



Investor Briefing

Q1 2019 Performance

May, 2019



Macroeconomic & Operating Environment

Macro-economic & Operating Environment

	Interest Rates (April 2019)		FX (Local Currency v/s USD)		Inflation	GDP Growth
	CBR	Changes in Central Bank Rate (Q1 2018 v Q1 2019)	31-Mar-19	Change Year to Date	Mar-19	(2019 Projected)
Kenya	9.0%	-50 Basis Points	100.80	0%	4.4%	6.0%
Tanzania	7.0%	-200 Basis Points	2,311	-2%	3.1%	6.6%
Uganda	10.0%	100 Basis Points	3,714	-1%	3.0%	5.5%
Rwanda	5.5%	0 Basis Points	903	-6%	1.1%	7.8%

- **Monetary policy supportive of economic growth** – Central bank rates reducing to stable across East Africa
- **Exchange rates** – Marginal depreciation of regional currencies. KES has been relatively stable compared to the other regional currencies
- **Within target-range inflation** – Low inflation across East Africa
- **Strong economic growth outlook** - East and Central Africa one of the fastest growing regions in the world with economic growth expected to grow above 6 percent
- **World Bank increased confidence in Kenya attractiveness** – Kenya Ease of Doing Business ranking by World Bank improved from position 80 to 61



Macro-economic & Operating Environment



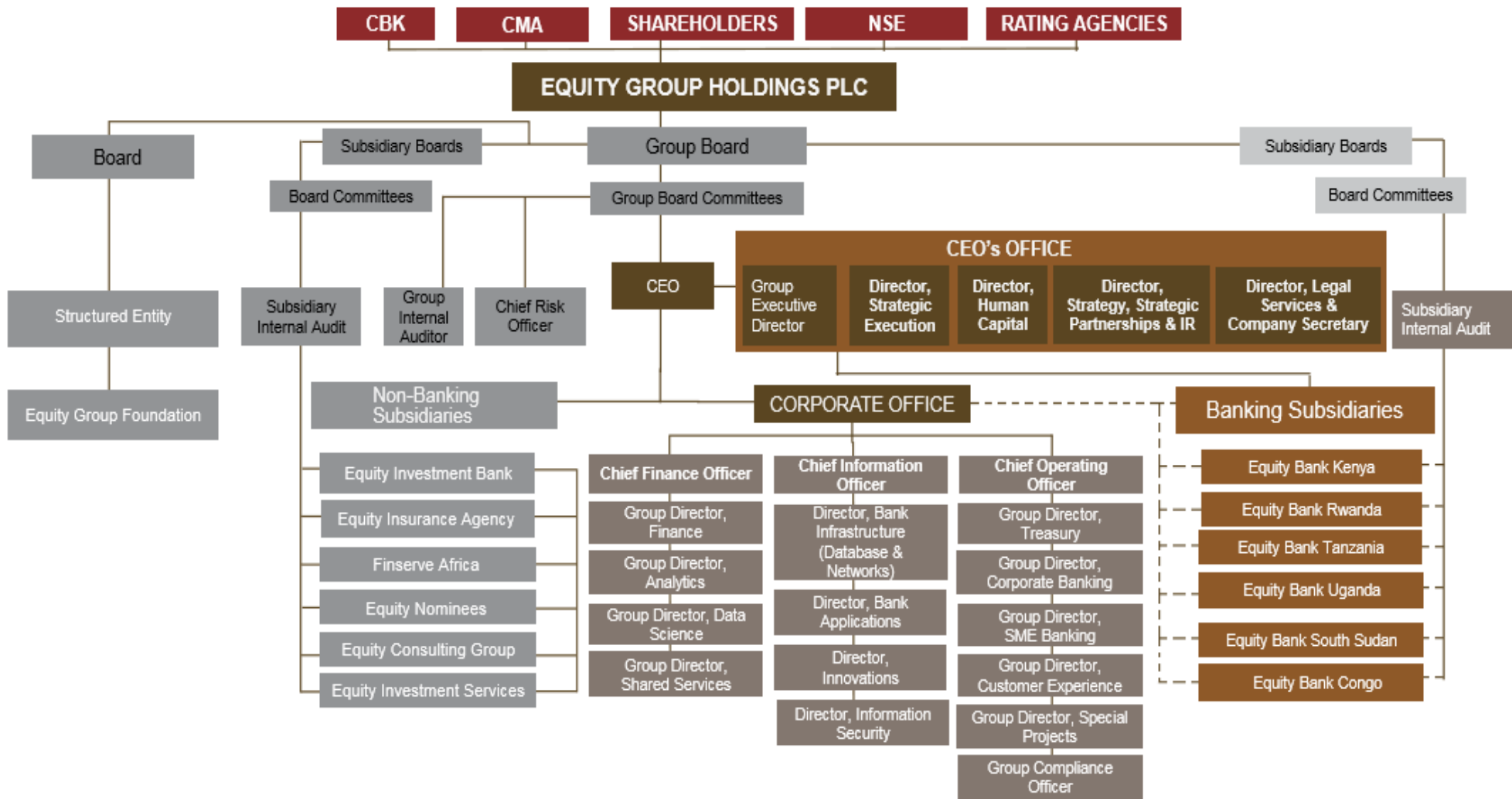
- **KES strengthening** – KES has defied pressure from USD as compared to other regional currencies that lost ground against the USD. KES remained unbowed against the USD while KES has gained 1%, 3%, 4% against UGX, TZS and RWF respectively
- **Renewed vigour to fight economic crimes** – leading to heightened expectations on compliance for financial institutions
- **Establishment of Kenya Mortgage Refinance Company (KMRC)** – set to bolster liquidity for mortgage financiers and also promote the much needed Asset/Liability maturity match by the mortgage financiers
- **Political stability across the region** – Peaceful elections in DRC expected to anchor economic growth
- **Increased regional infrastructure development** – spending in Uganda, Rwanda and Tanzania expected to anchor growth
- **High court rules against interest capping** – High court rules interest rate capping as unconstitutional and urges parliament to amend the law
- **Falling LIBOR rates in 2019** – the international debt market's LIBOR rates has been dropping in 2019 as compared to a continued rally in 2018. This is likely to ease the funding costs. 6 month USD LIBOR closed at 2.88 in Dec 2018 and at 2.62 in Apr 2019



Governance & Organizational Structure



Governance and Organizational Structure



Each subsidiary with own Board of Directors compliant with local regulations



Equity Bank Business Model & Strategy – Post Interest Rate Capping (Adjusting and adapting to the new norm)

Focus areas:

1. Non-funded income growth
2. Treasury
3. Geographical and business diversification
4. Balance sheet agility
5. Innovation and digitization
6. Efficiencies and cost optimization
7. Asset quality
8. Impact Investment & Social Brand Development



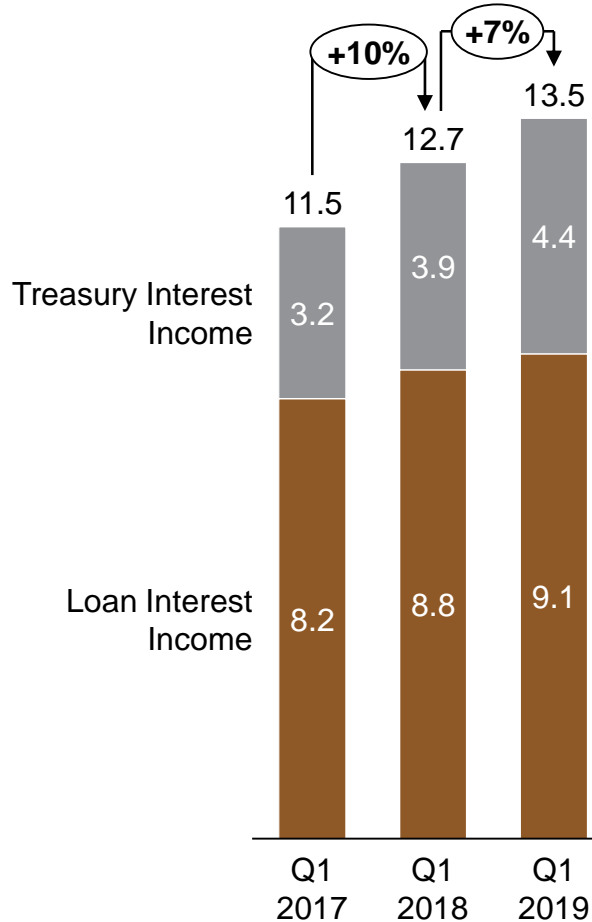
Focus Area 1: Non-funded income growth & contribution

In Kes Billion

Loan Interest Income Growth Trend



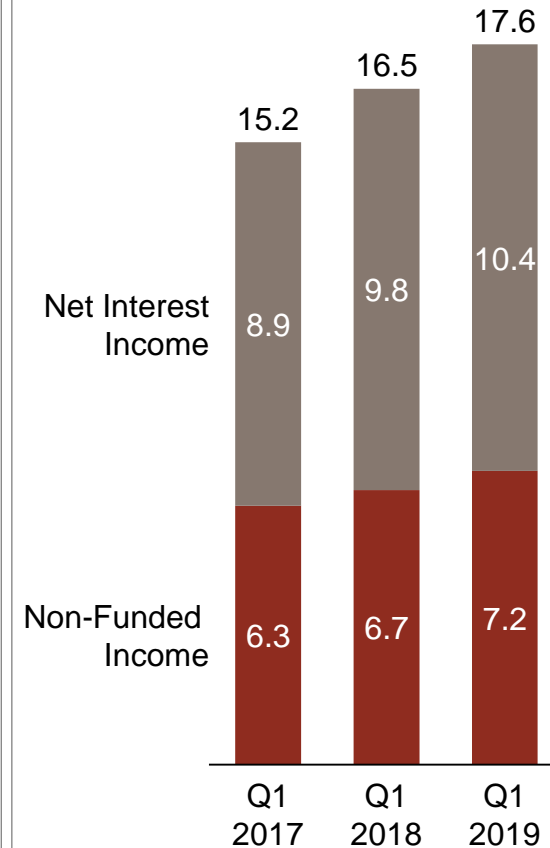
Total Interest Income Growth Trend



Non-Funded Income Growth Trend



Contribution to Total Income



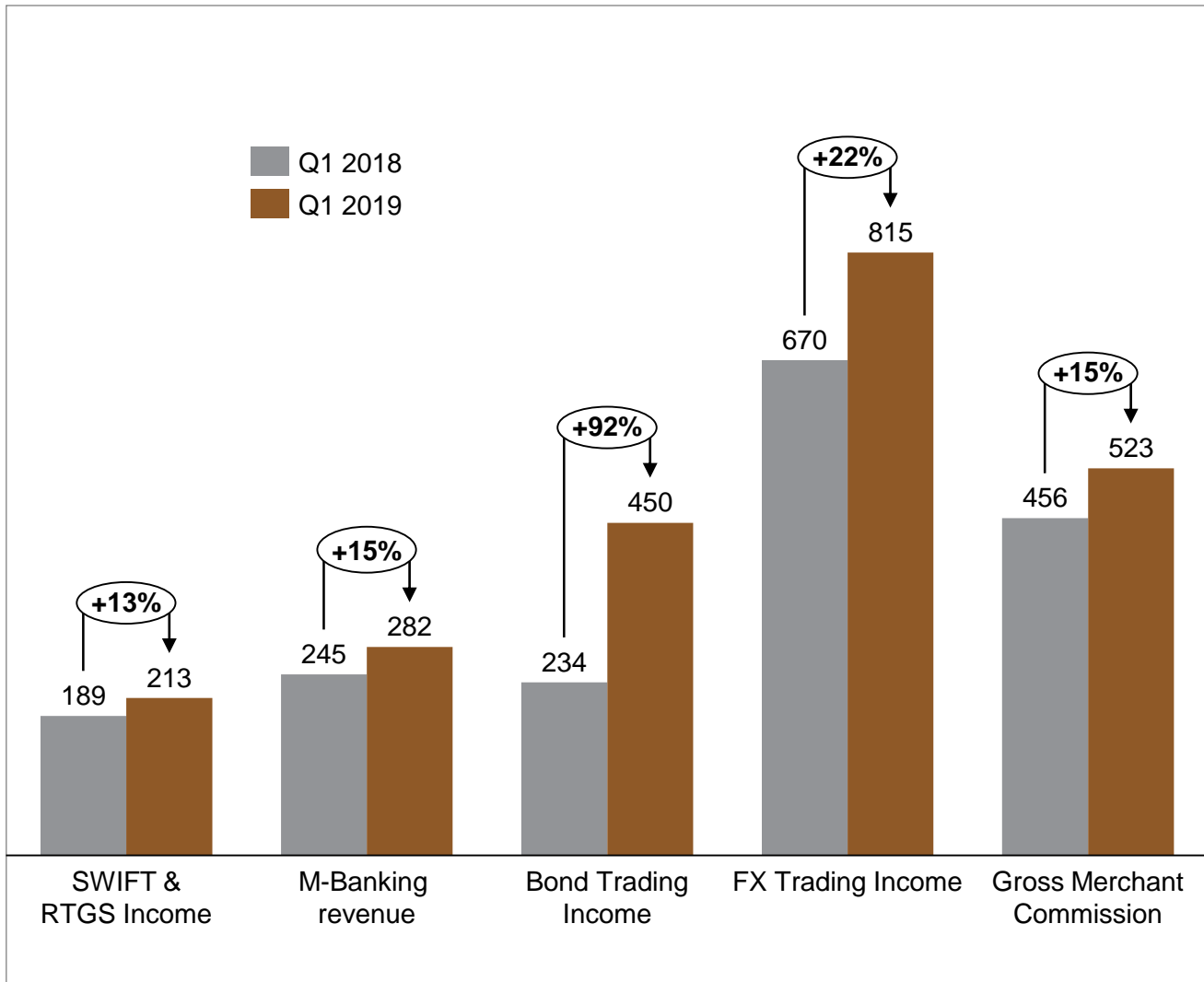


Focus Area 1: Growth of diversified streams of non-funded income



In Kes Million

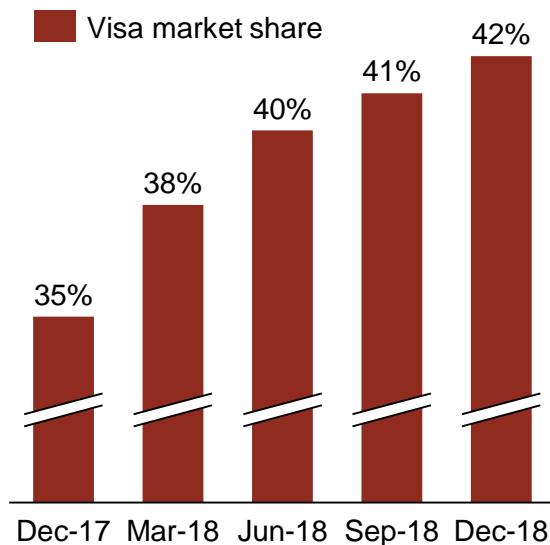
Fees & Commissions (Key Lines - Group)



Our market share consolidation continue to drive merchant commission up.

Visa volumes command 80% of our acquiring volumes

Visa business in Kenya has 8 other acquirers with Equity Bank leading in market share



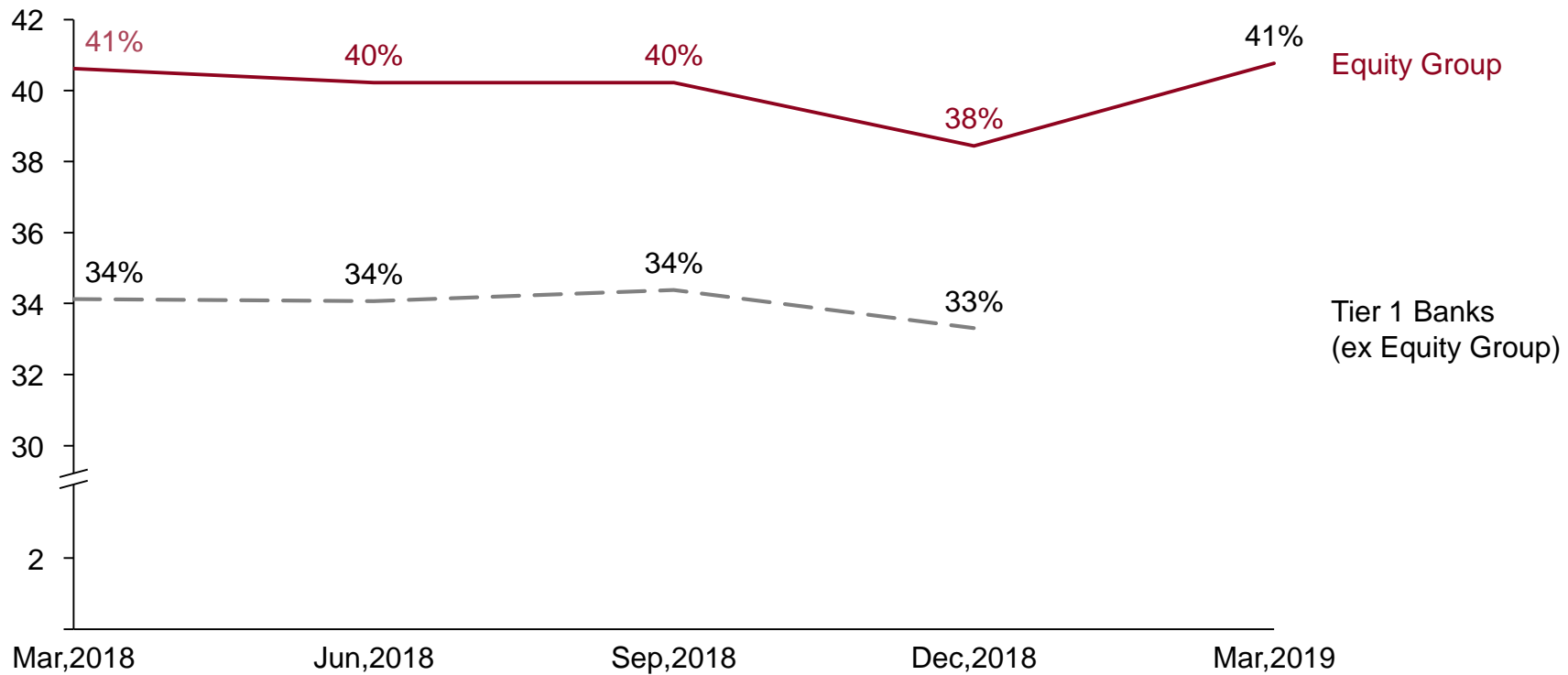


Focus Area 1: NFI Contribution

Equity Group more diversified than the sector



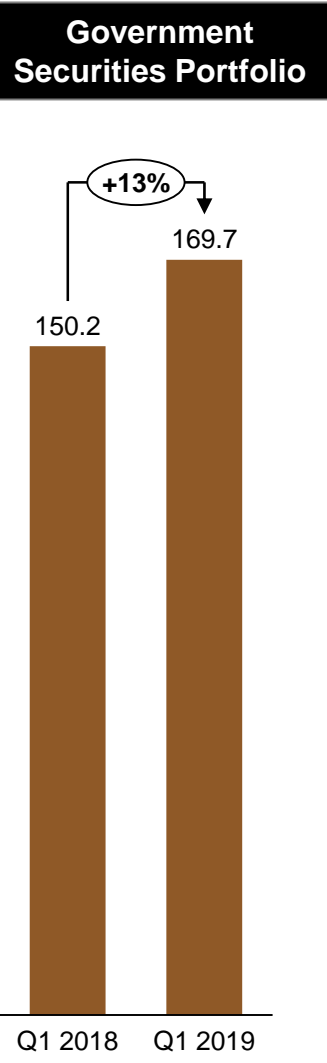
Strategically reducing income volatility from interest income



