



Investor Briefing & FY 2016 Performance

March 2017



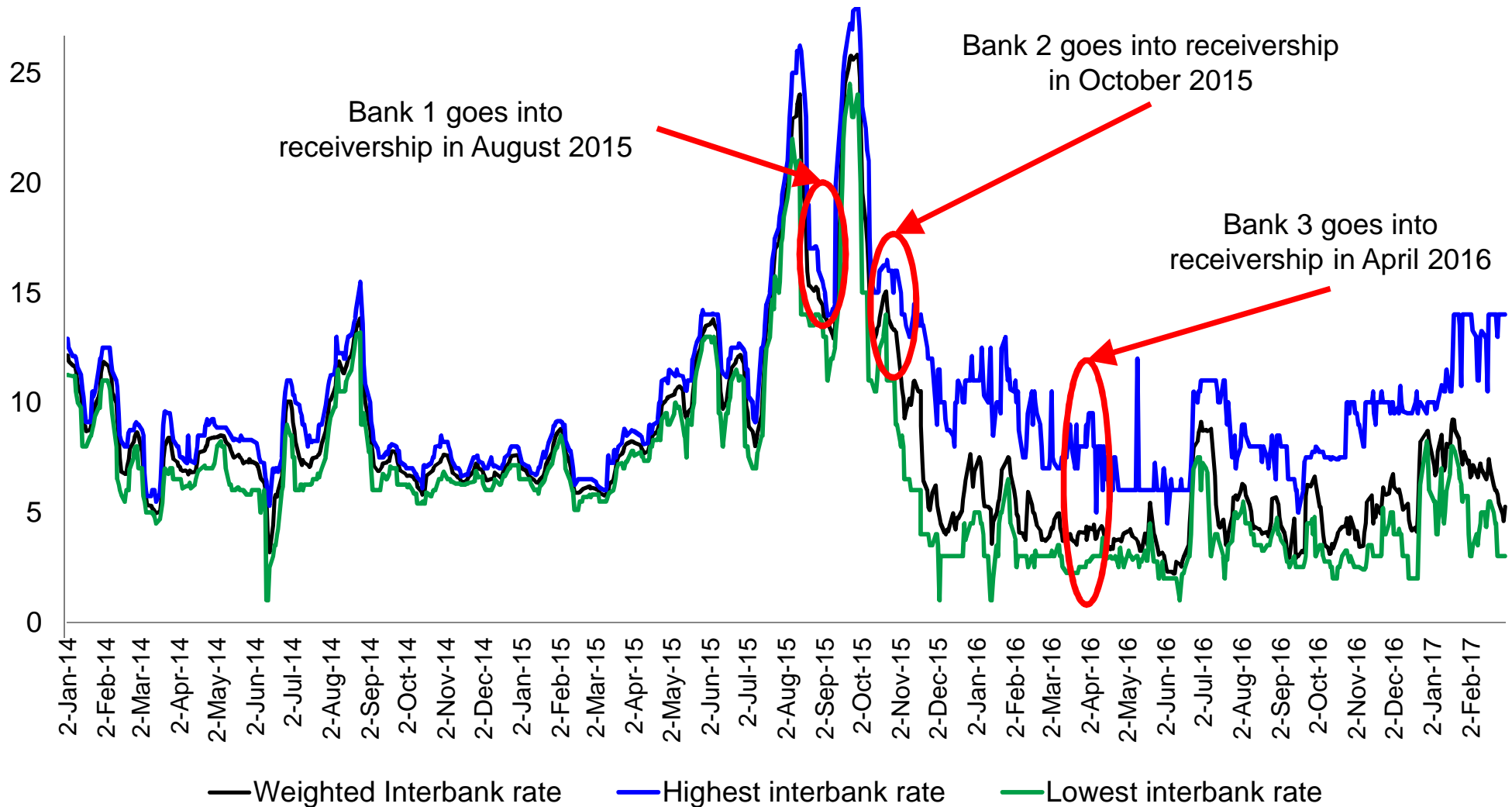


Turbulent operating environment



Public confidence dented by failure of 3 commercial banks

Significant variance in interbank rates reflect risk aversion in the interbank market and varying liquidity positions between Kenyan banks

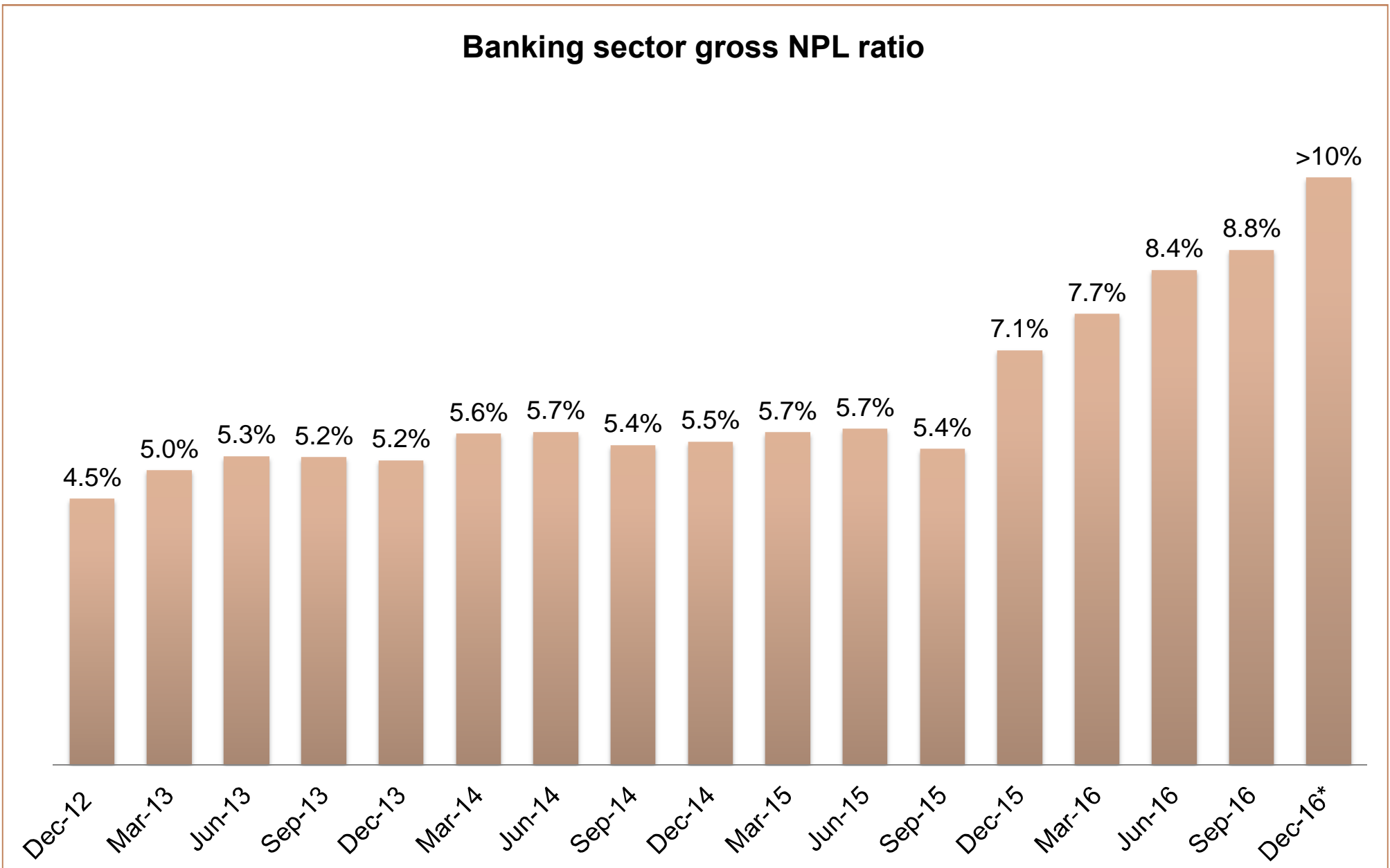




Deteriorating quality of financial assets portfolio



Banking sector gross NPL ratio



*Equity Bank estimates bank sector gross NPL ratio to now exceed 10%

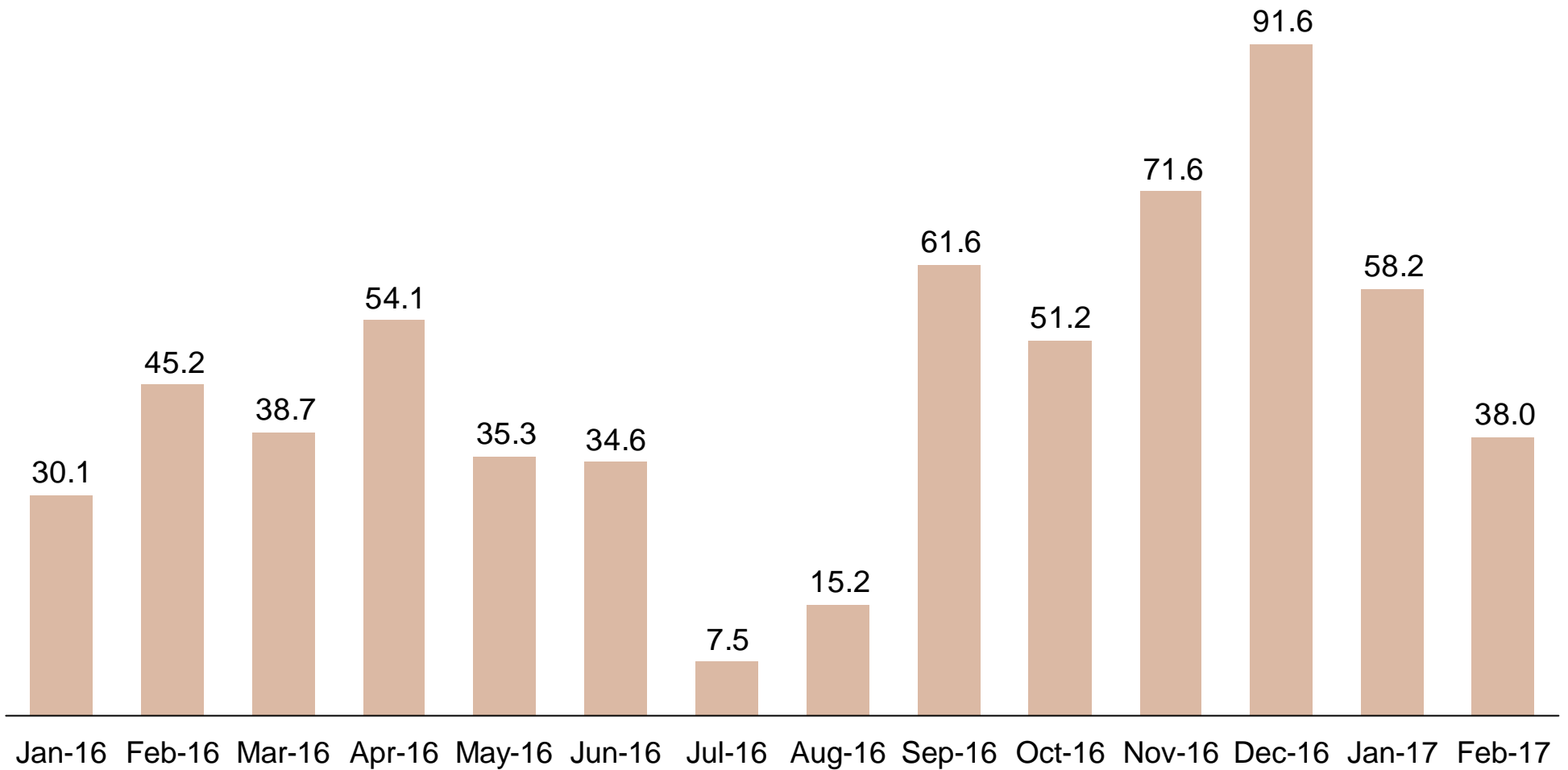


Low liquidity ratios in the banking industry



Gross reverse repo activity remains elevated

■ Gross Reverse Repo Purchases (Kes Bn)

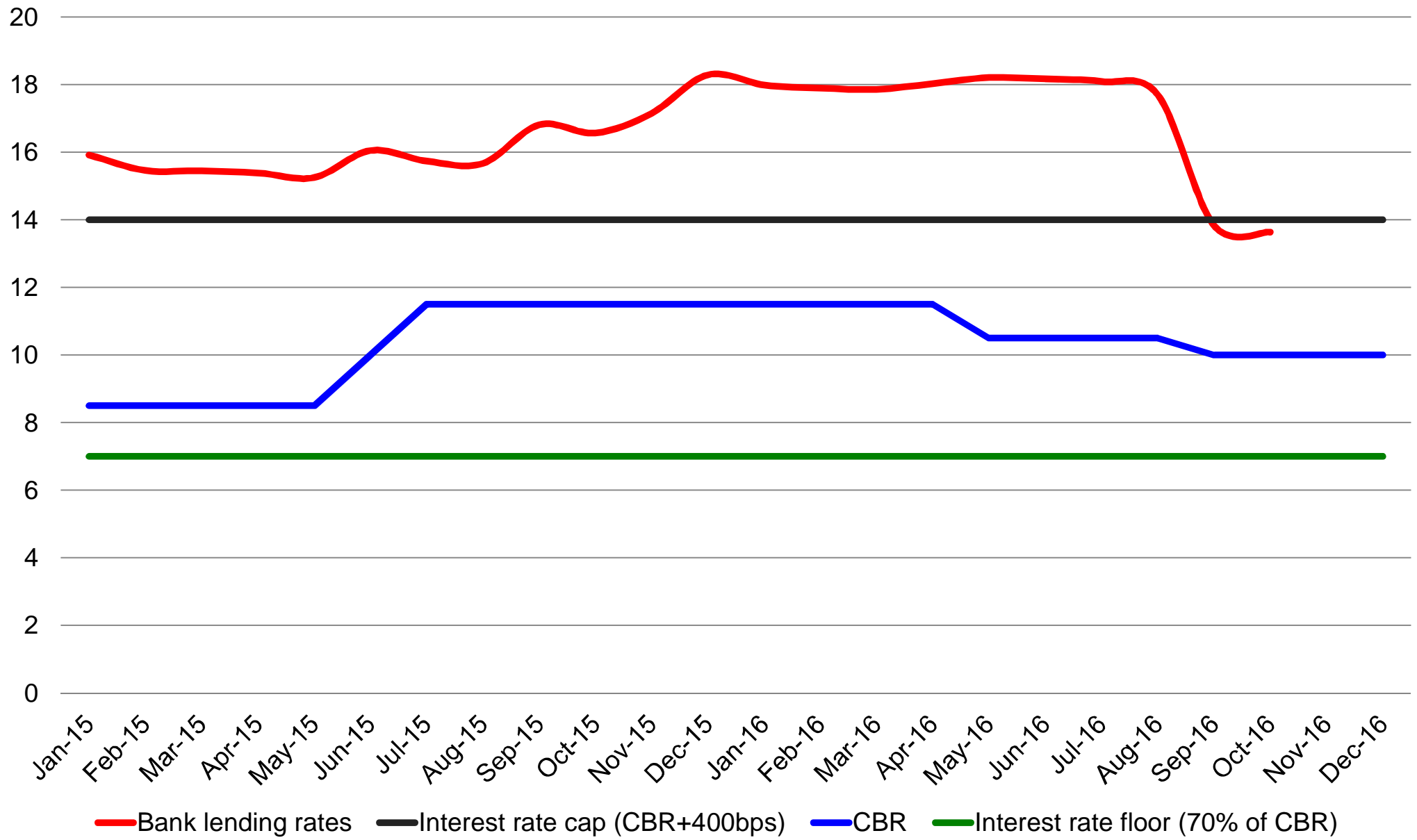




Interest rate capping and deposit floor

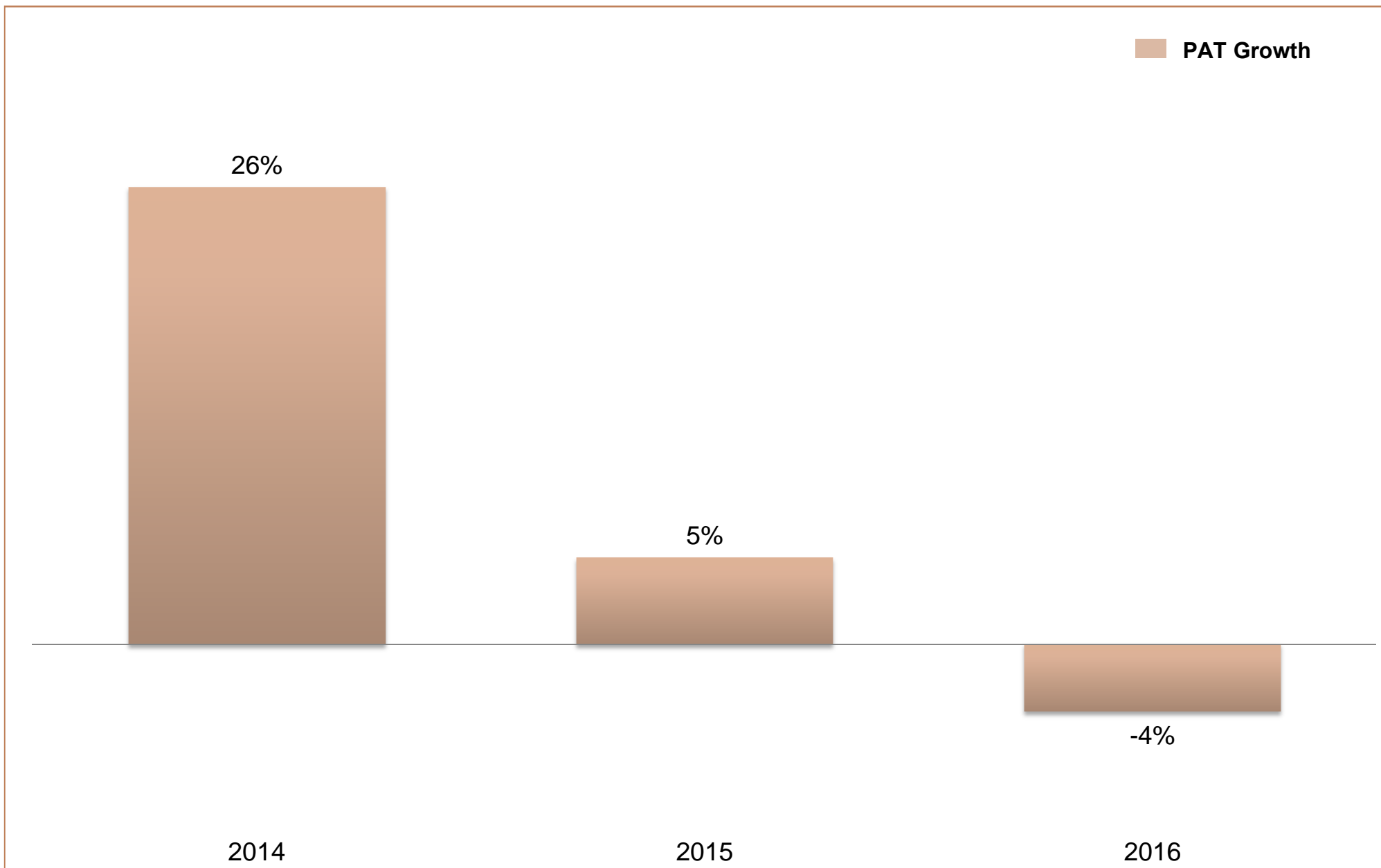


Commercial bank lending and deposit rates regulated





Deteriorating profitability of the banking industry



*Aggregate profit after tax of the large banks that have reported financial year 2016 results

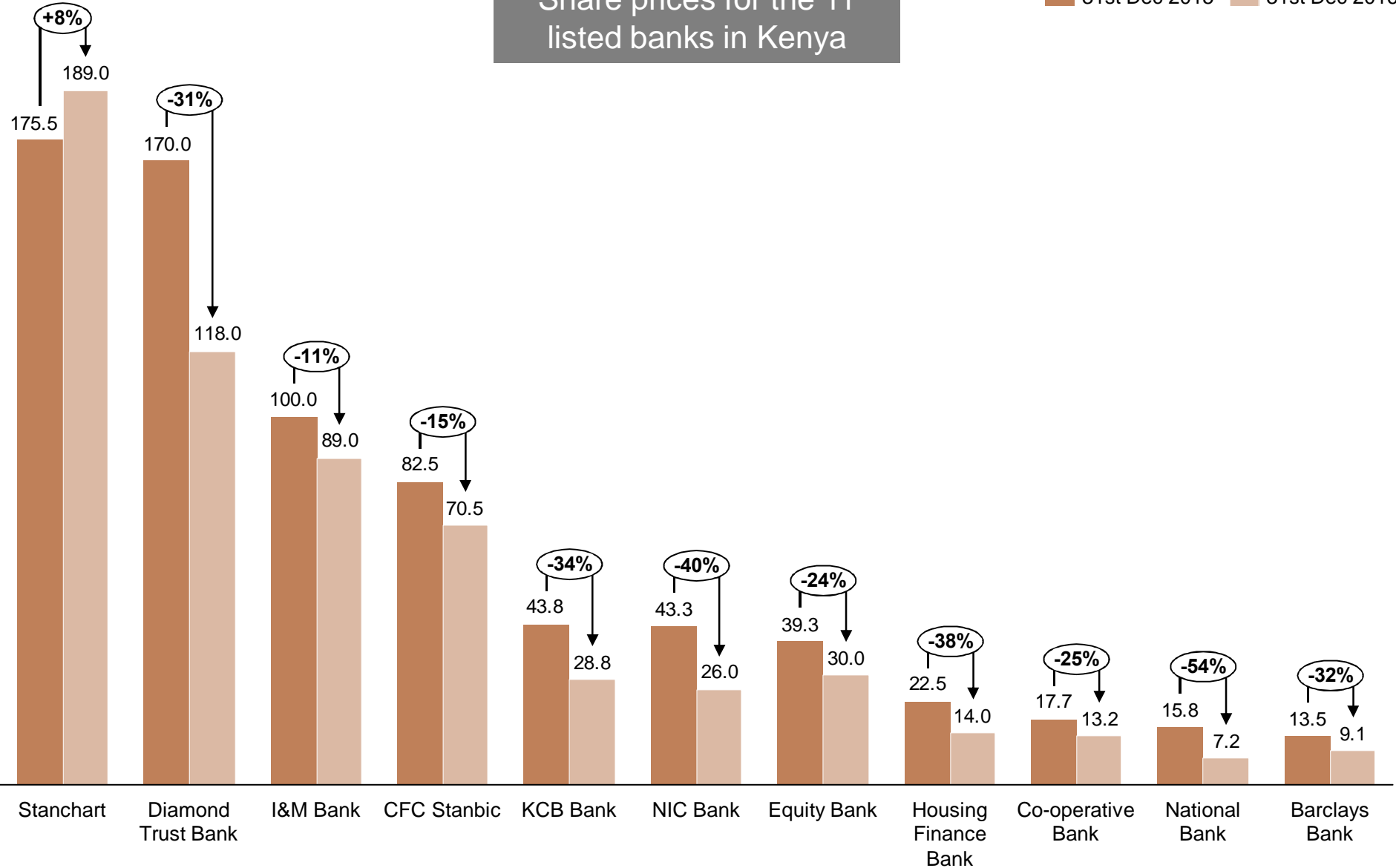


Lower prices of banking stocks on NSE



Share prices for the 11 listed banks in Kenya

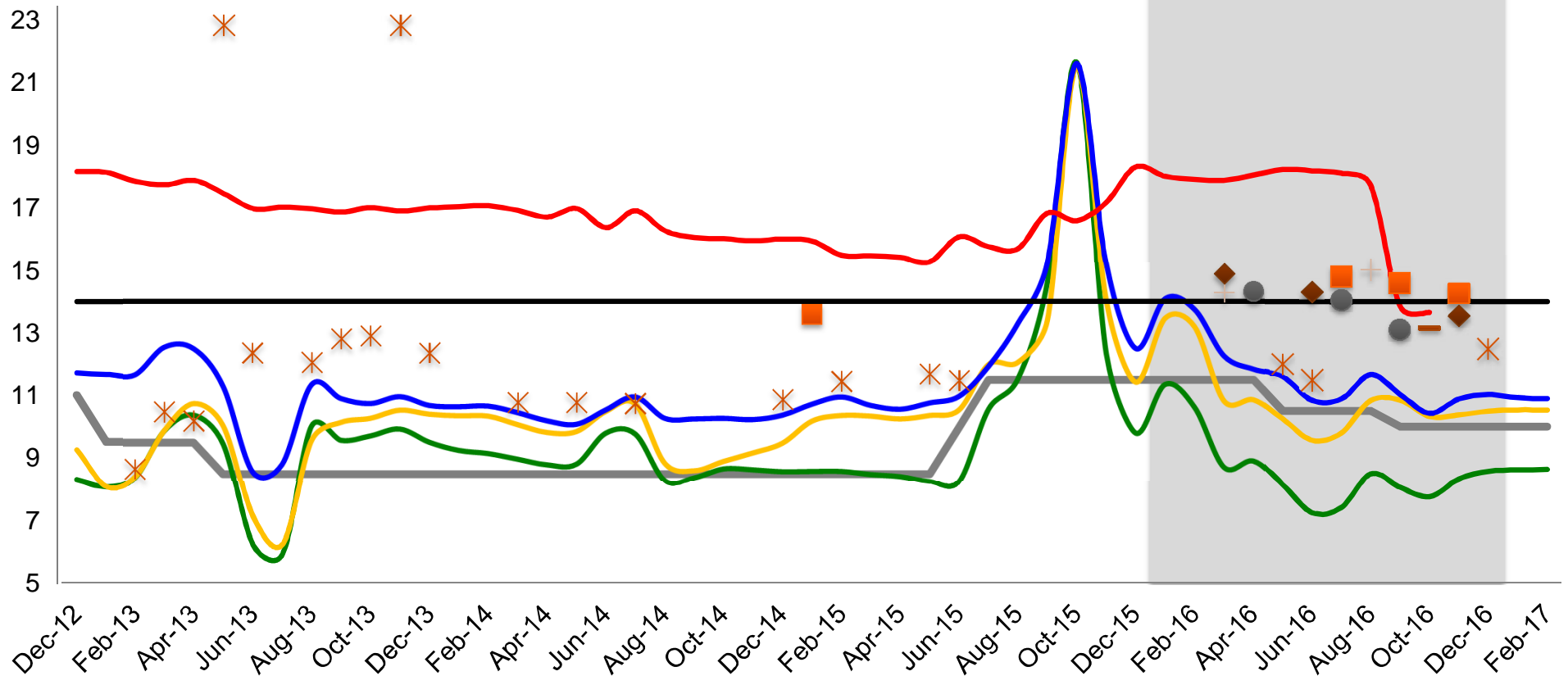
31st Dec 2015 31st Dec 2016





Inverse yield curve due to risk pricing challenges

Risk free asset yields vs. risk asset yields



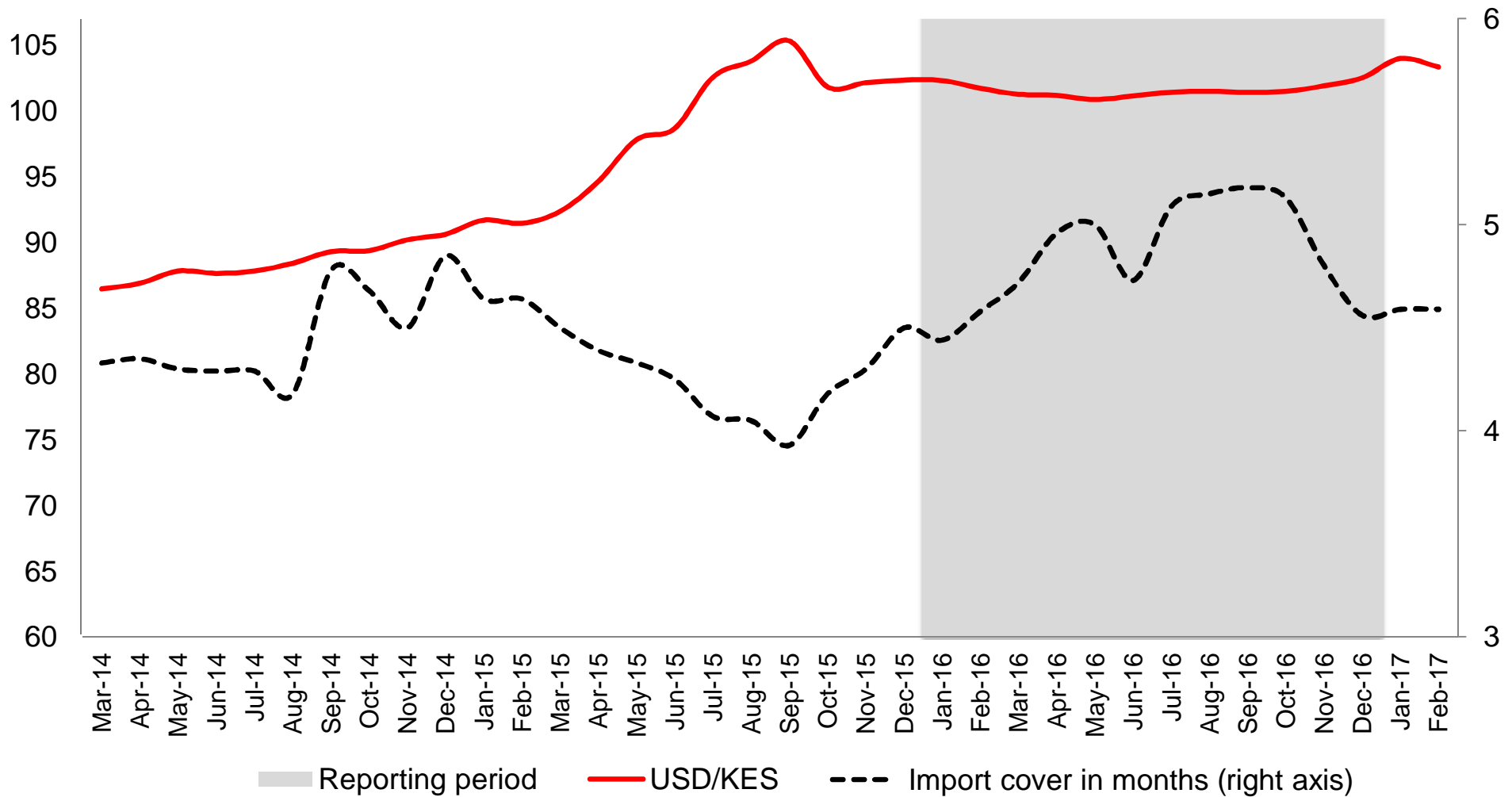
- | | | | | |
|------------------|---------|--------------------|-------------------|---------------|
| Reporting period | CBR | 3m TB | 6m TB | 364 TB |
| 2 years | 5 years | 10 years | 12 years (IFB) | 15 year (IFB) |
| 15 year | 20 year | Bank lending rates | Interest rate cap | |



