(c) Branches in South Sudan	5, Juba	4
(d) Branches in Tanzania	14, Dar es Salaam	8
(e) Branches in Rwanda	12, Kigali	6
(f) Branches in DRC	38, Kinshasa	27
<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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