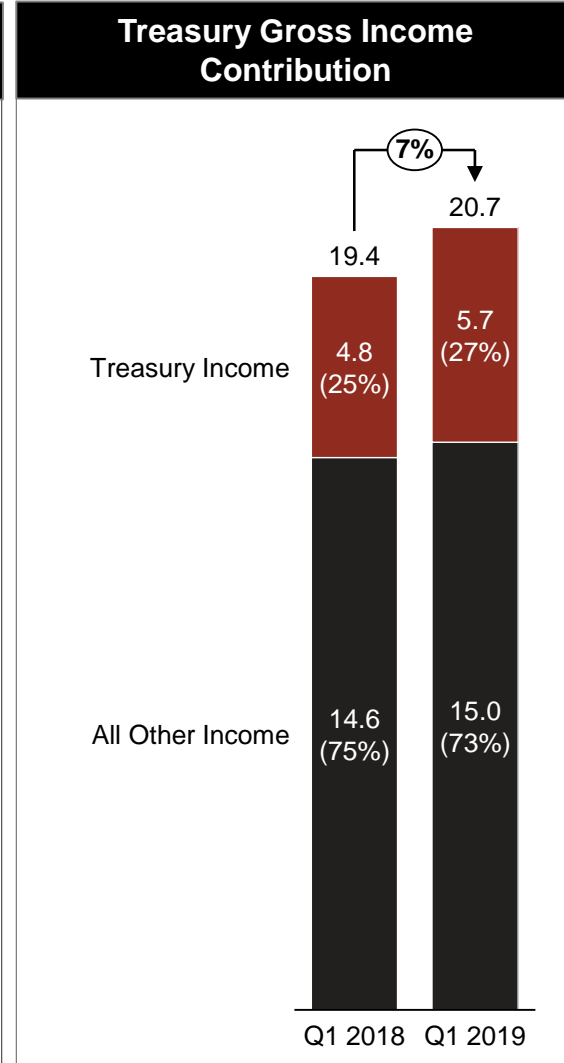


Focus Area 2: Treasury

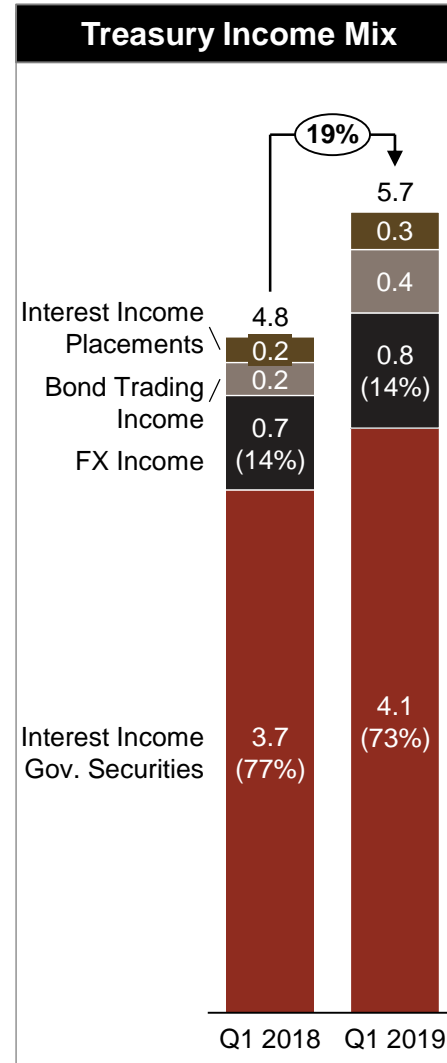
In KES Billion



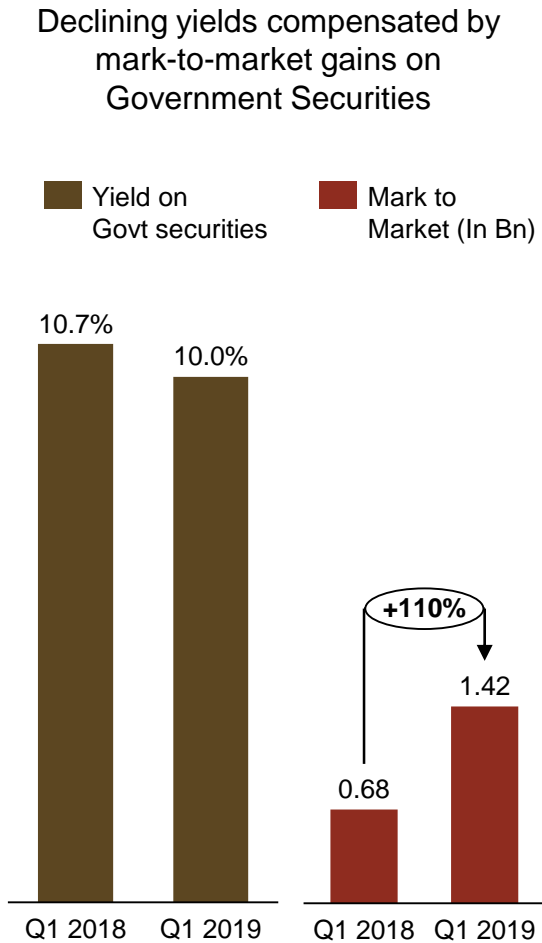
In KES Billion



In KES Billion



Yield on Government Securities & Capital Gains



Note: Income calculation above is before funding costs

Focus Area 3: Geographical & business diversification

In KES Billion

	TZ	RW	UG	SS	DRC	EIA	EIB	Finserve	Subsidiaries Total/Growth	EBKL Total/Growth	Regional Contribution Q1 2019	Regional Contribution Q1 2018
Deposit	15.5	20.8	22.6	5.4	48.8				113.1	345.4	25%	24%
<i>Growth</i>	-25%	21%	11%	16%	40%				16%	15%		
Loan	14.8	16.0	20.6	0.1	24.7				76.2	229.3	25%	24%
<i>Growth</i>	-8%	32%	45%	30%	14%				19%	11%		
Assets	24.0	28.2	34.0	9.0	63.8	0.5	0.6	2.2	162.4	465.2	26%	25%
<i>Growth</i>	-5%	22%	20%	14%	37%	-10%	-40%	-14%	20%	16%		
PBT	0.1	0.3	0.4	0.0	0.4	0.3	0.0	0.0	1.5	7.2	17%	19%
<i>Growth</i>	-29%	59%	9%	-71%	11%	22%	-37%	-106%	0%	7%		
PAT (Kes)	0.10	0.22	0.25	0.02	0.30	0.18	0.01	-0.01	1.1	5.0	18%	20%
	-29%	59%	-16%	-71%	15%	22%	-37%	-106%	-9%	7%		



Focus Area 3: Geographical diversification

Ratios - Banking Subsidiaries



RoAE		
Subsidiary	Q1 2018	Q1 2019
EBKL	31.1%	31.4%
EBUL	28.9%	20.8%
EBRL	17.6%	23.0%
EBTL	18.7%	14.5%
DRC	18.0%	17.8%
EBSSL	7.6%	2.3%

RoAA		
Subsidiary	Q1 2018	Q1 2019
EBKL	4.6%	4.5%
EBUL	4.2%	3.1%
EBRL	2.5%	3.2%
EBTL	2.2%	1.7%
DRC	2.4%	2.0%
EBSSL	3.1%	0.8%

Cost-to-Income Ratio		
Subsidiary	Q1 2018	Q1 2019
EBKL	42.5%	41.8%
EBUL	57.0%	63.6%
EBRL	57.5%	47.5%
EBTL	59.7%	72.2%
DRC	68.4%	69.9%
EBSSL	66.8%	85.7%

Cost-to-Asset Ratio		
Subsidiary	Q1 2018	Q1 2019
EBKL	5.1%	4.9%
EBUL	8.3%	8.6%
EBRL	6.8%	5.9%
EBTL	5.6%	6.2%
DRC	10.4%	8.2%
EBSSL	8.2%	6.6%



Focus Area 3: Geographical diversification

Strategic transaction with ATMA announced on 30th April 2019

Today

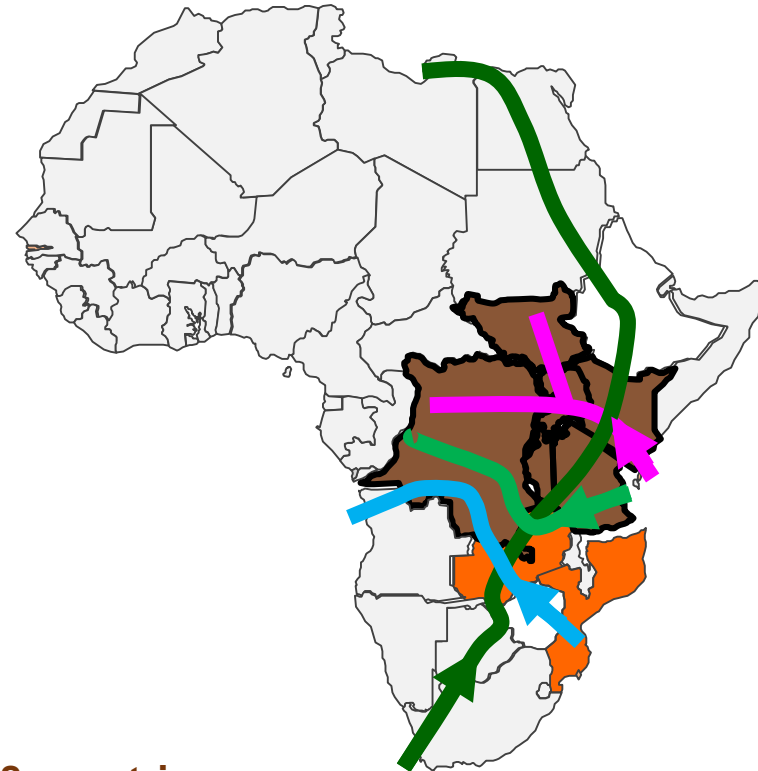


Proposed footprint



6 countries in East Africa

- population of ~265 million
- Nominal GDP of ~USD 231 Bn
- 13.7 million members



8 countries

- 2 new countries and scaling operations in two others
- population of ~314 million
- nominal GDP of ~USD 271 Bn
- 14.5 million members



Focus Area 3: Geographical diversification

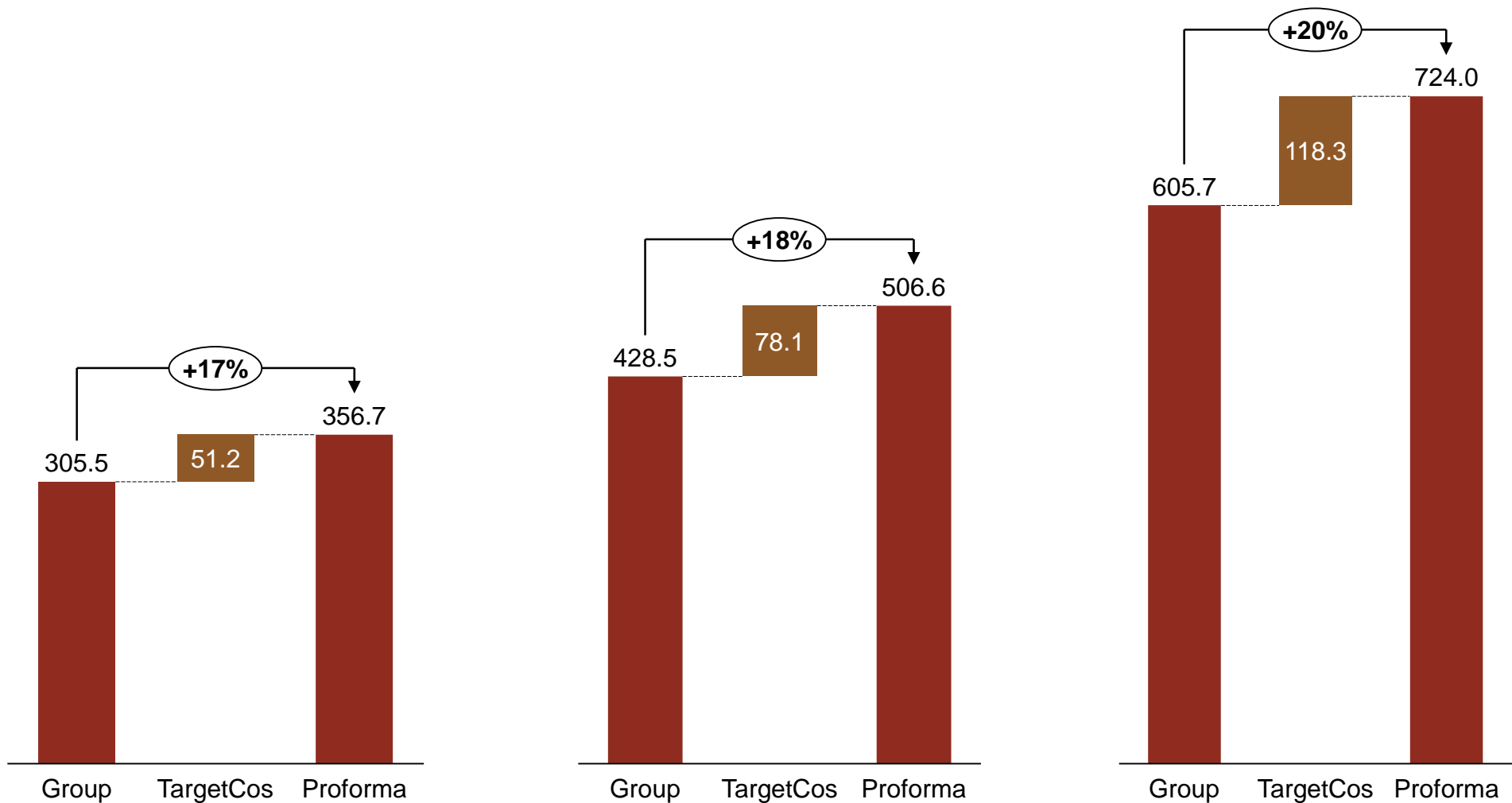
Proforma impact of the acquisition to Balance Sheet



Loans

Deposits

Total Assets





Focus Area 3: Geographical diversification

Entry into New Markets in Zambia & Mozambique

Macro-economic Overview



	Interest Rates (April 2019)		FX (Local Currency v/s USD)		Inflation	GDP Growth
	CBR	Changes in Central Bank Rate (Q1 2018 v Q1 2019)	31-Mar-19	Change Year to Date	Mar-19	(2019 Projected)
Zambia	9.75%	0 Basis Points	12.14	-28%	7.5%	4.2%
Mozambique	14.25%	-375 Basis Points	63.40	-3%	3.4%	4.5%

World Bank increased confidence in Mozambique attractiveness – Mozambique Ease of Doing Business ranking by World Bank improved from position 138 to 135 while Zambia slipped two position from 85 to 87.

Exchange rates – 28% depreciation of Zambia Kwacha against the Dollar, Depreciation of Mozambique Metical was marginal -3%.

Inflation rates- Inflation rates have been low and continues to decrease in Mozambique, Zambia has been on an upward trajectory largely contributed by the increase in petroleum prices.

According to AFDB –Mozambique growth is projected to be 4.5% in 2019 and 5.0% in 2020, driven by agriculture, which is continuing to recover from the 2015–16 regional drought, and extractive industries, with coal exports continuing to expand. There are also bright prospects of increased foreign direct investment in gas-related megaprojects in the Rovuma Basin in 2019.

According to AFDB- Zambia growth projected at 4.2% in 2019 and 4.3% in 2020. Lower demand of copper to China associated with escalating trade tensions is expected to further dampen the copper price.

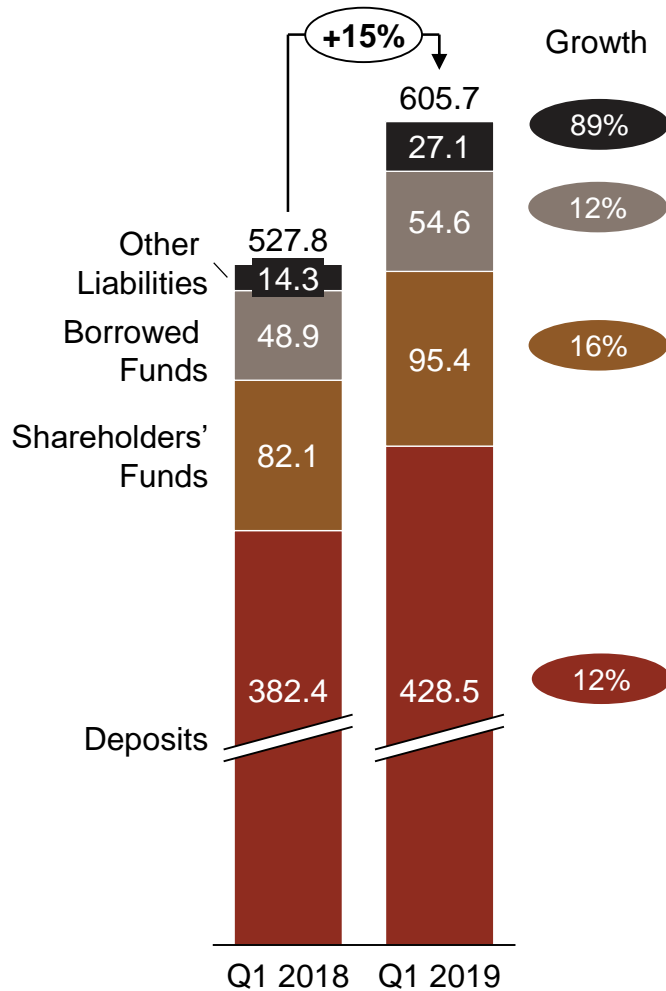
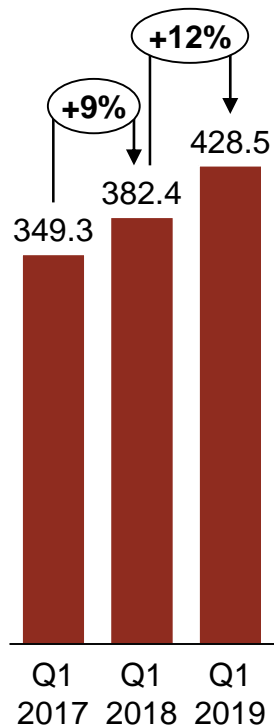
Focus Area 4: Balance Sheet Agility