Volatile exchange rate

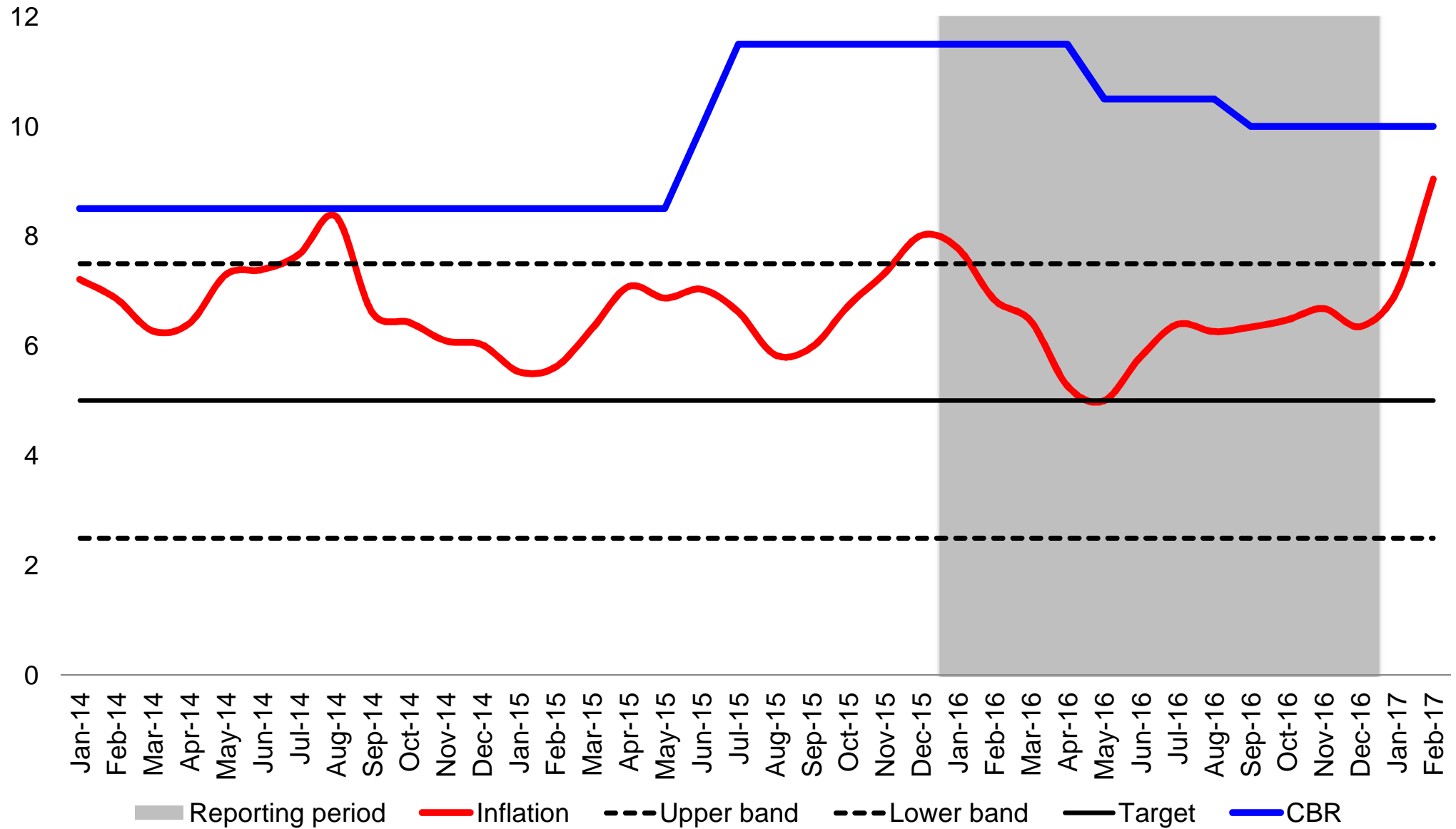


USD /KES exchange rate relatively stable during reporting period albeit foreign reserves came under pressure in Q4 2016





Rising inflation beyond the targeted rate

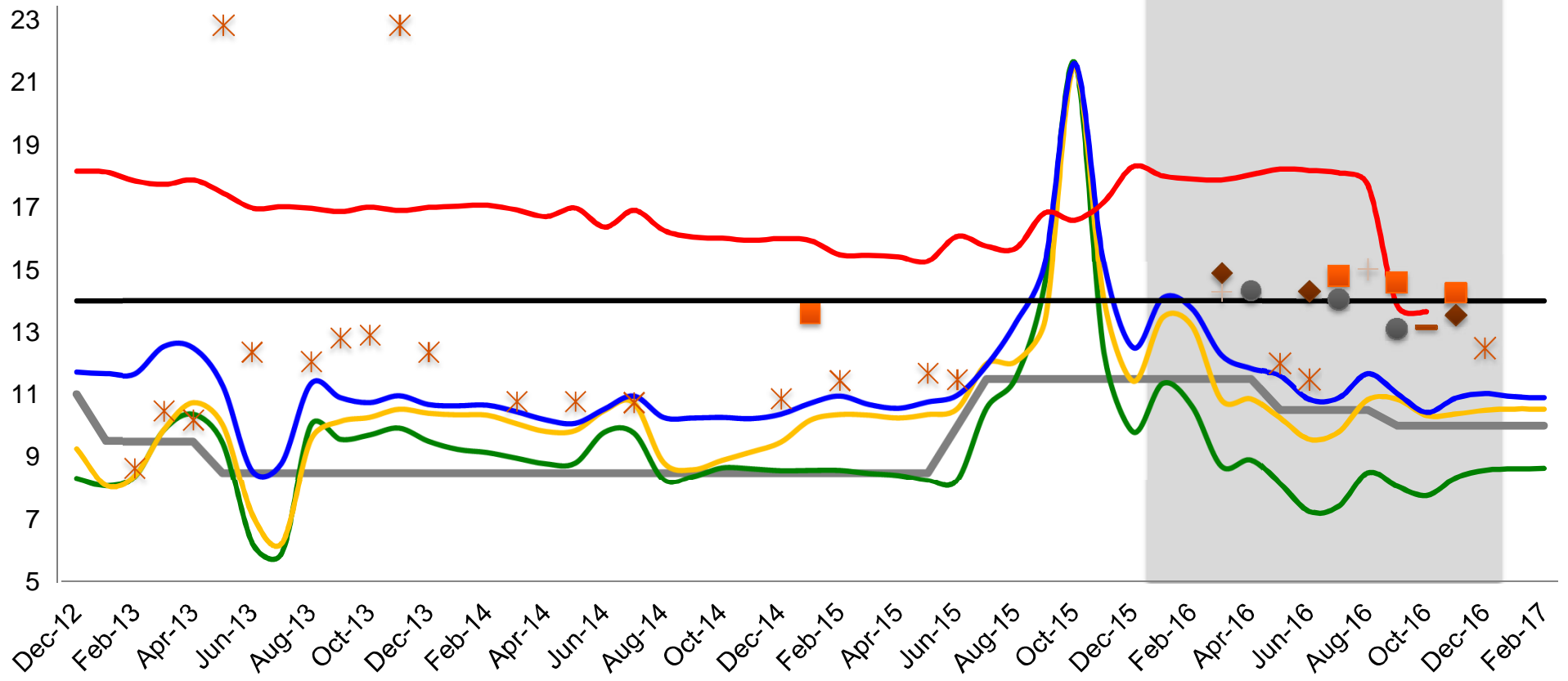




Capping of interest rates and monetary policy challenges



Risk free asset yields vs. risk asset yields



- | | | | | |
|------------------|-----------|----------------------|---------------------|-----------------|
| Reporting period | CBR | 3m TB | 6m TB | 364 TB |
| * 2 years | ● 5 years | + 10 years | ■ 12 years (IFB) | ◆ 15 year (IFB) |
| ◆ 15 year | ■ 20 year | — Bank lending rates | — Interest rate cap | |



Drought a national disaster



- On 10 February 2017, Kenya declared the drought, which has affected as much as half the country, a national disaster
- Worst drought since 1945 according to the UN
- Famine has also affected neighboring South Sudan and Somalia with the International Federation of the Red Cross says 11 million people in Kenya, Somalia and Ethiopia need assistance
- Ongoing drought is bound to affect the economy in the following ways:-
 - Inflation: Food component on the CPI will go up and thus contributing to increase in inflation
 - Currency: Importation of food will put pressure on the shilling
 - Energy: Hydro-electric power supply will be affected
 - Water Supply: Water rationing in parts of the country



Regional elections



- Regional political elections in 2015 and 2016
 - Tanzania
 - Uganda

- Transition countries
 - South Sudan
 - DRC

- Pending 2017 elections in
 - Kenya
 - Rwanda



Global commodity price decline



- 50% of Sub-Saharan African countries are net commodities exporters.
- Kenya trades with a number of Sub-Saharan African countries hence regional trade will be affected.
- In 2016;
 - Oil prices fell by 22%
 - Natural gas prices fell by 15%
 - Coal prices fell by 3%
 - Copper Prices down
 - Non-energy commodity prices fell by 2%



Effect of Chinese economy slowdown



- Demand for resources from Africa could diminish affecting countries that are highly dependent on exports to China such as DRC (copper), South Africa (gold and wine) and Angola (oil)
- Lower commodity prices in China that would also affect African commodity exporters
- Reduced investment flows in countries that receive direct investment from China which include Kenya and Uganda.
- Currency devaluation could ease the price of imports from China though minimally as African currencies have also been depreciating against the dollar.



Global phenomena yet to be quantified



Global events have been sighted as to have possible ramifications on African economies:

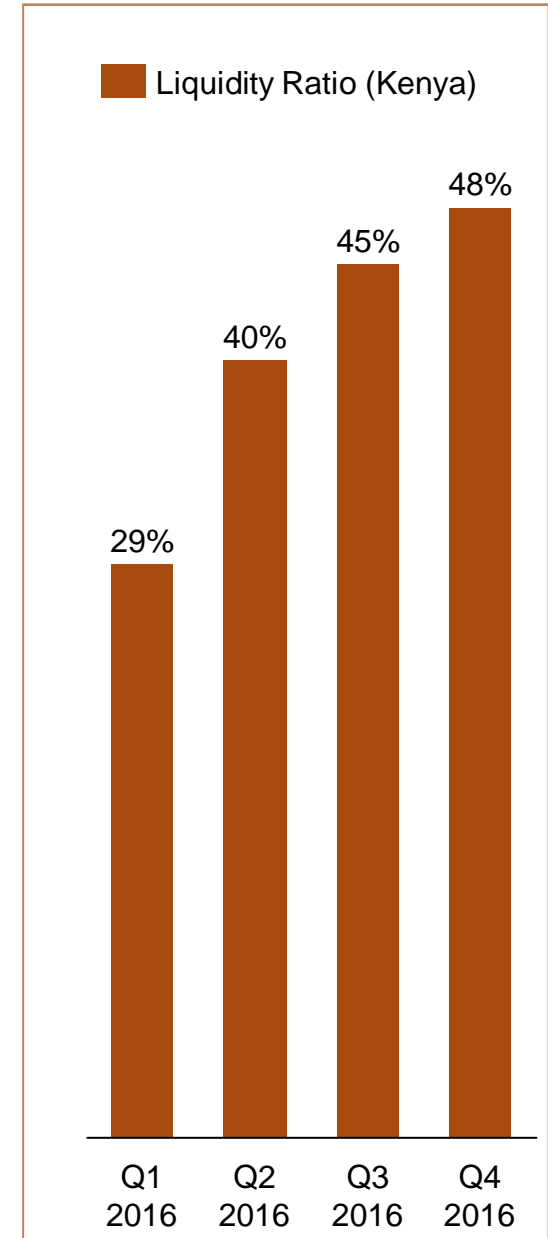
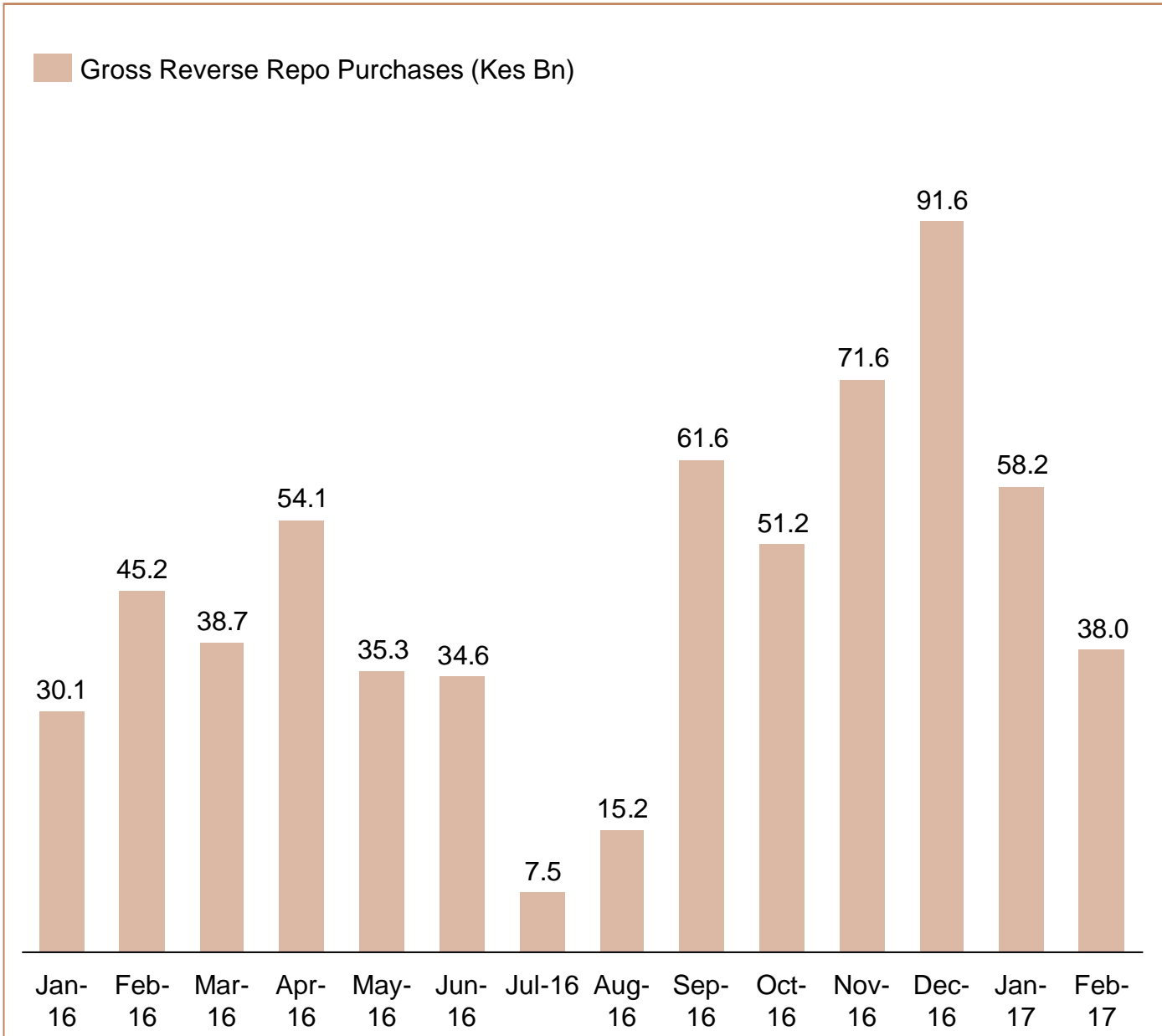
- The ramifications of Brexit - the nature and extent unquantified
- The election of Republican Donald Trump to be the next U.S. president and the impact his administration could have up on African economies



Scenario planning tempers strategic planning

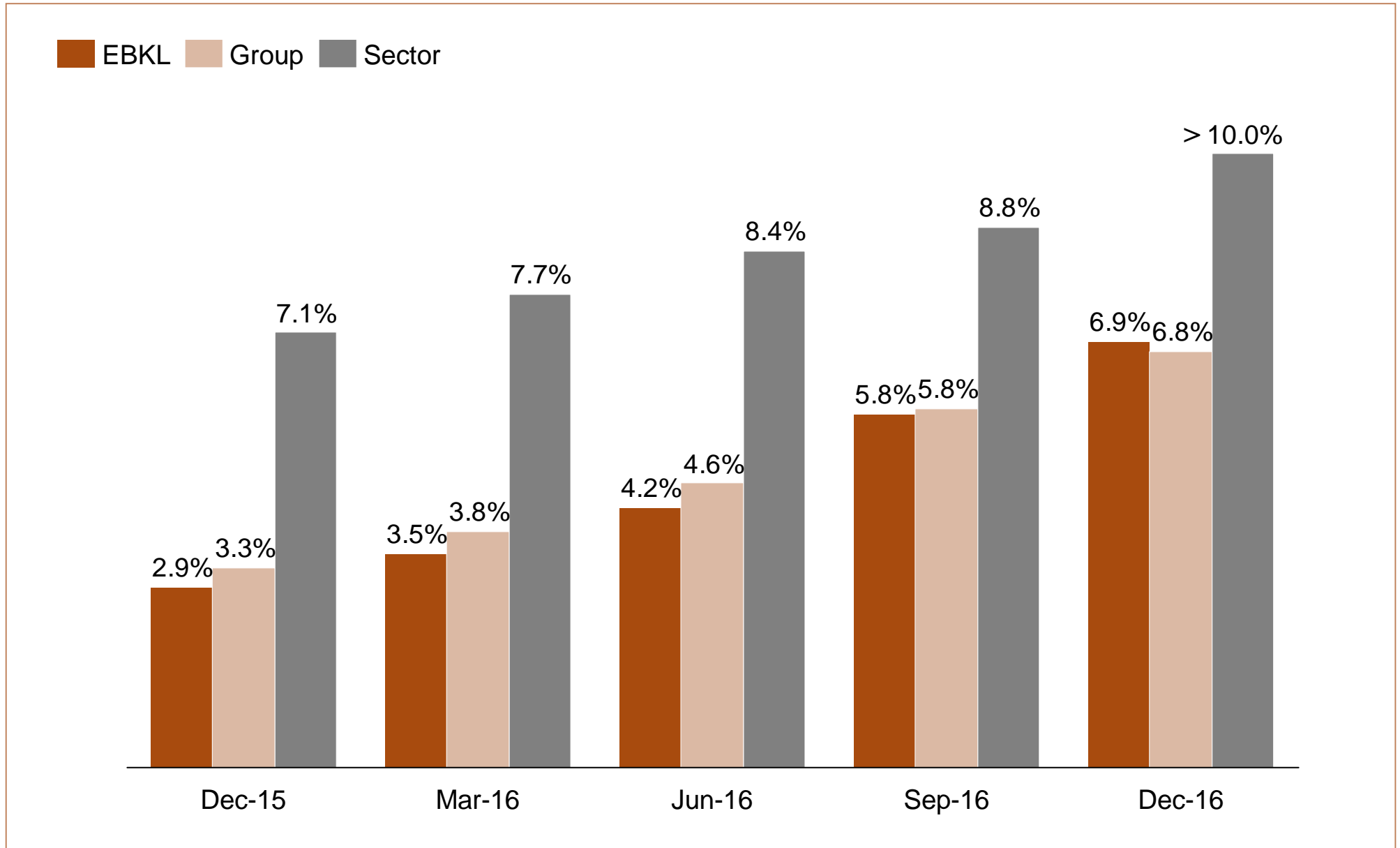


FORTIFIED LIQUIDITY position





Equity vs Sector NPL Trend over time



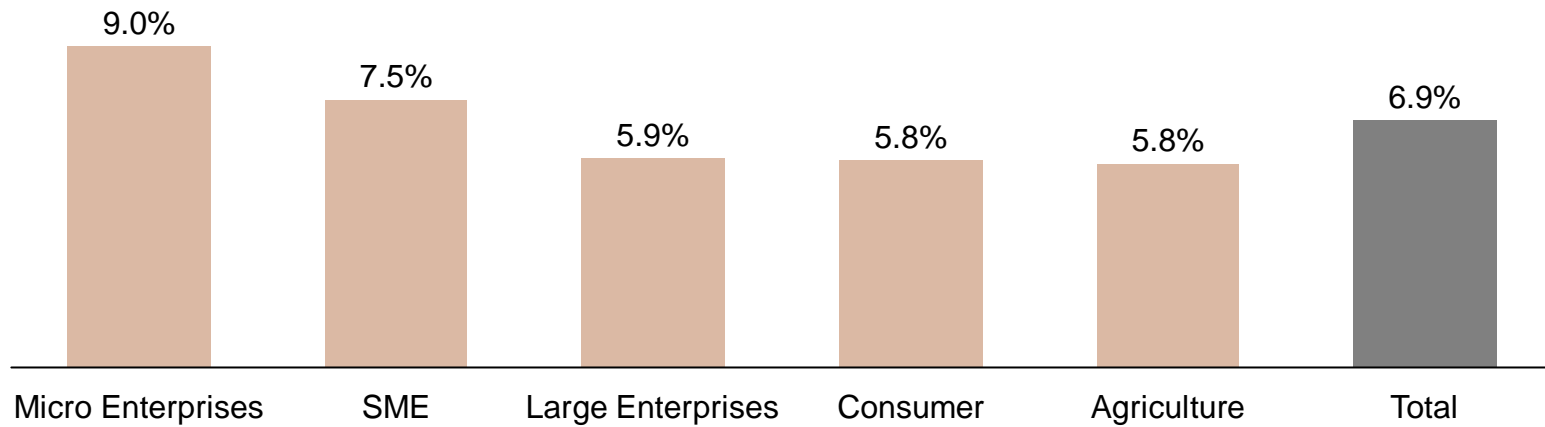
*Equity Bank estimates bank sector gross NPL ratio to now exceed 10%



Segment NPL's

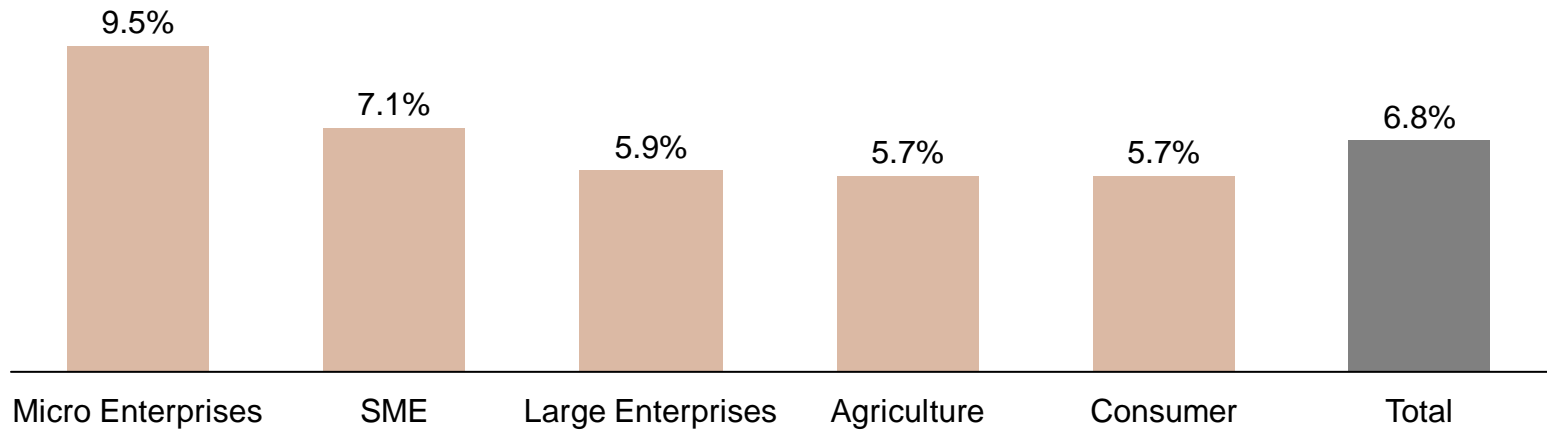
KENYA

■ Sector 90-Day NPL



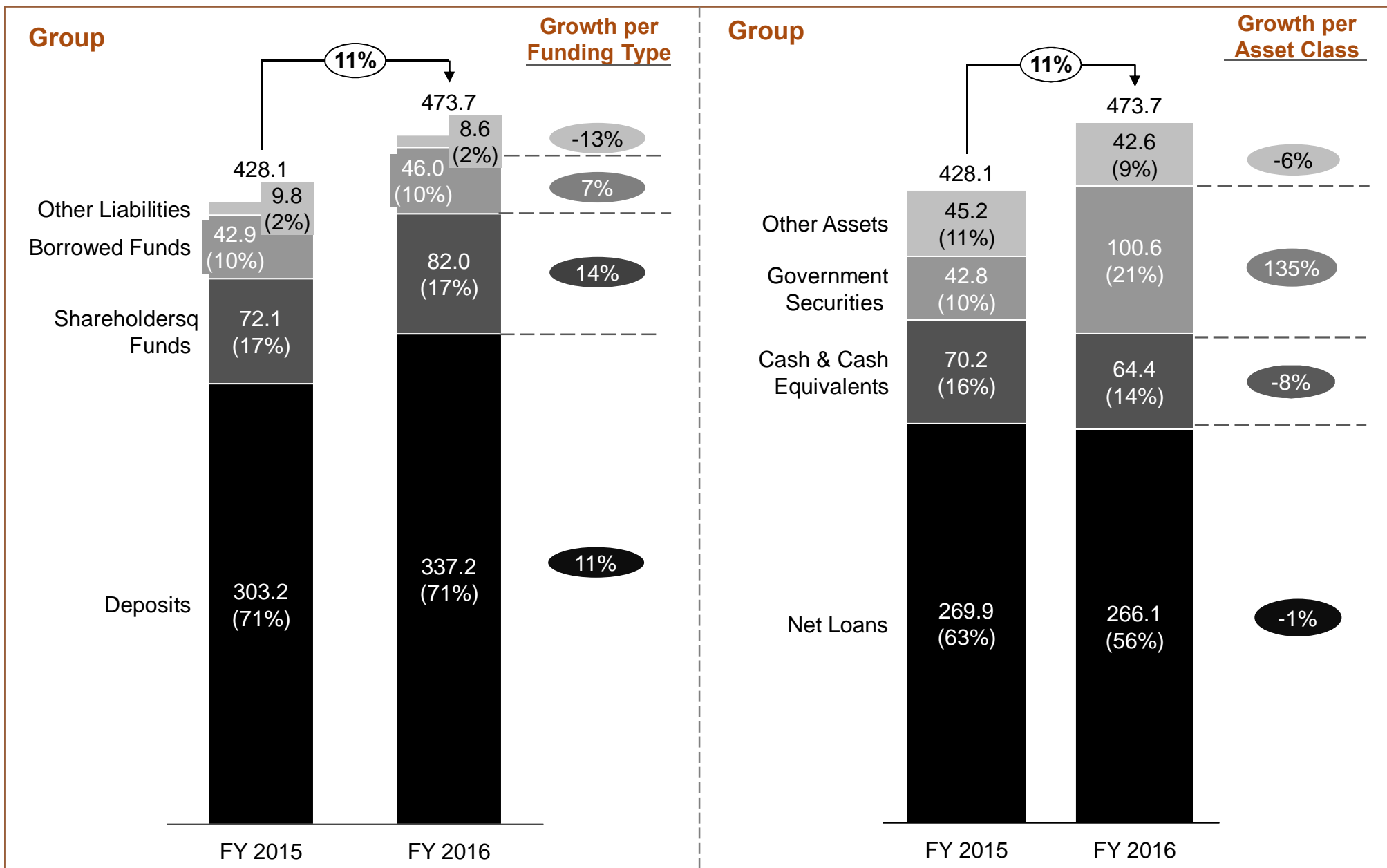
GROUP

■ Sector 90-Day NPL





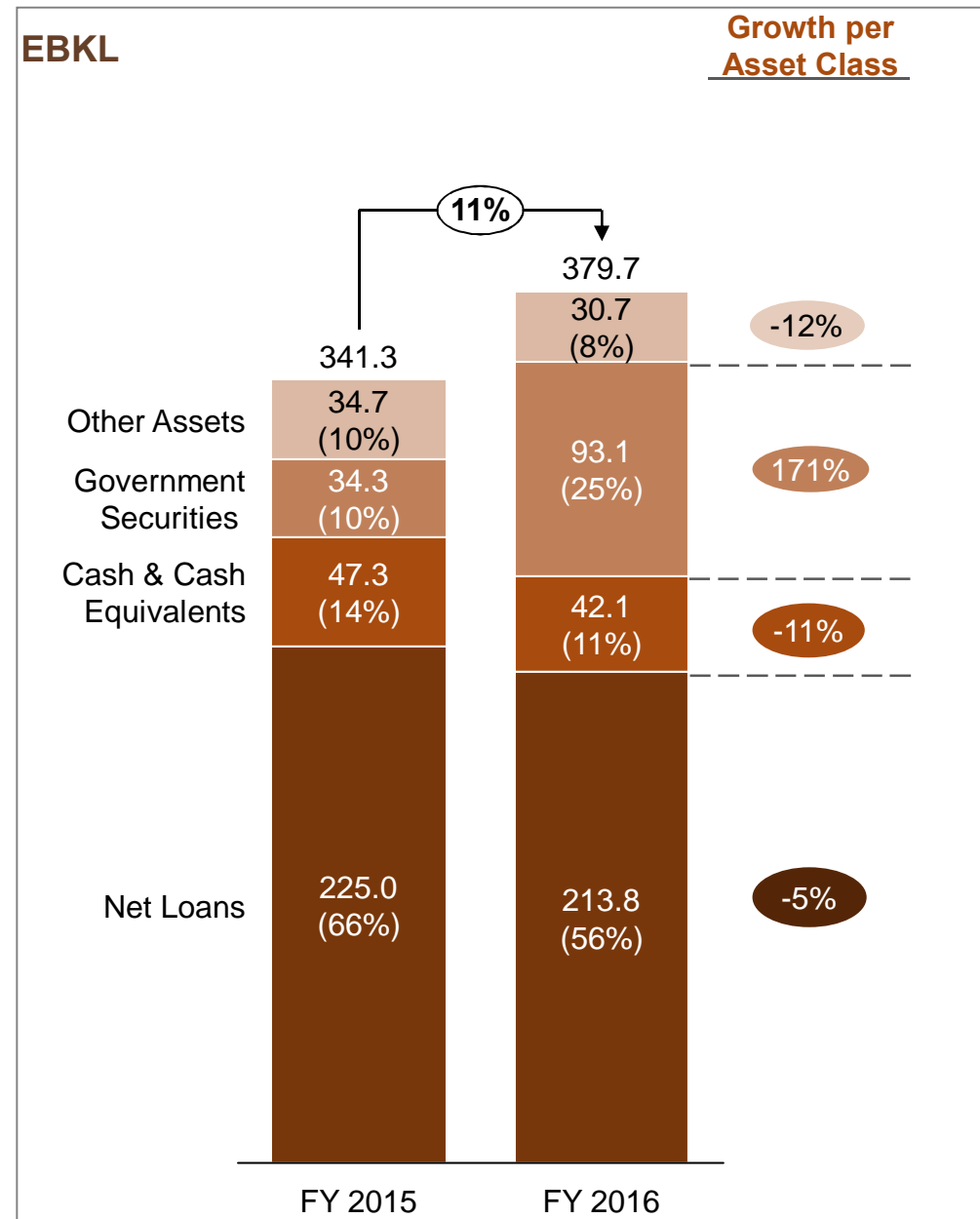
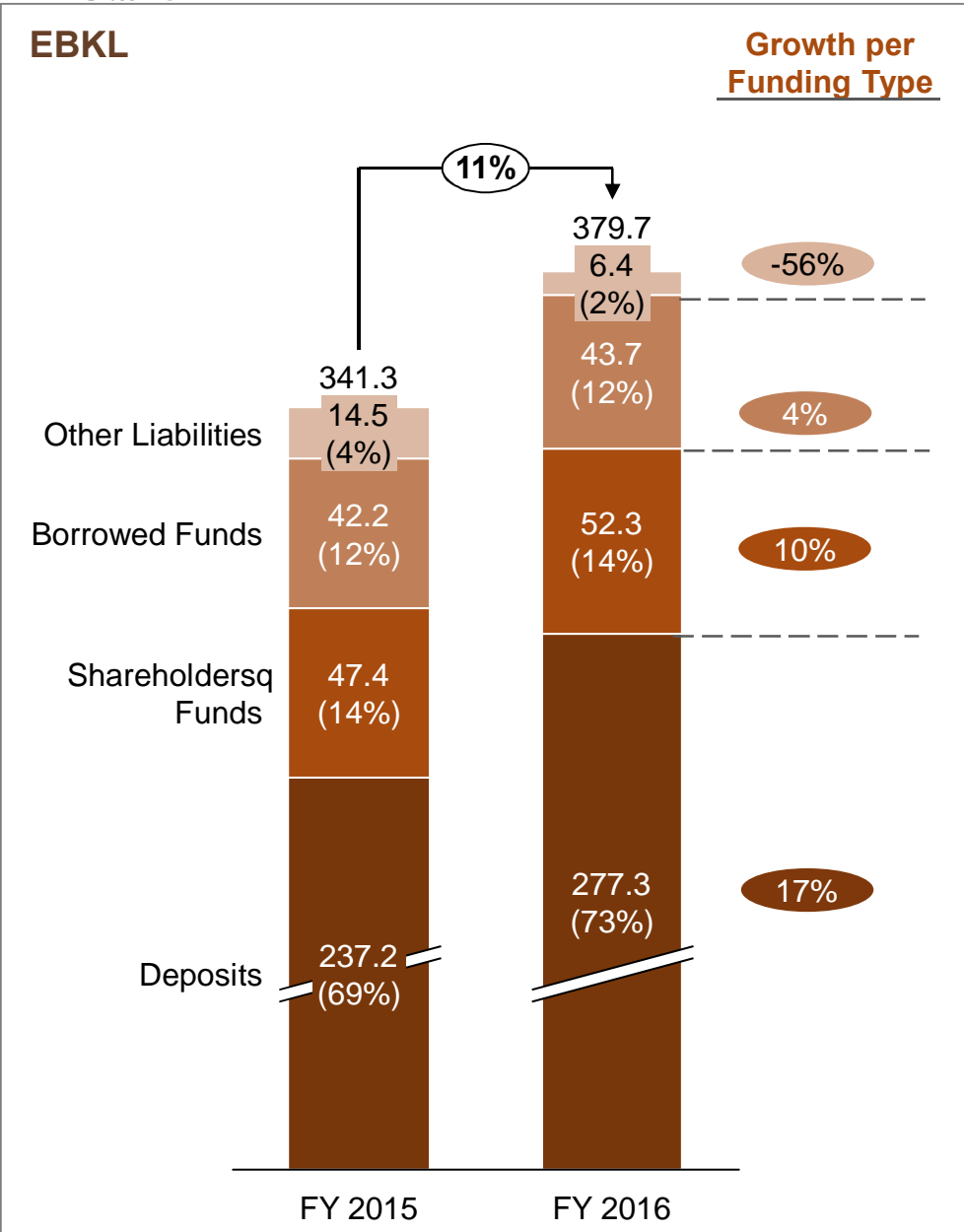
Agile balance sheet ENHANCED BY LONG-TERM FUNDING BASE





Agile balance sheet ENHANCED BY LONG-TERM FUNDING BASE

In KES %Billion+





Fortified Brand



Equity's International Rankings



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

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



Banker Awards



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



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





Think Business Awards



Multiple Award Winner at the 2016 Think Business Awards.



