



Investor Briefing

FY 2017 Performance





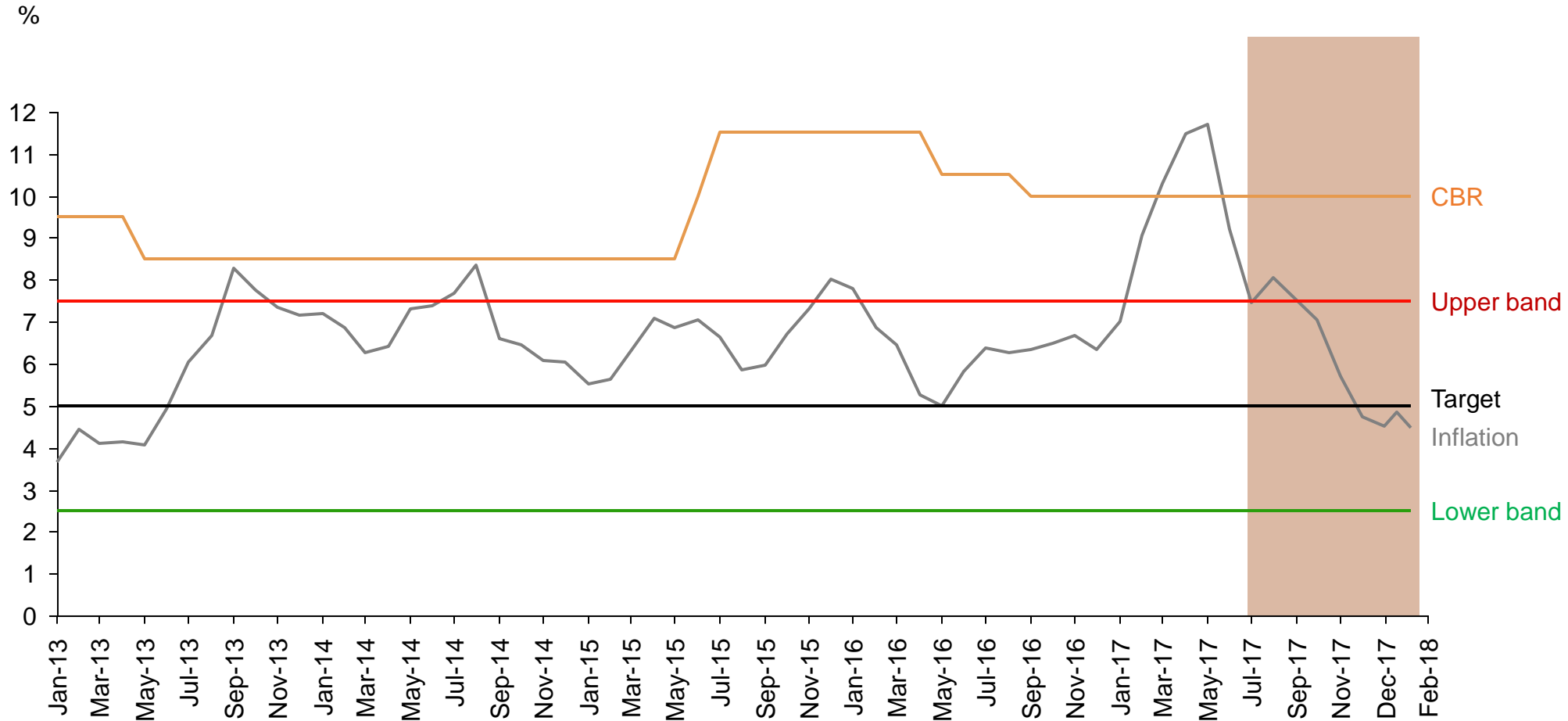
Macroeconomic Environment Indicators & Trends