In KES Billion

Funding Split

Group

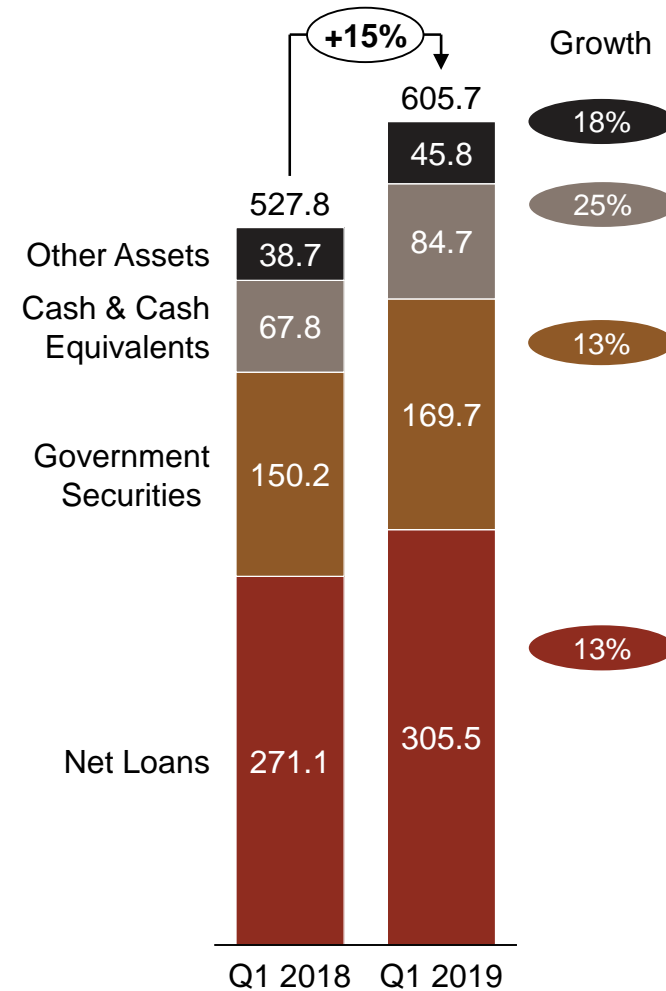
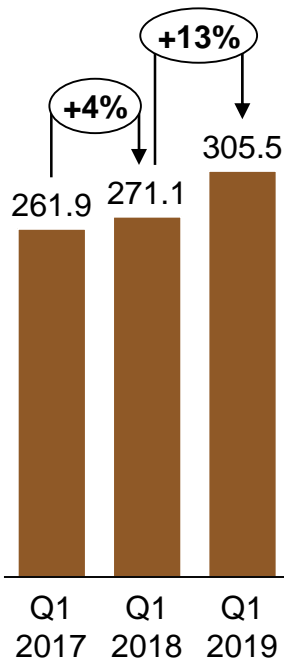
Deposits



Asset Split

Group

Net Loans

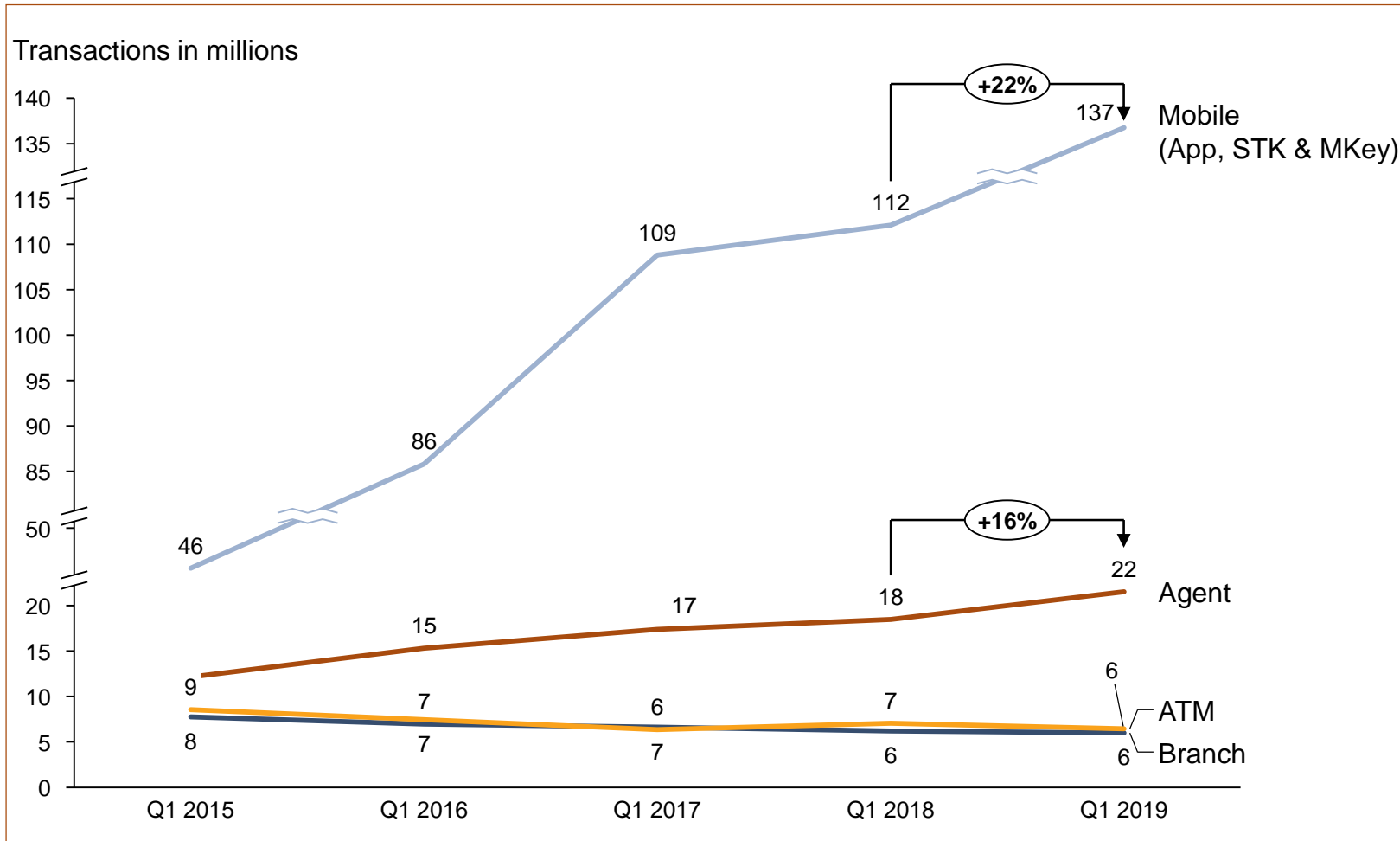




Focus Area 5: Innovation and digitization

Transformation from a place you go to; to something you do

- Most transaction are now done using the digital channels which have continued to grow
- Transforming the cost structure of the bank from **fixed cost** to **variable cost** with minimal investments due to use of 3rd party infrastructure





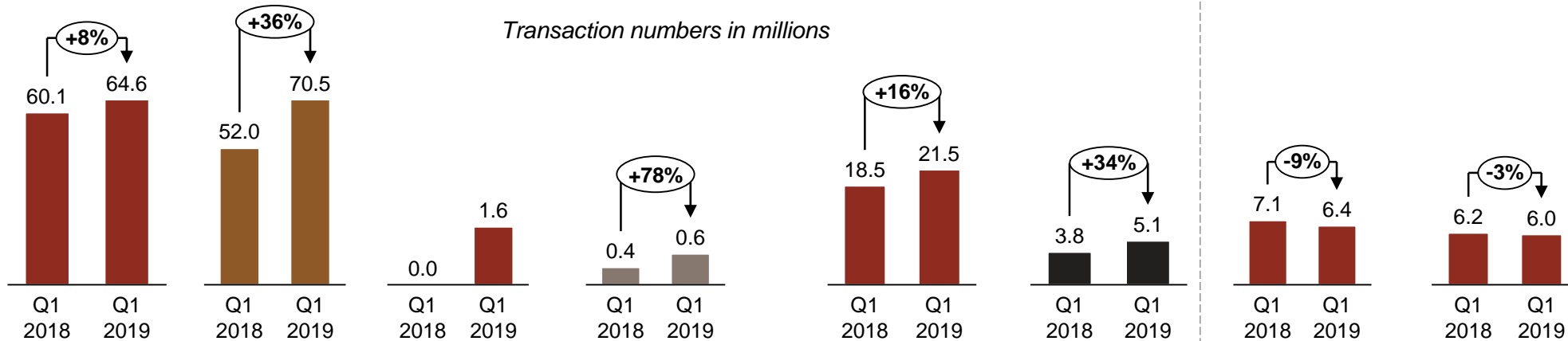
Focus Area 5: Innovation and digitization

Leveraging off variable cost 3rd party infrastructure

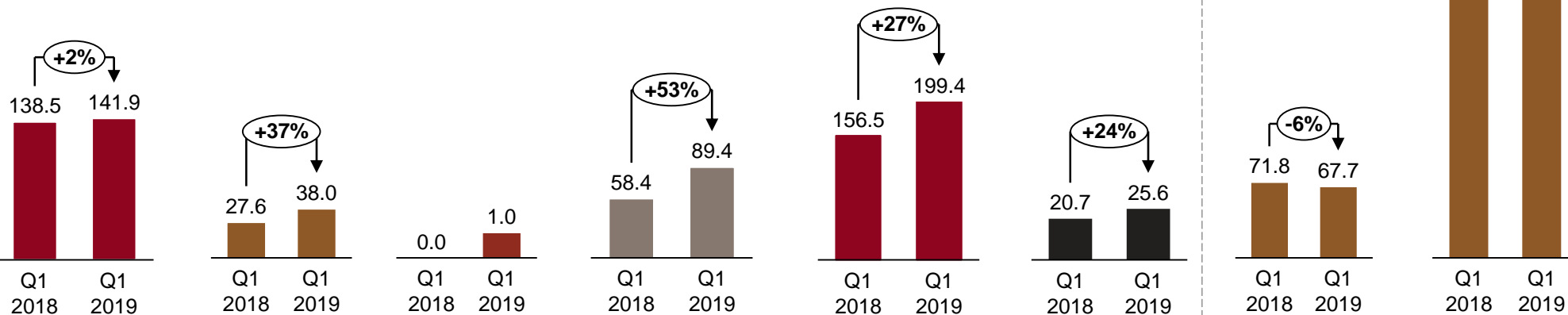
Variable cost channels

Fixed cost channels

Transaction numbers in millions



Transaction value in KES billion

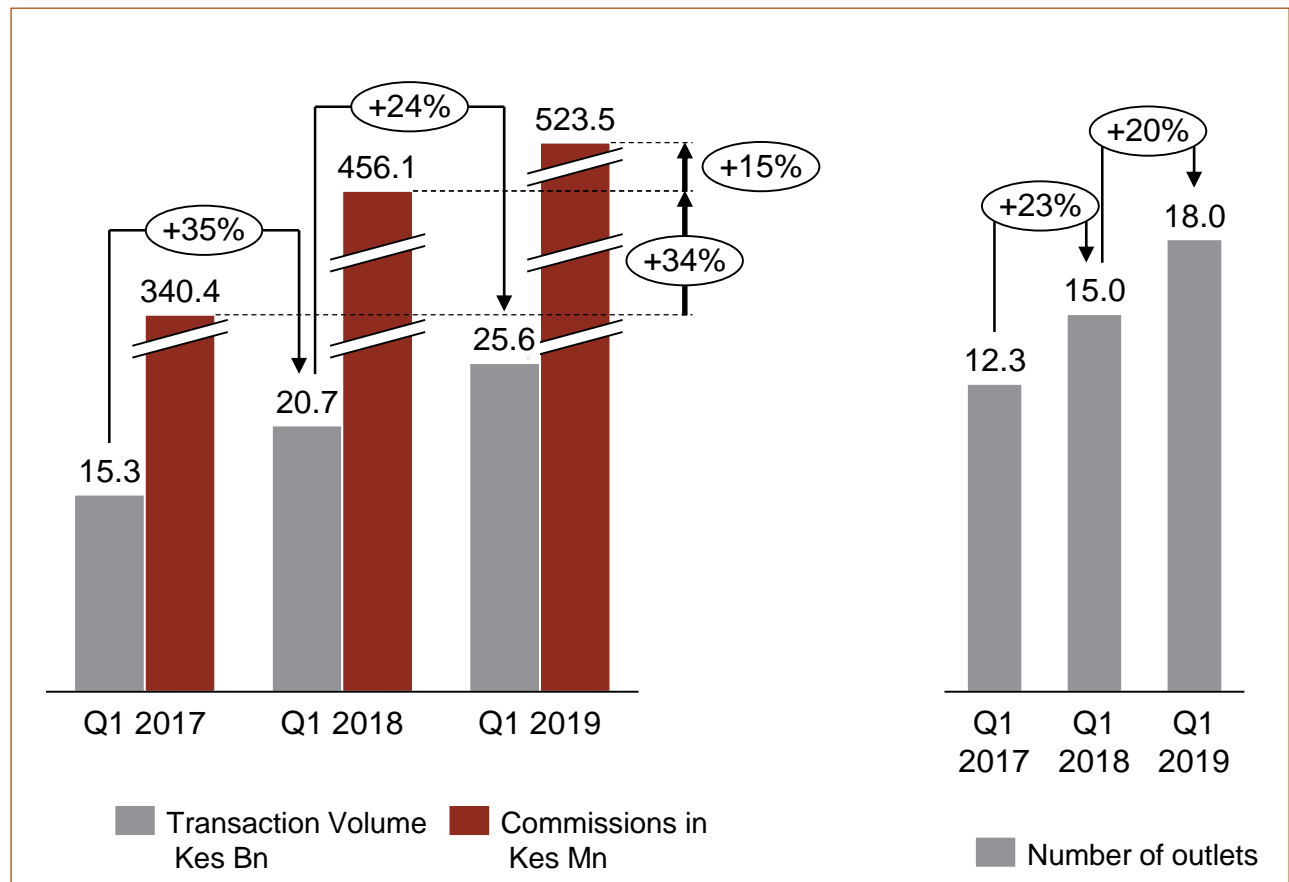


Focus Area 5: Fintech Innovations in Merchant Banking

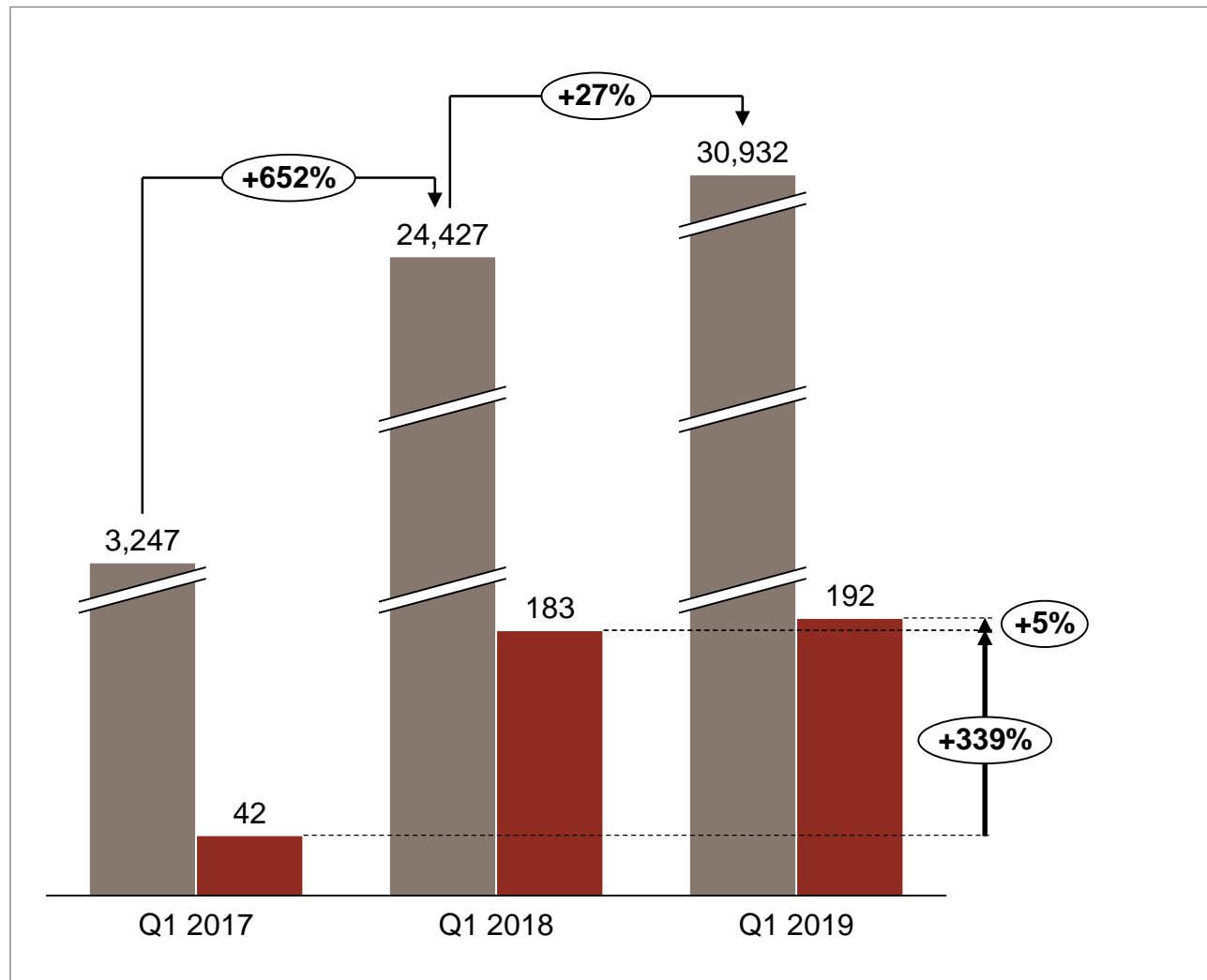
- The use of a Universal POS that converges Mobile Wallets, Cards & Digital payments



- Equity is leading in **Acquiring and Issuing**
- Best in class payment channel** services work well with merchants



Focus Area 5: Fintech Innovations in Diaspora Remittances (KES millions)