Equity has earned recognition in 2016



Think Business Banking Awards Kenya, 2016 Edition



EQUITY BEST BANK IN KENYA FOR 4TH TIME

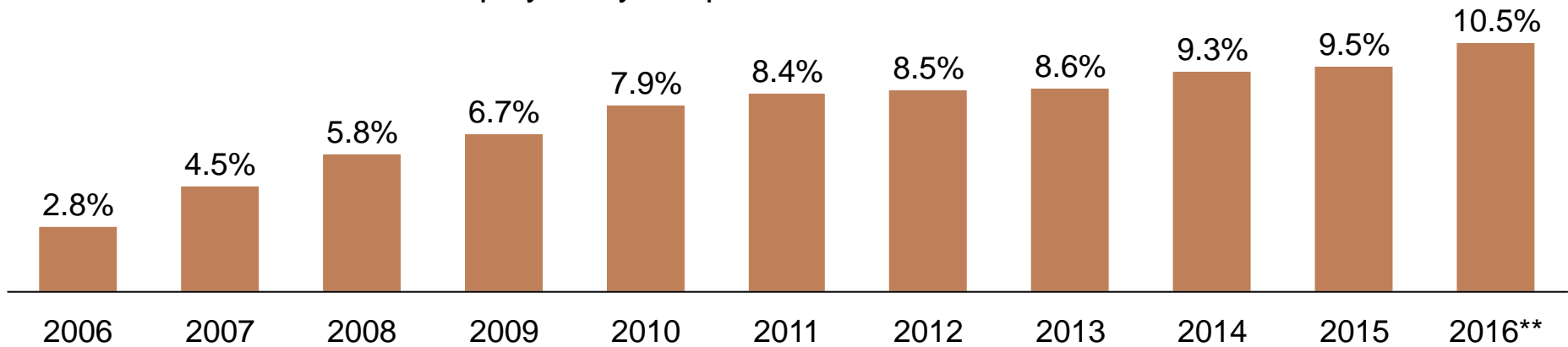
Category	1st	2nd	3rd
Best Overall Bank	Equity Bank		
Best Bank Tier 1 (Big Banks)	Equity Bank		
Best Bank in SME Banking	Equity Bank		
Best Bank in Retail Banking	Equity Bank		
Best Microfinance Bank	Equity Bank		
Best in Agency Banking	Equity Bank		
Best in Asset Finance		Equity Bank	
Best Bank in Mortgage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



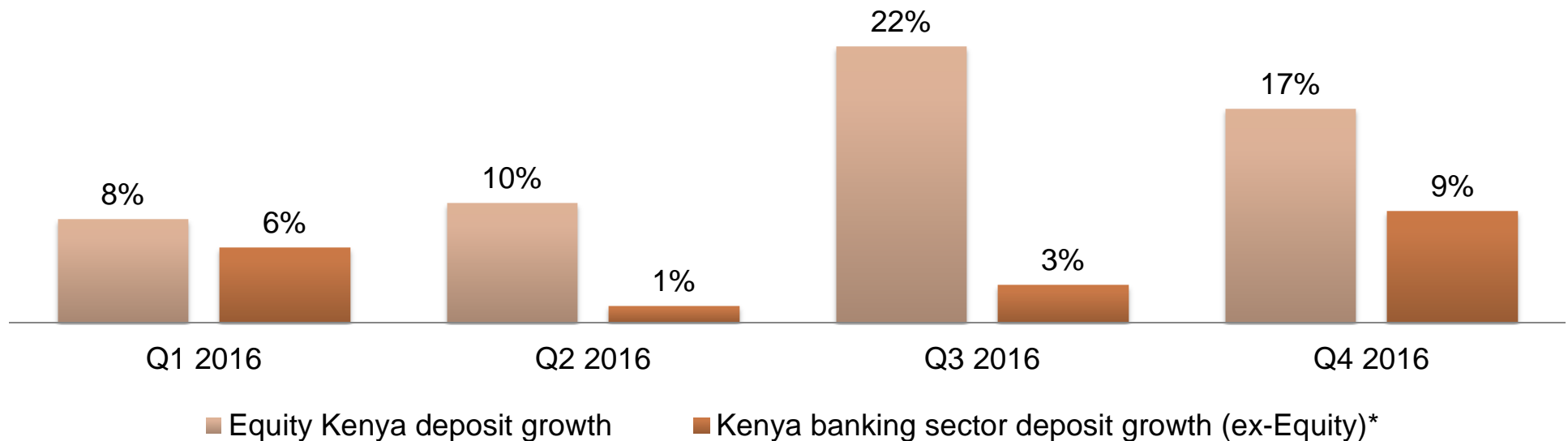
LEADING DEPOSIT FRANCHISE continues to underpin latent value on the balance sheet



Equity Kenya deposit market share



Equity consistently growing deposits faster than the sector

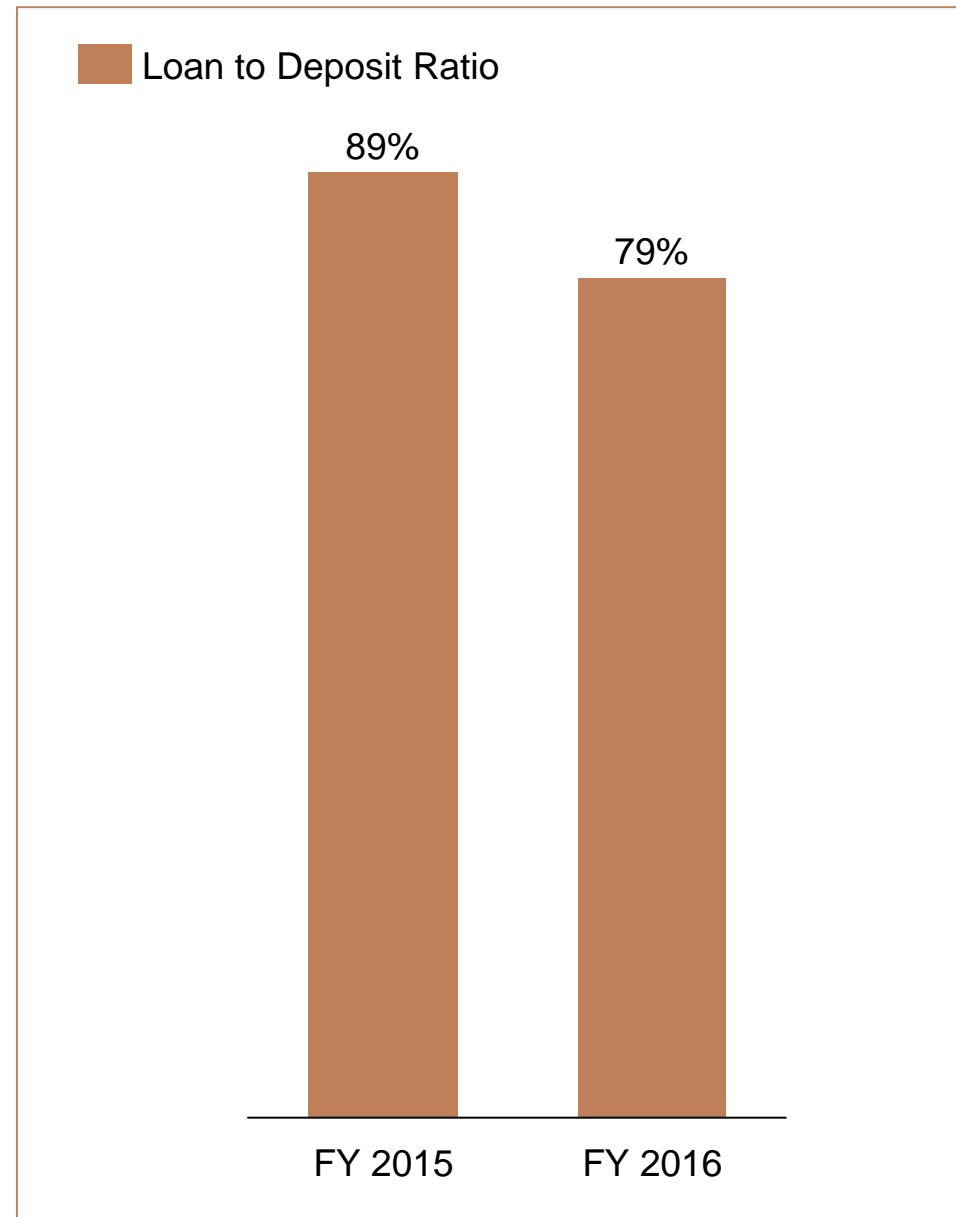
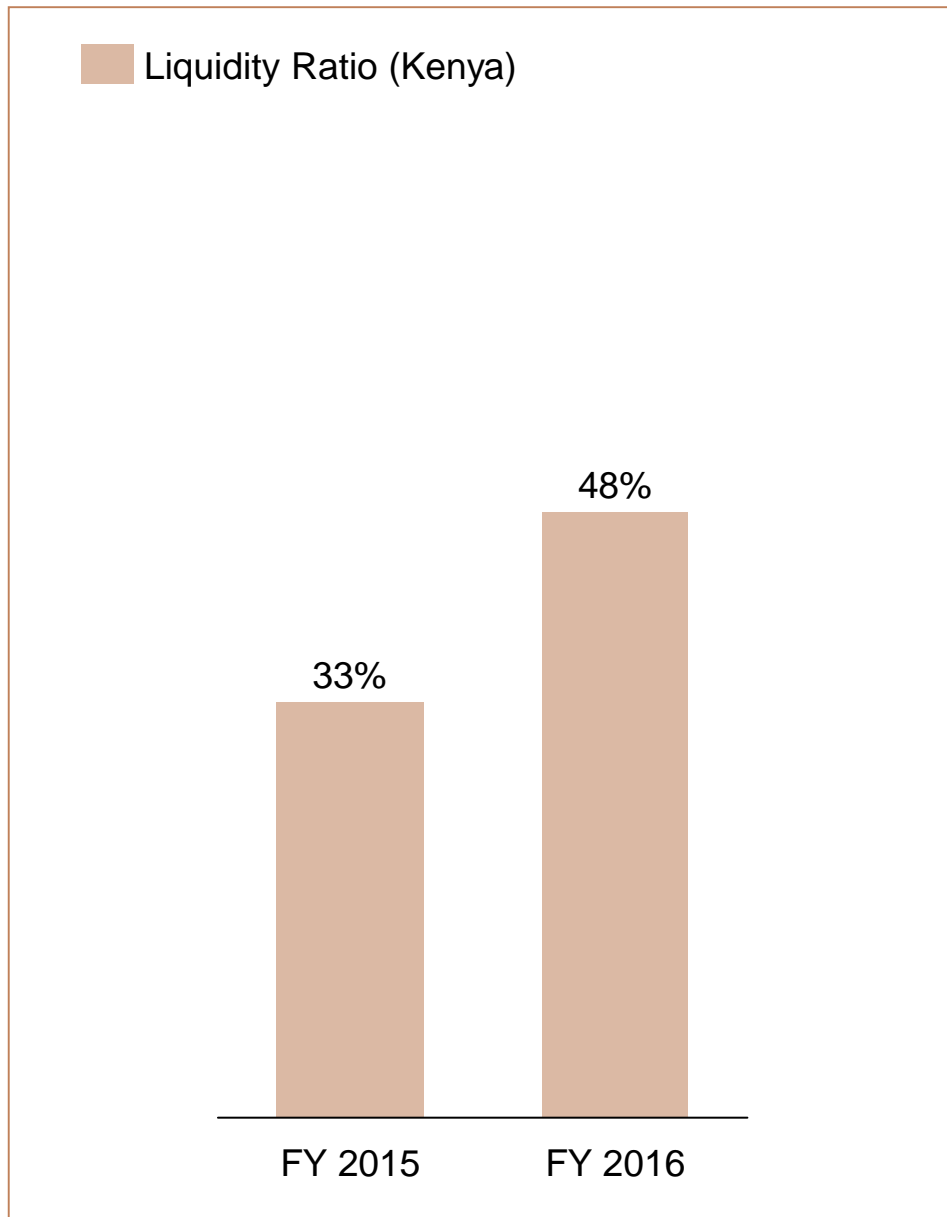


**Estimate

*Q4 2016 for the sector reflects the growth of the large banks that have reported 2016 annual results



Capacity to unlock latent value by redeploying into higher yield assets





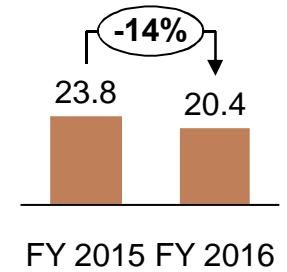
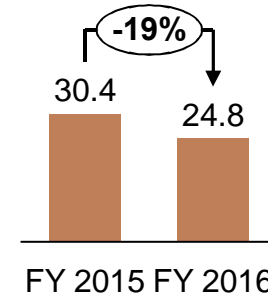
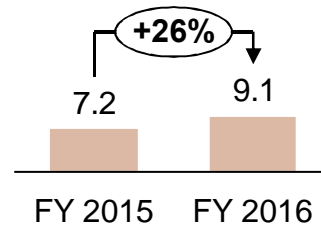
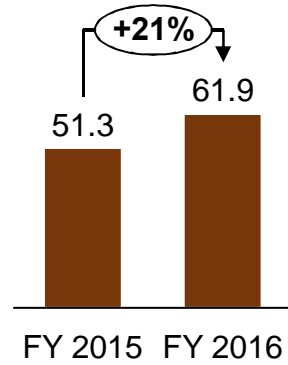
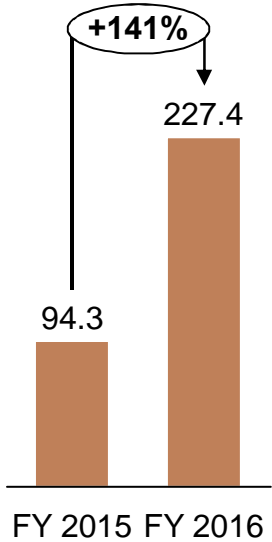
Innovation – shifting from fixed to variable cost



Variable cost channels

Fixed cost channels

Transaction numbers in millions



Equitel

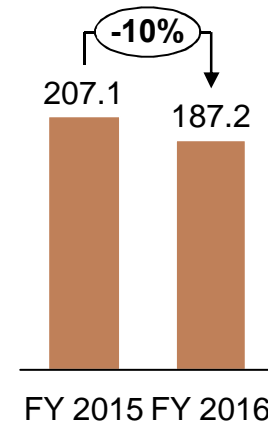
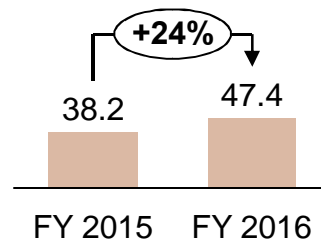
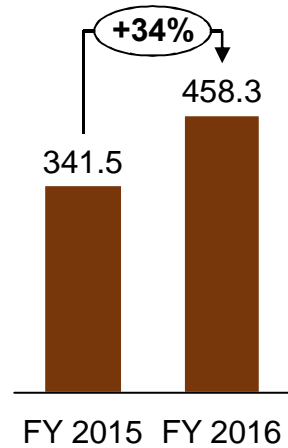
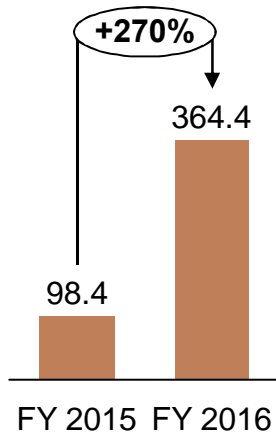
Agency