Inflation – Kenya



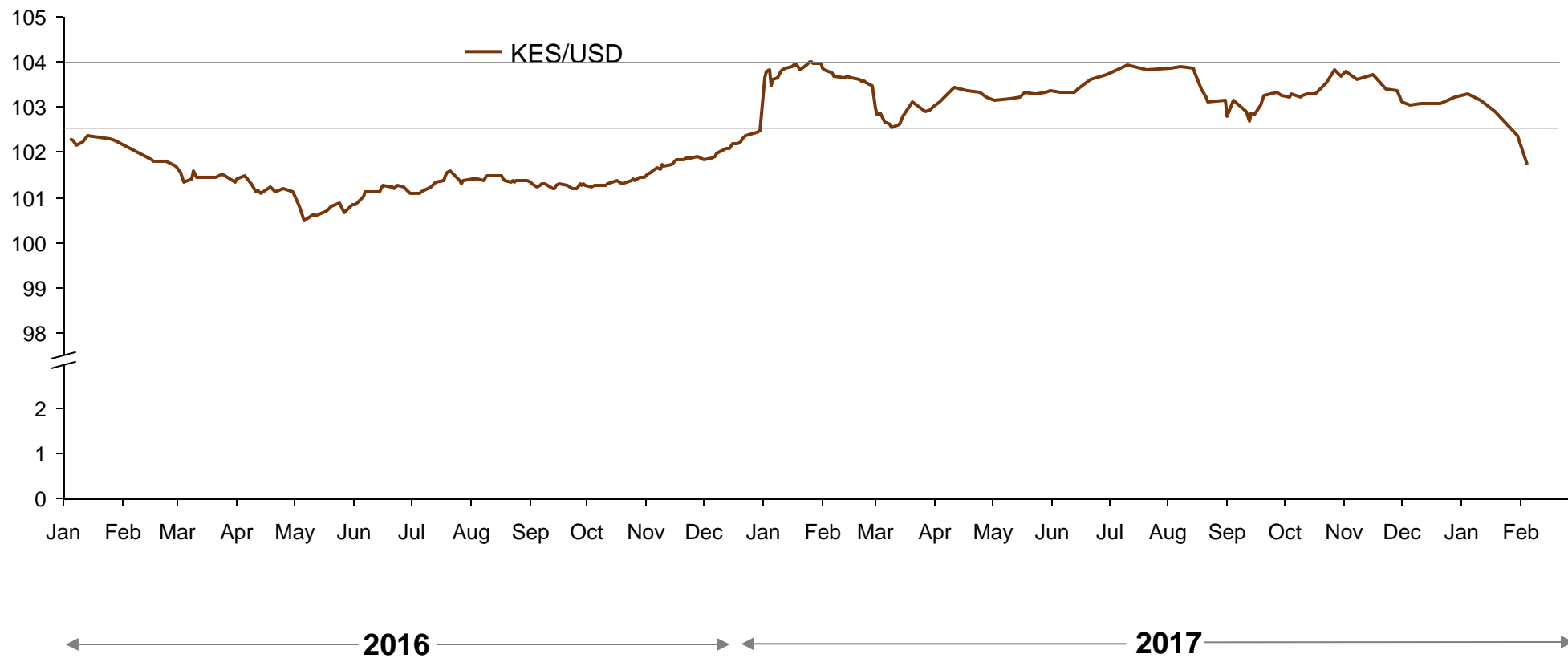
Inflation has been on a sustained recovery since mid 2017. Inflationary pressure now **restrained** and currently **within the targeted range**, inflation rate at a new low level of 4.46%





Foreign Exchange – Kenya

The Kenyan Shilling has been relatively stable in 2017 with the largest volatility between January and March driven by increased importation of food. 2018 continues to see a recovering Shilling.





Foreign Reserves – Kenya

Average prices of Crude Oil in the international markets have started a recovery since Jun 2017

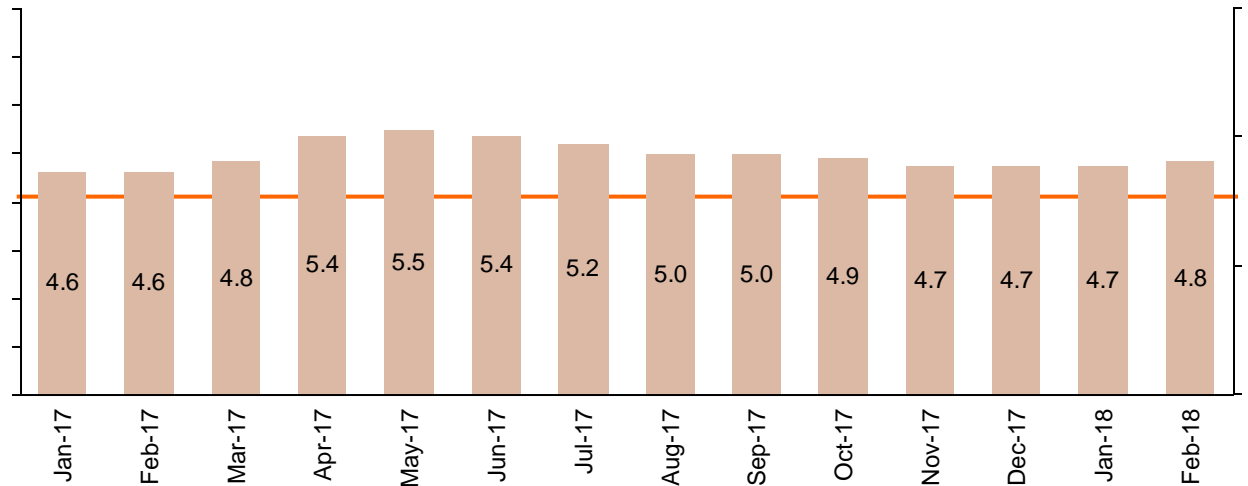
FX reserves remain stable level against the recommended 4 months.