■ Transaction Volumes in Kes Mn ■ Diaspora Commissions in Kes Mn

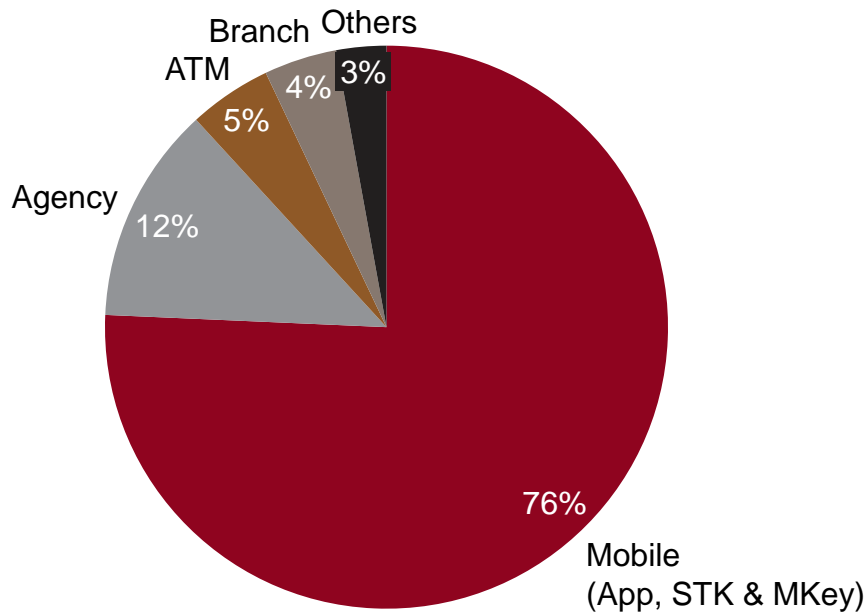


Focus Area 5: Fintech Innovation and digitization

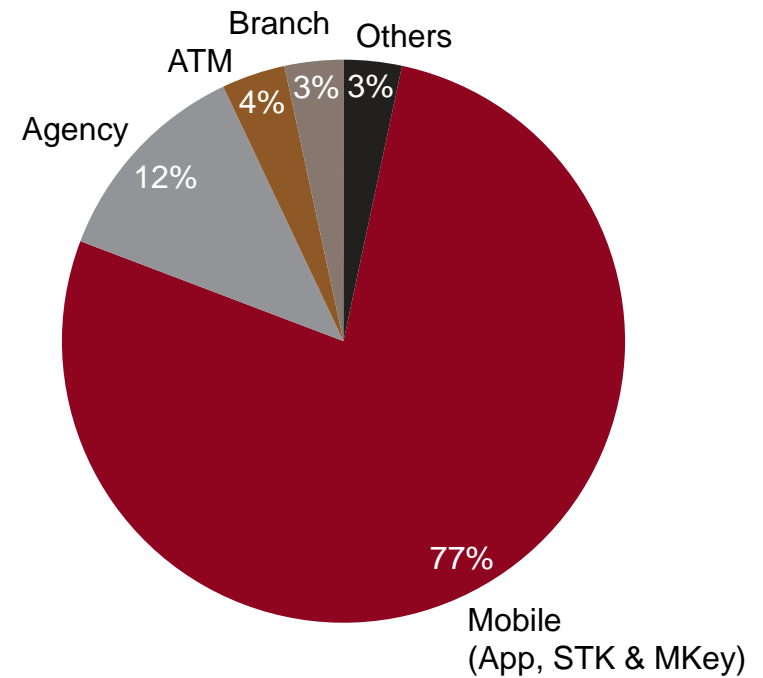
97% of our Transactions outside the branch



Q1 2018



Q1 2019





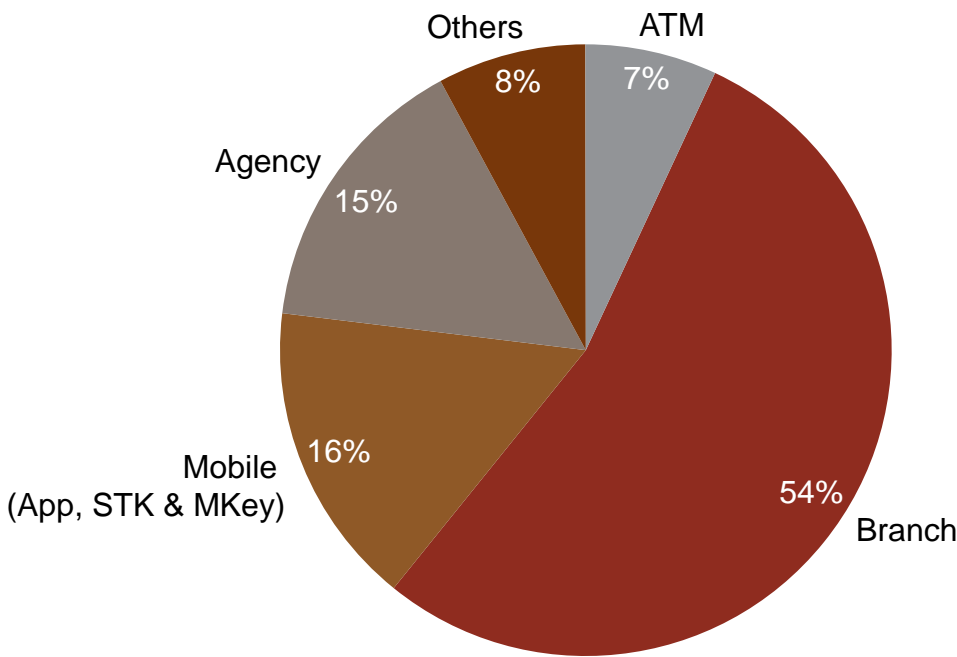
Focus Area 5: Fintech Innovation and digitization

50% of our Transactions Value outside the branch

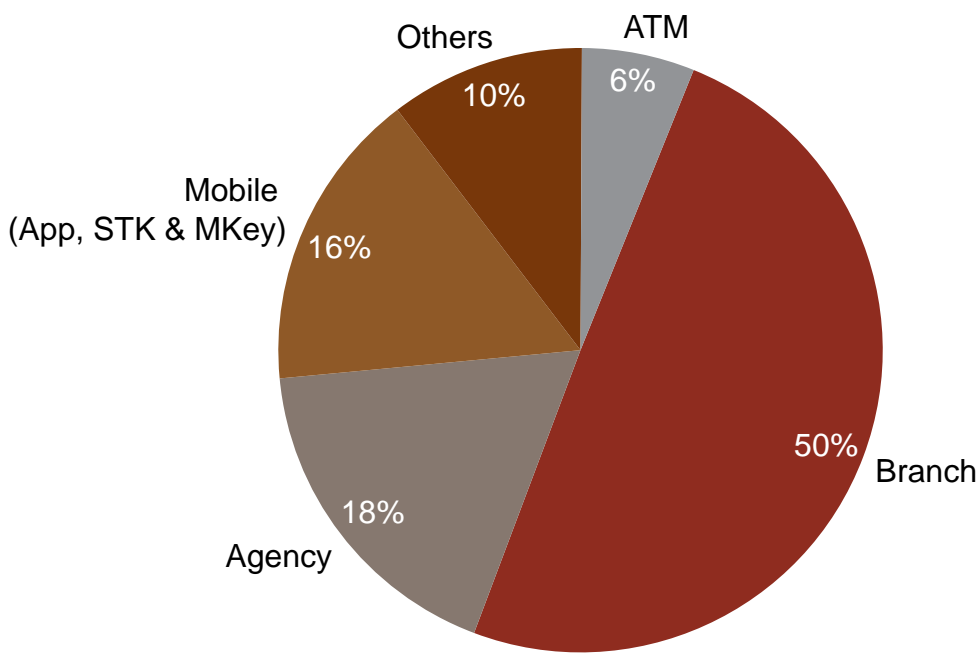


Branches now handling high value transactions for SME, corporates, wealth management & advisory services

Q1 2018



Q1 2019



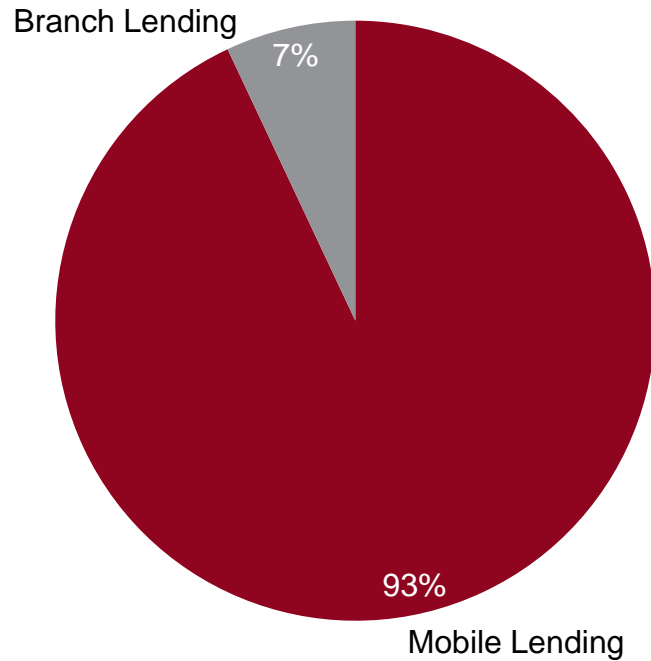


Focus Area 5: Fintech Innovation and Digitization

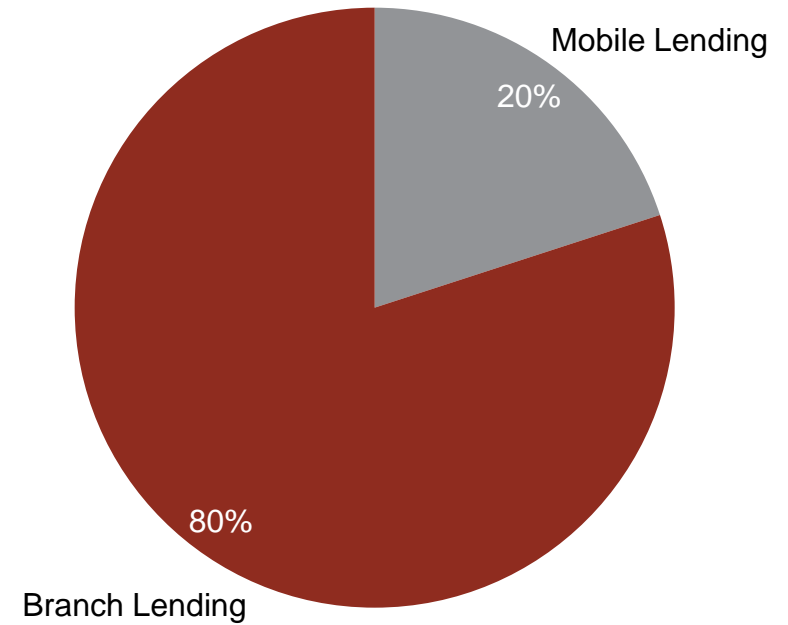
93% of our Loan Transactions via Mobile Channel



Q1 2019 Transaction count



Q1 2019 Transaction value





Finserve Rebranded



THE NEW FACE OF THE FINTECH

Fintech Transactions & Volume



93% of loans processed by the Group are channelled through mobile channels.



Equitel has close to 2 Million active users, making it one of the fastest growing MVNO in the world.

1 out of every 5 shillings that flow through Kenya's mobile money system are processed by Equitel.



Over 2,000 businesses, large and small, are already using our APIs and payment gateway to automate their back end, provide multiple payment options to their customers, and expand their revenue streams.



mKey, Africa's first keyboard app combines lifestyle, social and financial features. As at the end of Mar 2019, we had over 320,000 downloads, which is impressive by any measure.

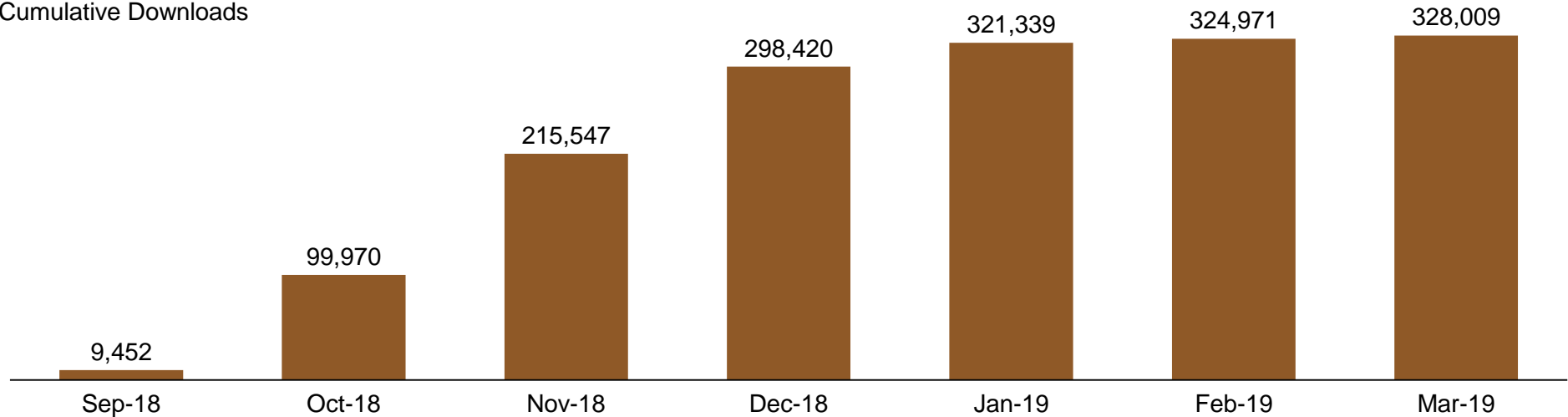


Focus Area 5: Fintech Innovation and digitization

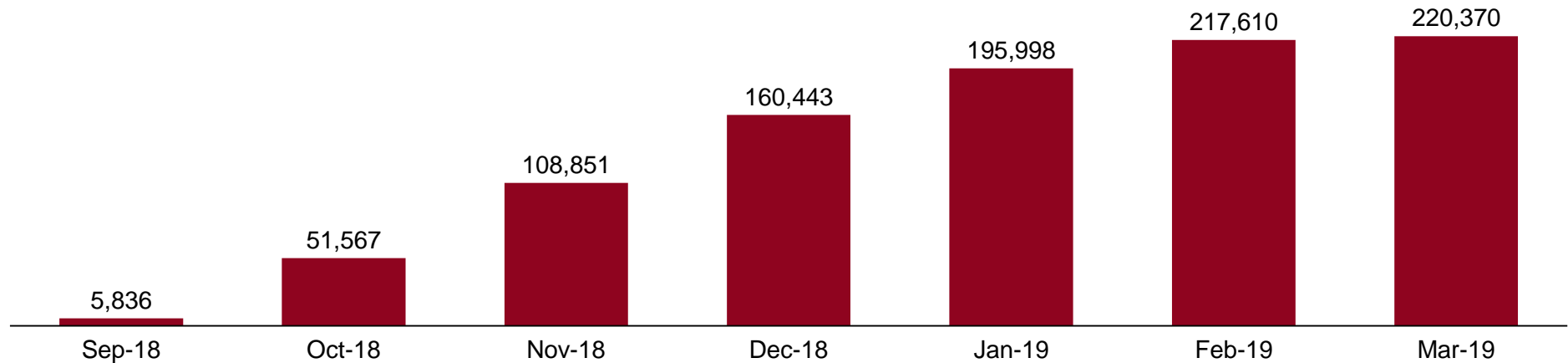
Finserve's M-Key



Cumulative Downloads



Cumulative Activations



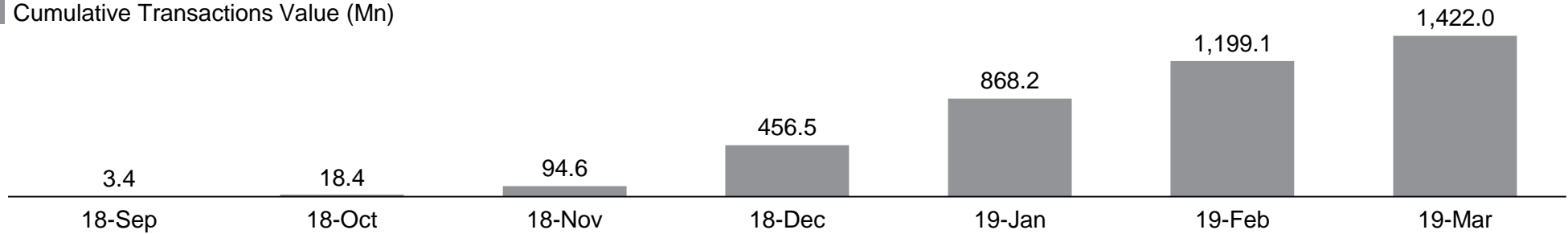


Focus Area 5: Fintech Innovation and digitization

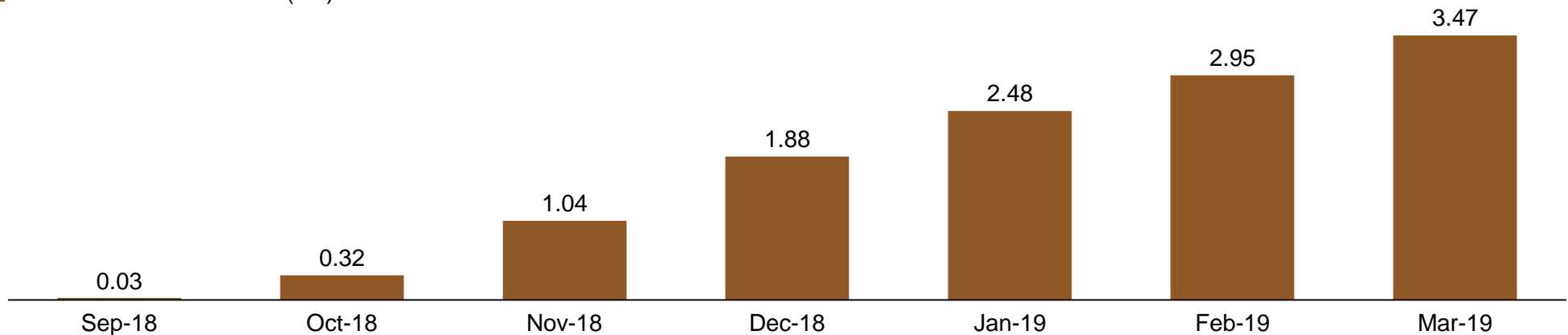
Finserve's M-Key



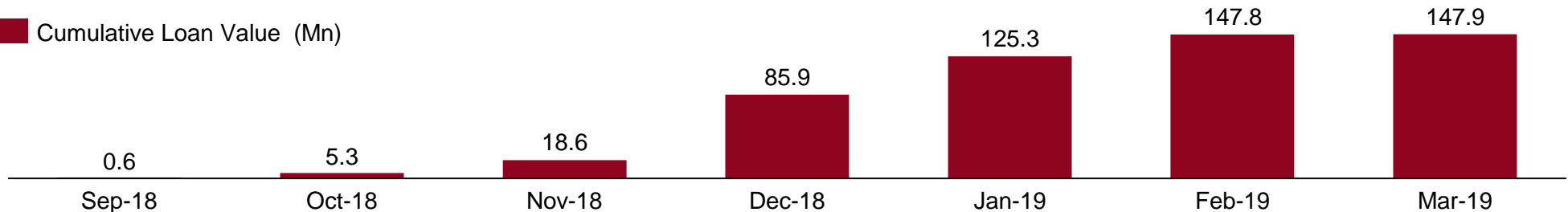
Cumulative Transactions Value (Mn)



Cumulative Transactions (Mn)