Merchants

ATM

Branch

Transaction value in KES billion

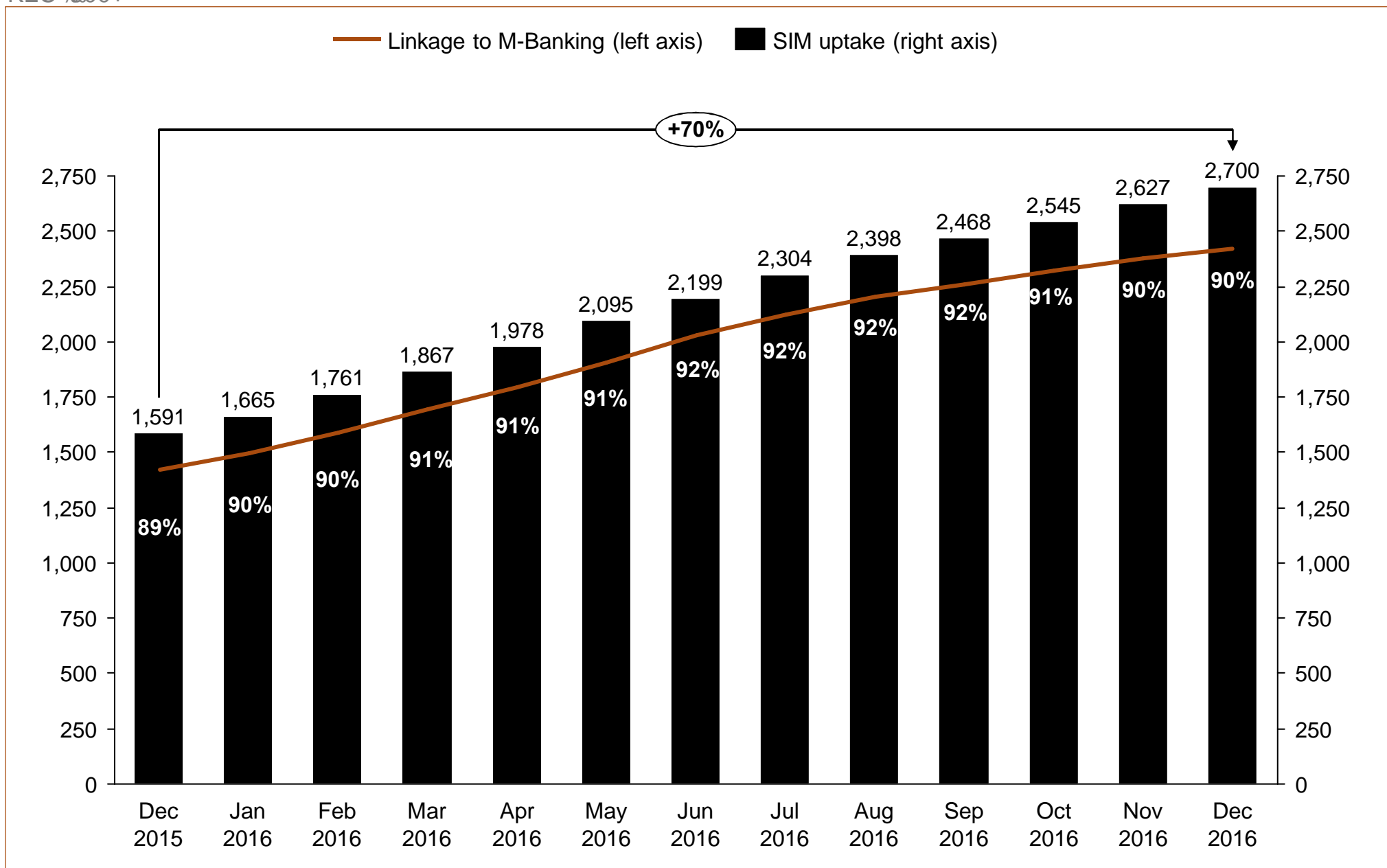




Convenience through mobile bank

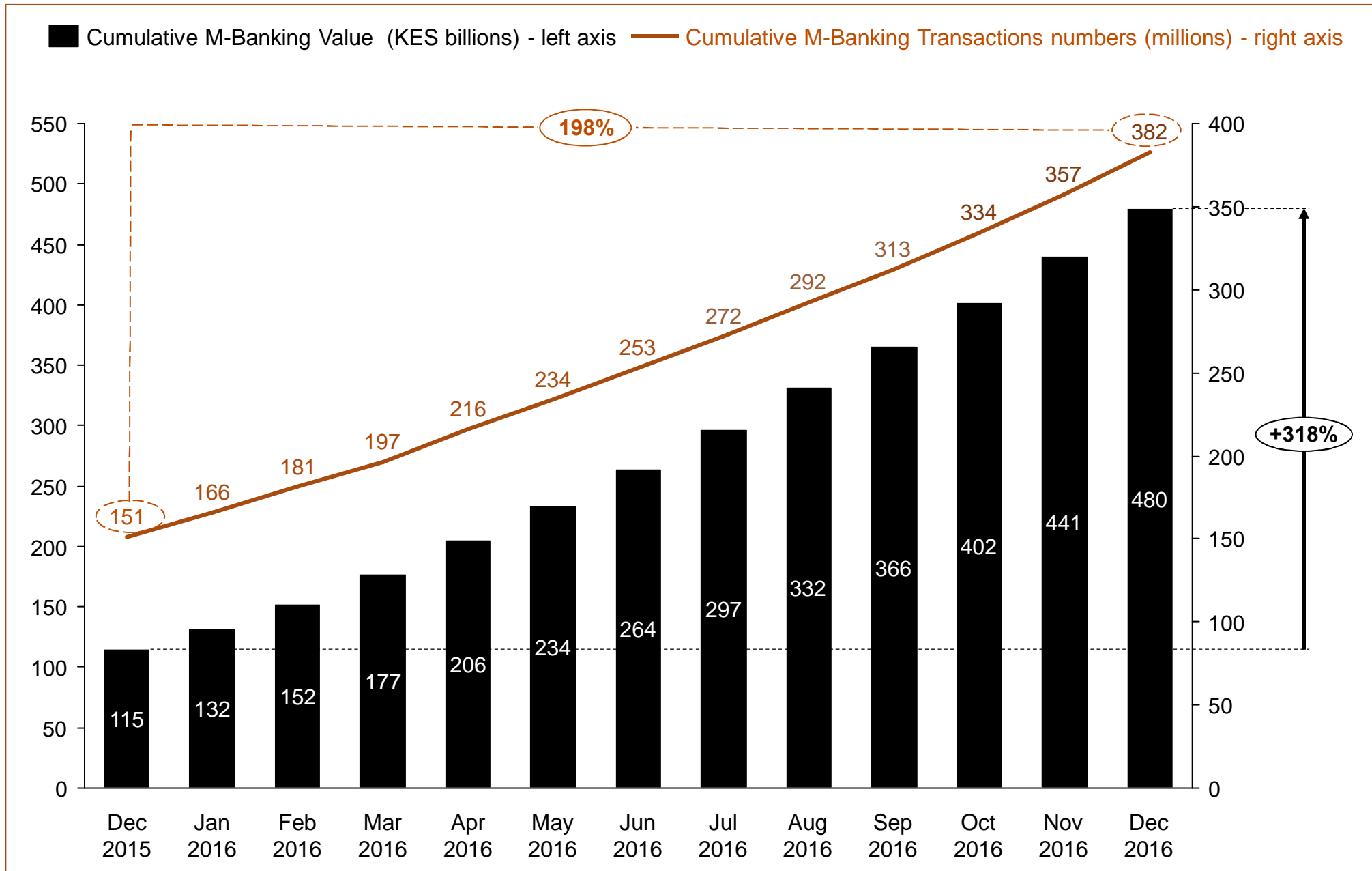


KES %000+





Convenience through mobile bank

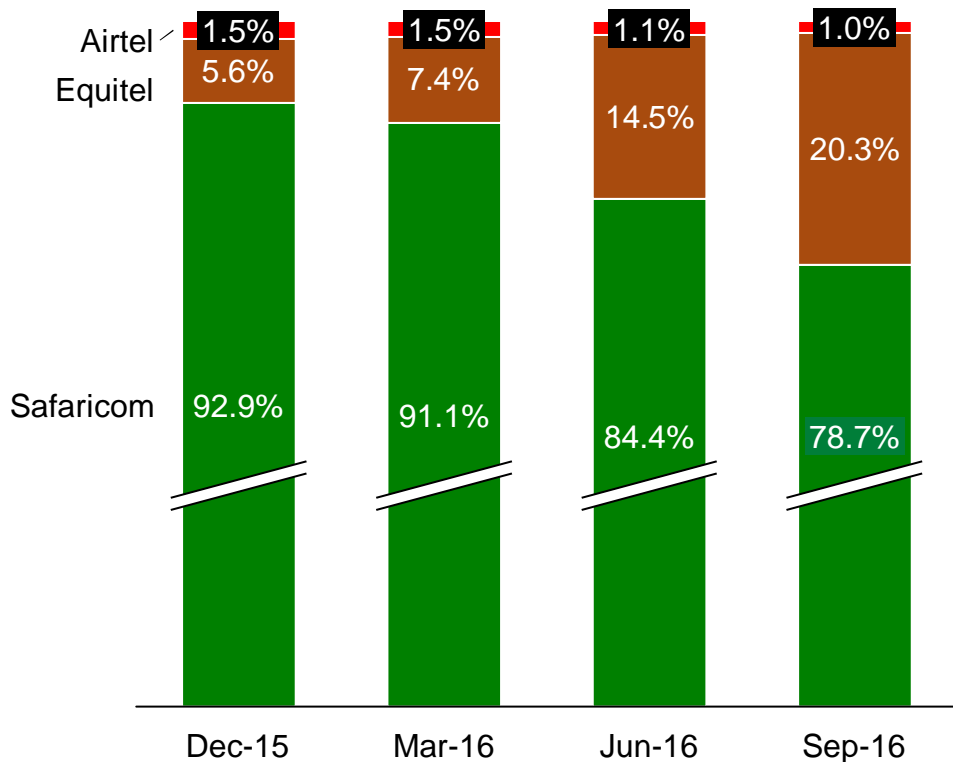




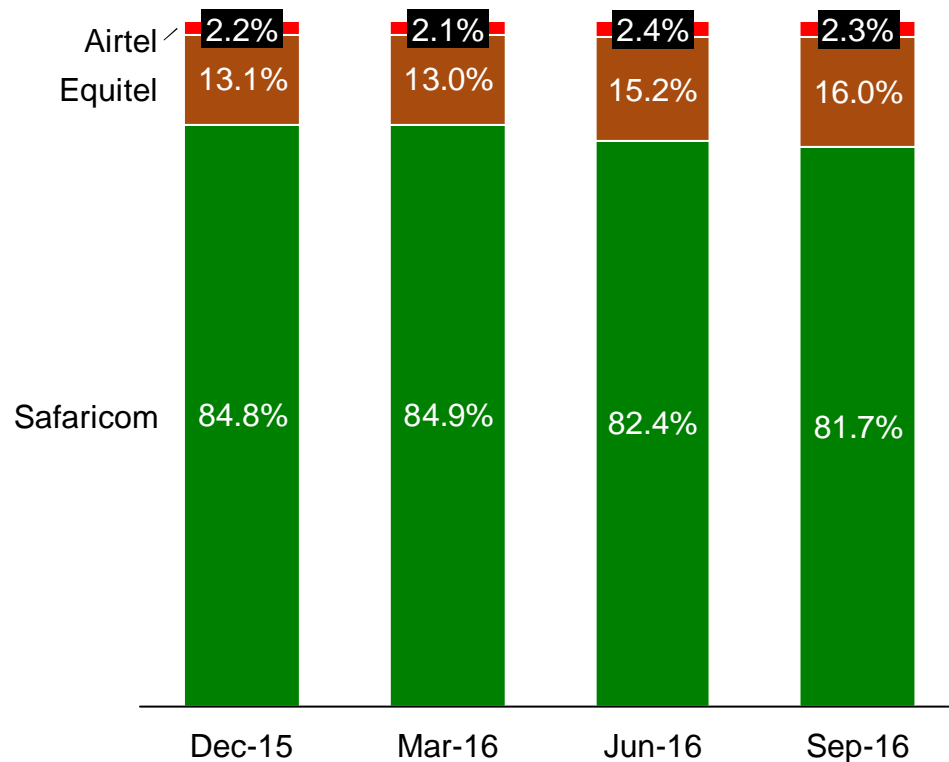
Convenience through mobile bank



Value



Count

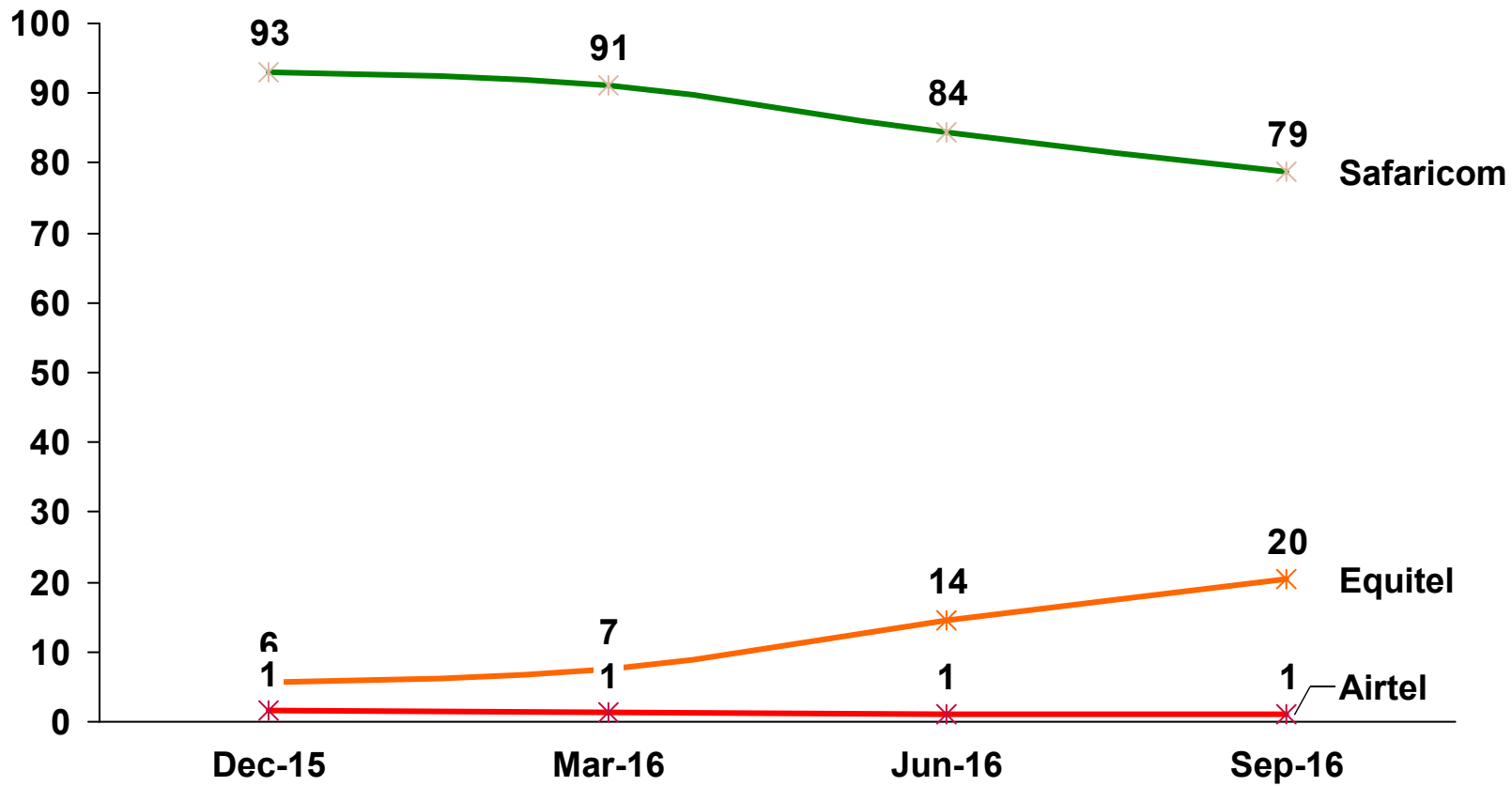


- Equitel market share by value of mobile transactions has grown from 7.4% in Q1 16 to 20.3% in Q3 2016.
- Total sector value of mobile transactions were 1.08 trillion in Q3 2016. This was a 13% increase from Q2 2016.

- Equitel market share by count of mobile transactions increased to 16.0% for Q3 2016 compared to 13% at the end of Q1 2016.
- Total sector number mobile transactions were 400.7 million in Q3 2016 a 7% increase from Q2 2016.



Market share by Value of Mobile Financial Services



Market share for the value of Mobile financial services have grown by 233% between December 2015 and September 2016 going by the CA statistics.

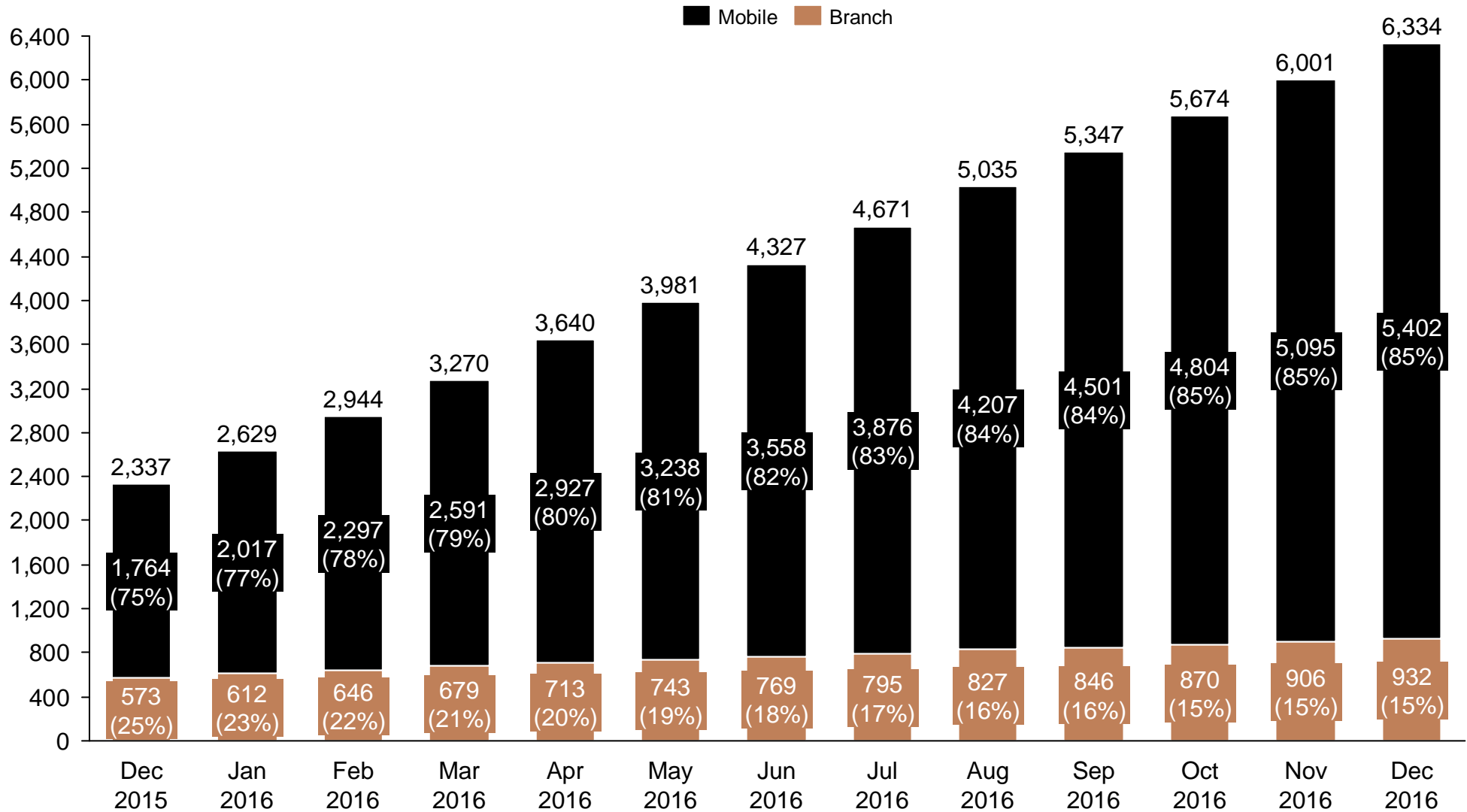


Convenience through mobile bank



In Thousands

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



Cumulative

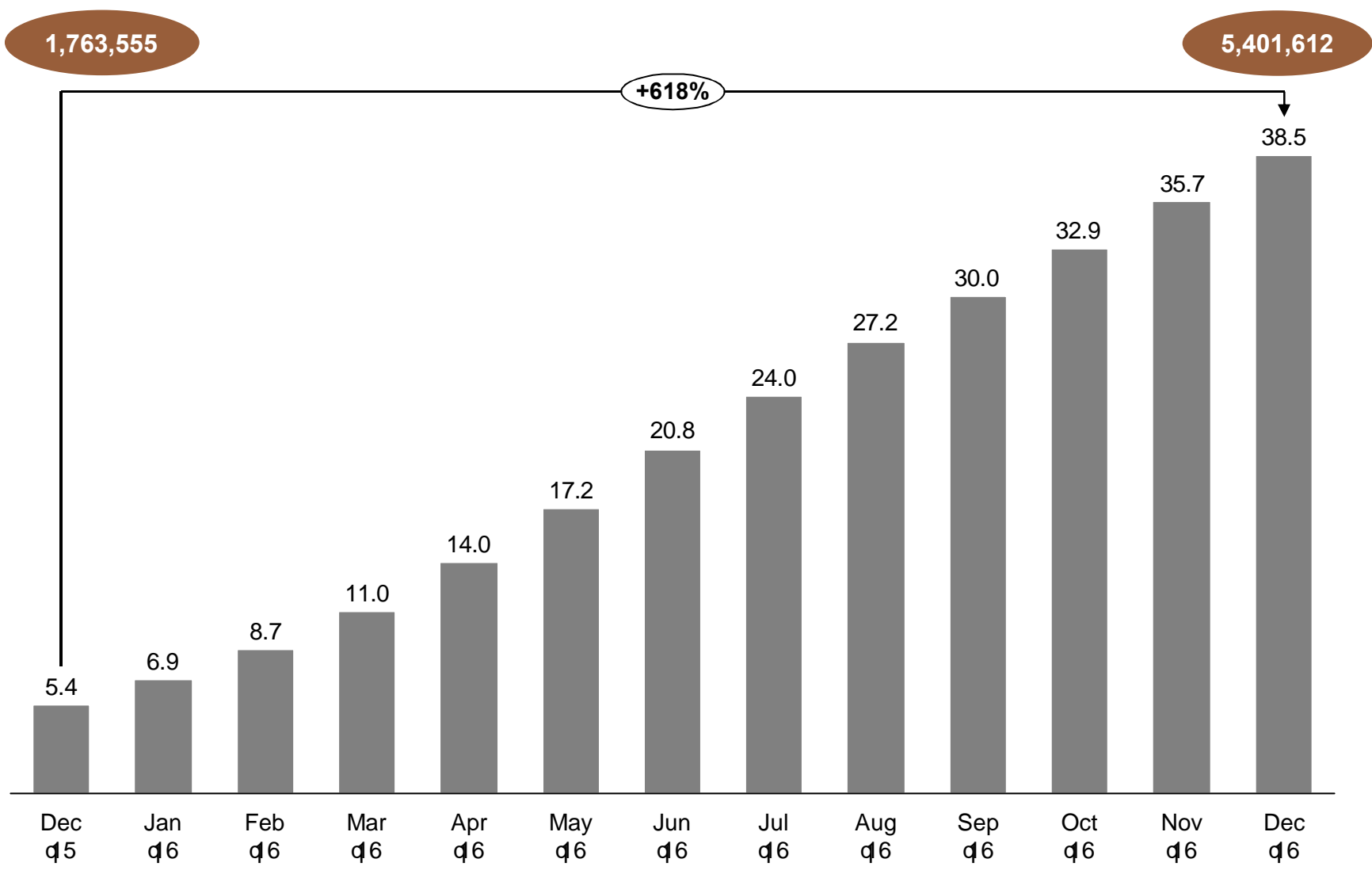


Convenience through mobile bank



● Disbursement Count (number)

■ Loan Value Disbursement (KES "Billion")



Cumulative figures



Adoption of alternative channels continues to gain traction



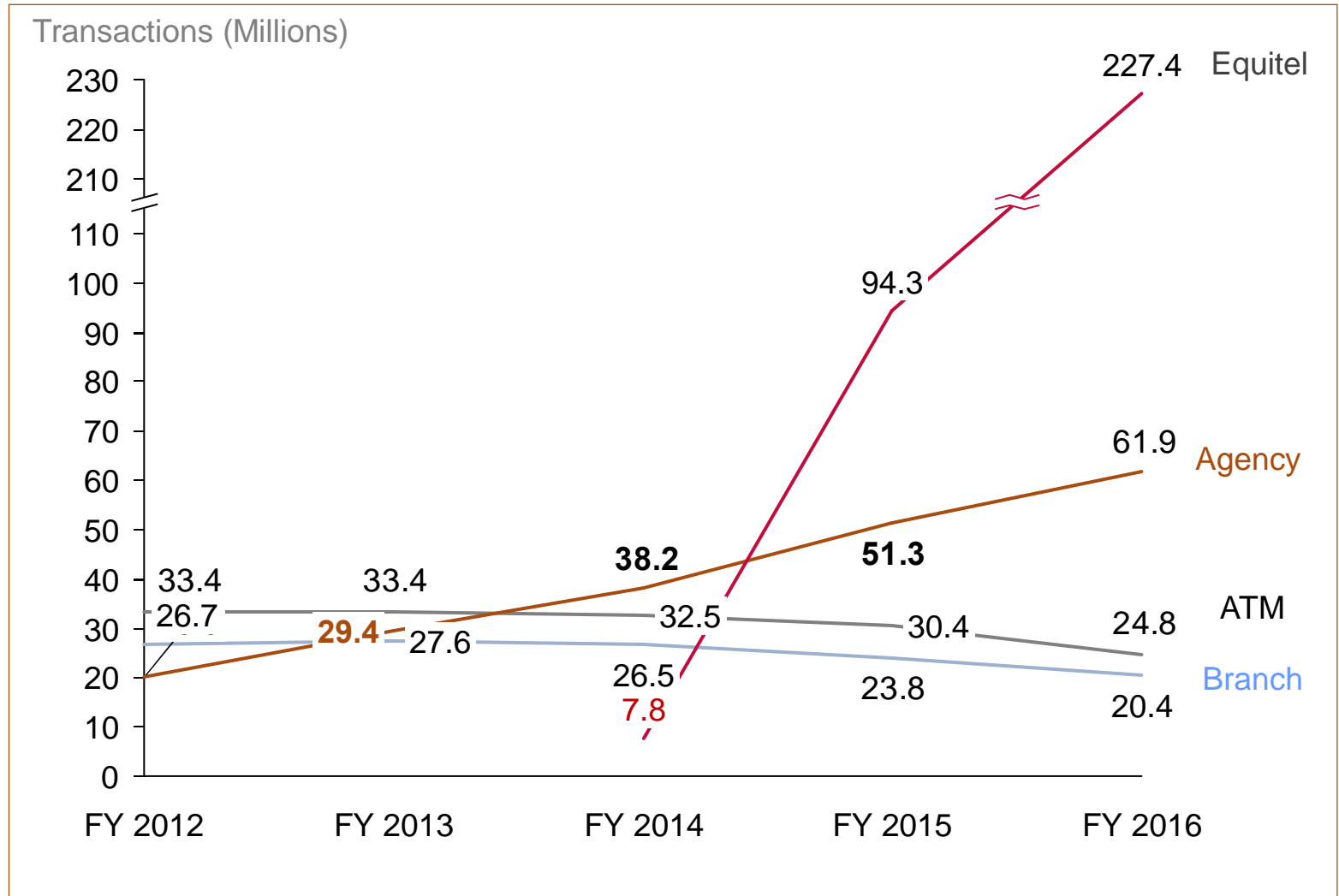
Focus on Variable cost model...

Number of agents increased to **29,561 agents**. **23% growth y/y**

Agent transactions registered a **21% growth y/y**

More transactions now processed under 3rd party infrastructure

... More transactions now processed under 3rd party infrastructure

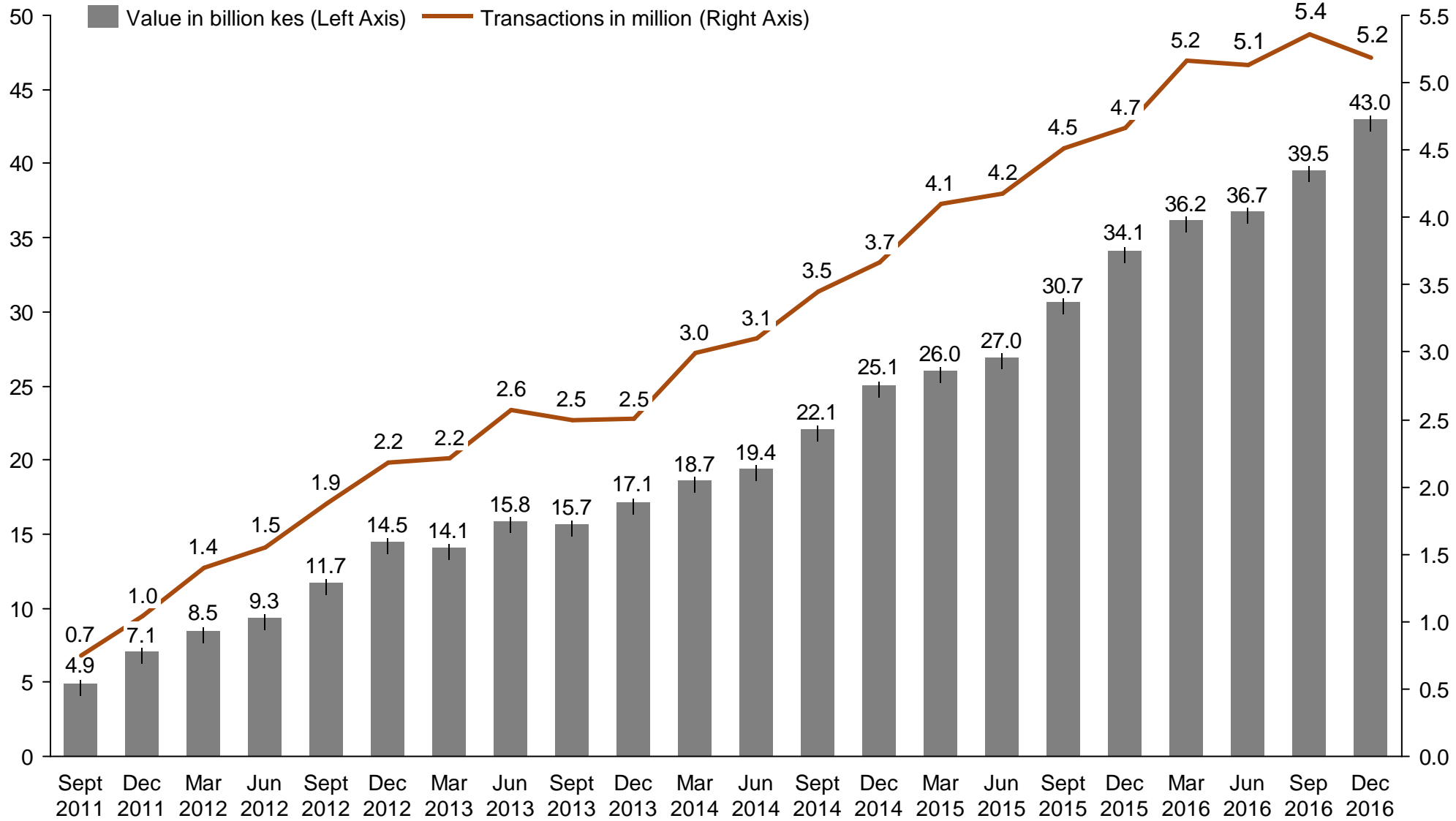




Adoption of alternative channels continues to gain traction



Number and Value of Agents Transactions 2011 - 2016





Diversification of Income Streams – Merchant banking



We have partnered with key payment companies...

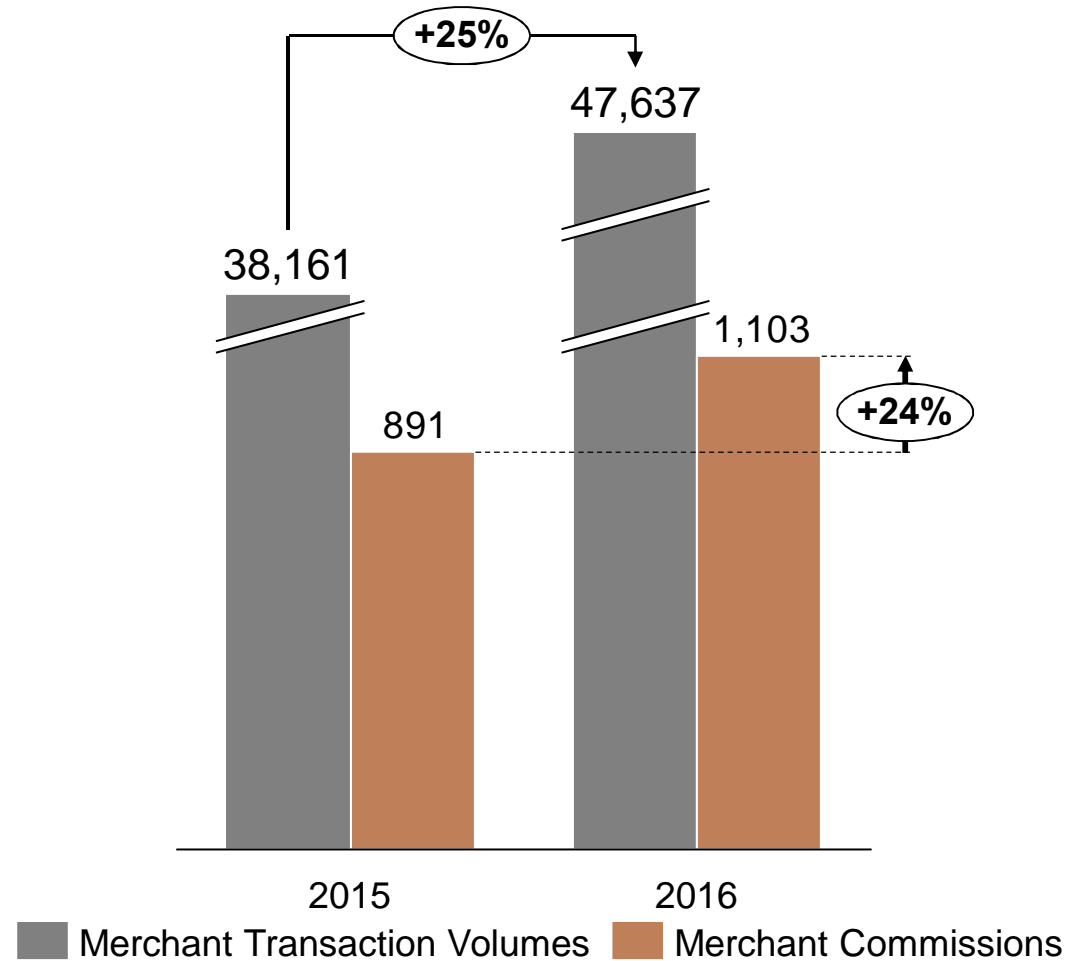
...which has allowed us to grow our number of transactions and commissions



Equity is leading in **Acquiring and Issuing**

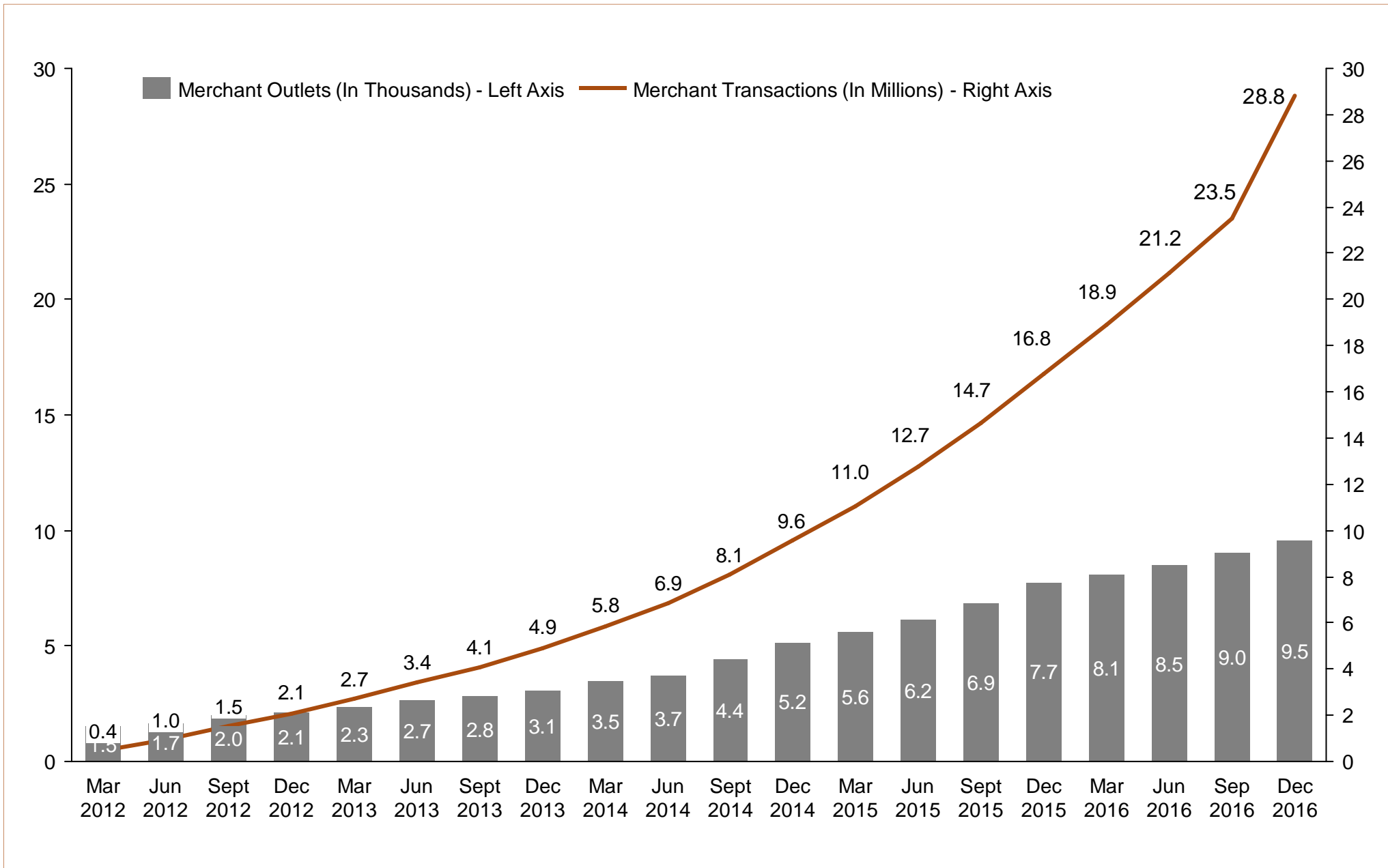
Best in class payment channel services work well with merchants