The continued recovery in global oil prices has however slowed down reserves accumulation

CLG18 - Crude Oil WTI (NYMEX)



■ Months of Import Cover
 — Recommended Months of Import Cover



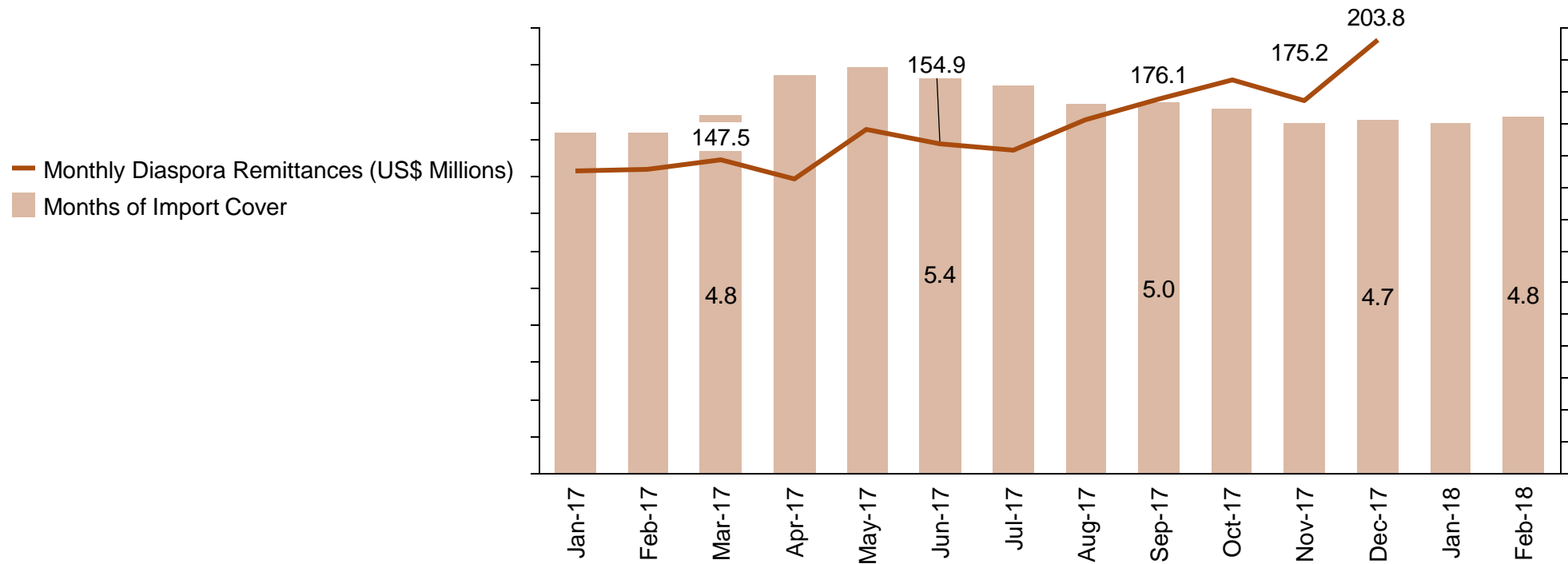
Source: CBK



Foreign Reserves – Kenya

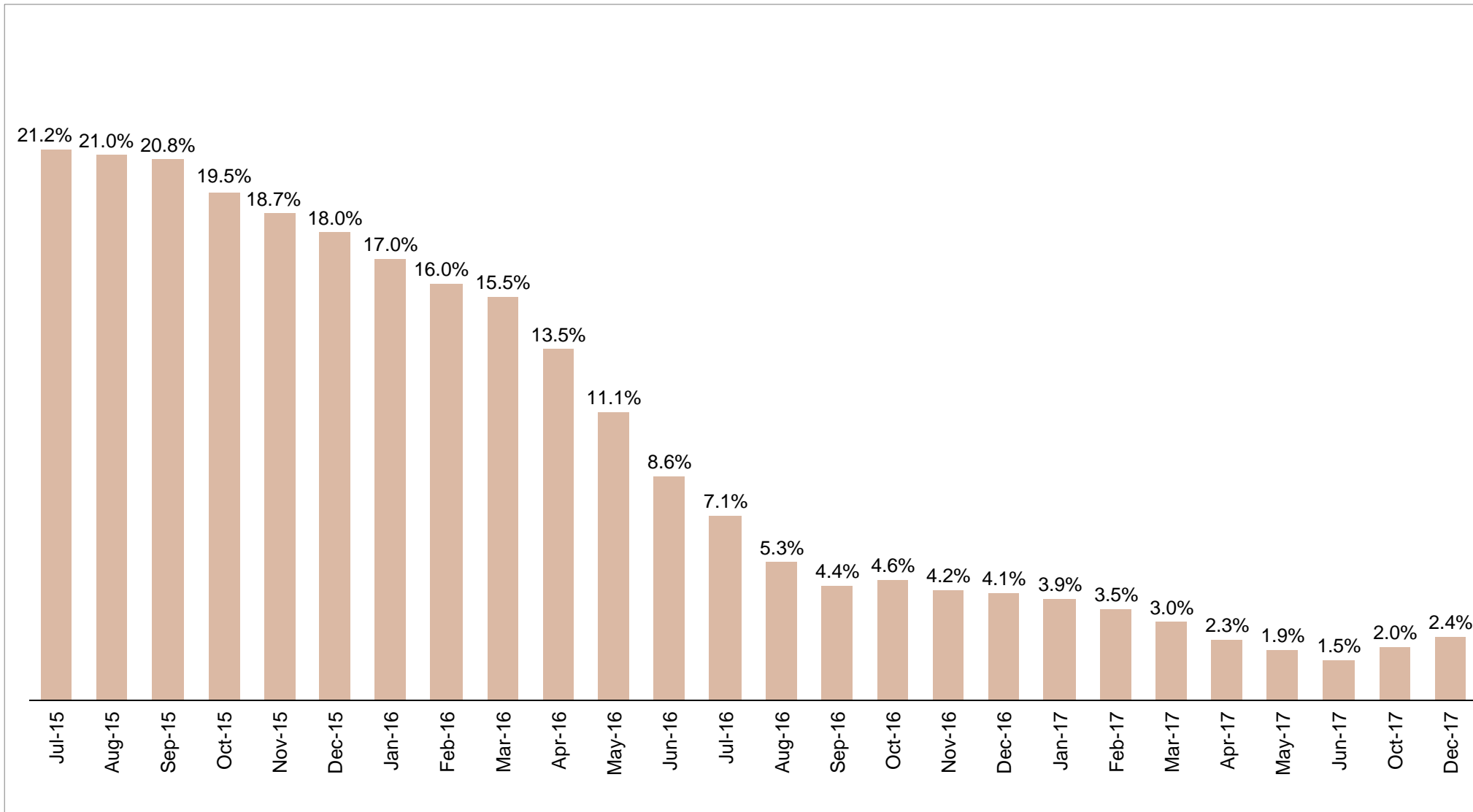


The growing Diaspora remittances continues to **suppress the effect of the recovering global oil prices** thus keeping months of import cover within stable levels