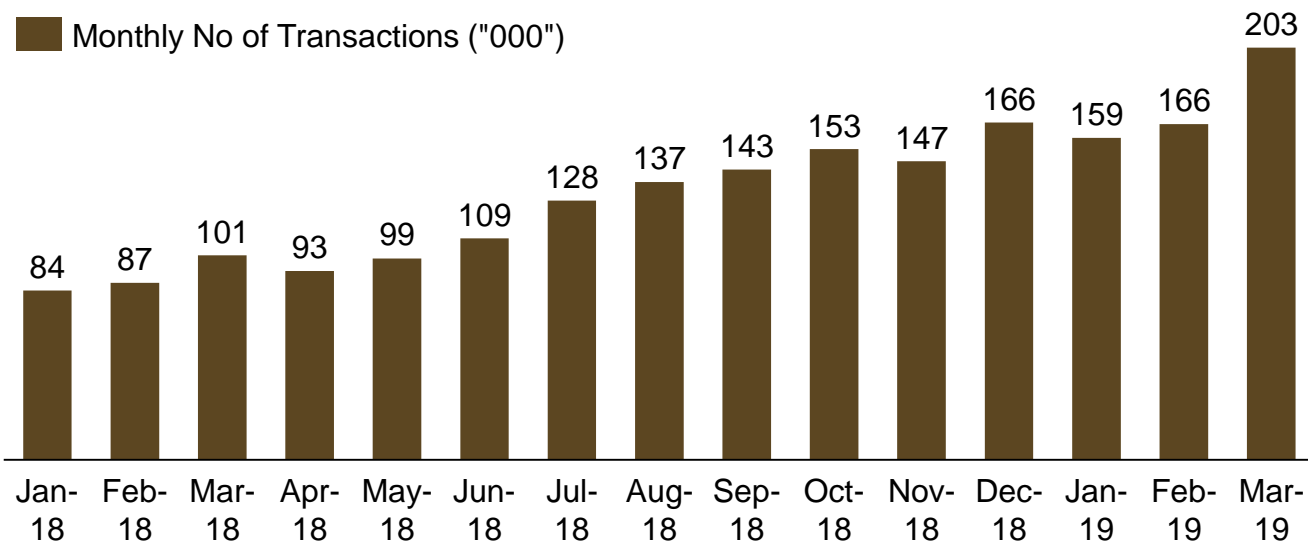


Cumulative Loan Value (Mn)

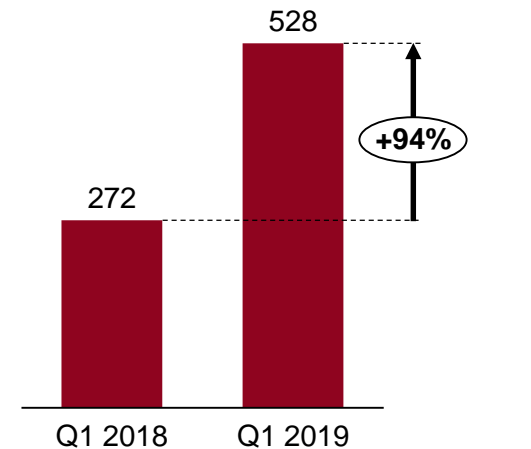


Focus Area 5: Fintech Innovations in EazzyPay

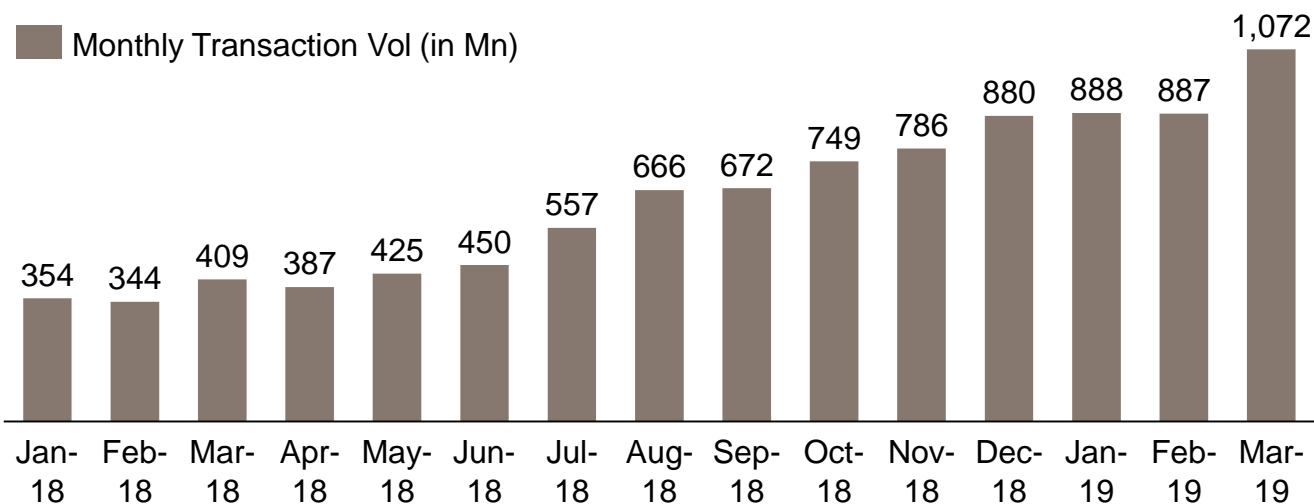
Monthly No of Transactions ("000")



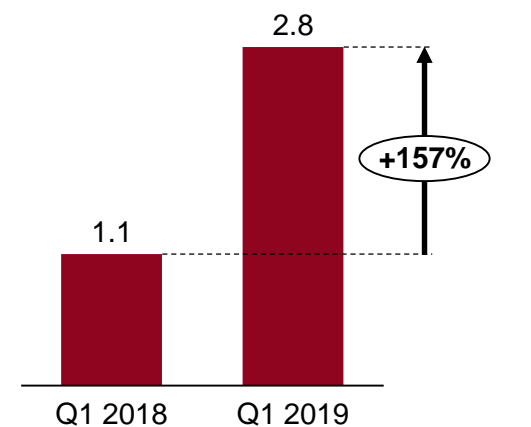
Cumulative No. of Transactions ("000")



Monthly Transaction Vol (in Mn)



Cumulative Transaction Volume (Bn)

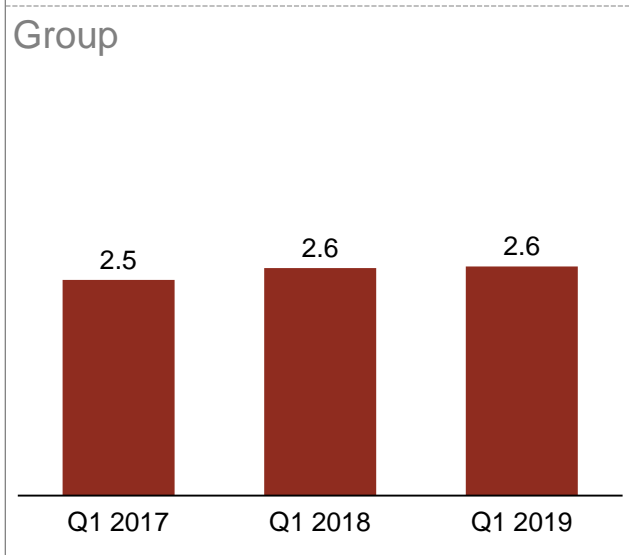
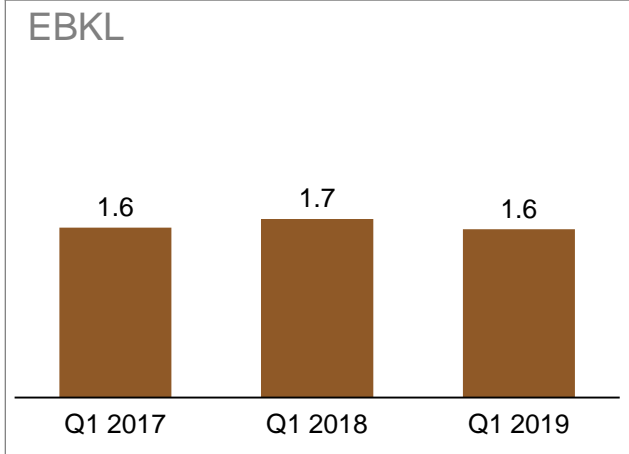




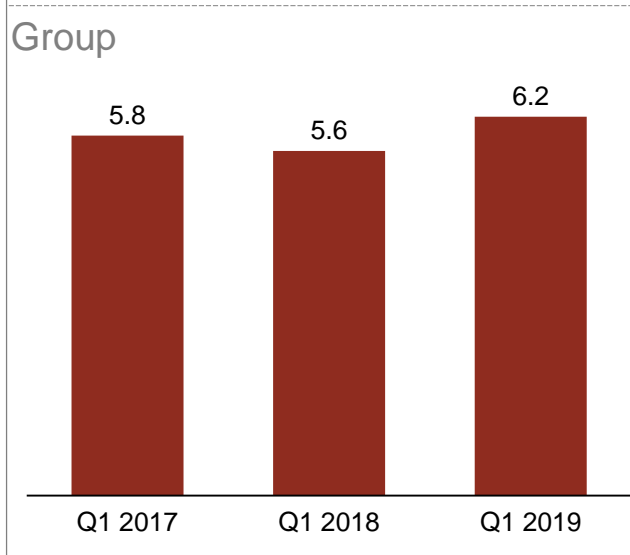
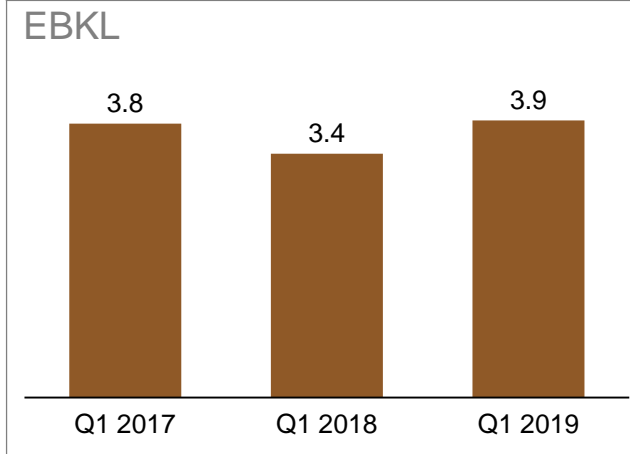
Focus Area 6: Efficiencies and cost optimization



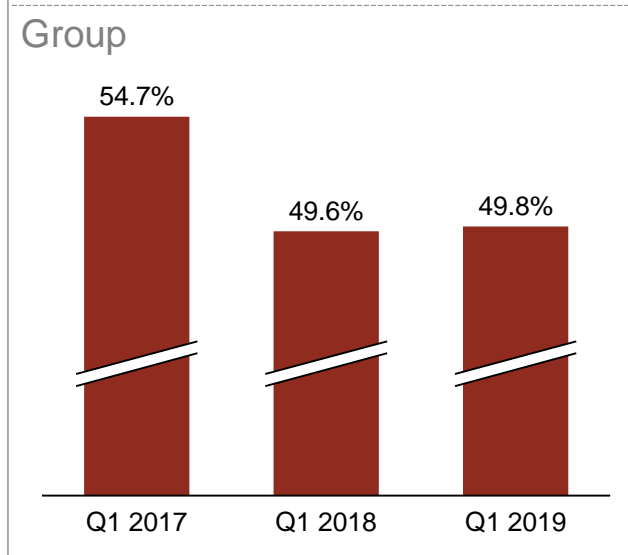
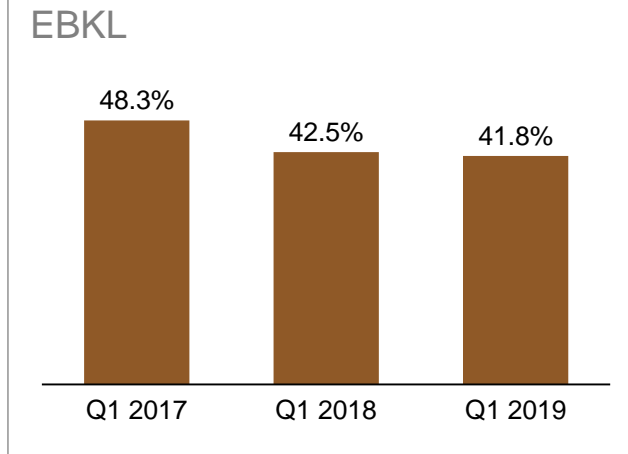
Staff Cost Trend



Other Expenses Trend (including loan provisions)



Cost to Income Ratio Trend (Without Loan Loss Provision)



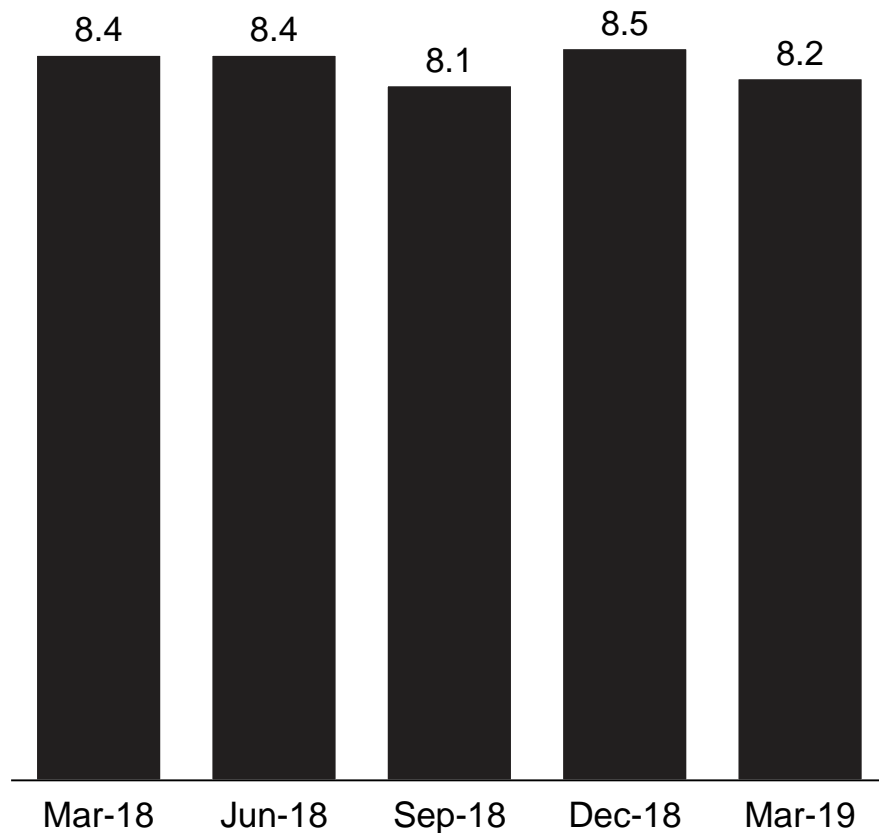


Focus Area 6: Efficiencies and cost optimization

Group

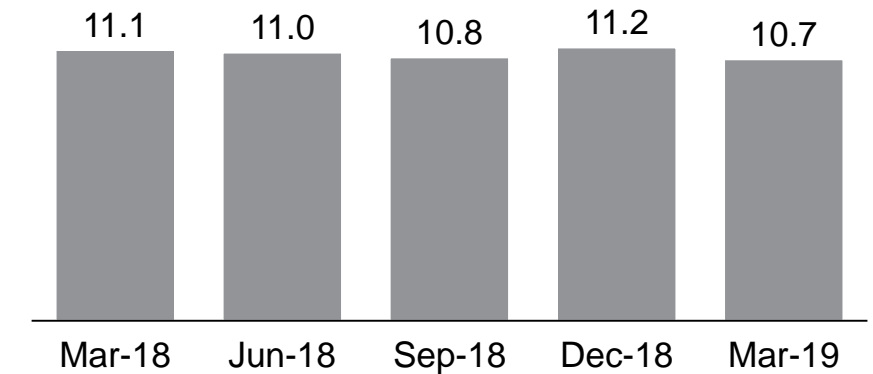
Net Interest Margin

%



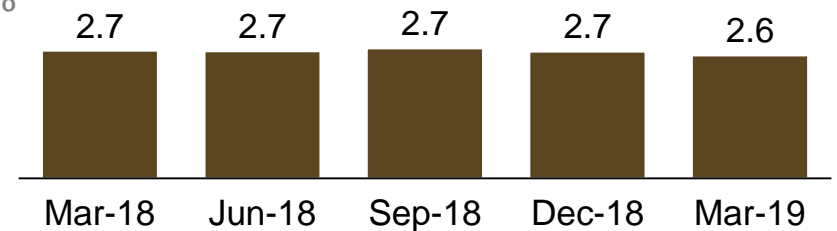
Yield on Interest Earning Assets

%



Cost of funds

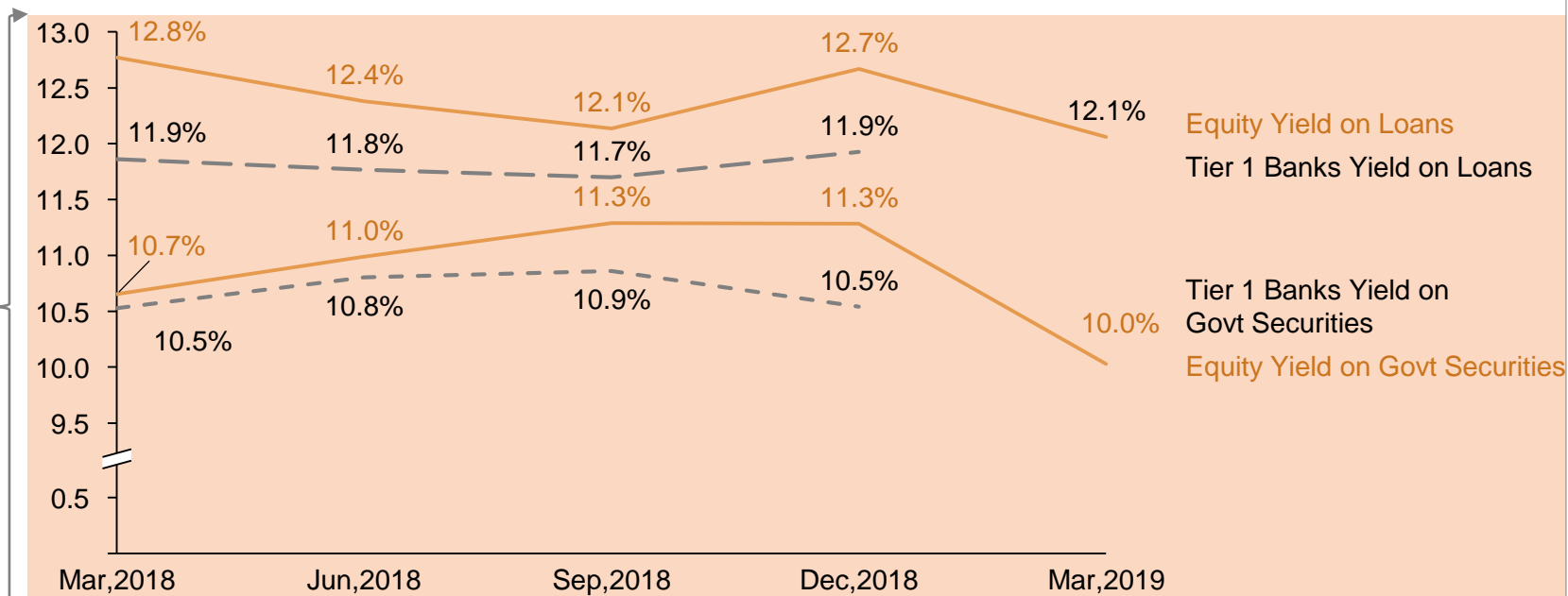
%



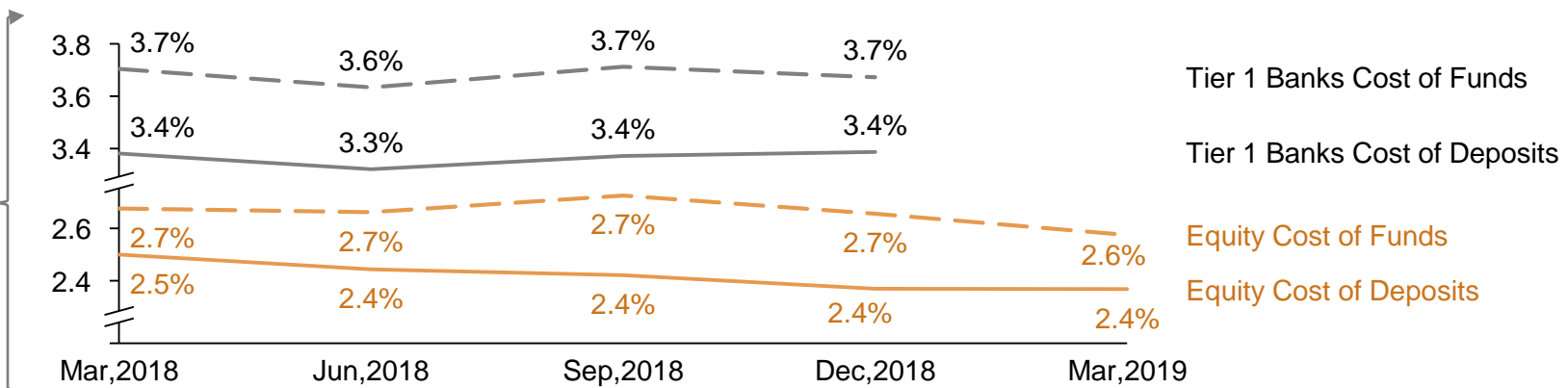


Focus Area 6: Efficient Financial Intermediation

Equity Group's superior lending yields higher than Tier 1 Banks lending yields reflecting efficient asset allocation between and within asset classes