In KES millions



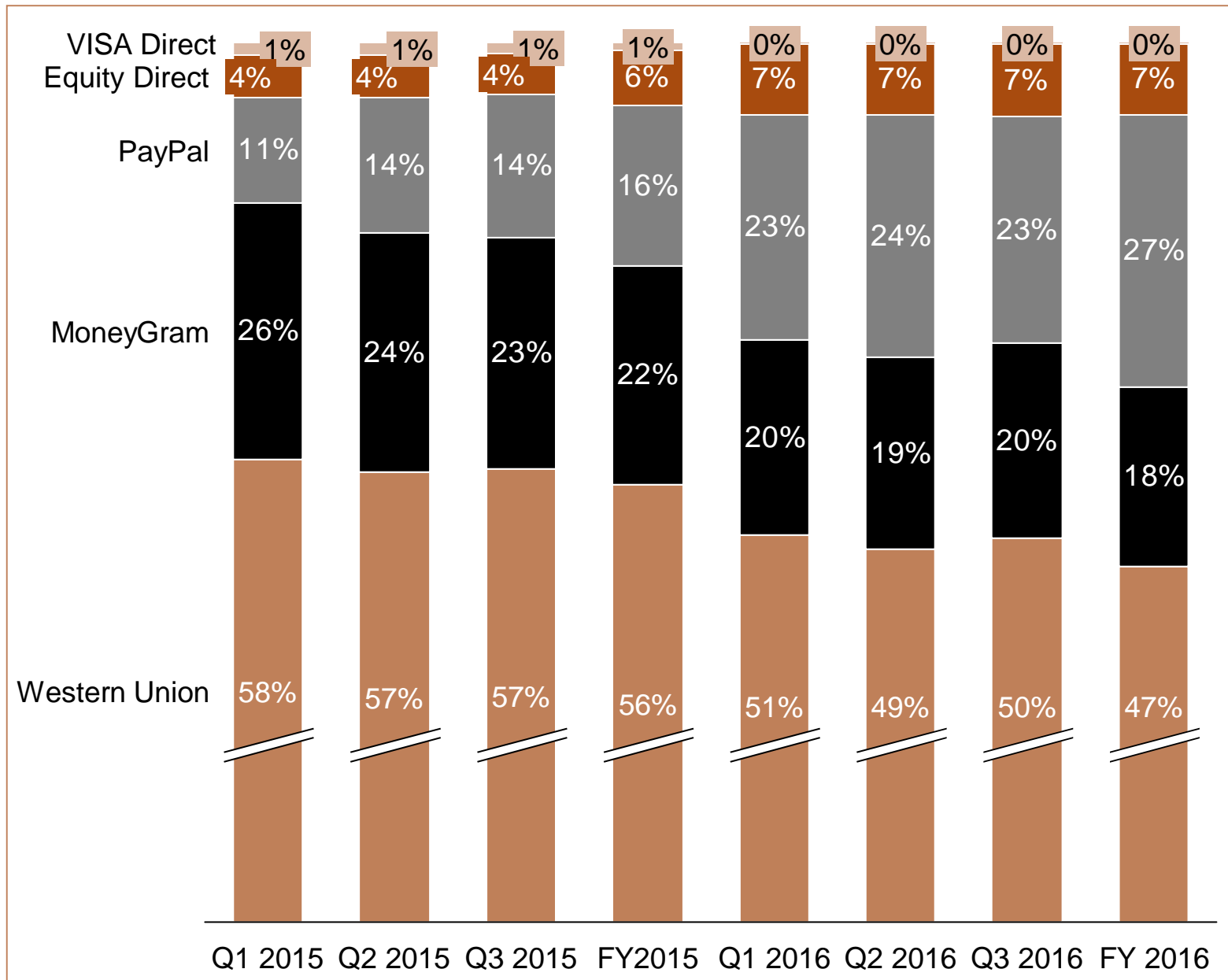


Diversification of Income Streams – Merchant banking





Diversification of Income Streams – Diaspora





Banking made Eazzy

Channels available to customers....The tools



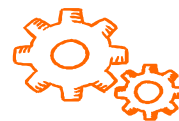
EazzyNet

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



EazzyApp

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

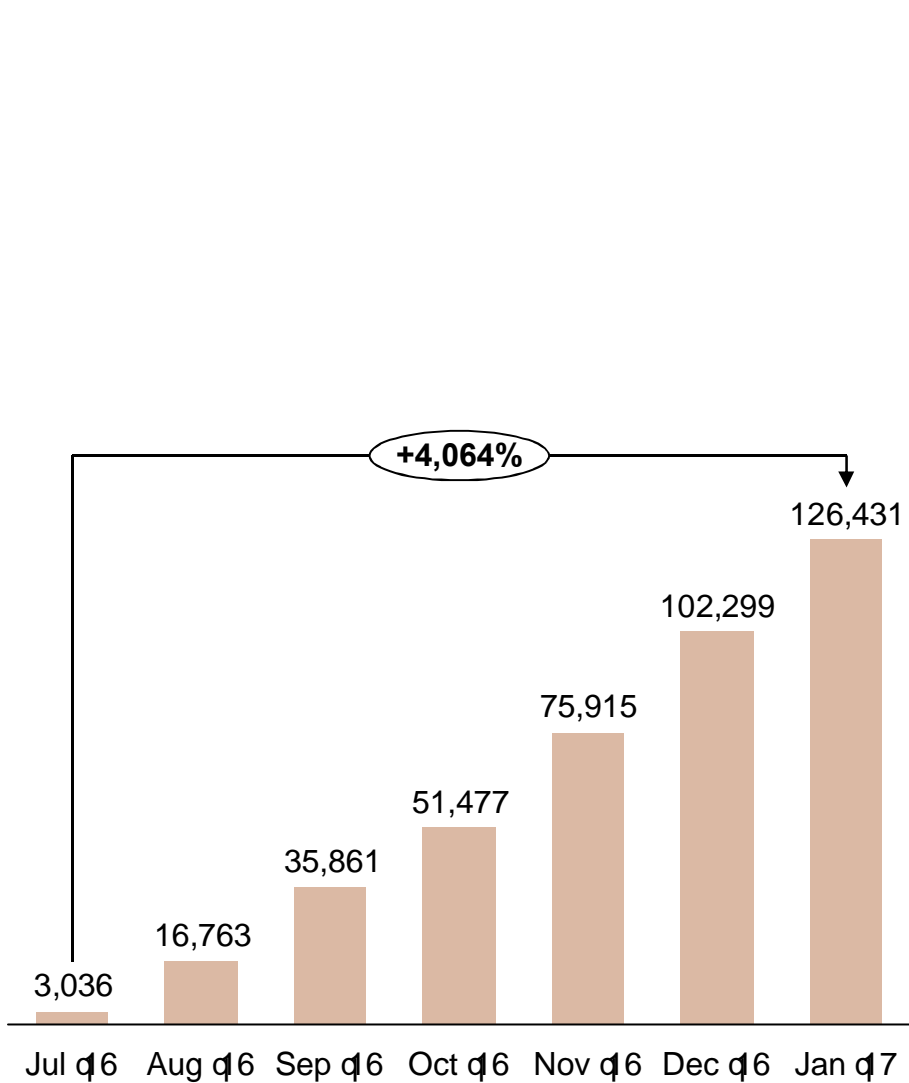


Digitization

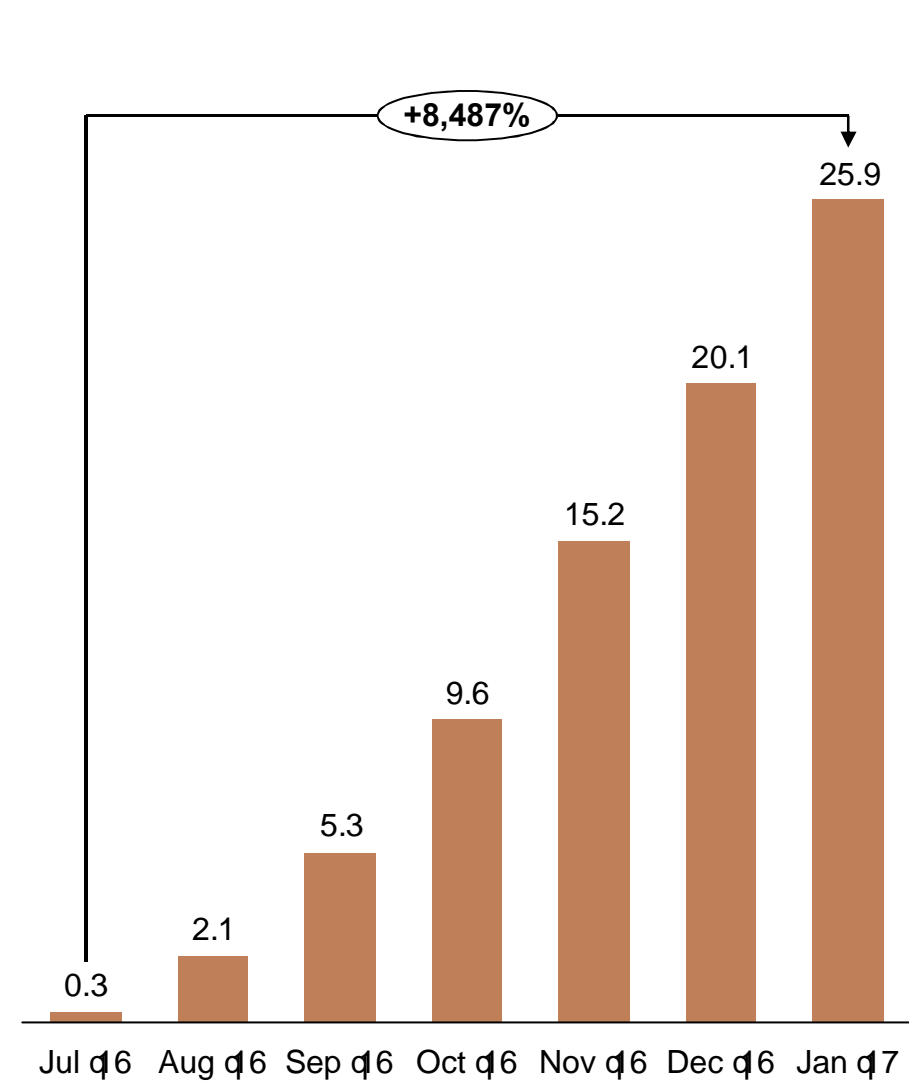


EazzyBiz

Transactions Trend
(Count)



Volumes Trend
(In Kes Billions)



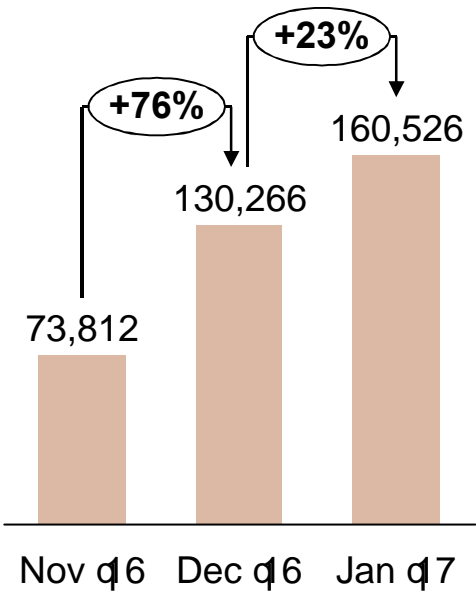


Digitization

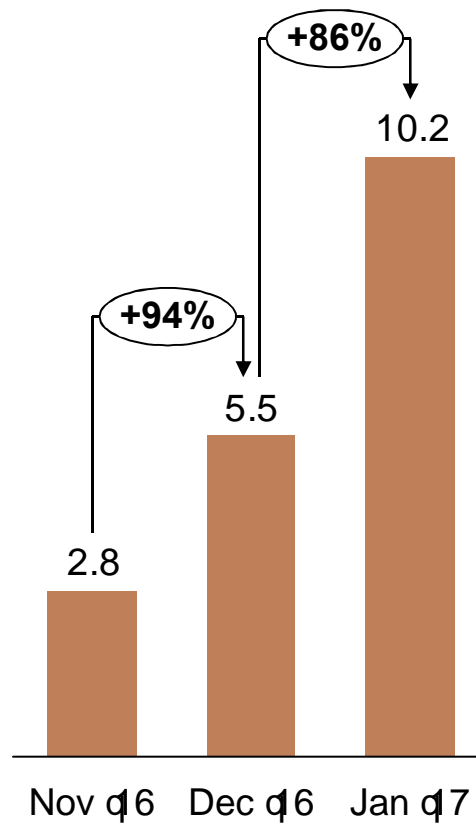


EazzyApp

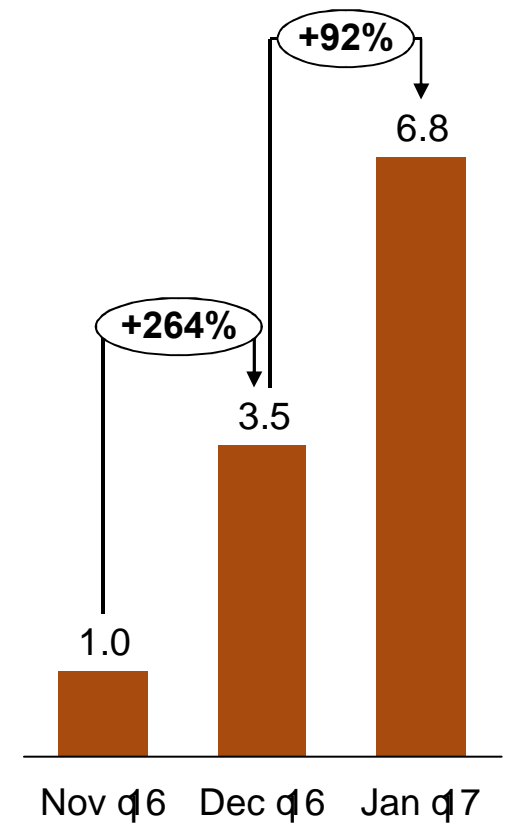
Downloads Trend (Count)



Transactions Trend (Count in Millions)



Volumes Trend (In Kes Billions)



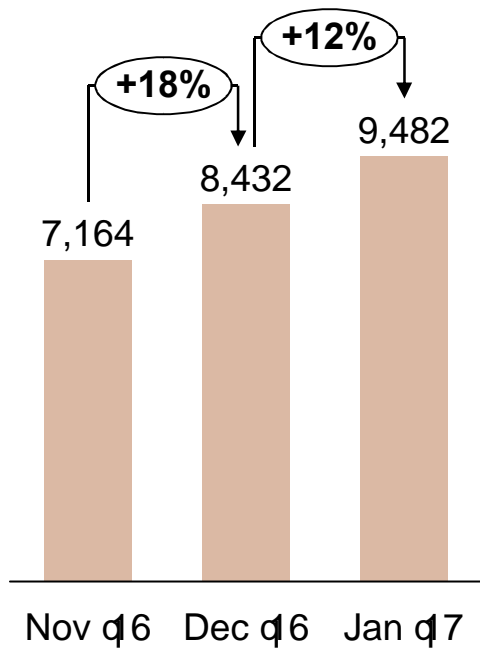


Digitization

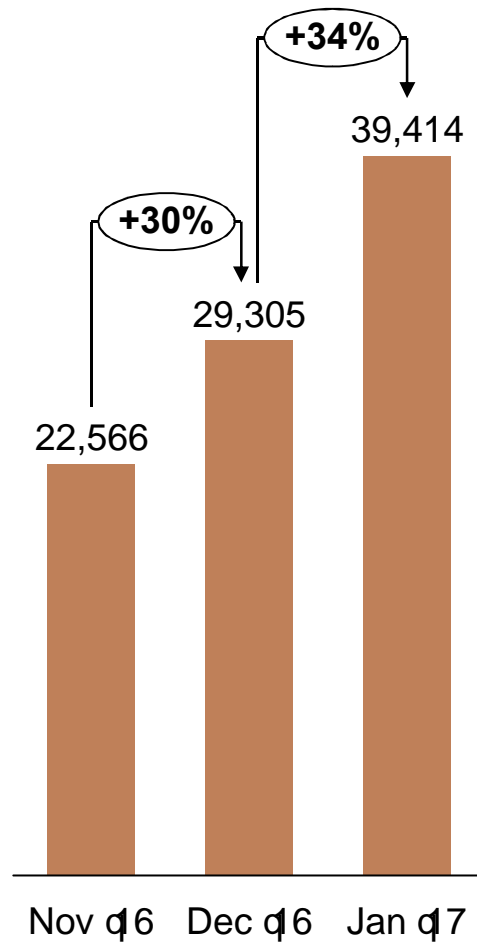


EazzyNet

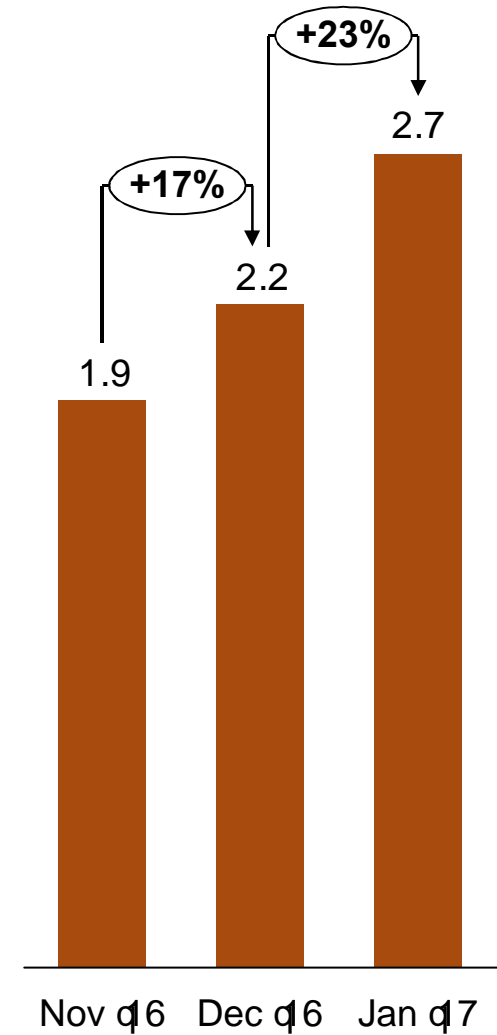
Registration Trend
(Count)



Transactions Trend
(Count)



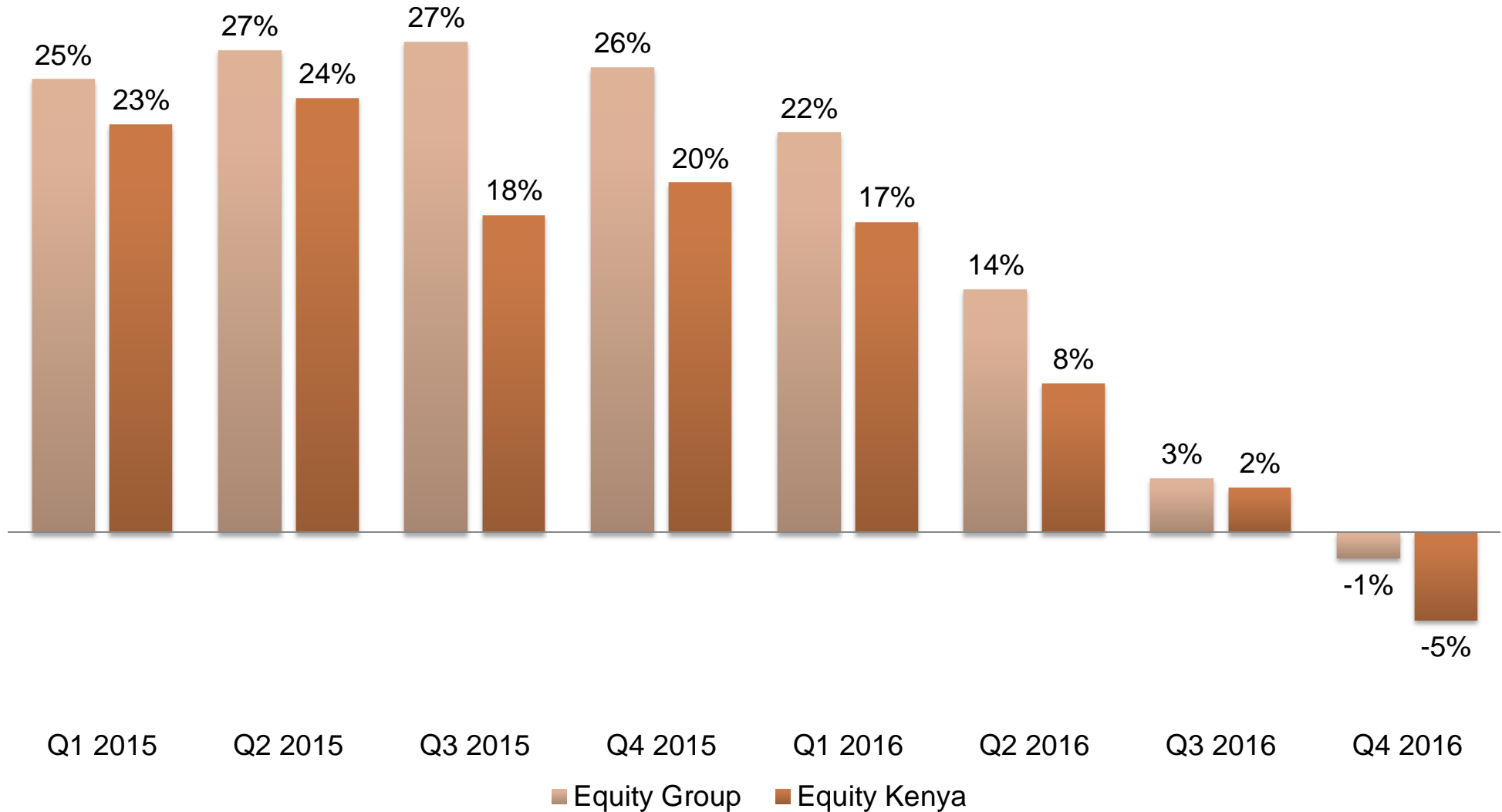
Volumes Trend
(In Kes Billions)





Cautious underwriting of risk

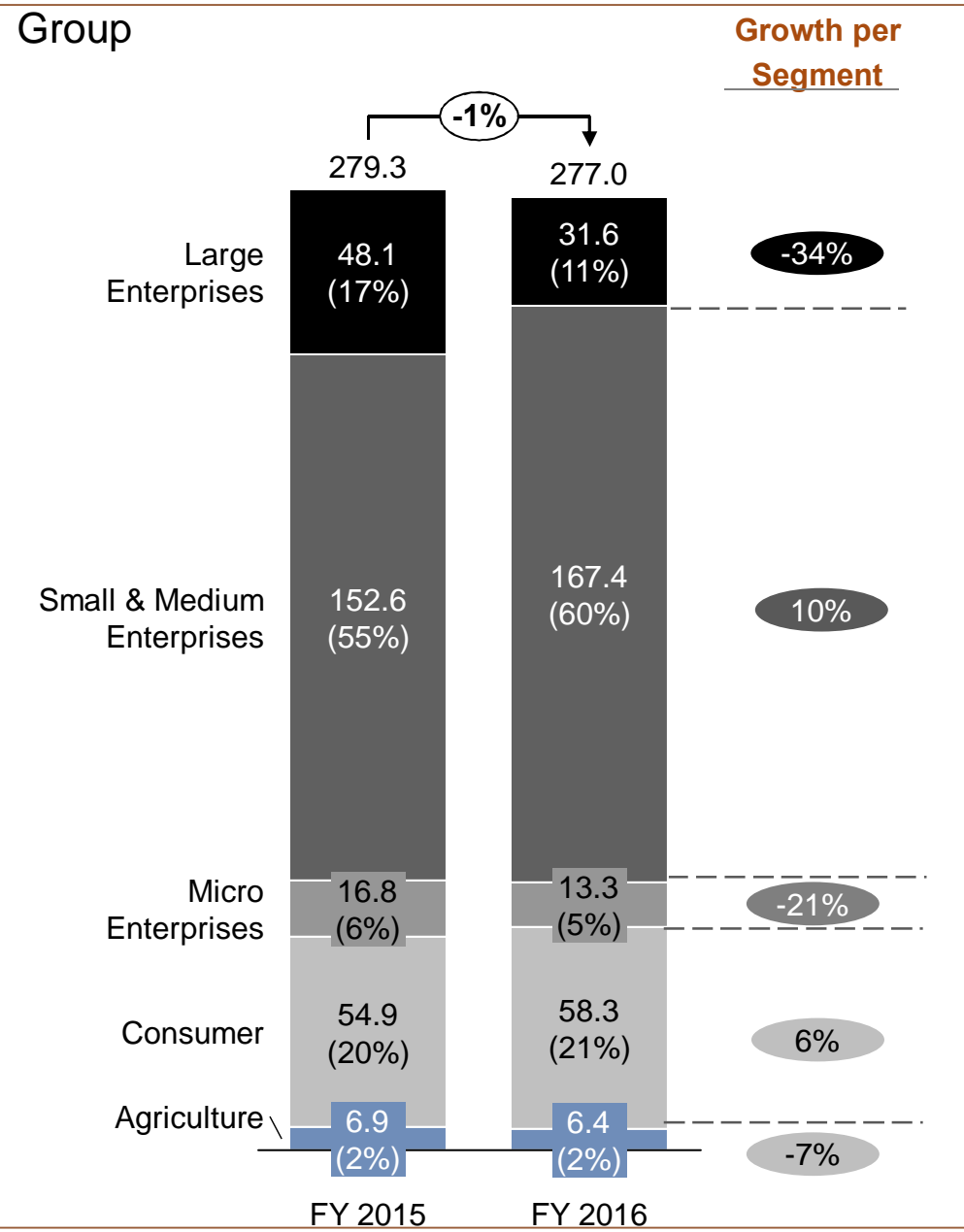
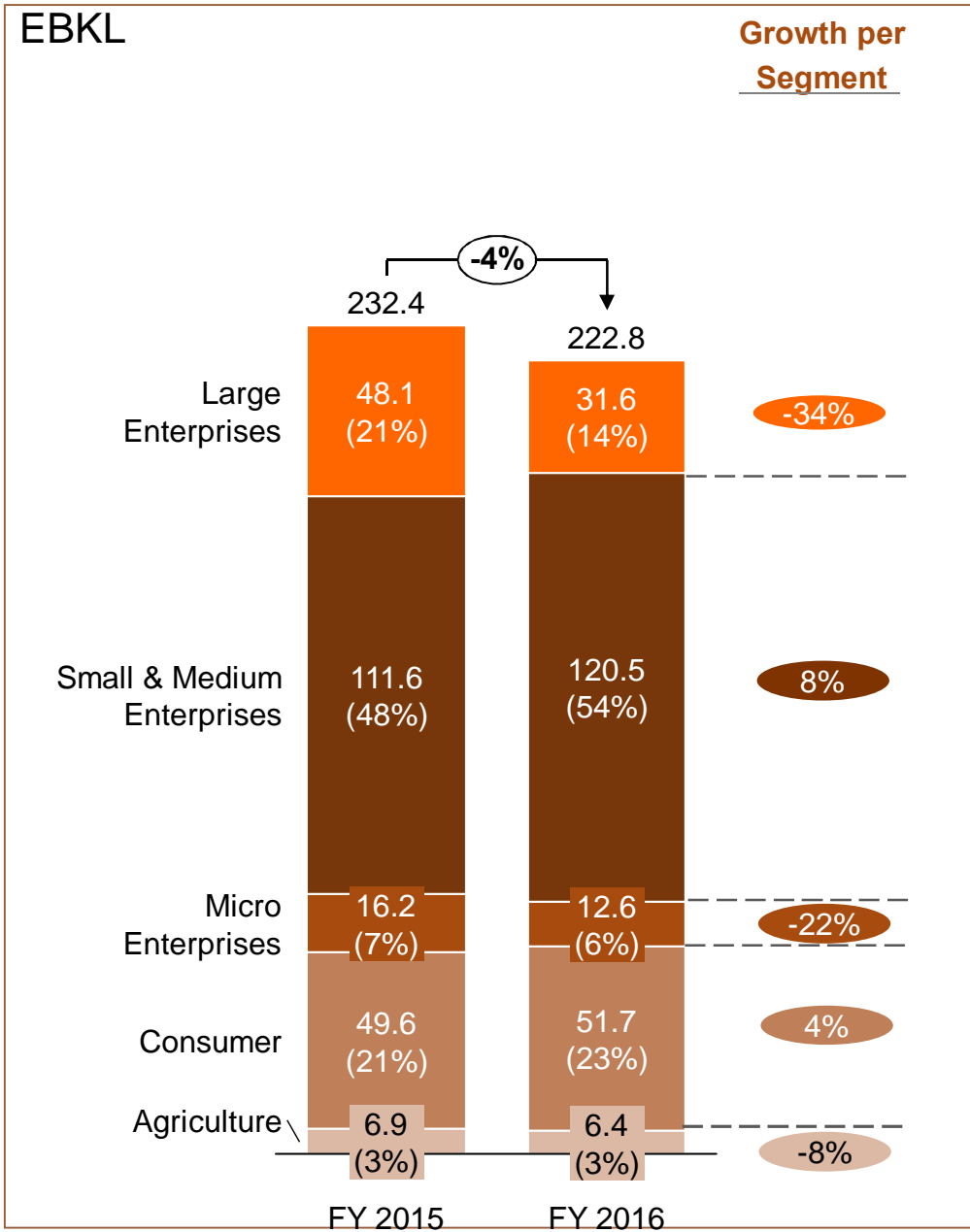
Slowdown in risk taking (net loan growth)