Private Sector Credit Growth Trend



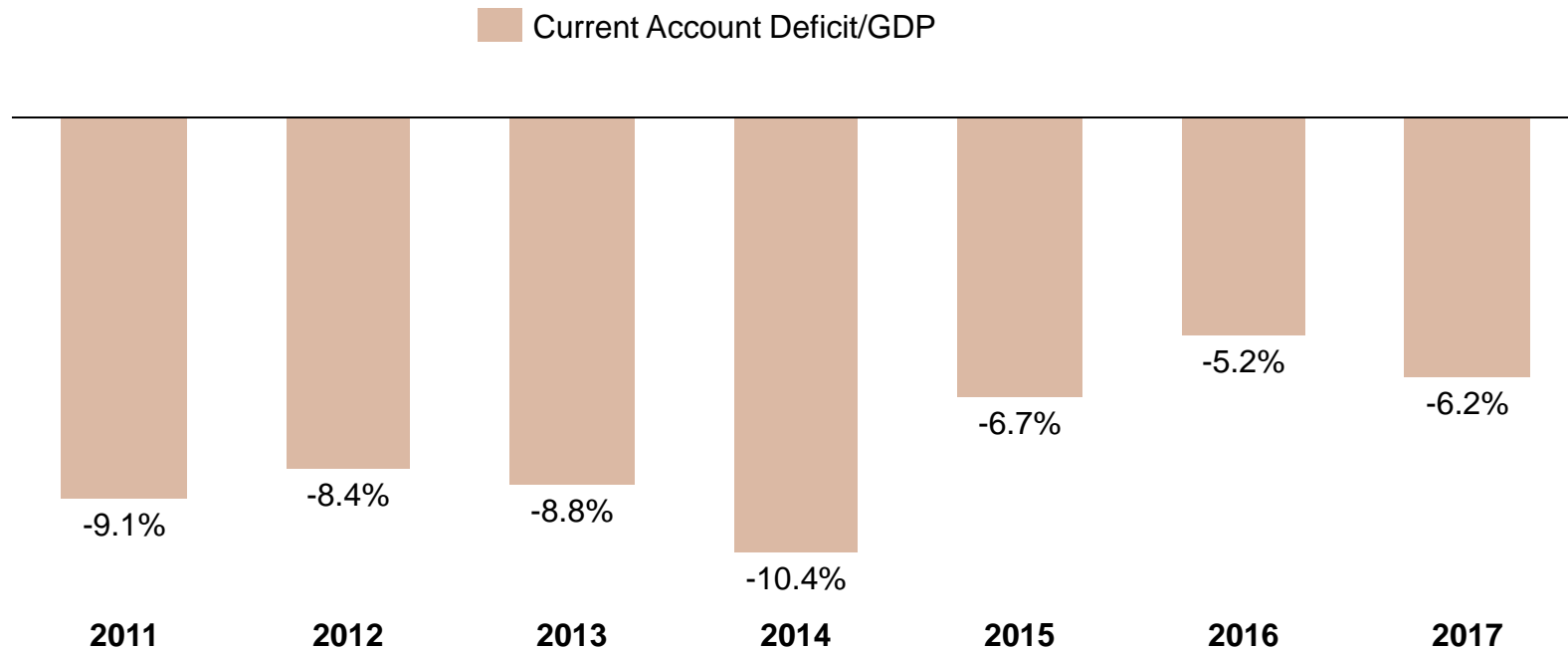


Current Account Deficit – Kenya



The current account deficit is expected to narrow to 5.4% of GDP in 2018 largely due to;

- Lower imports of food
- Lower imports in the second phase of the SGR project
- Steady growth in tea and horticulture exports
- Strong diaspora remittances
- continued growth in receipts from tourism.