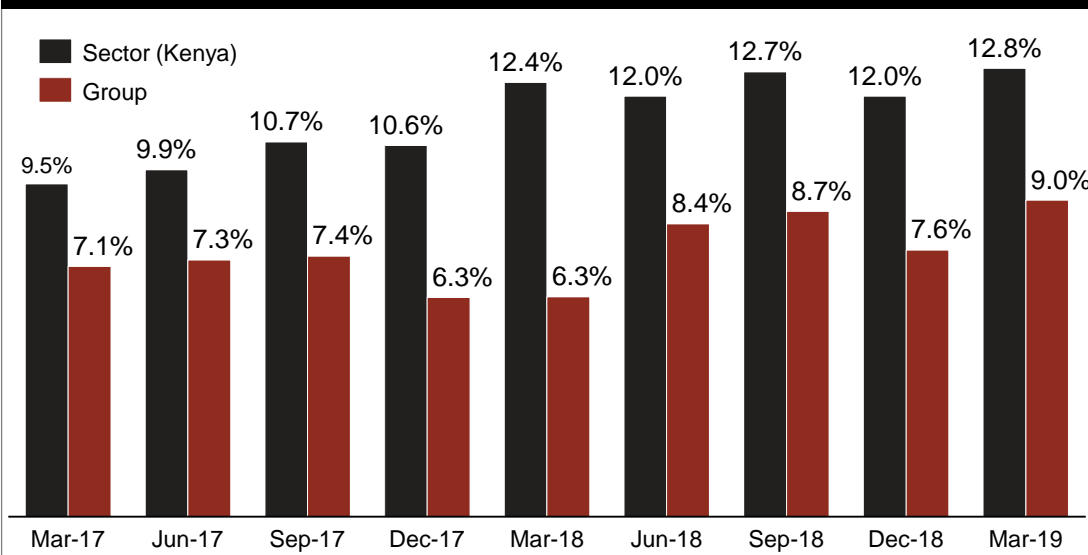
Equity Group's ability to attract cheap deposits and borrowed funds underpinned by its stable deposit franchise and implied low risk



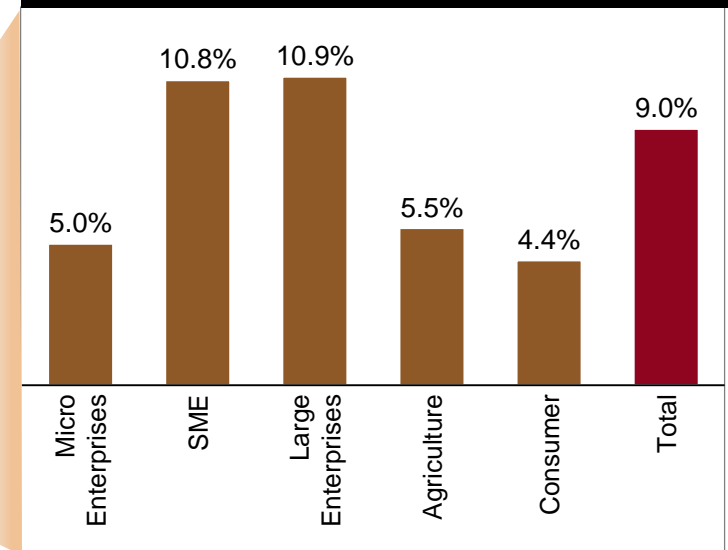
Tier 1 Banks excludes Equity Group

Focus Area 7: Asset quality (Group)

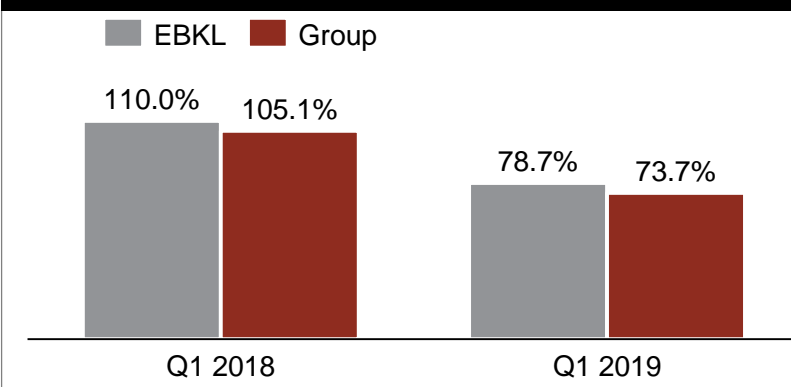
NPL's – Sector vs EGH Plc as at Mar 2019



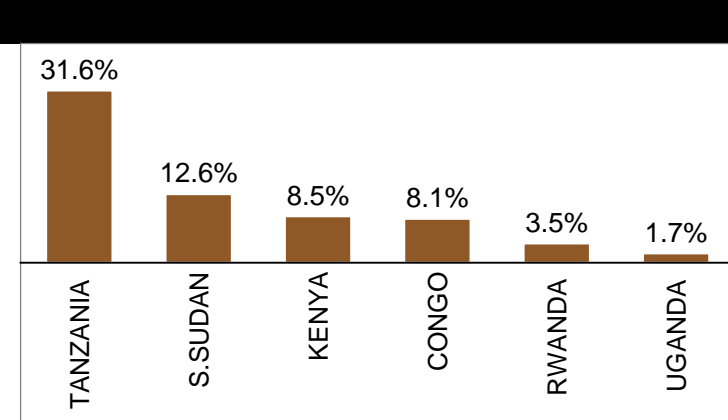
NPL per sector as at Mar 2019



**NPL Coverage
(IFRS 9-Gen. Prov. + Spec. Prov. + Int. Suspended) / Gross NPL**



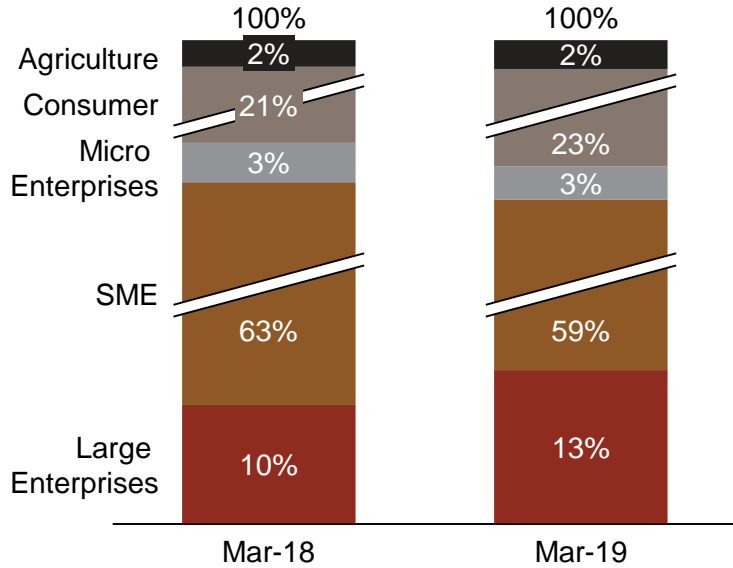
NPL per Country as at Mar 2019



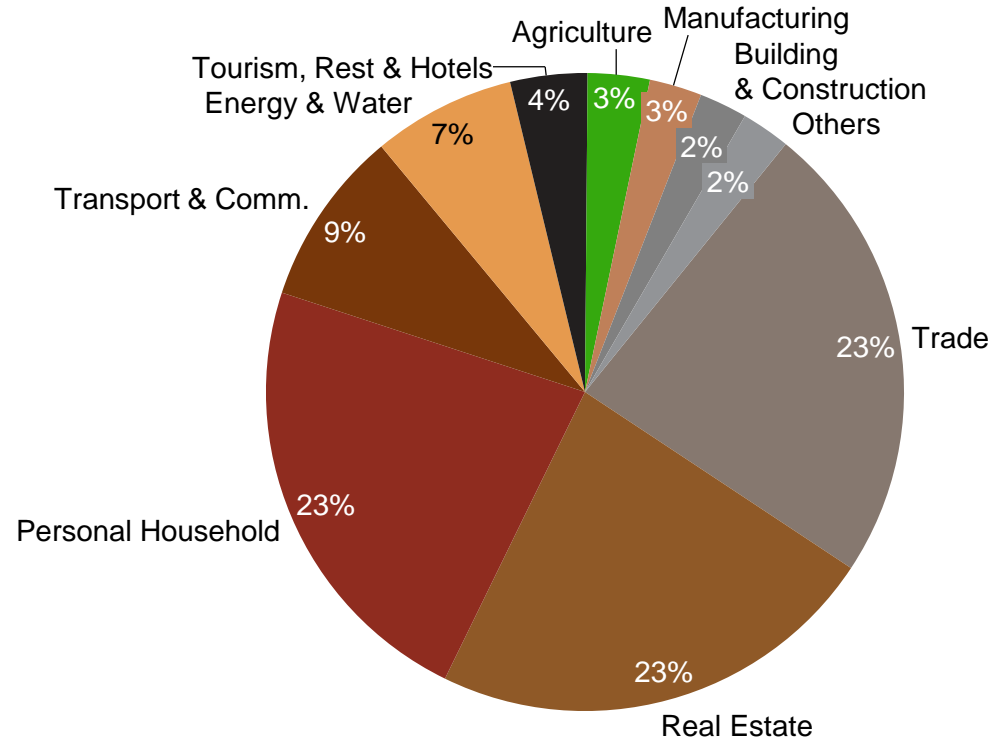
Mar 2019 Sector number is data for Feb 2019

Focus Area 7: Asset distribution (Group)

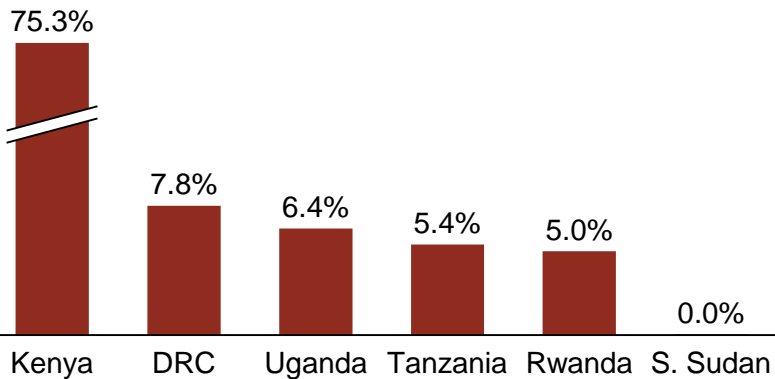
Split by market segmentation



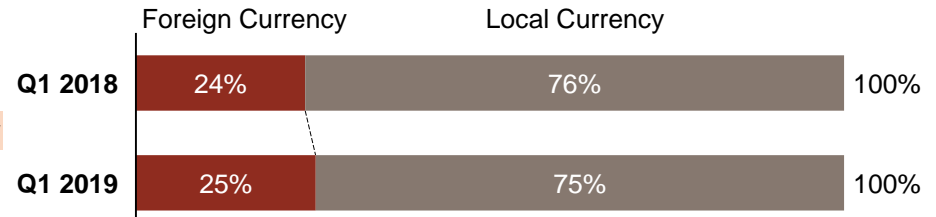
Split by economic sectors



Contribution per country



Split by currency

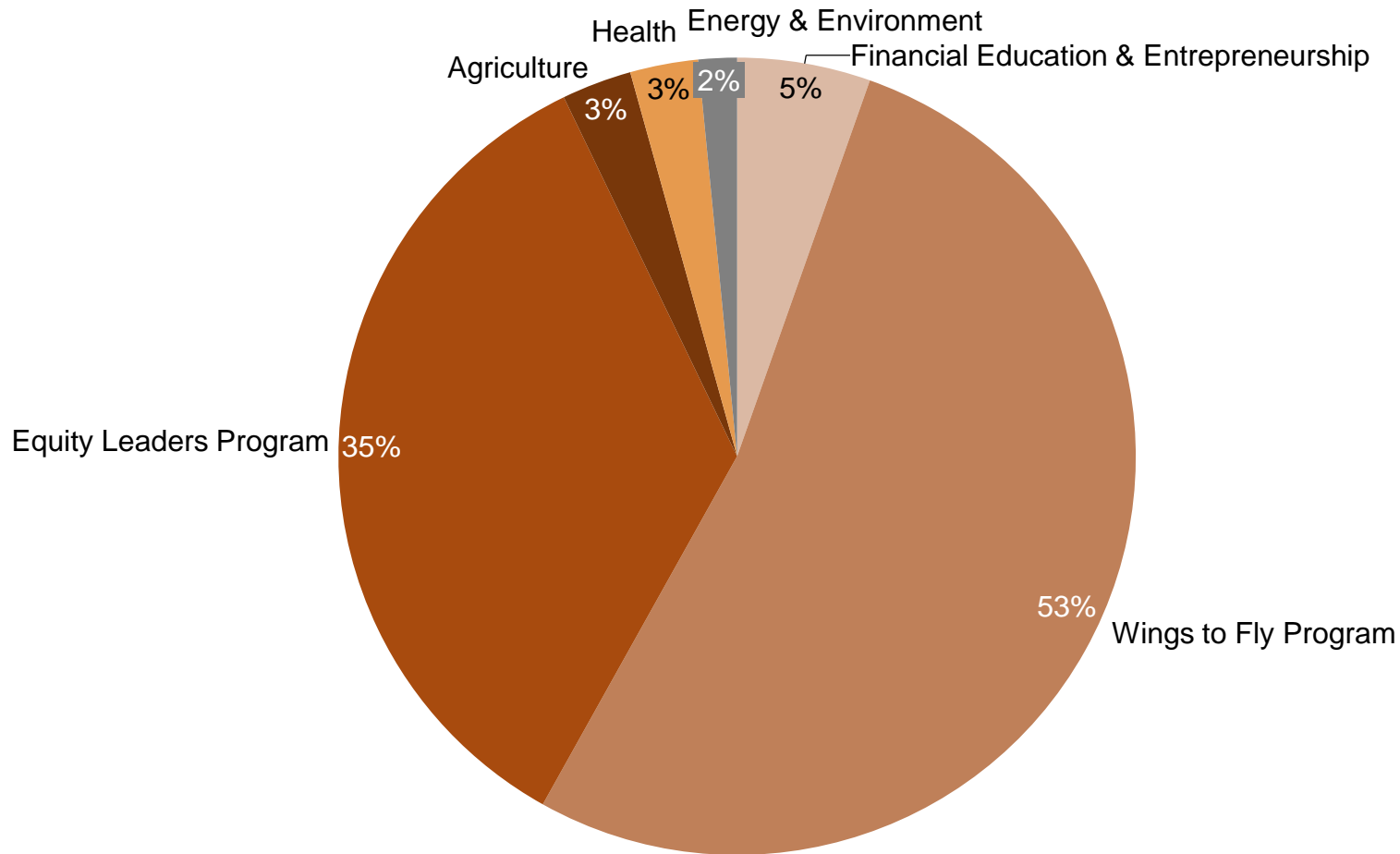




Focus Area 8: Impact Investment Impact & Social Investment Programs



USD 353 M in Social Investment Programs





Focus Area 8: Impact Investment

Shared Prosperity Business Model and its Social Impact



2018 GRADUATING CLASS

- 96% secondary school completion
- 74% attained university entry grades
- 86% take on school and community leadership roles

638,522 PEASANT FARMERS TRANSFORMED TO AGRI-BUSINESSES

31,291 SMALL & MEDIUM-SIZED FARMERS SUPPORTED

1,739,478

Women and Youth Trained in Financial Education



Content availed through mobile channel

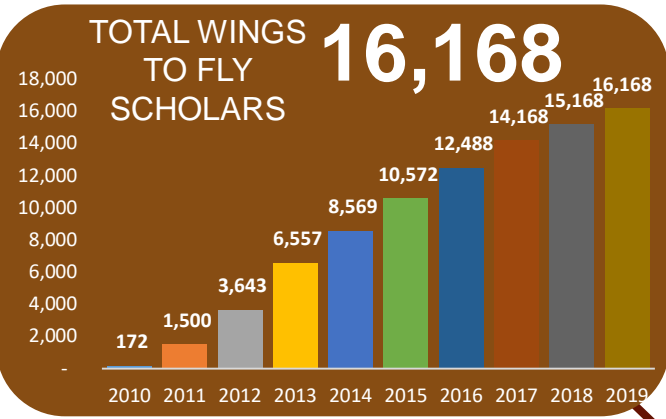
- Mobile & digital learning tools Scholars
- MAMA for mothers
- Financial Education
- Wikipedia

44,111 MSMEs Trained

USD 65M Accessed in Loans

USD **353,109,744**

TOTAL FUNDS RAISED FOR CURRENT PROGRAMS



12,256 UNIVERSITY SCHOLARS

496 attending or alumni of global universities

1 Million Trees planted

84,708 Clean energy products distributed



Business Validation



Global Ratings and Accolades



MOODY'S

Equity Bank Credit Rating
National Rating: Aa3.ke/KE-1
Global Rating: B2
Rating Outlook: Stable
Same as the sovereign rating



Equity Bank Credit Rating
Long Term Rating: AA-
Short Term Rating: A1+
Rating Outlook: Stable

The Banker
TOP 1000
WORLD BANKS 2018

The Banker Top 1,000 World Banks Awards
Position 11 globally on Return on Assets
Position 35 globally on Soundness (Capital Assets Ratio)
Position 44 globally on Profits on Capital
Position 799 globally Largest Bank



EuroMoney Awards for Excellence
Kenya's Best Bank



Global Ratings and Accolades



	Brand	Equity Bank has been recognised for the last 10 years consecutive since 2007 as the Top Banking Superbrand in Kenya and in East Africa in 2008 and 2009
	Brand	EABC Chairman's Award- Overall Best Regional Company Best East African Company- CSR Best East African Company- Financial services (1st Runners up)
	Brand	Best Commercial Bank – East Africa Best Commercial Bank – Kenya Most Innovative Bank – Kenya
	Product	Best Digital Offering – East Africa
	Leadership	Banker of the Year – Dr. James Mwangi CEO Equity Bank for the second year in a row



2018 National Banking Awards and Accolades



Best Bank in Kenya for the 7th time.