Gross Loans Breakdown

In KES billion

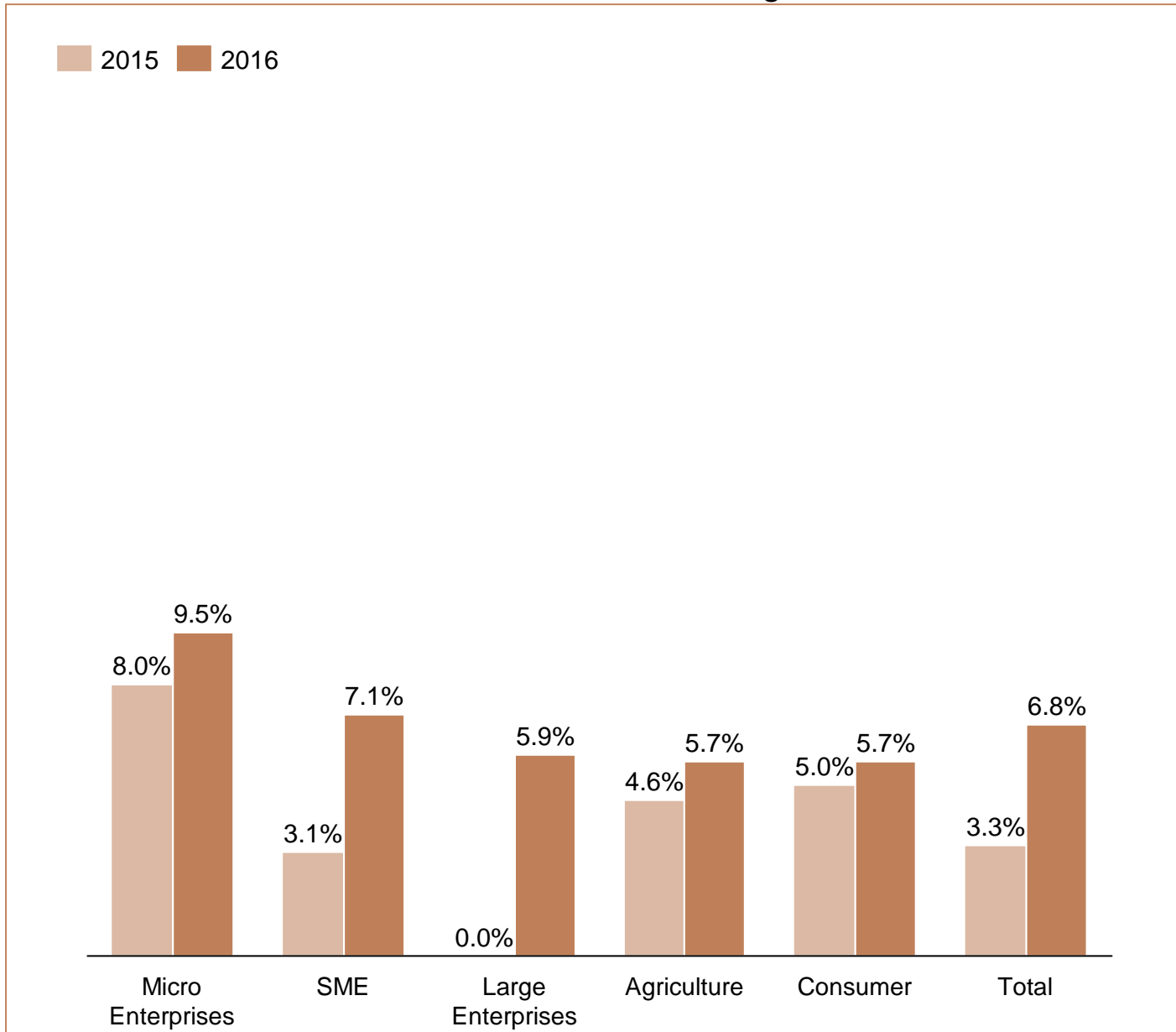




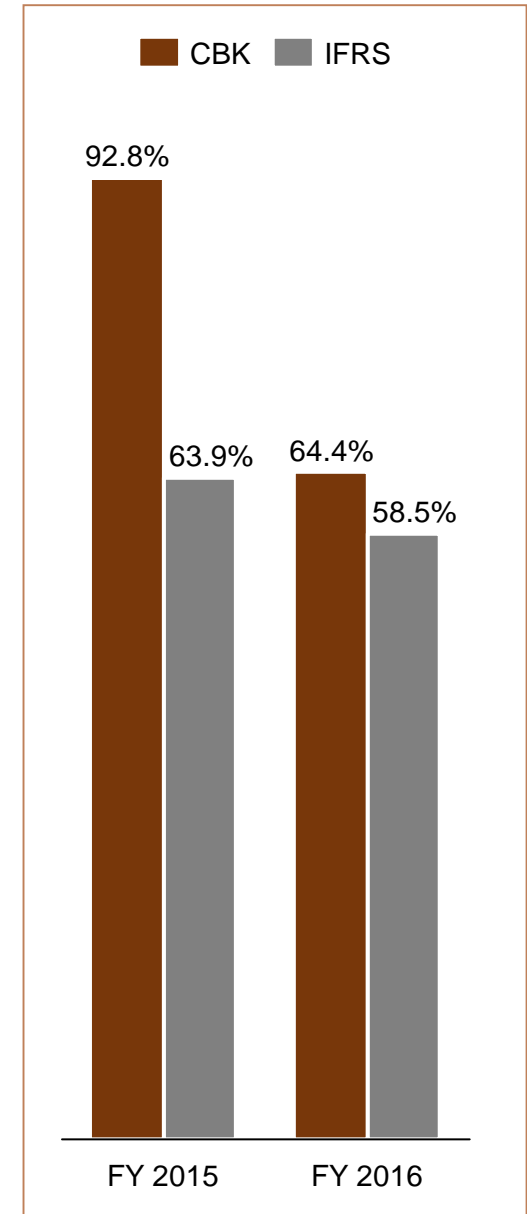
NPL per segment and Coverage



NPL increase in collateralized segments

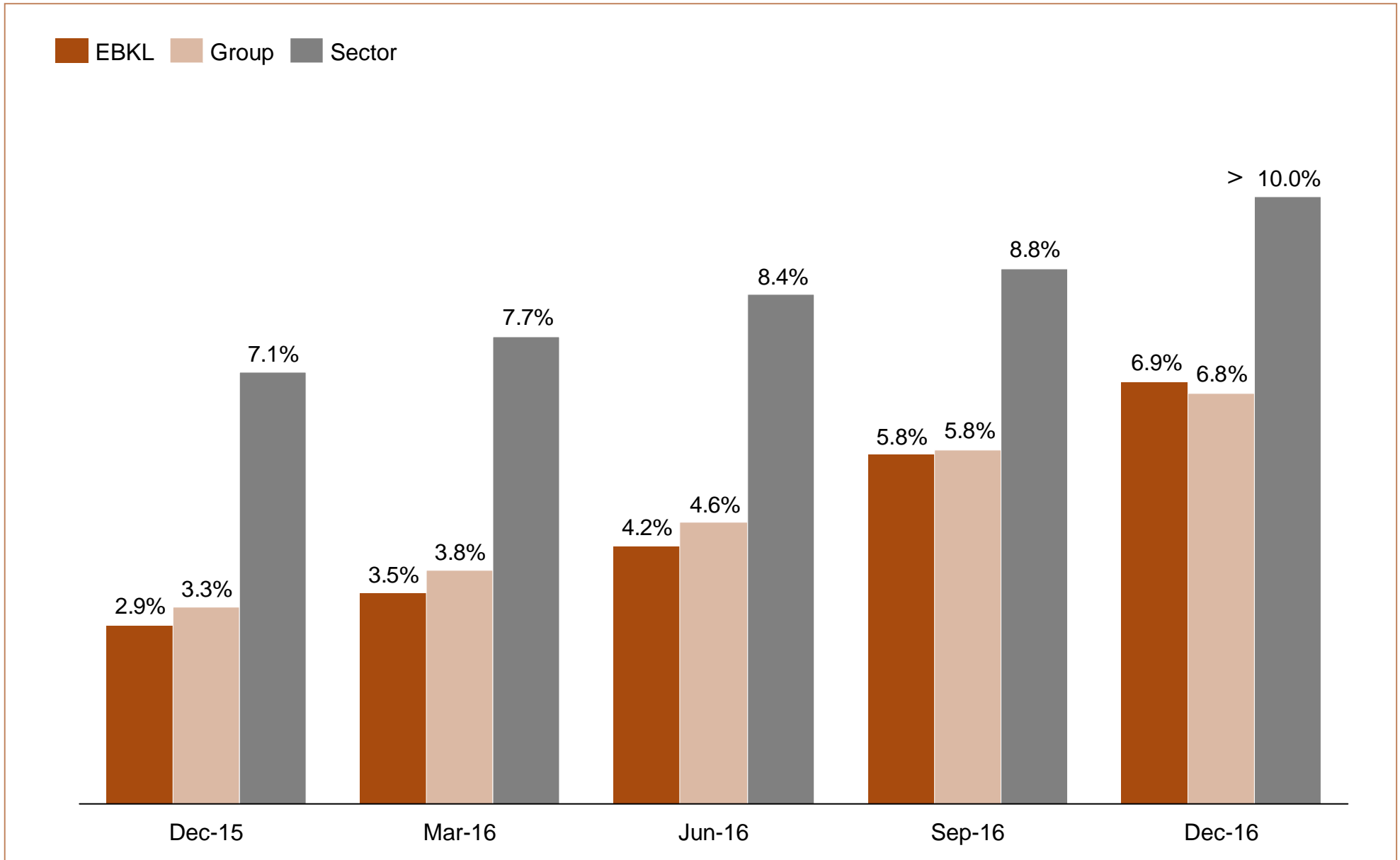


Coverage (Group)





Asset Quality – Equity vs Sector NPL Trend



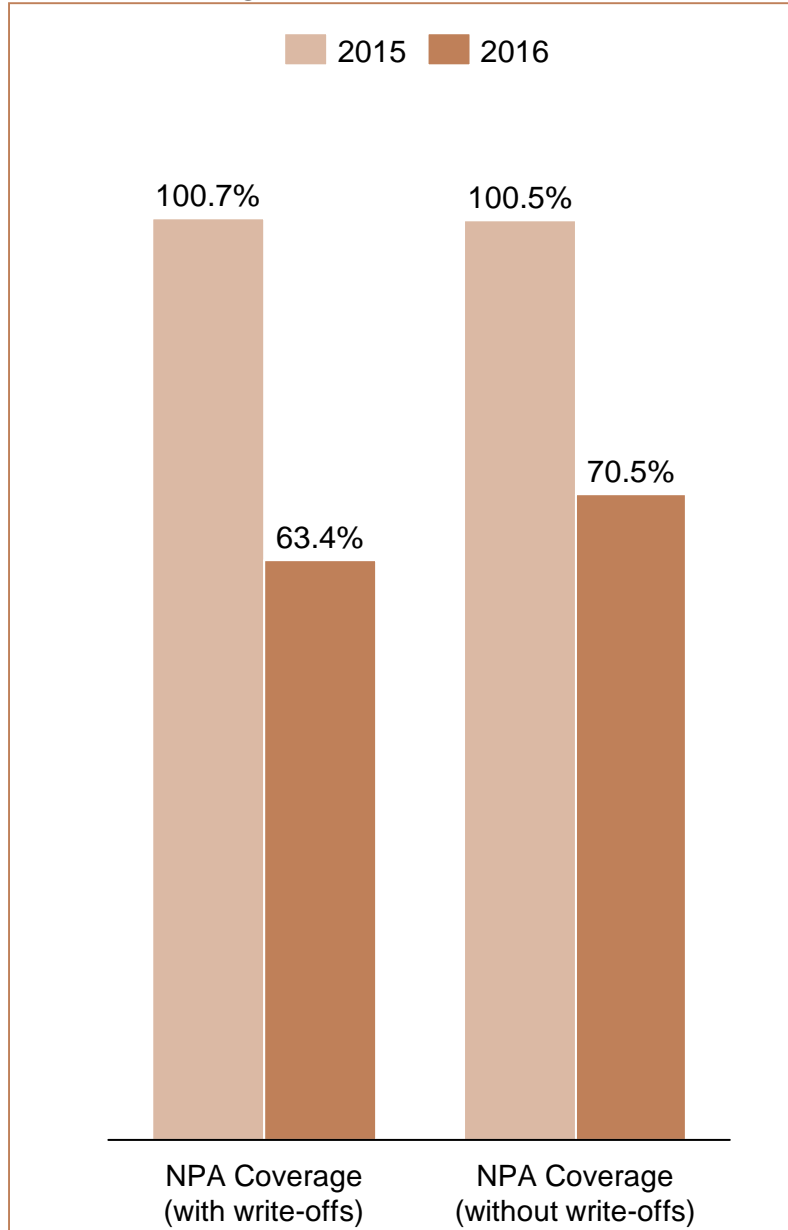
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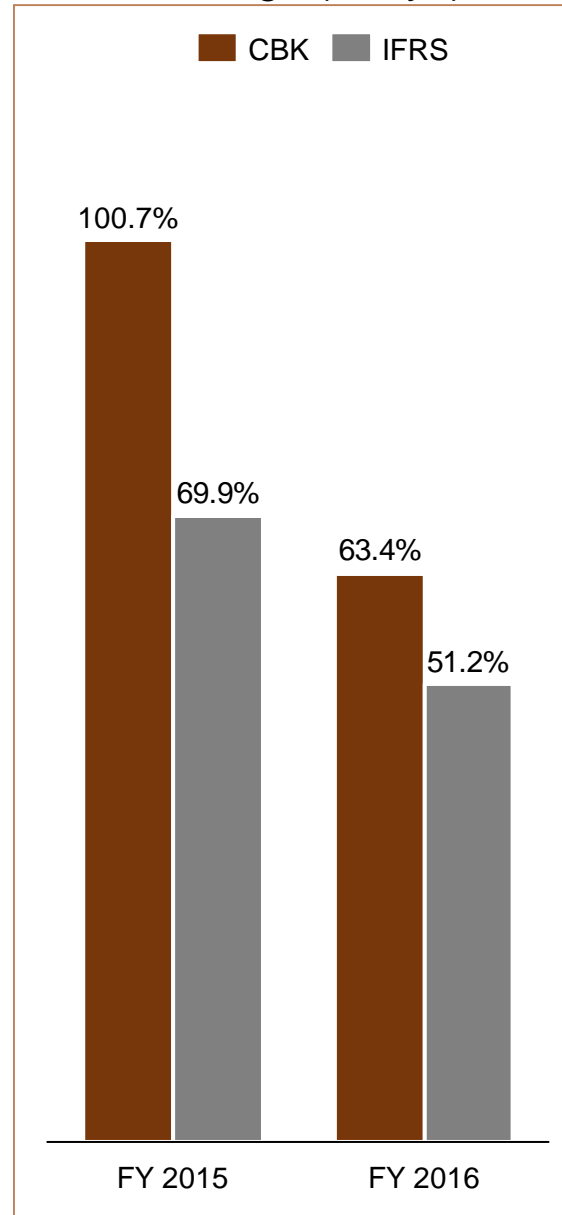
Conservative write-off Policy



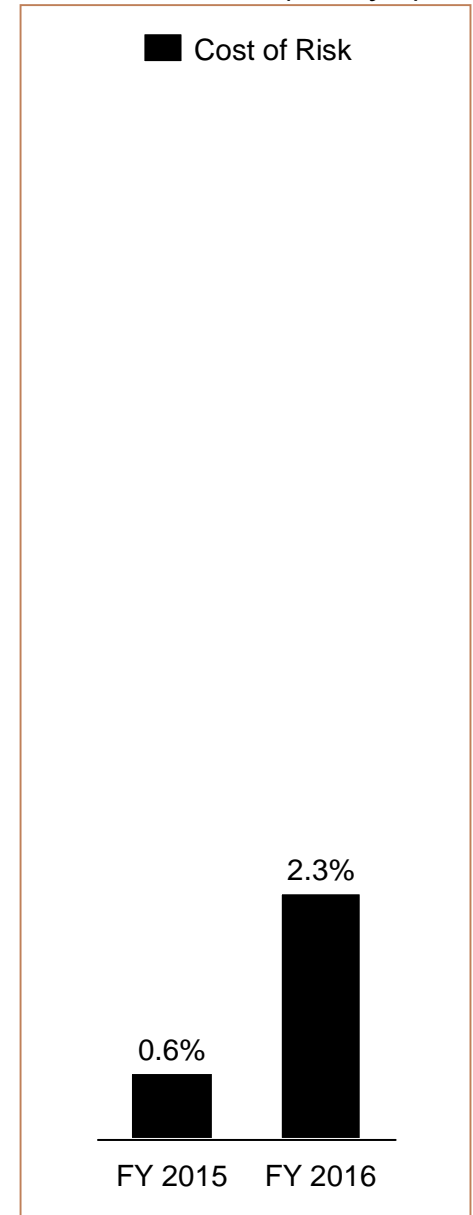
NPA Coverage (with and without write-offs)



Coverage (Kenya)

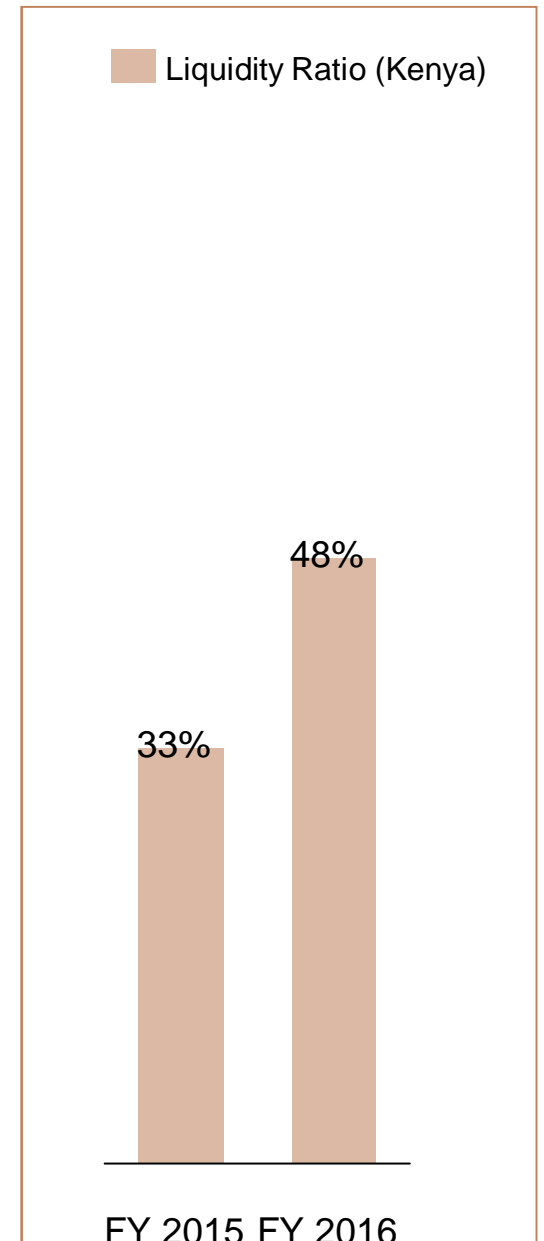
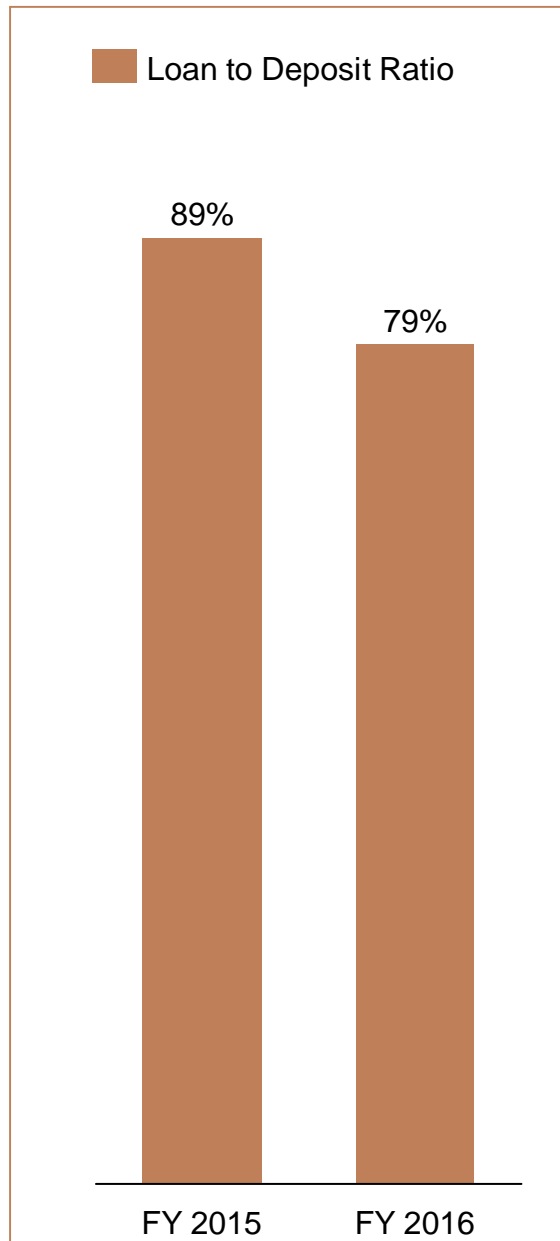
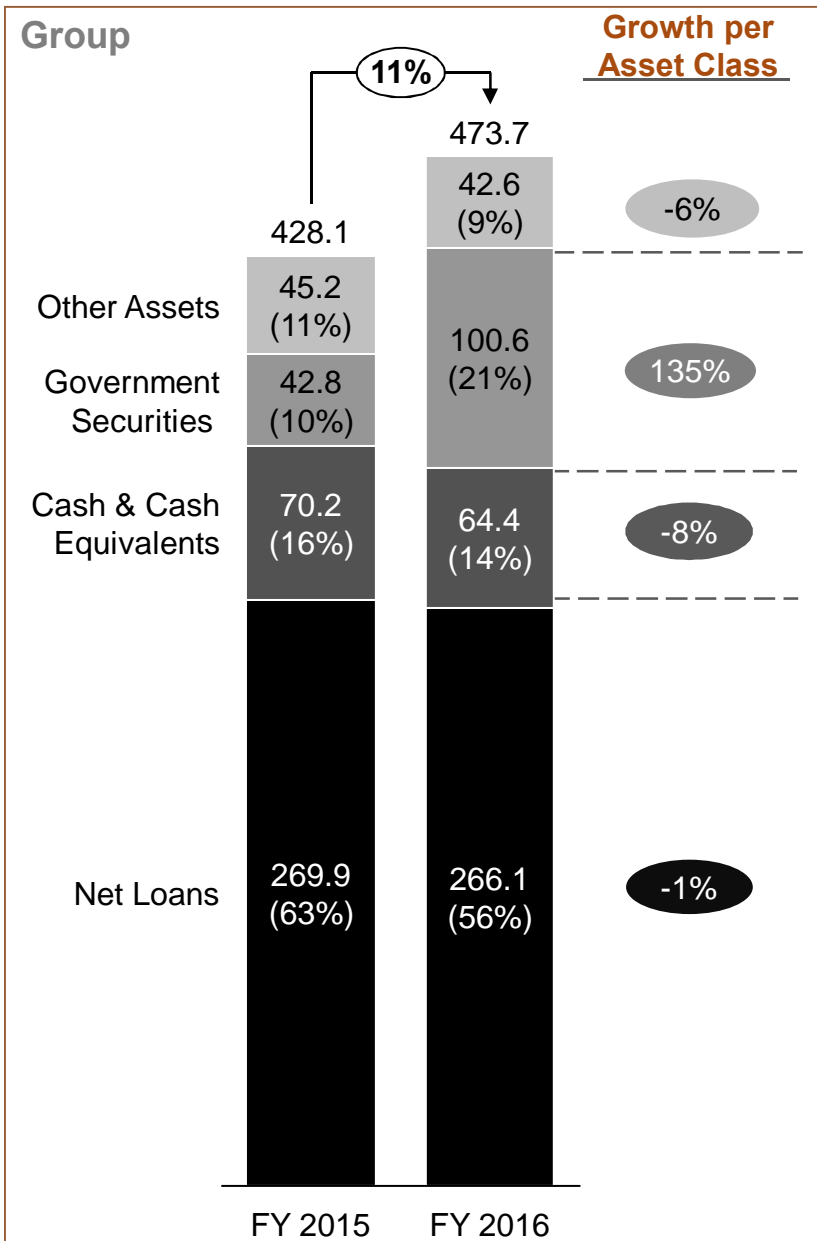


Cost of Risk (Kenya)





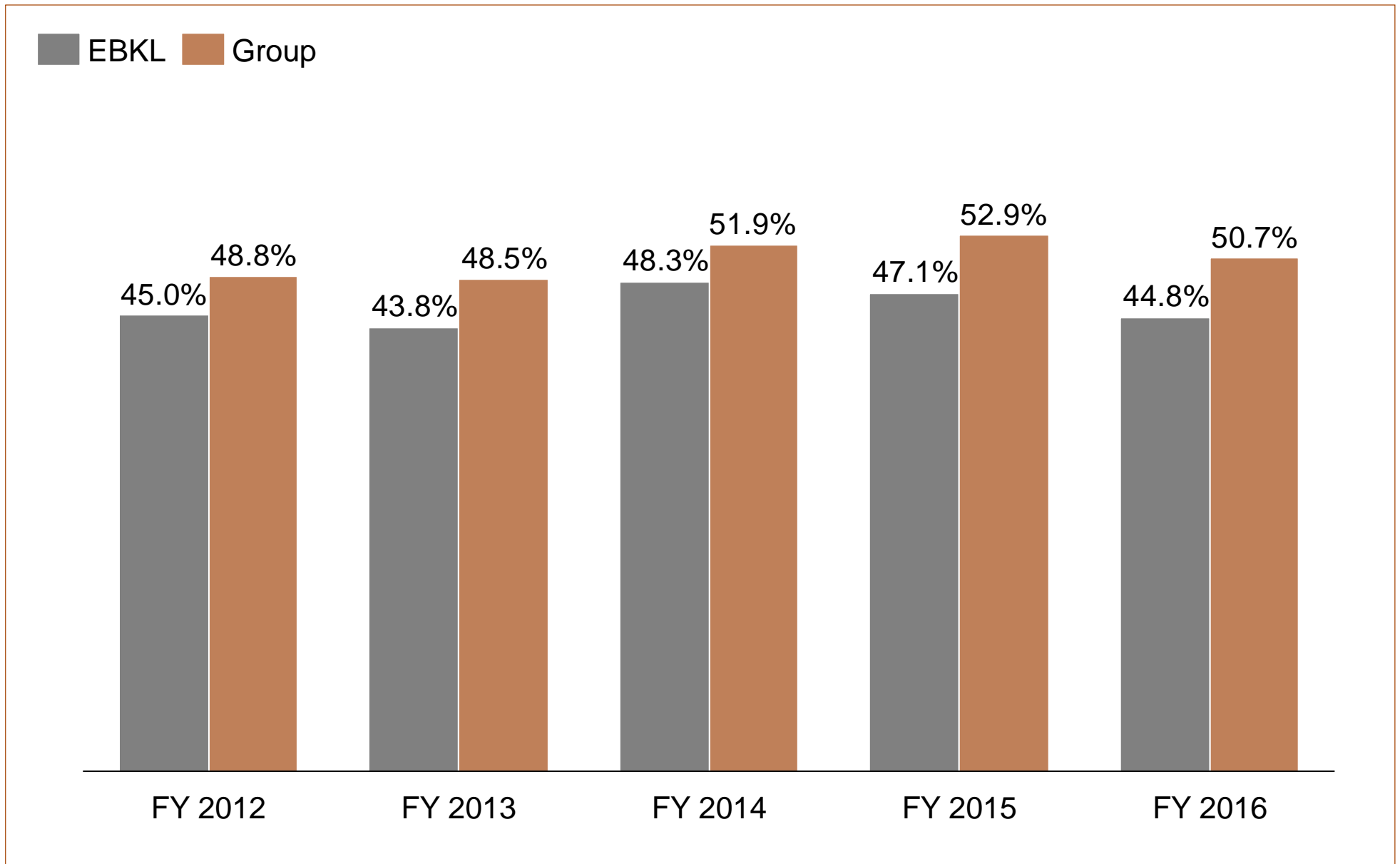
Return vs risk trade-off





Cost to Income Ratio Trend (YoY)

2016 cost optimization & efficiencies of digitization

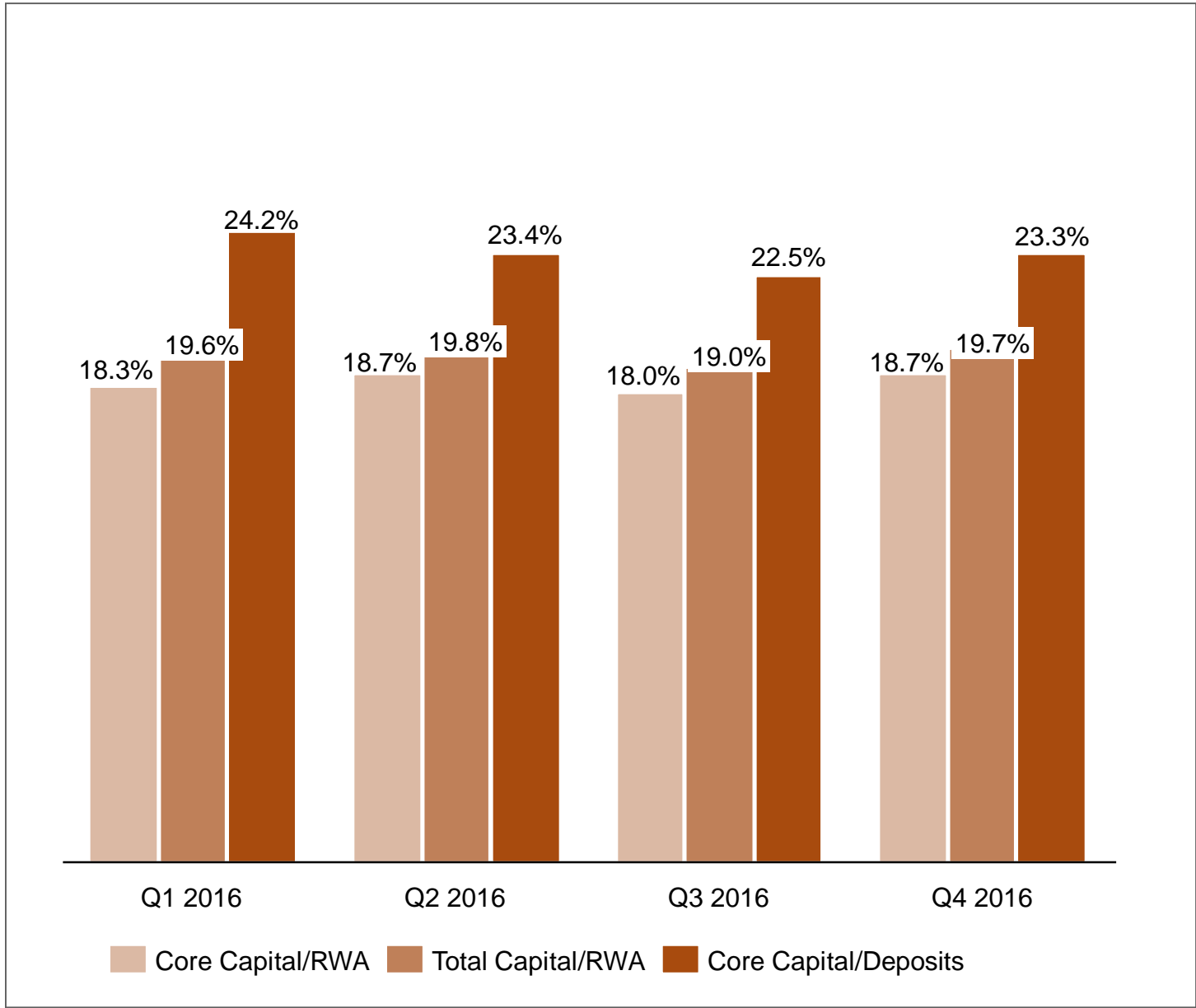




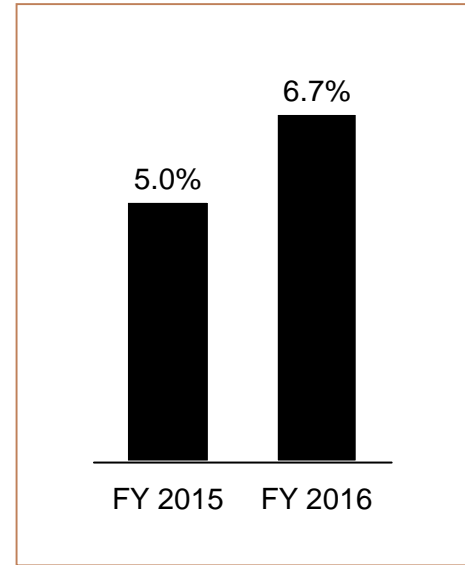
Capital management



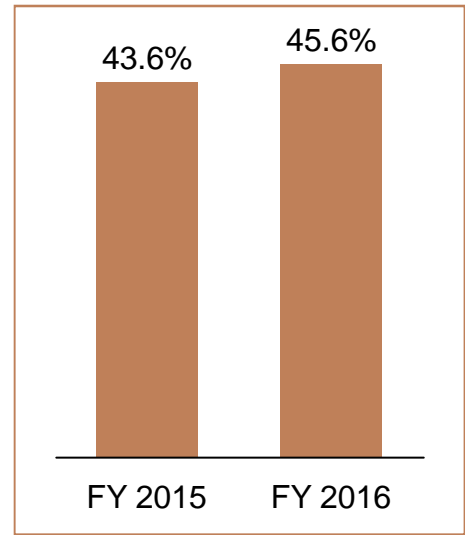
Well capitalized Group positioned for growth opportunities