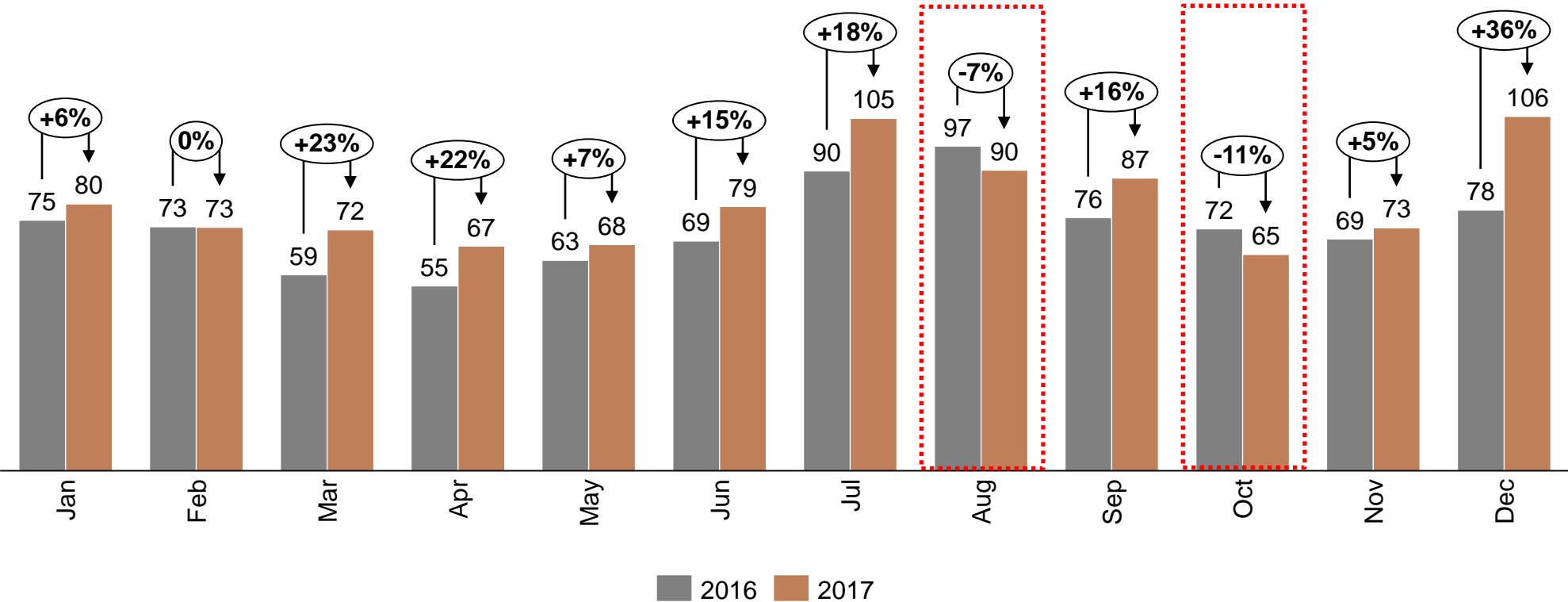
Tourist Arrivals – Kenya

Kenya remains a growing tourist destination. Tourists visits consistently growing except for electioneering months.

Growth expected to be compounded by:

- New Kenya – US direct flight
- Lifting of travel ban

In thousands





Evolving Economic Environment



2018 Challenges

1. Region instability especially in South Sudan and DRC
2. Interest rate capping has continued to create a credit squeeze on businesses

2018 Rays of Hope

1. Lifting of travel sanctions by the US
2. Opening of direct flights to US from Kenya
3. IMF sponsored economic reforms expected to continue as part of a Stand-By Arrangement facility. Reforms include;
 - Reducing the fiscal deficit
 - Amending interest rate controls
4. No elections in any of the East African countries in 2018, leading to minimum disruptions to businesses
5. Reduced political risk in Kenya with the resolve of the ruling party and their opposition to bring the country together
6. End of the prolonged 2 year drought that had crippled agriculture, water and energy supplies
7. Continued growth in FX streams from Diaspora and growing tourism flows
8. Renewed focus on the Big 4 - agriculture, low income housing, affordable health and manufacturing



Emerging Opportunities in Africa



Africa Agenda 2063 which holds a great opportunity for the continent's transformation

- a) Africa Continental Free Trade Area
- b) Free movement of persons supported by Africa open sky space
- c) Plan for accelerated industrialization of Africa
- d) The joint development of infrastructure (cross border roads, railways, energy pool strategy and communications)
- e) Transformation and natural resources mining and processing the same in the continent