Total Awards won in 2018 - 22

Brand	<ol style="list-style-type: none"> 1. Overall Best Bank in Kenya 2018 2. Best Bank in Tier 1 3. Best bank in Sustainable Corporate Social Responsibility 4. The Most Customer-centric Bank 5. The Bank with the Lowest Charges for Individuals
Franchise Segmentation	<ol style="list-style-type: none"> 1. Best Bank in SME Banking 2. Best Bank in Retail Banking 3. Best Bank in Agency Banking 4. Best Bank in Mobile Banking 5. Best Bank in Digital Banking 6. Best Commercial Bank in Micro-Finance 7. Best Bank in Corporate Banking - 2nd Runners Up
Product	<ol style="list-style-type: none"> 1. Best Bank in Internet Banking 2. Best Bank in Asset Finance 3. Best Bank in Product Marketing 4. Best Bank in Product Innovation - 1st Runners Up 5. Best Bank in Mortgage Finance - 1st Runners Up 6. Best Bank in Trade Financing - 1st Runners Up 7. Best Bank in Agriculture and Livestock Financing - 2nd Runners Up 8. Special Judges Awards for Product Innovation - Equity Afia
Leadership	<ol style="list-style-type: none"> 1. Chief Executive Officer of the Year: Dr. James Mwangi for the second year in a row 2. Outstanding Young Banker of the Year: Daniel Gachau for the second year in a row from Equity Bank

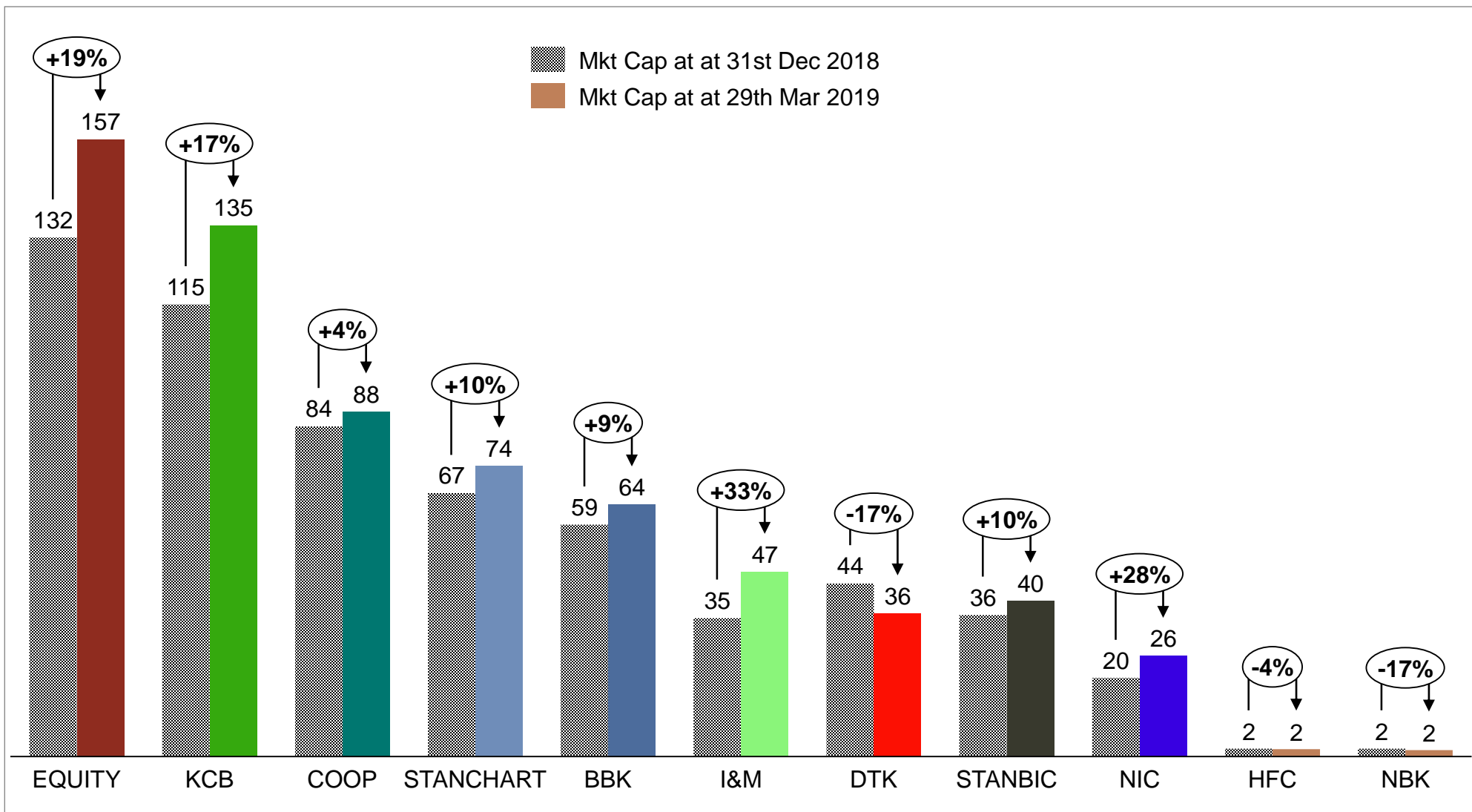


2018 National Banking Awards and Accolades





Market Validation Market Capitalization





Intermediation & Financial Performance



Balance Sheet



<i>KES (Billion)</i>	GROUP		
	Q1 2018	Q1 2019	Growth
Assets			
Net Loans	271.1	305.5	13%
Cash & Cash Equivalents	67.8	84.7	25%
Government Securities	150.2	169.7	13%
Other Assets	38.7	45.8	18%
Total Assets	527.8	605.7	15%
Liabilities & Capital			
Deposits	382.4	428.5	12%
Borrowed Funds	48.9	54.6	12%
Other Liabilities	14.3	27.1	89%
Shareholder's Funds	82.1	95.4	16%
Total Liabilities & Capital	527.8	605.7	15%



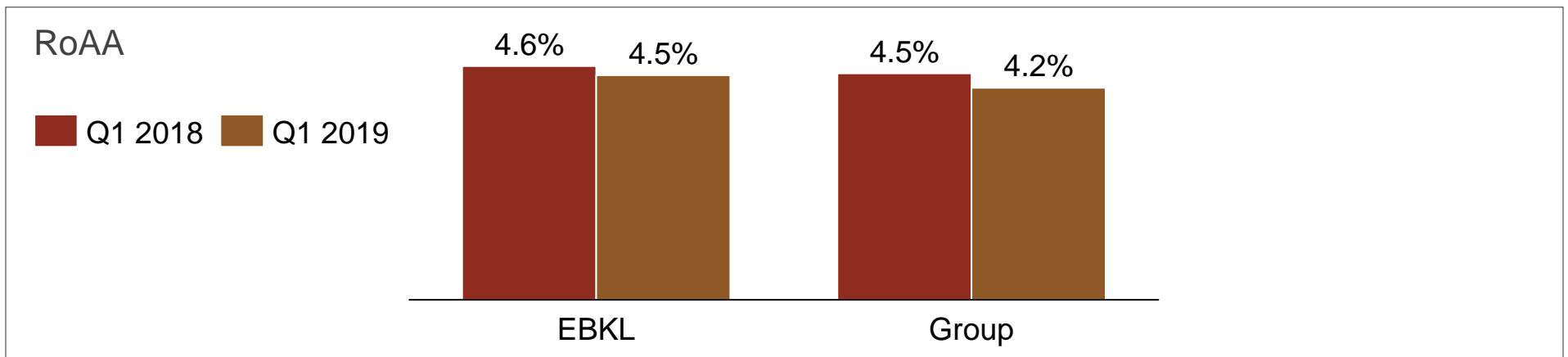
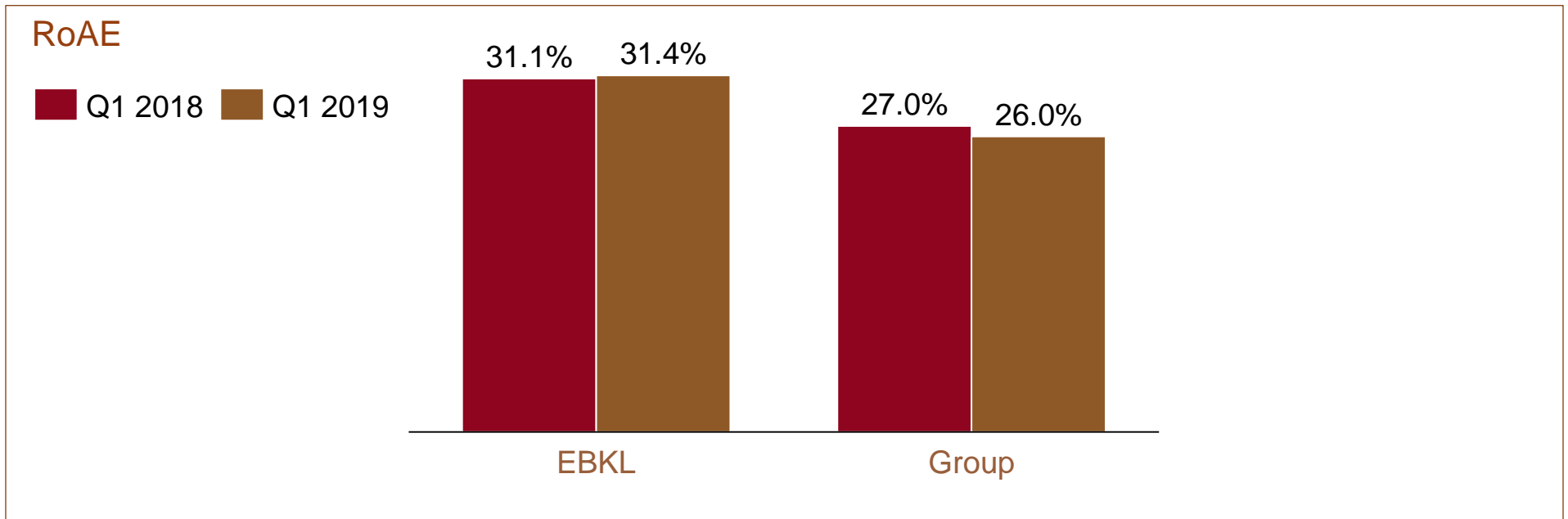
5% Growth in PAT



KES (Billion)	GROUP		
	Q1 2018	Q1 2019	Growth %
Interest Income	12.7	13.5	7%
Interest Expense	-2.9	-3.1	7%
Net Interest Income	9.8	10.4	6%
Non-Funded Income	6.7	7.2	7%
Total Income	16.5	17.6	7%
Loan Loss Provision	-0.4	-0.4	14%
Staff Costs	-2.6	-2.6	1%
Other Operating Expenses	-5.2	-5.7	10%
Total Costs	-8.2	-8.8	7%
PBT	8.3	8.8	6%
Tax	-2.4	-2.6	9%
PAT	5.9	6.2	5%



RoAE and RoAA Trend





Financial Ratios



	EBKL Q1 2018	EBKL Q1 2019	Group Q1 2018	Group Q1 2019
Profitability Ratios				
Yield on Loans	11.7%	11.0%	12.8%	12.1%
Yield on Government Securities	10.7%	10.0%	10.7%	10.0%
Yield on Interest Earning Assets	10.9%	10.4%	11.0%	10.7%
Cost of Deposits	2.3%	2.2%	2.5%	2.4%
Cost of Funds	2.6%	2.4%	2.7%	2.6%
Net Interest Margin	8.3%	7.9%	8.4%	8.2%
Cost to Income Ratio (with provisions)	43.4%	43.3%	49.6%	49.8%
Cost to Income Ratio (without provision)	42.5%	41.8%	47.5%	47.5%
RoAE	31.1%	31.4%	27.0%	26.0%
RoAA	4.6%	4.5%	4.5%	4.2%
Asset Quality				
Cost of Risk	0.20%	0.33%	0.50%	0.51%
Leverage				
Loan / Deposit Ratio	68.6%	66.4%	70.9%	71.3%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	14.4%	14.0%	18.7%	17.4%
Total Capital to Risk Weighted Assets	14.5%	16.4%	18.7%	19.3%
Liquidity				
Liquidity ratio	56.0%	61.3%	55.2%	57.4%



2019 Outlook – Group



	Group	
	2019 Outlook	Q1 2019 Actual
Loan Growth	10% - 15%	13%
Deposit Growth	10% - 15%	12%
Net Interest Margin	8.5% - 10%	8.2%
Non Funded Income Mix	42% - 45%	41%
Cost to Income Ratio	48% - 52%	47.5%
Return on Equity	23% - 25%	26.0%
Return on Assets	3.8% - 4.5%	4.2%
Cost of Risk	0.8% - 1.2%	0.5%
NPL	4.0% - 5.5%	9.0%
Subsidiaries Contribution (Assets)	25% - 30%	26%
Subsidiaries Contribution (PBT)	20% - 25%	17%



THANK YOU

Dr James Mwangi, CBS

Group Managing Director & CEO

[KeEquityBank](#)

[@KeEquityBank](#)

Email: info@equitybank.co.ke

Website: www.equitybankgroup.com



Appendix



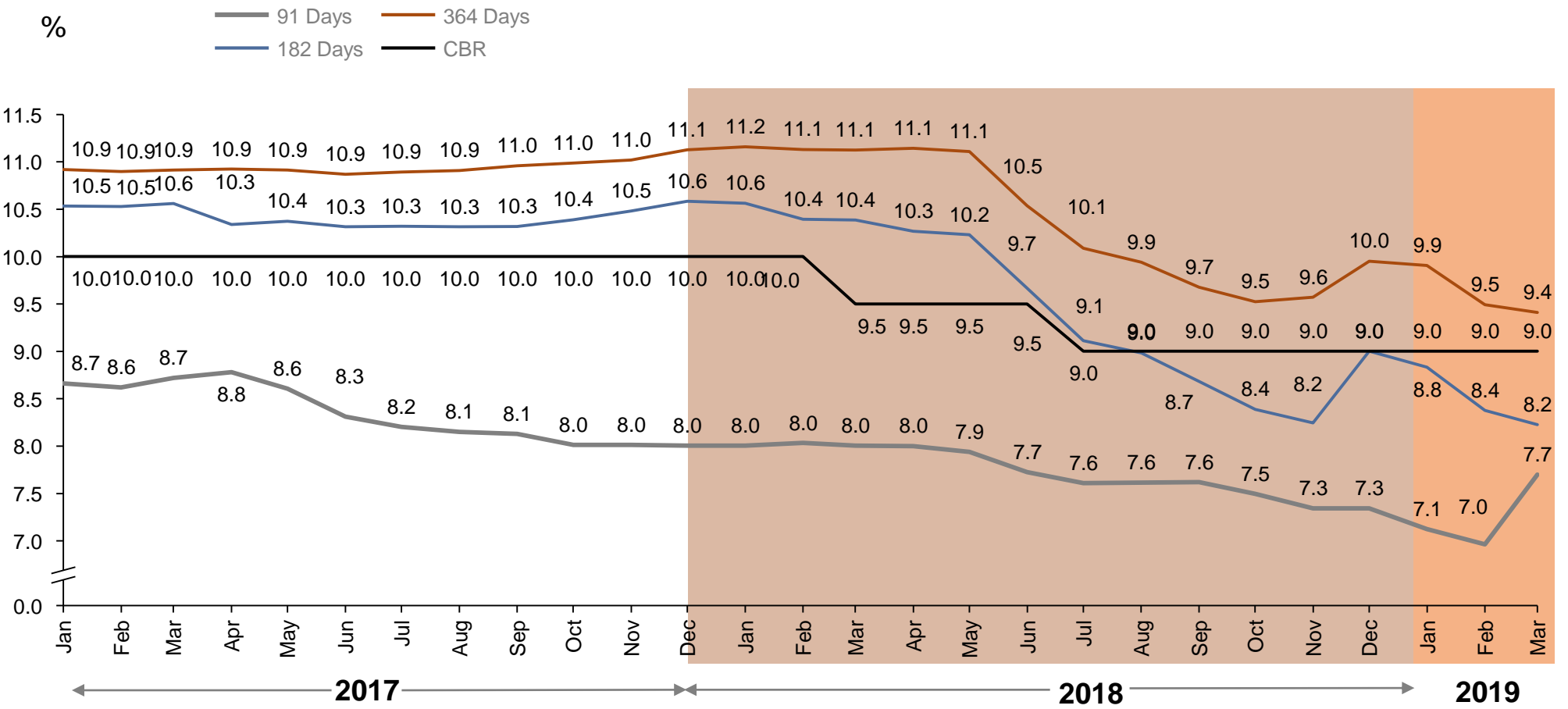
Macroeconomic Environment Indicators & Trends - Kenya



Interest Rates - Kenya

The Monetary Policy Committee (MPC) met on 27th Mar 2019 and retained the Central Bank Rate (CBR) at 9.0%

Short term rates have since come down due to high liquidity in the banking sector

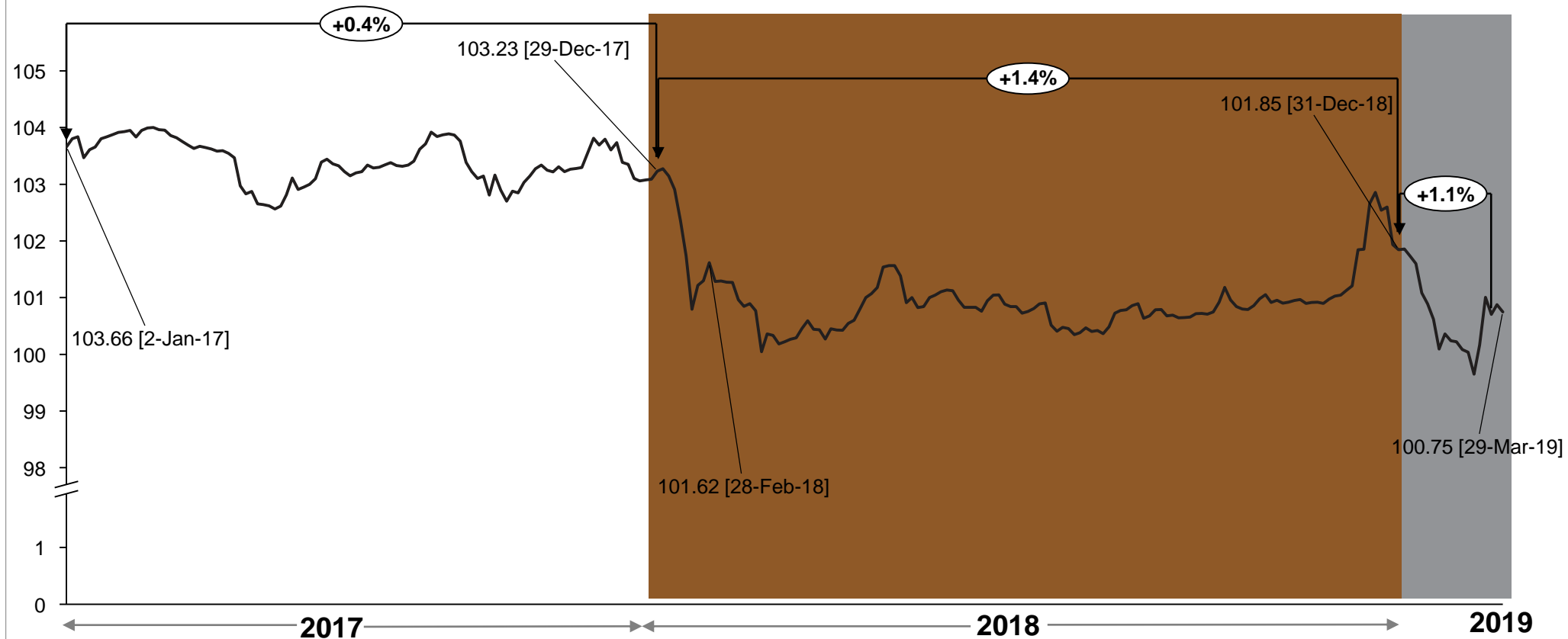




Foreign Exchange – Kenya

The Shilling has opened the year being **buoyant** and has already **gained** 1.1% against the USD within 3 months of 2019.