Dividend Yield

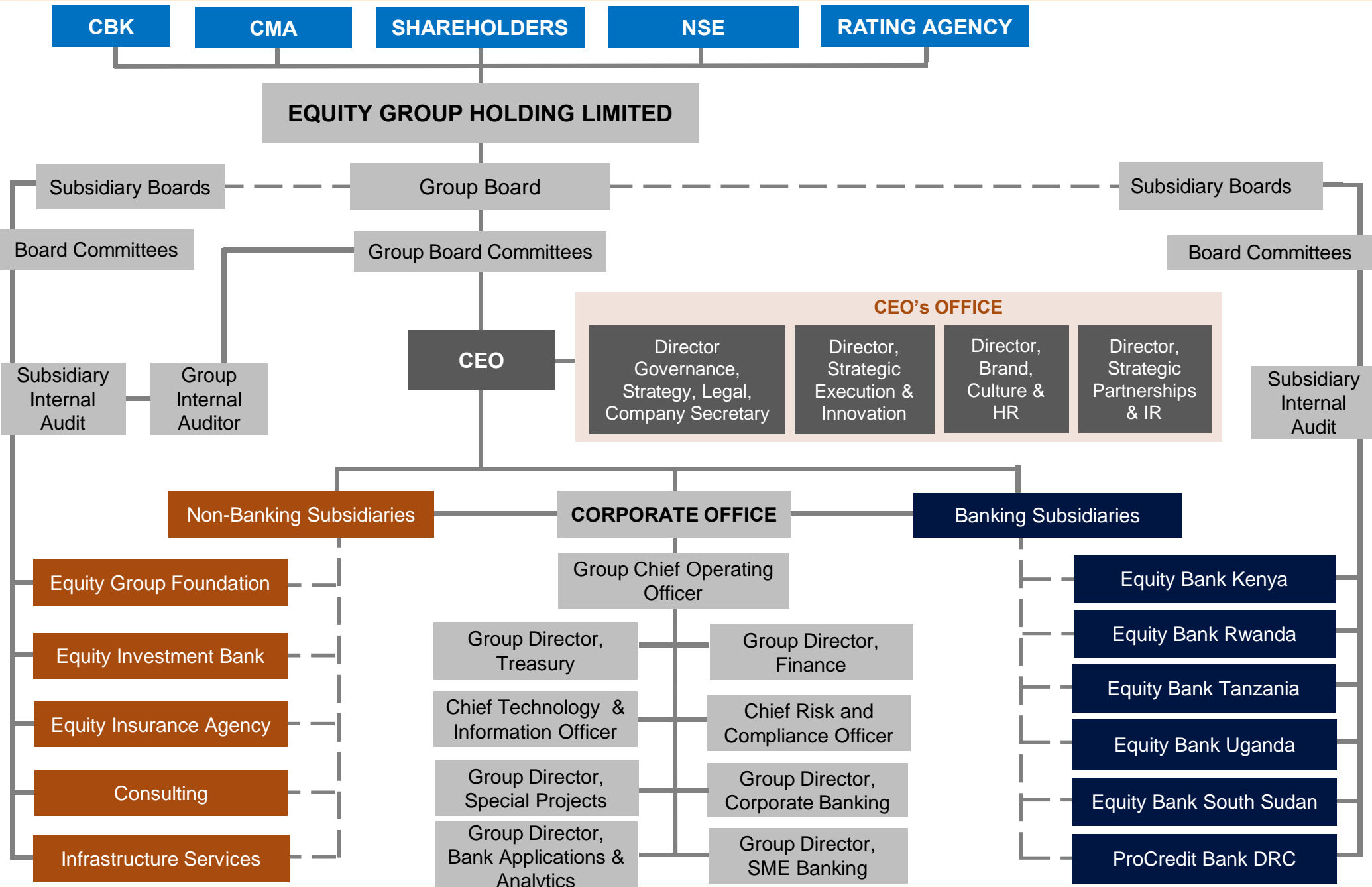


Pay-out Ratio





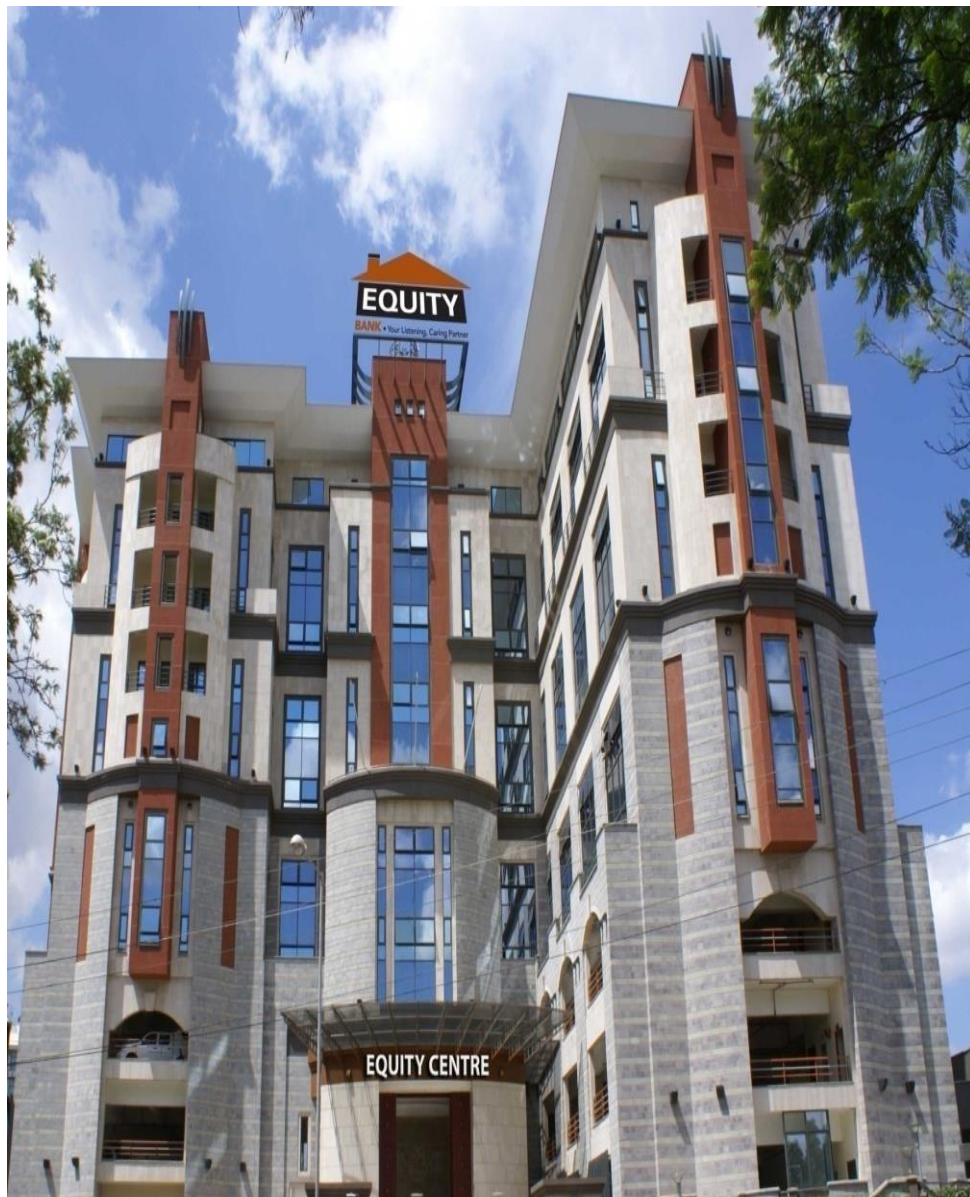
Strong Governance & Leadership Structure supportive of executing differentiated performance



Each subsidiary with own Board of Directors compliant with local regulations



Committed Strategic shareholder base



NSE Publicly Listed/ Cross Listed at USE at RSE

- 11.4 million customers . 6 countries
- Market Capitalization: ~ Kshs 113.2 billion
(as at 31st Dec 2016)

Ownership

- **Over 30,000 shareholders**
- **Strategic Investors**
 - Arise Africa (Norfund, FMO, Rabo Bank)
 - British . American Investments Company (Kenya) Limited
 - Genesis
 - Equity Bank ESOP

Regional presence – Kenya, Rwanda, Tanzania, Uganda, South Sudan & DRC

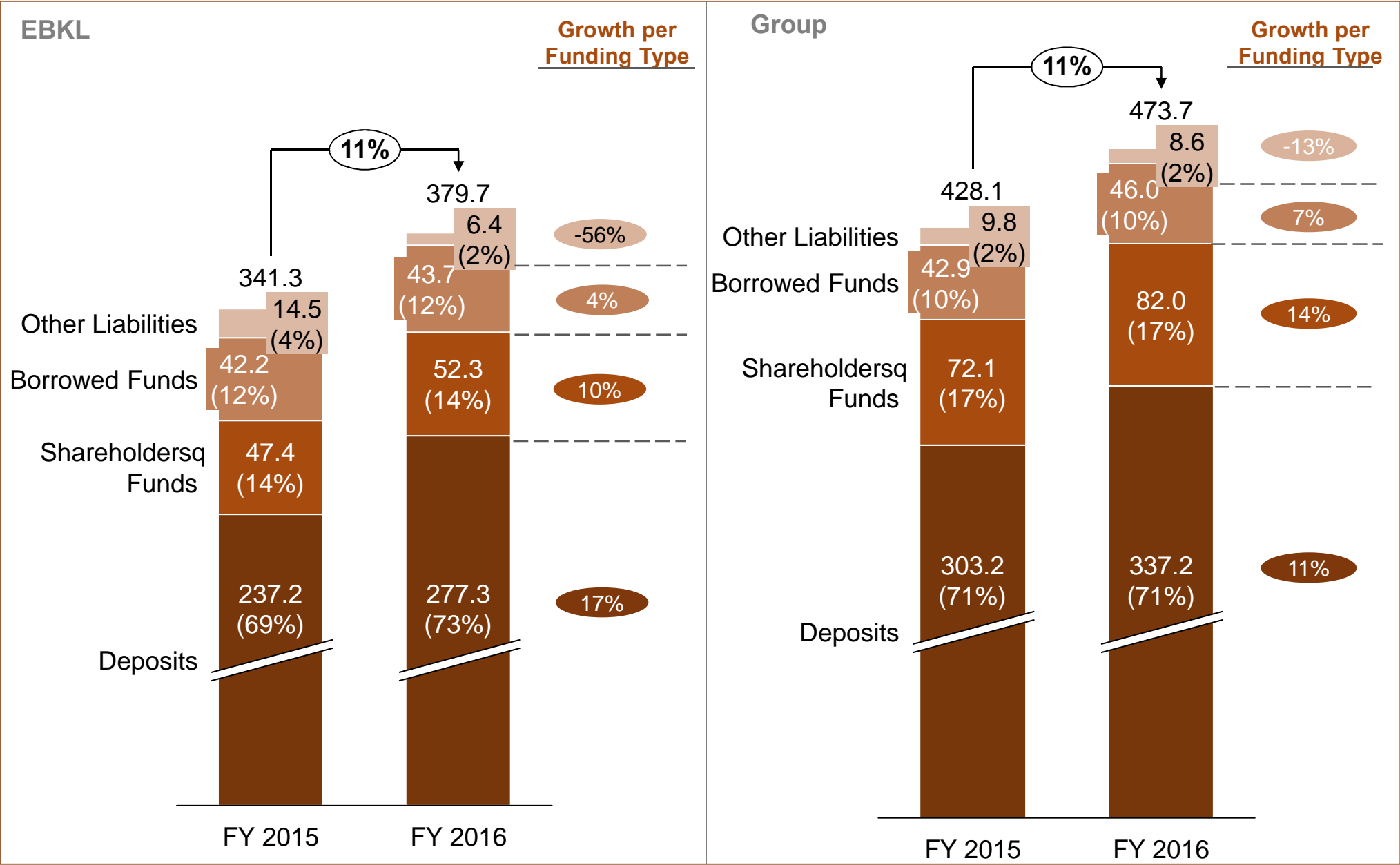


Intermediation & Financial Performance



Funding Base of KES 474 Billion

In KES Billion+

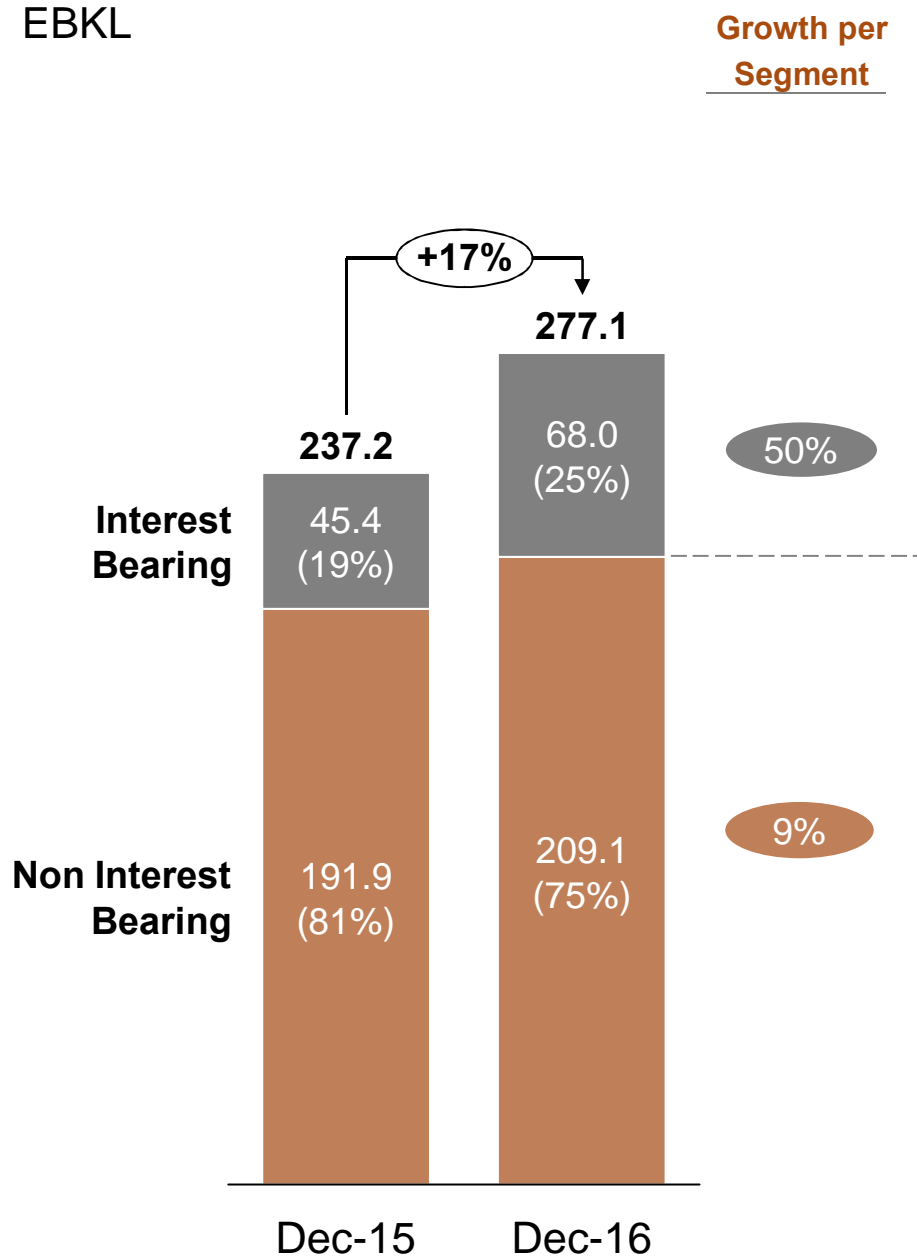




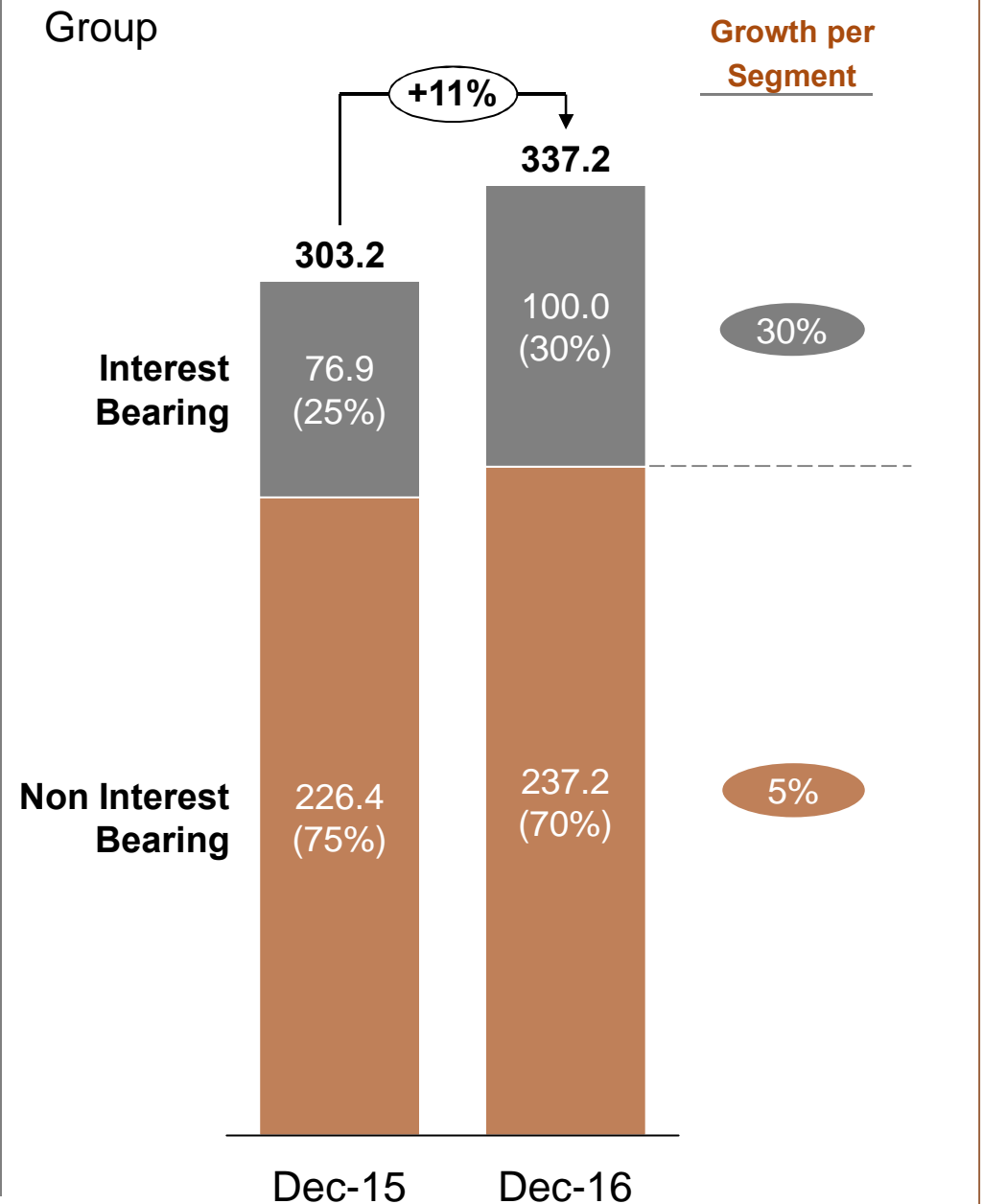
Deposits growth assures embedded value for future asset growth

In KES billion

EBKL



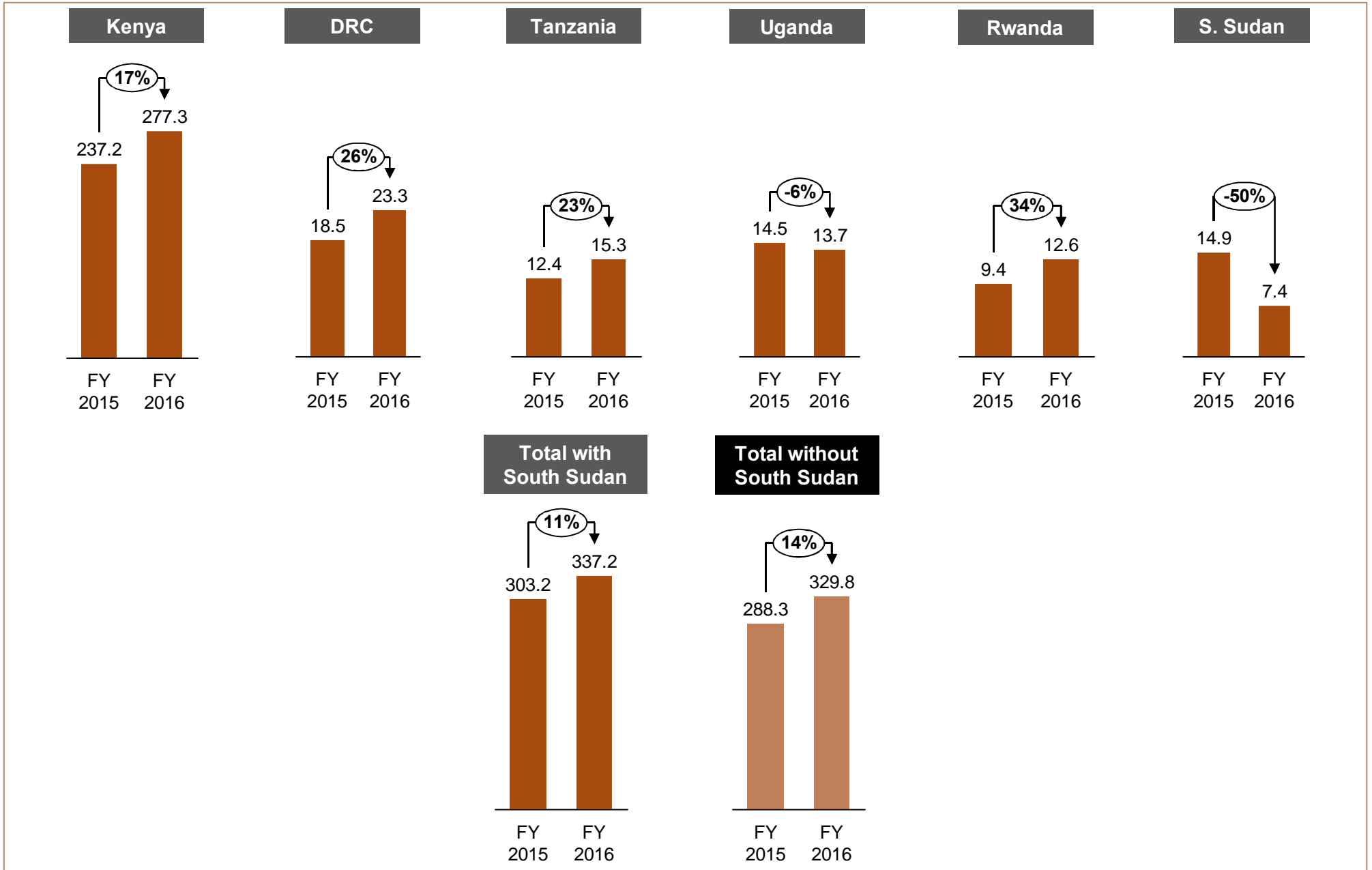
Group





Deposits Growth

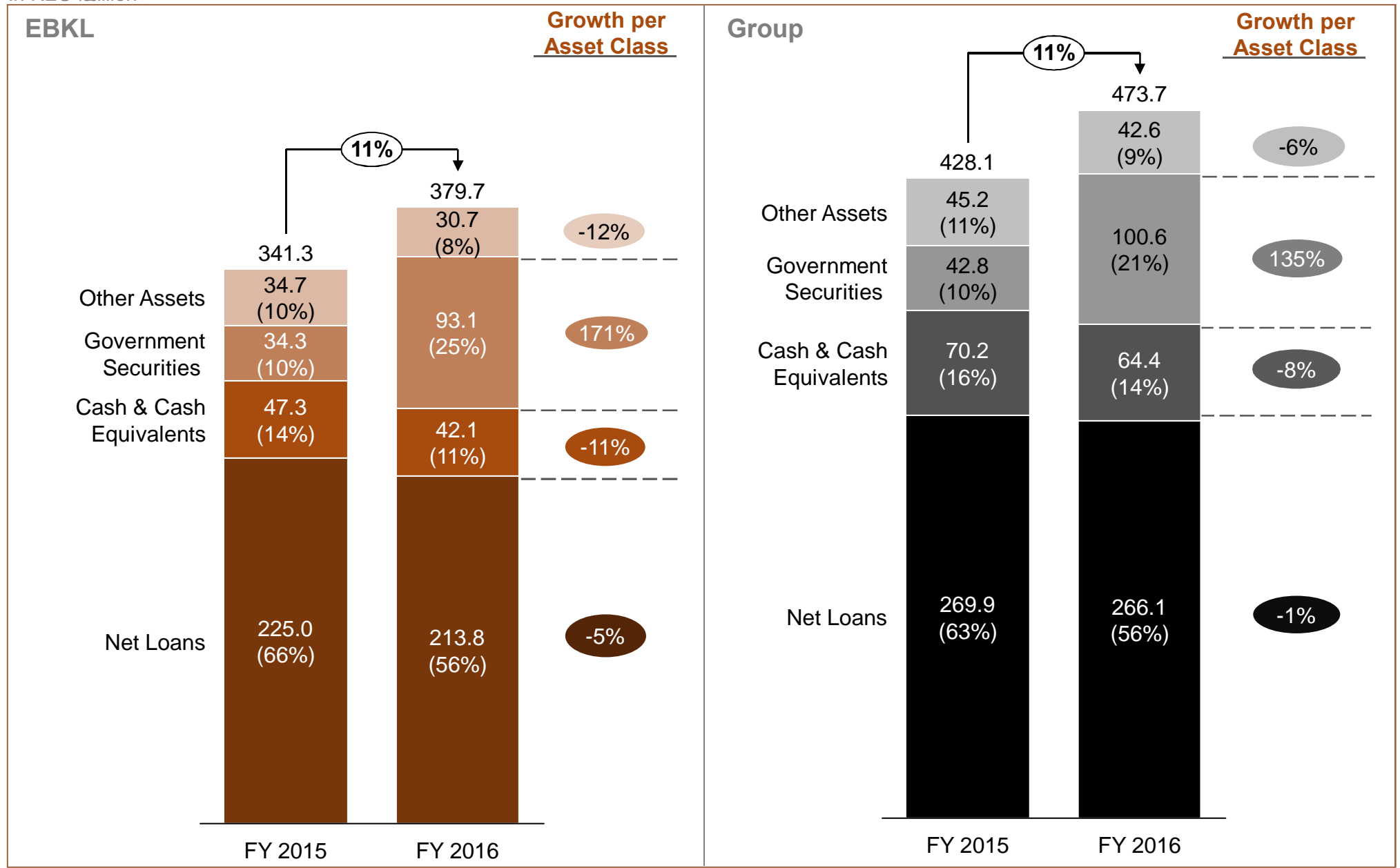
In KES billions





Group Assets of KES 474 Billion driven by a growing Deposit base

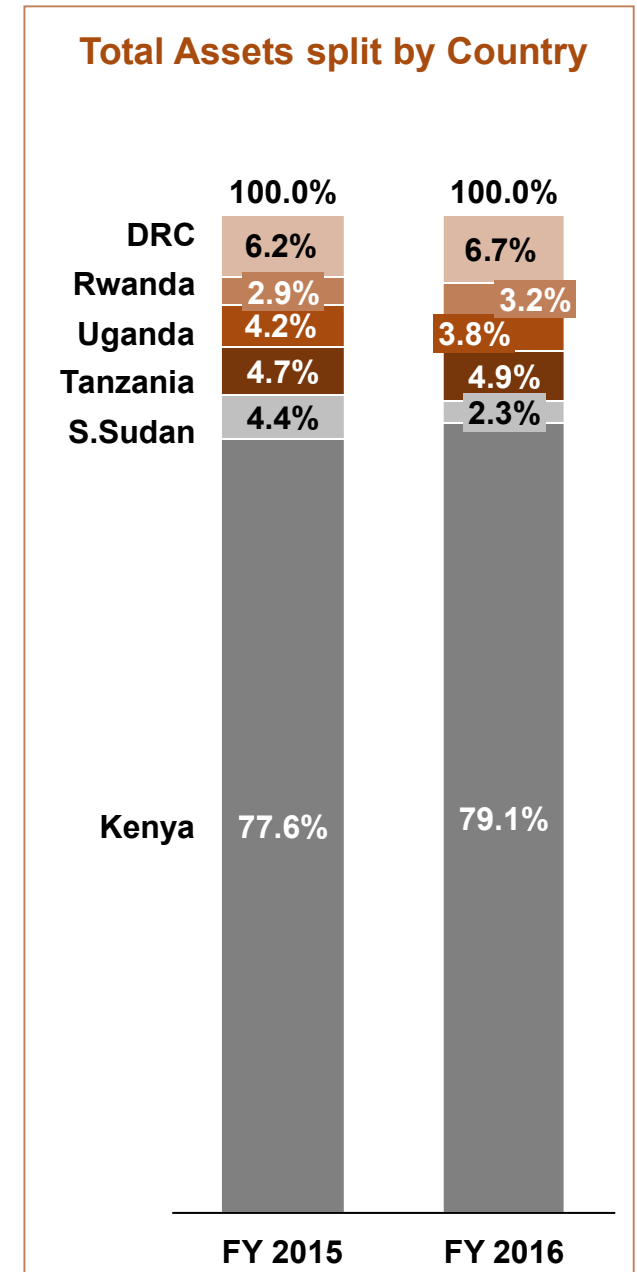
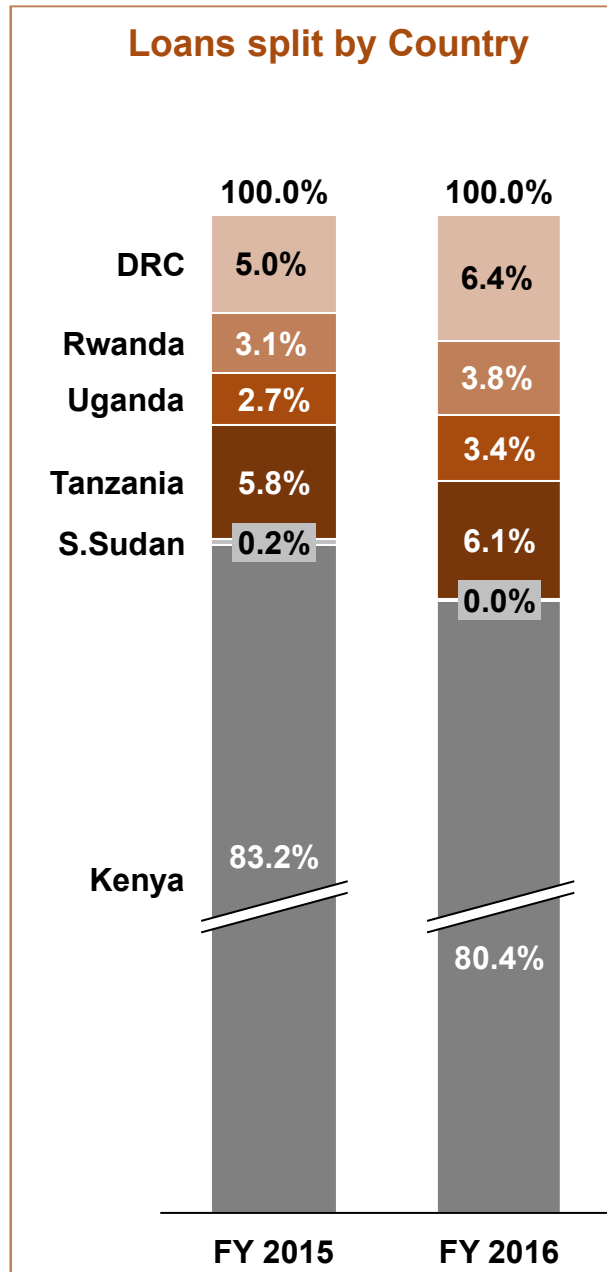
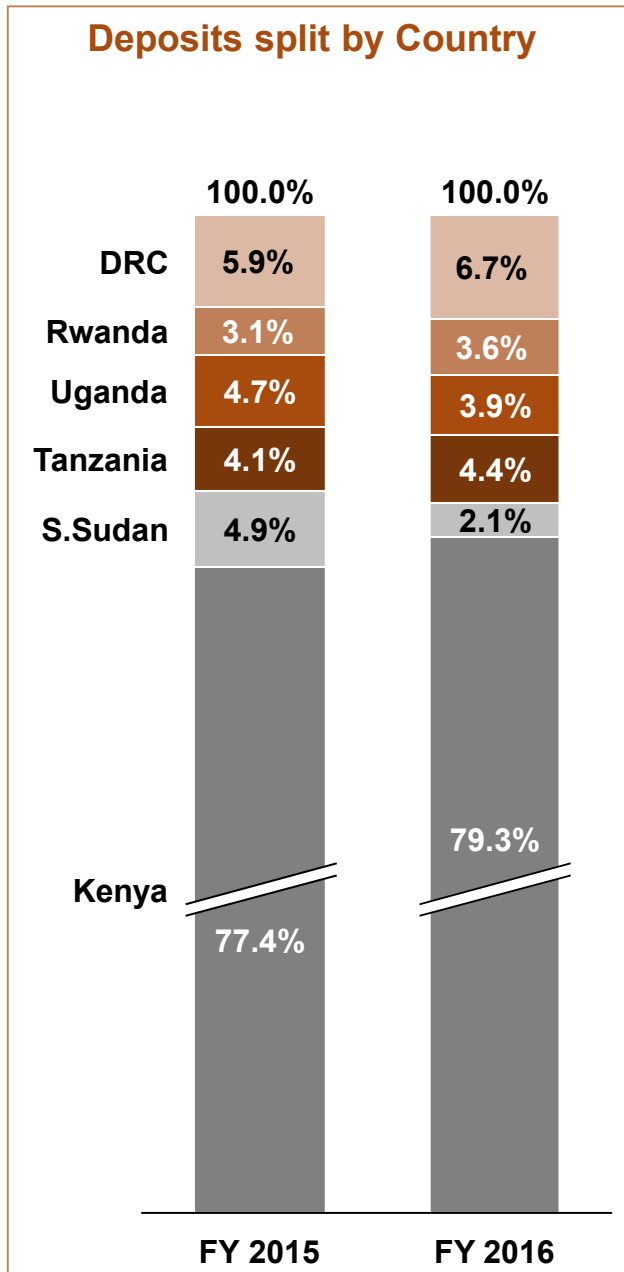
In KES %Billion+