Equity Group Business Model & Strategy – Post Interest Rate Capping



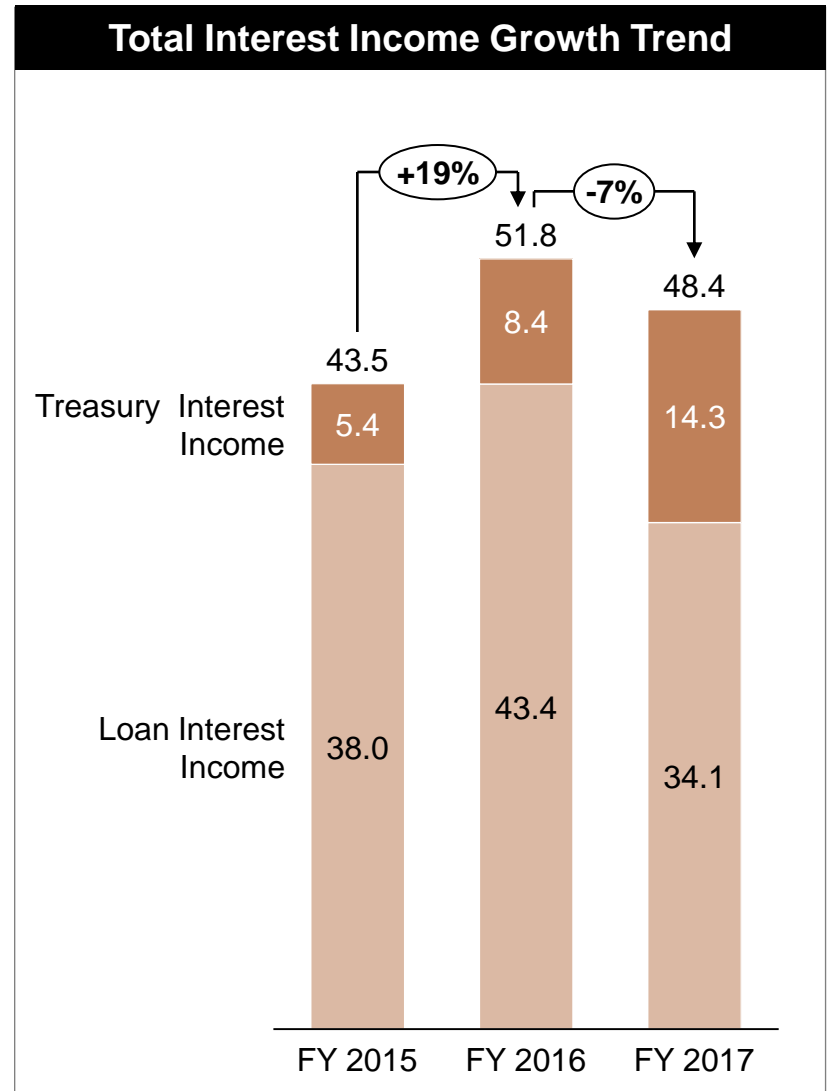
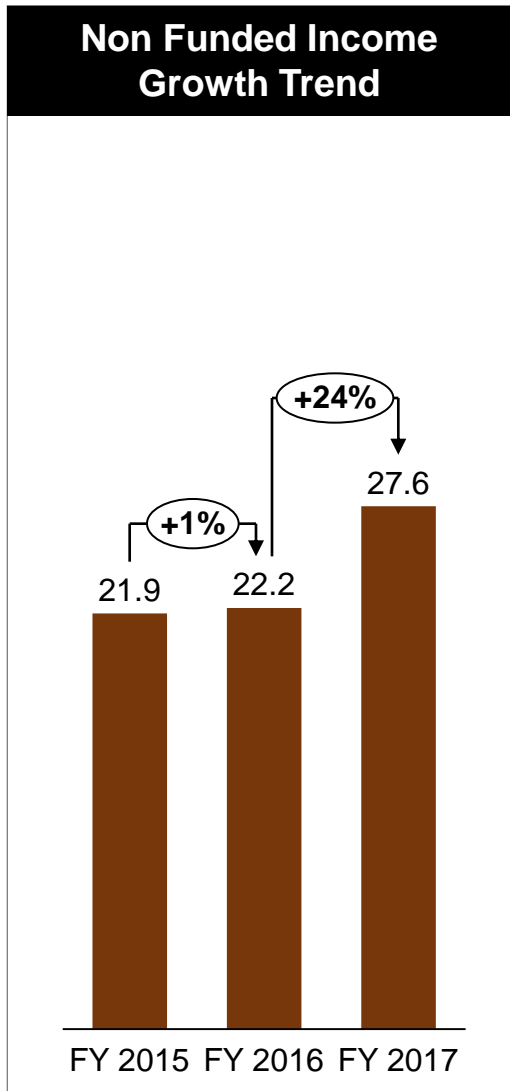
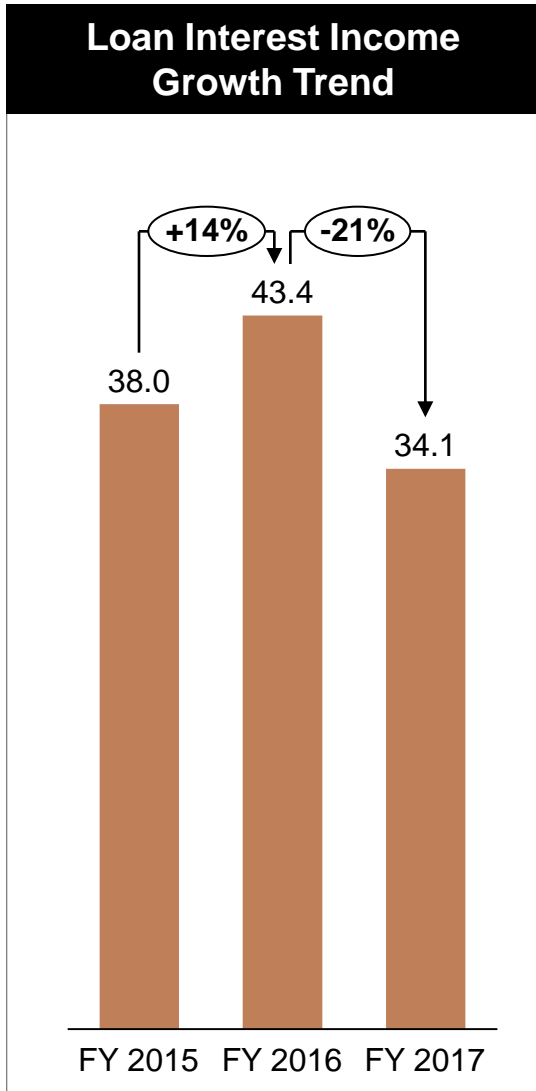
Equity Bank Business Model & Strategy – Post Interest Rate Capping (Adjusting and adapting to the new norm)