— KES/USD



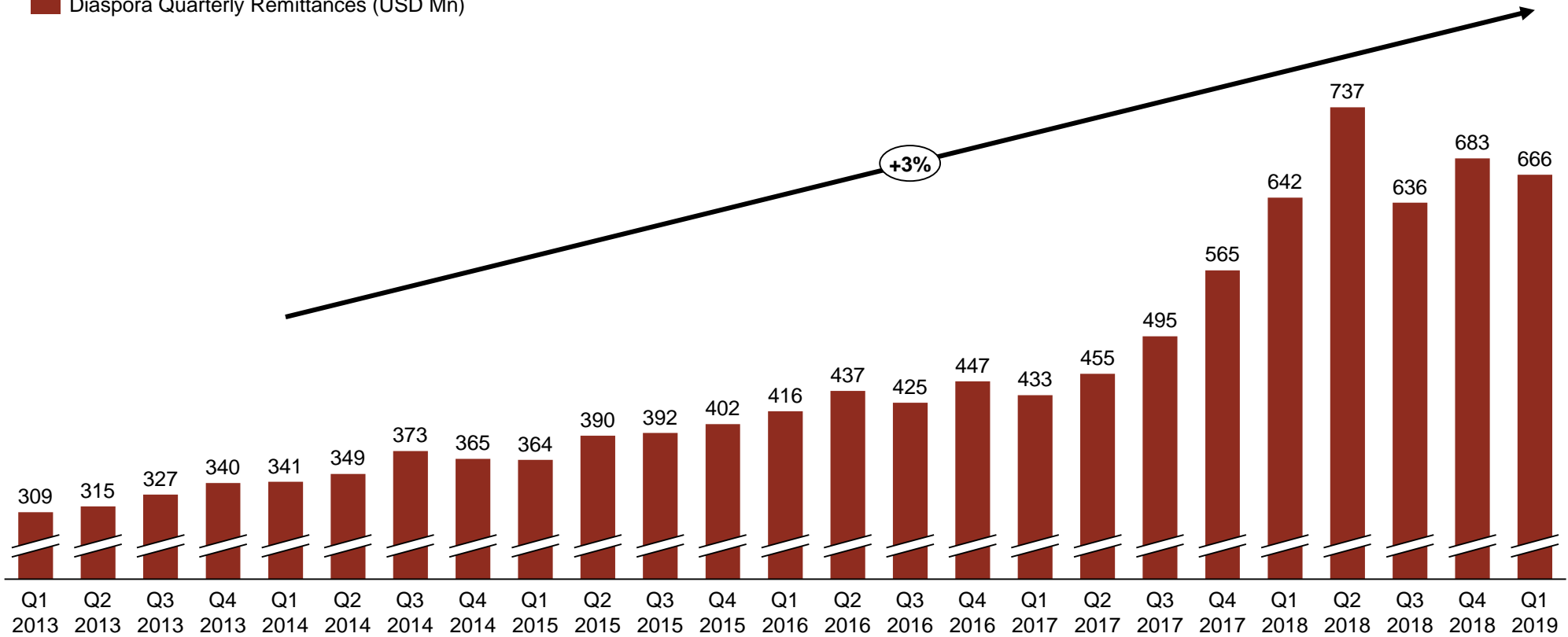


Diaspora Remittances – Kenya



Kenyan Diaspora remittances on a steady growth supporting FX reserves

■ Diaspora Quarterly Remittances (USD Mn)

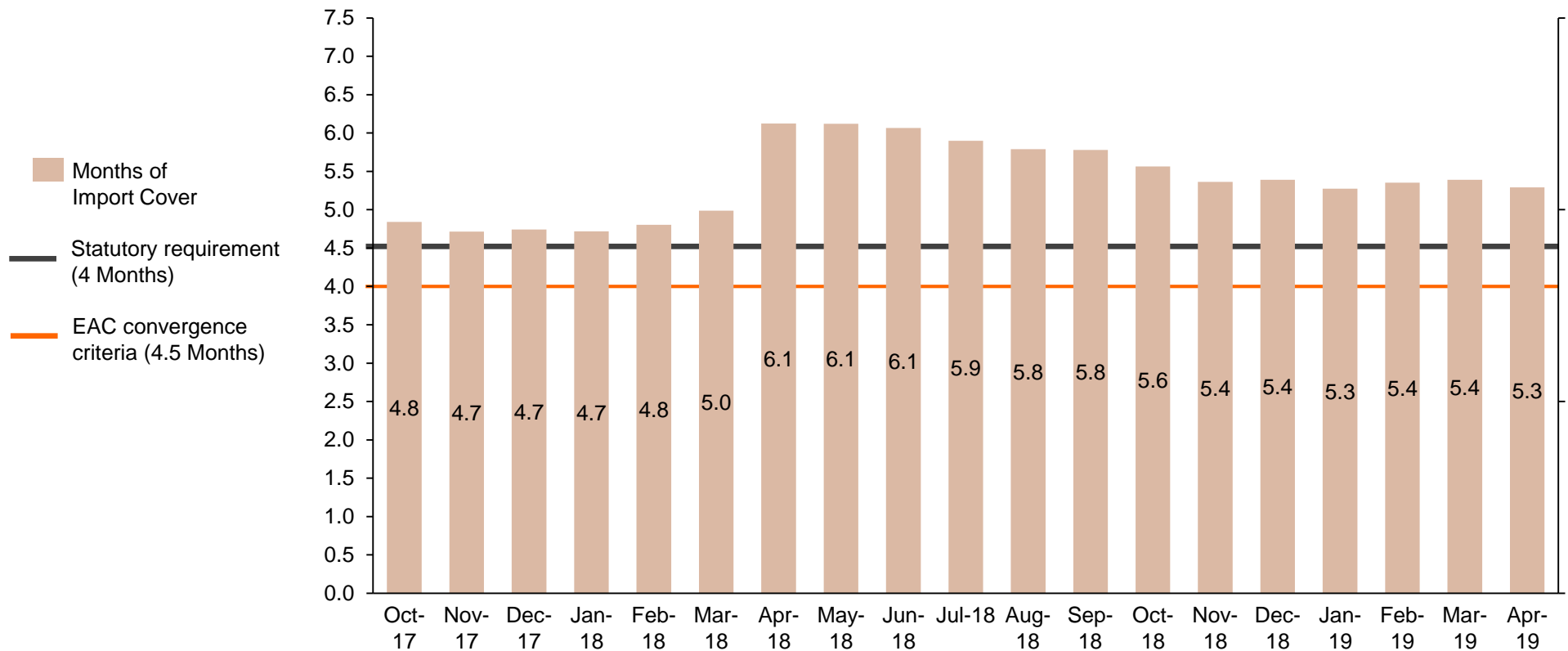




Foreign Reserves – Kenya



The Kes remains sufficiently cushioned against by the FX reserves from supply pressure in the economy

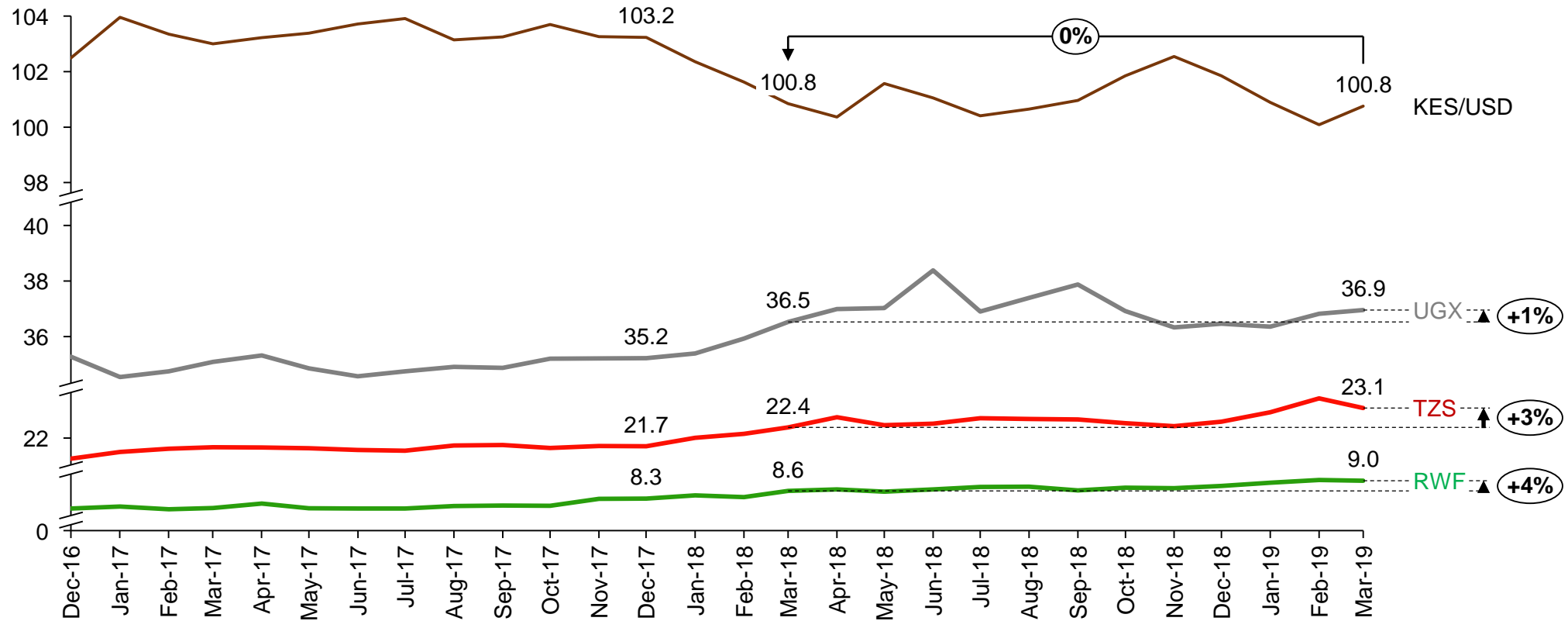




FX – Selected East Africa Countries



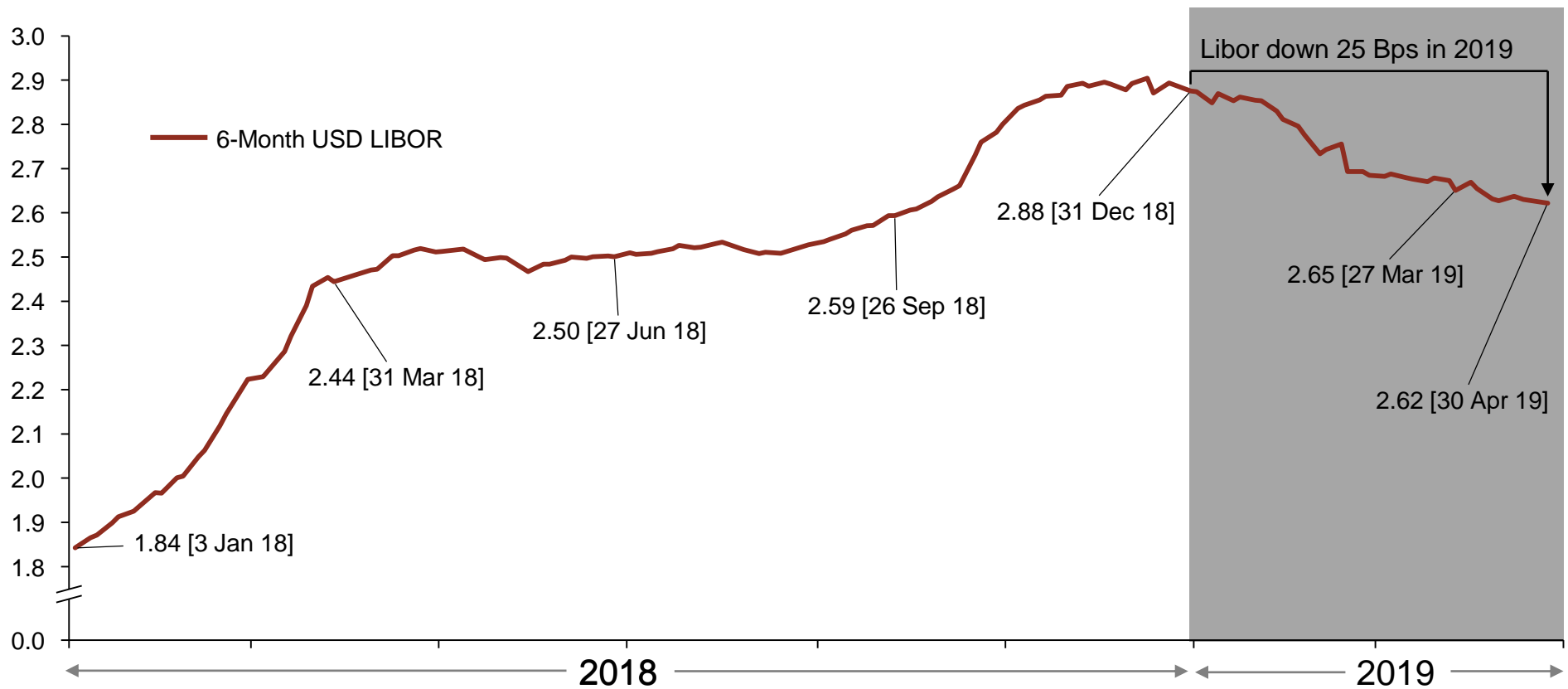
KES continues **holding ground** against her East African peers and **against the USD** YoY





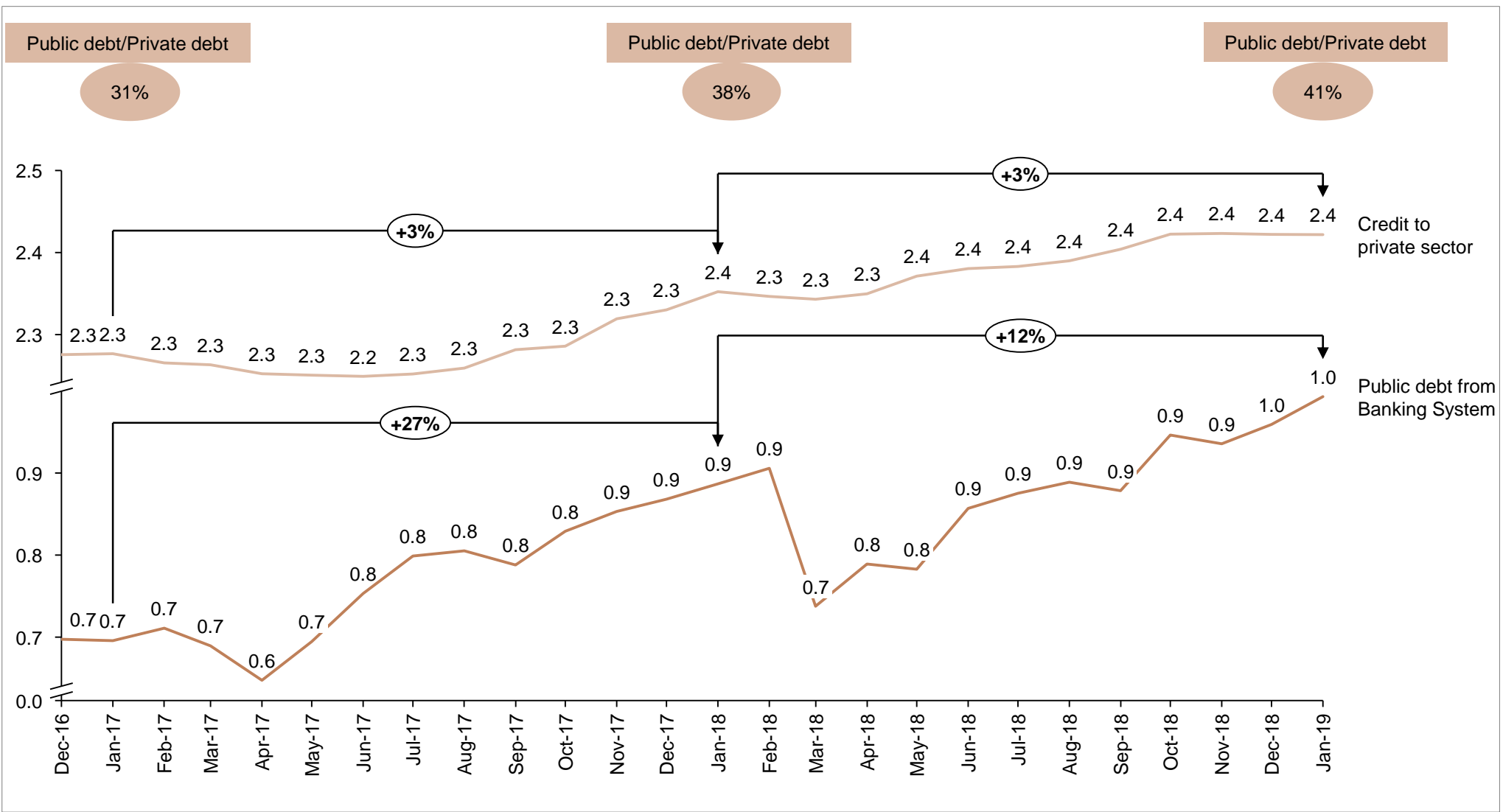
International debt market – Overview on USD LIBOR

Libor down 25 Bps in 2019 and the downswing trend is expected to continue. This will bring funding cost reprieve to Kenyan banks with FX debt.





Banking System Credit





Private Sector Credit Growth Trend

Negative effects of interest capping putting Kenya at the risk of losing her credentials as the regional business hub if businesses can't access increased credit as is happening in regional markets