Extracting Value From Subsidiaries

(Deposits and Loans contribution by countries)



Kenya column above represents all entities in Kenya

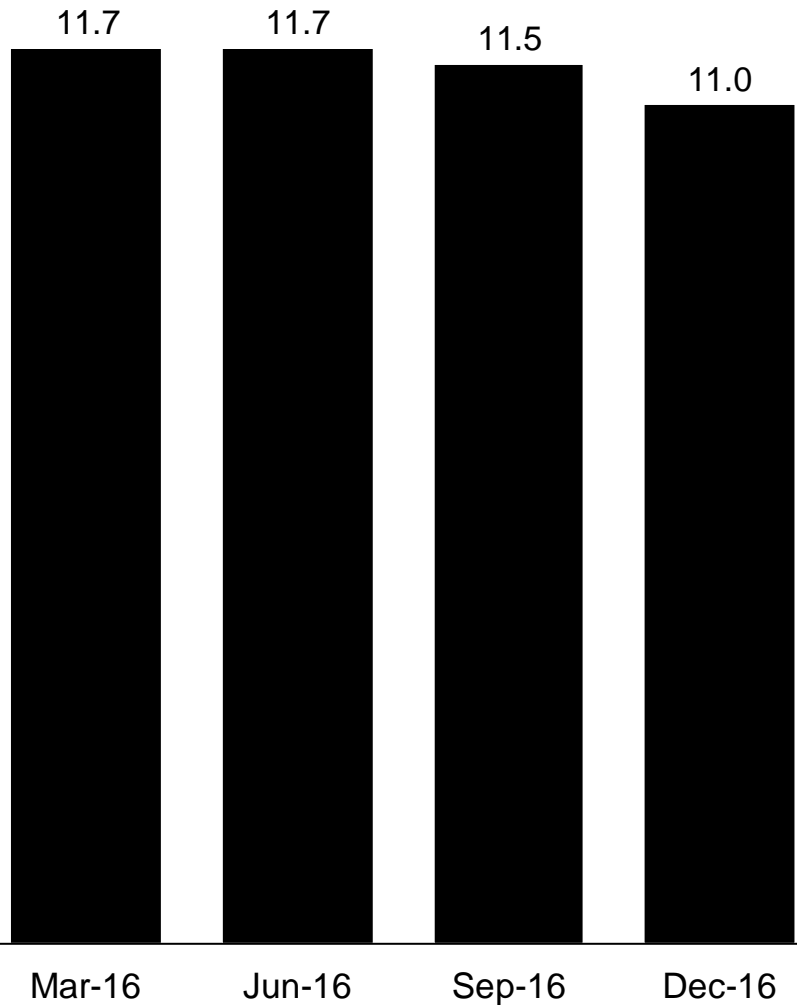


Net Interest Margin

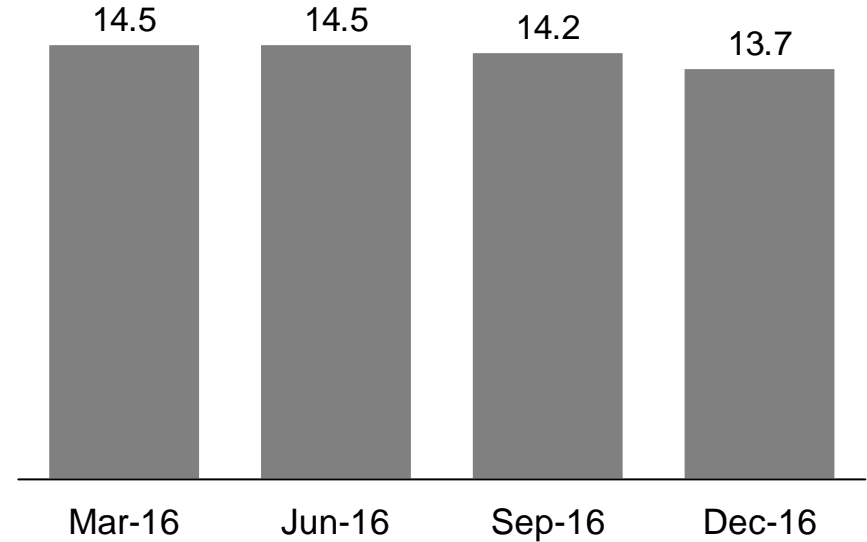


Percentage

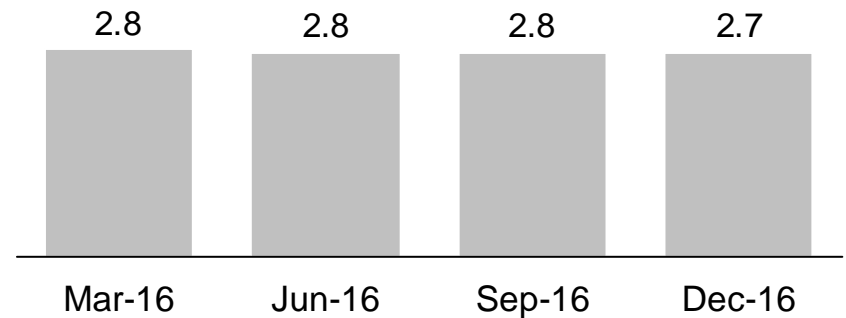
Net Interest Margin



Yield on Interest Earning Assets



Cost of funds





Balance Sheet



<i>KES (Billion)</i>	EBKL			Group		
	FY 2015	FY 2016	Growth	FY 2015	FY 2016	Growth
Assets						
Net Loans	225.0	213.8	-5%	269.9	266.1	-1%
Cash & Cash Equivalents	47.3	42.1	-11%	70.2	64.4	-8%
Government Securities	34.3	93.1	171%	42.8	100.6	135%
Other Assets	34.7	30.7	-12%	45.2	42.6	-6%
Total Assets	341.3	379.7	11%	428.1	473.7	11%
Liabilities & Capital						
Deposits	237.2	277.3	17%	303.2	337.2	11%
Borrowed Funds	42.2	43.7	4%	42.9	46.0	7%
Other Liabilities	14.5	6.4	-56%	9.8	8.6	-13%
Shareholder's Funds	47.4	52.3	10%	72.1	82.0	14%
Liabilities & Capital	341.3	379.7	11%	428.1	473.7	11%



Delivering 4% growth in PBT



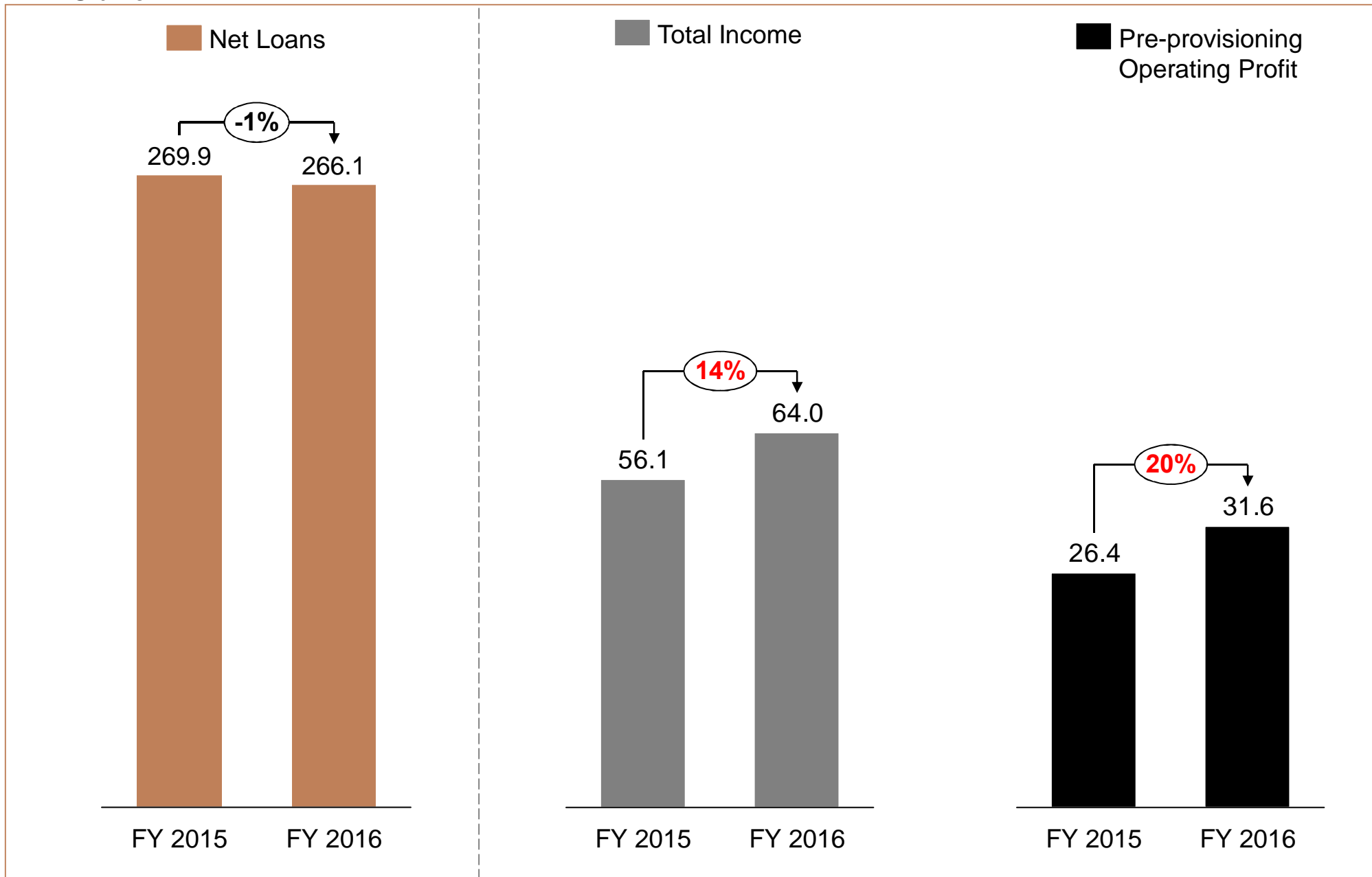
<i>KES (Billion)</i>	FY 2015	FY 2016	Growth
Interest Income	43.5	51.8	19%
Interest Expense	(9.3)	(10.0)	7%
Net Interest Income	34.1	41.8	23%
Non-Funded Income	21.9	22.2	1%
Total Income	56.1	64.0	14%
Loan Loss Provision	(2.4)	(6.6)	173%
Staff Costs	(10.3)	(11.6)	13%
Other Operating Expenses	(19.4)	(20.8)	7%
Total Costs	(32.1)	(39.1)	22%
PBT	24.0	24.9	4%
Tax	(6.6)	(8.3)	26%
PAT	17.3	16.6	-4%
Other Comprehensive Income	(6.9)	0.8	
Total Comprehensive Income	10.4	17.3	66%



Underlying growth drivers for the business remain intact in spite of lower loan growth



In KES billion

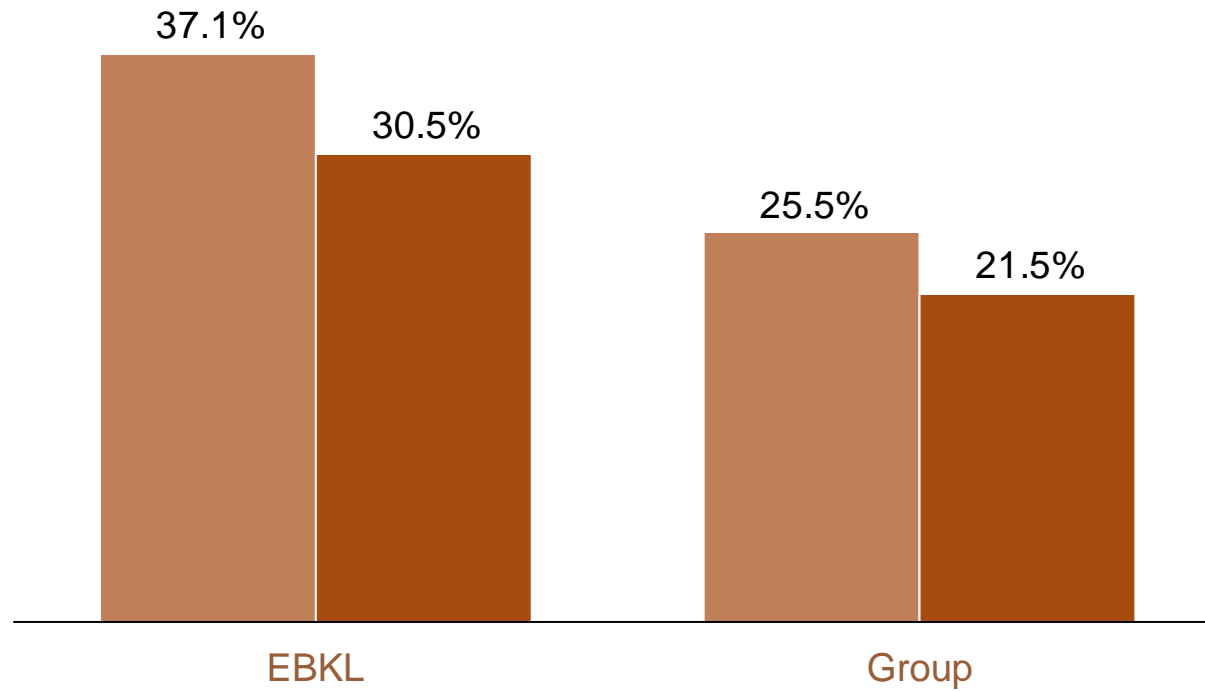




RoAA and RoAE Trend

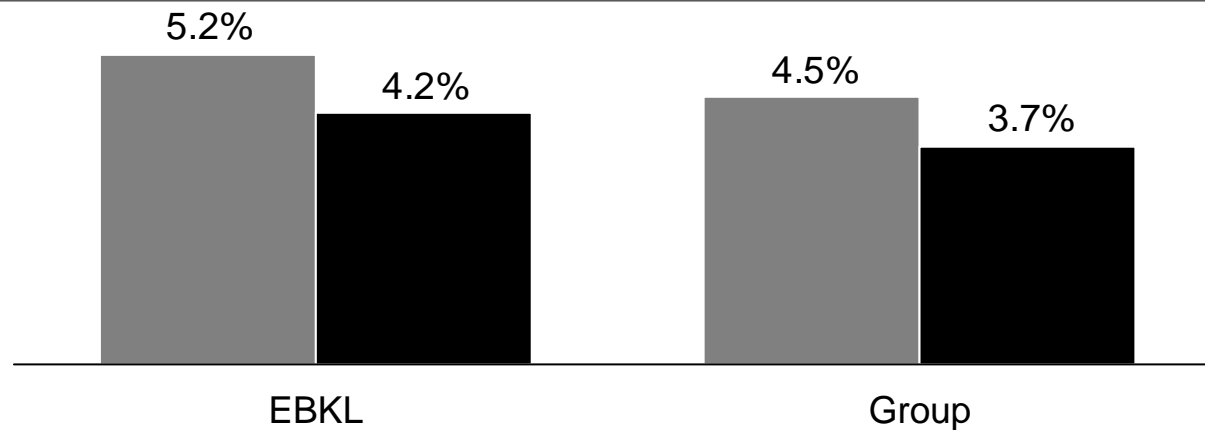
RoAE

FY 2015 FY 2016



RoAA

FY 2015 FY 2016





Positive Financial Ratios



	EBKL	EBKL	Group	Group
	FY 2015	FY 2016	FY 2015	FY 2016
Profitability				
NIM	11.4%	11.5%	10.5%	11.0%
Cost to Income Ratio (with provisions)	50%	55%	57%	61%
Cost to Income Ratio (without provision)	47%	45%	53%	51%
RoAE	37.1%	30.5%	25.5%	21.5%
RoAA	5.2%	4.2%	4.5%	3.7%
Asset Quality				
Cost of Risk	0.62%	2.28%	1.01%	2.48%
Leverage				
Loans / Deposits	95.0%	77.1%	89%	78.9%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	14.6%	14.4%	18.7%	18.7%
Total Capital to Risk Weighted Assets	16.2%	15.5%	20.2%	19.7%
Core Capital to Deposits Ratio	20.1%	18.5%	23.1%	23.3%



Outlook - Group



	Group	Kenya
Loan Growth	0 to +5%	0 to -5%
Deposits Growth	25%	25%
Net Interest Margin	9 - 10%	9 - 10%
Non Funded Income Mix	40%	38%
Cost to Income Ratio	47%	43%
Return on Equity	22 - 25%	
Return on Assets	3.5 - 4%	
Cost of Risk	1 - 1.25%	
NPL	5.5 - 6%	
Regional Contribution (Assets)	30%	
Regional Contribution (PBT)	7 - 8%	



Appendix



DIVERSIFIED BUSINESS to support growth across multiple geographies and business lines



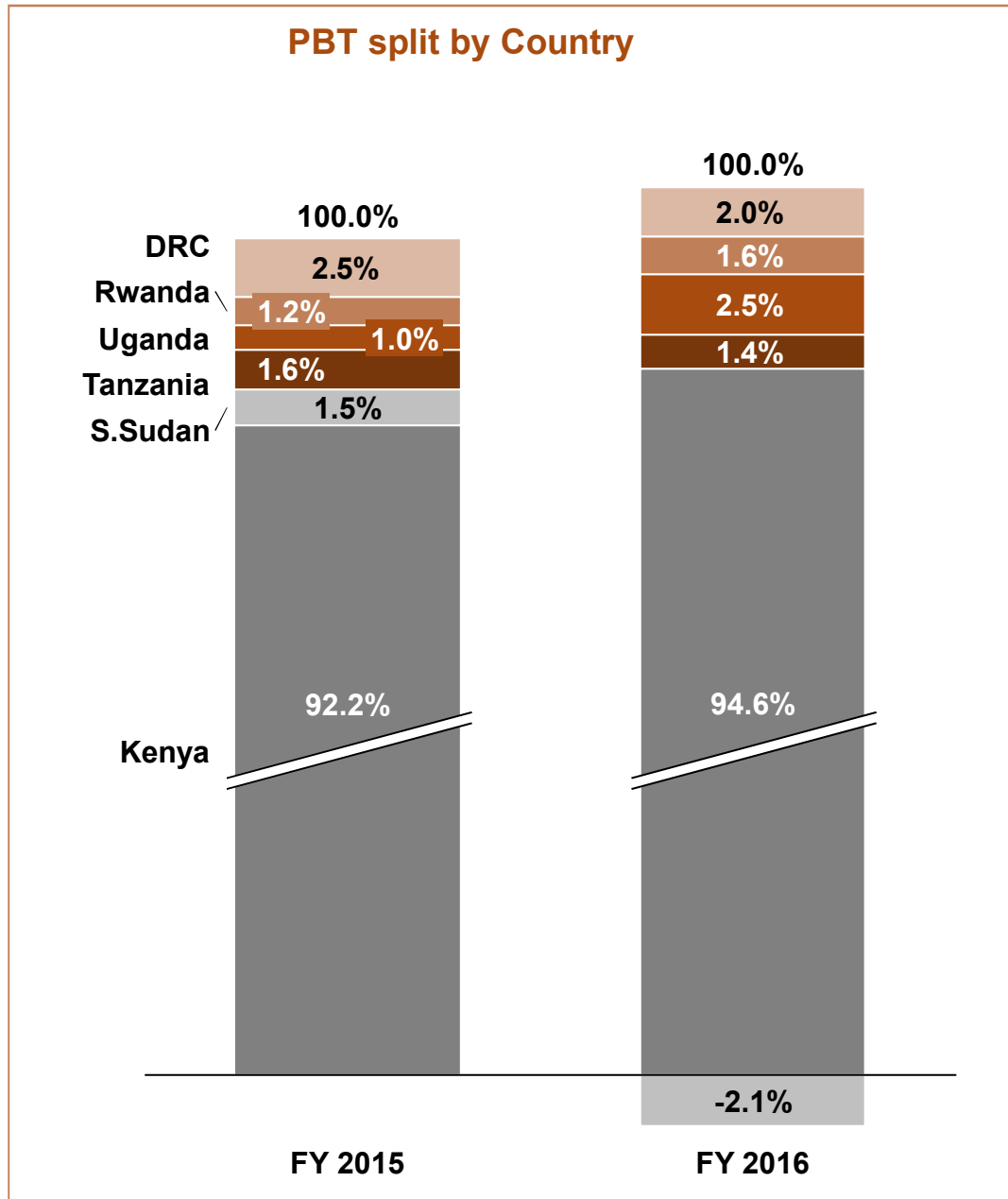
KES Billion+

								With Sudan		Without Sudan	
	Uganda	S. Sudan	Rwanda	Tanzania	DRC	Regional Total	Kenya	Regional Contribution FY 2016	Regional Contribution FY 2015	Regional Contribution FY 2016	Regional Contribution FY 2015
Deposit	13.7	7.4	12.6	15.3	23.3	72.2	277.3	21%	23%	19%	19%
<i>Growth</i>	-6%	-50%	34%	23%	29%	4%	17%				
Loan	8.9	0.1	10.1	16.2	17.0	52.3	213.8	20%	17%	20%	17%
<i>Growth</i>	24%	-82%	22%	2%	25%	15%	-5%				
Assets	18.2	11.1	15.7	23.8	32.6	101.4	383.7	21%	22%	19%	19%
<i>Growth</i>	-3%	-43%	24%	14%	19%	2%	11%				
PBT	0.6	-0.5	0.4	0.4	0.5	1.4	23.5	5%	8%	7%	6%
<i>Growth</i>	144%	-238%	36%	-11%	-18%	-30%	3%				

Kenya column above represents all entities in Kenya



Extracting Value From Subsidiaries (PBT contribution by countries)

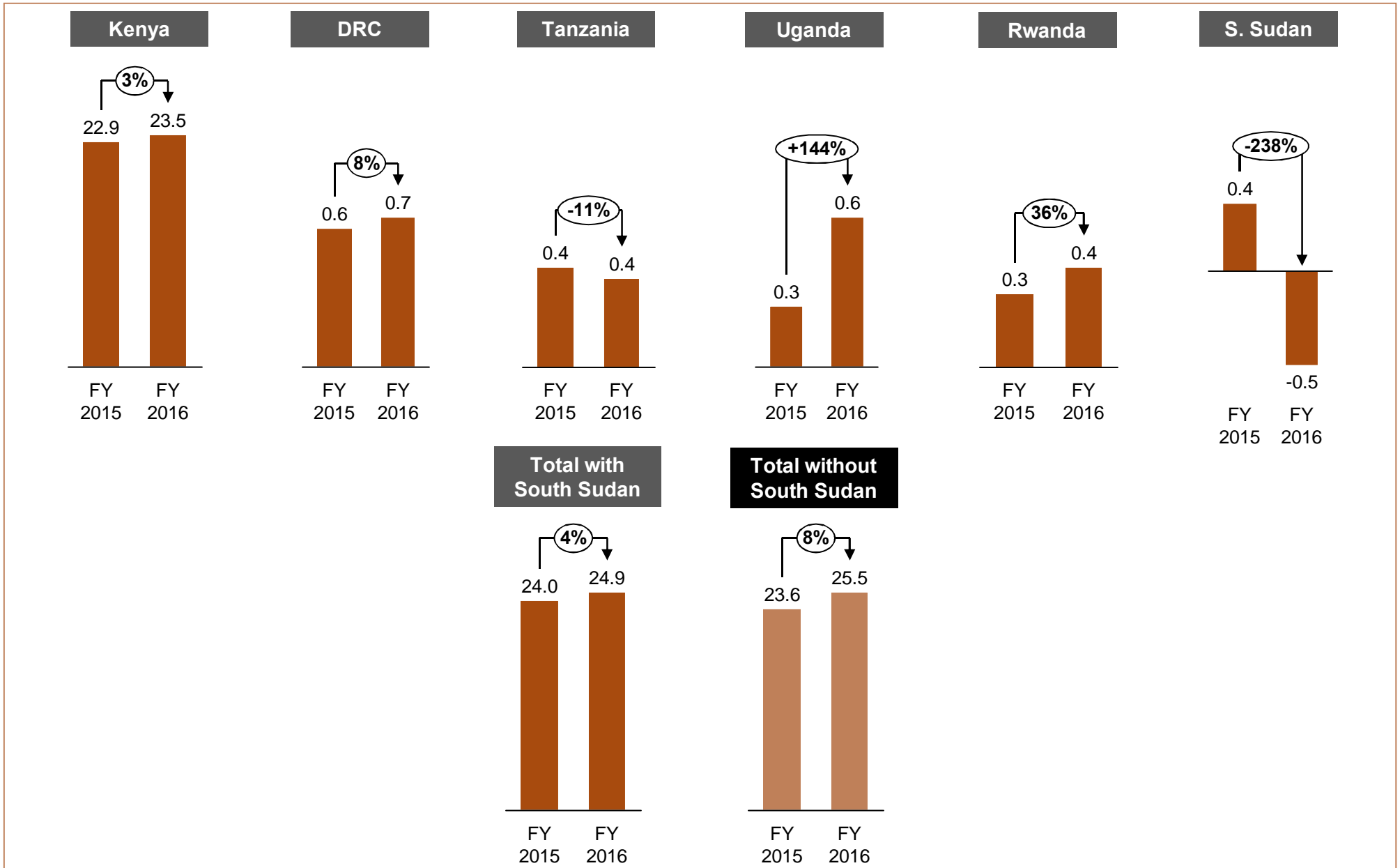


Kenya column above represents all entities in Kenya



DIVERSIFIED BUSINESS to support growth PBT across MULTIPLE GEOGRAPHIES

KES billions



Kenya figures above represents all entities in Kenya



Equity Kenya Delivers a 2% growth in PBT



<i>KES (Billion)</i>	FY 2015	FY 2016	Growth
Interest Income	37.3	43.1	16%
Interest Expense	(7.8)	(8.0)	3%
Net Interest Income	29.5	35.1	19%
Non-Funded Income	15.2	15.3	0%
Total Income	44.7	50.3	13%
Loan Loss Provision	(1.3)	(5.0)	293%
Staff Costs	(7.7)	(8.1)	5%
Other Operating Expenses	(13.4)	(14.4)	8%
Total Costs	(22.3)	(27.5)	32%
PBT	22.4	22.8	2%
Tax	(6.2)	(7.6)	22%
PAT	16.2	15.2	-6%
Other Comprehensive Income	(1.1)	0.7	
Total Comprehensive Income	15.1	15.9	5%



QoQ Performance (Equity Kenya)



Kshs Bn	2015	2016				QoQ				YoY
	Q4	Q1	Q2	Q3	Q4	Q4 2015 vs Q1 2016	Q1 2016 vs Q2 2016	Q2 2016 vs Q3 2016	Q3 2016 vs Q4 2016	FY 2015 vs FY 2016
Interest income on loans	9.80	9.47	9.69	9.33	6.69	-3%	2%	-4%	-28%	7%
Interest income inv. secs & others	1.29	1.27	1.65	2.17	2.80	-2%	30%	32%	29%	82%
Interest expenses	(2.60)	(1.79)	(2.05)	(2.05)	(2.11)	-31%	15%	0%	3%	3%
Net interest income	8.50	8.94	9.28	9.45	7.38	5%	4%	2%	-22%	19%
Non interest income	3.88	3.55	3.56	3.73	4.43	-9%	0%	5%	19%	0%
Total income	12.38	12.49	12.84	13.18	11.81	1%	3%	3%	-10%	13%
Loan loss provision	0.13	0.38	0.88	1.10	2.64	191%	130%	25%	139%	293%
Staff costs	1.54	2.20	2.30	1.81	1.78	42%	5%	-21%	-2%	5%
Other operating expenses	4.19	3.26	3.28	3.76	4.14	-22%	1%	15%	10%	8%
Total expenses	5.86	5.83	6.47	6.68	8.56	0%	11%	3%	28%	23%
Profit before tax	6.51	6.65	6.38	6.51	3.24	2%	-4%	2%	-50%	2%
Tax	(1.45)	(2.00)	(1.91)	(1.95)	(1.70)	38%	-4%	2%	-13%	22%
Profit after tax	5.06	4.66	4.46	4.55	1.54	-8%	-4%	2%	-66%	-6%



THANK YOU

Dr James Mwangi, CBS

Group Managing Director & CEO

[KeEquityBank](#)

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