Focus areas:

1. Non-funded income growth
2. Treasury
3. Subsidiaries and business diversification
4. Strengthening liquidity and balance sheet agility
5. Asset quality
6. Innovation and digitization
7. Efficiencies and cost optimization



Focus Area 1: Non-funded income growth



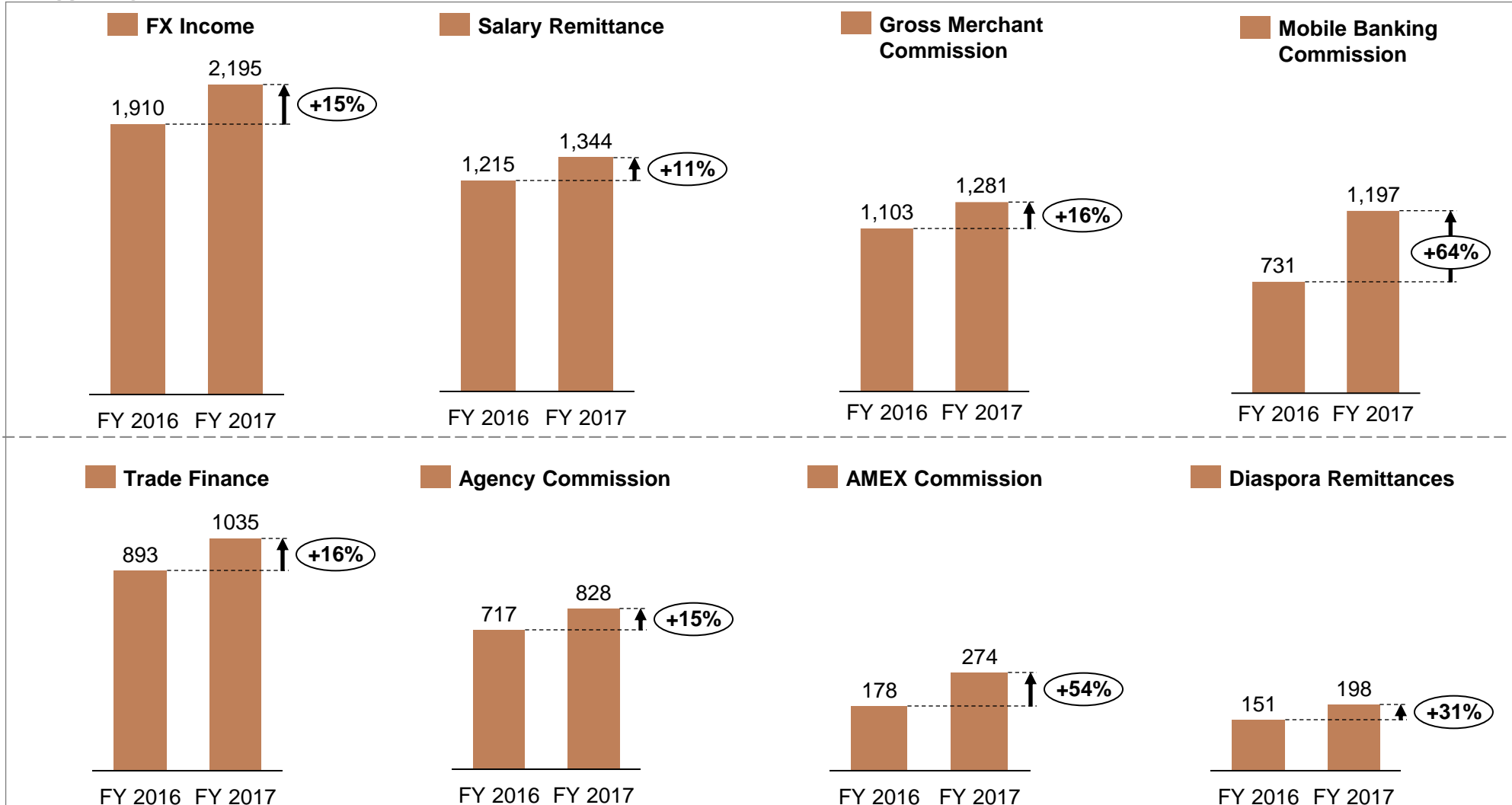


Focus Area 1: Non-funded income growth



Fees & Commissions (Key Lines - Kenya)

In Kes Million



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

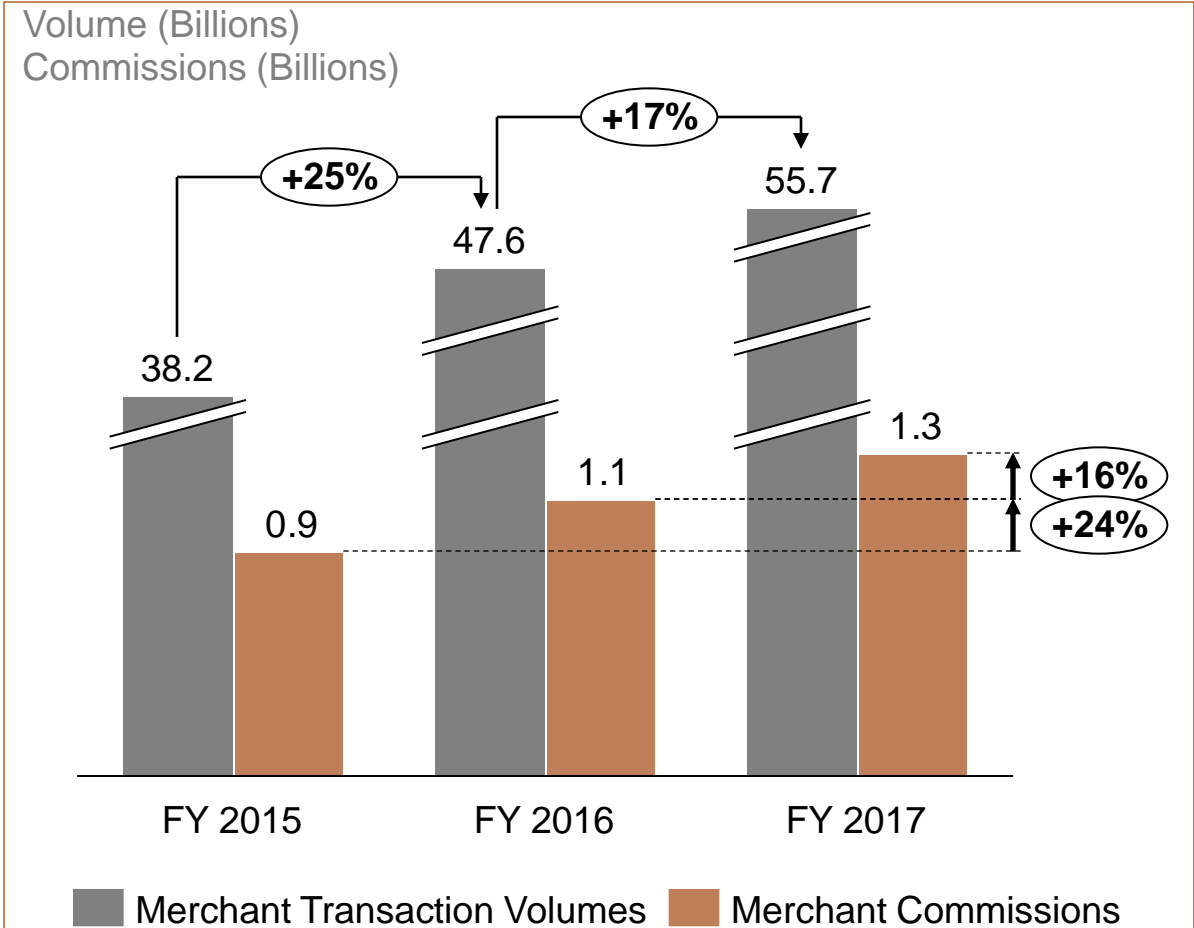
Focus Area 1: Non-funded income growth

We have partnered with key payment companies...



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

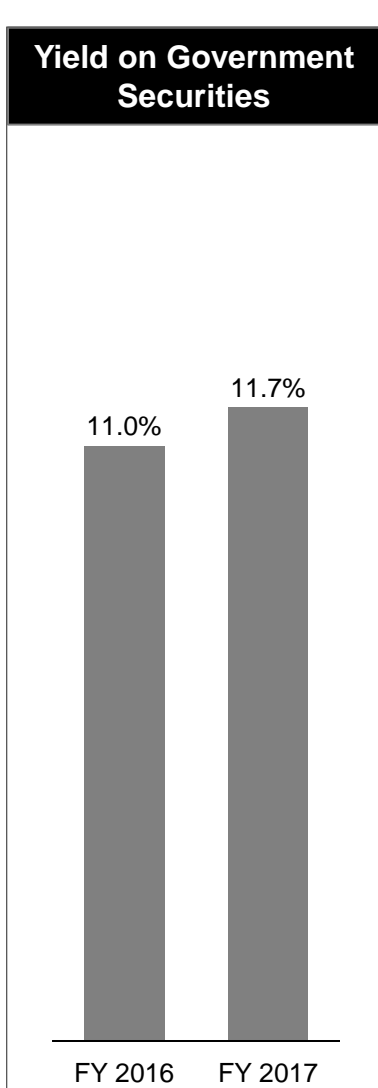
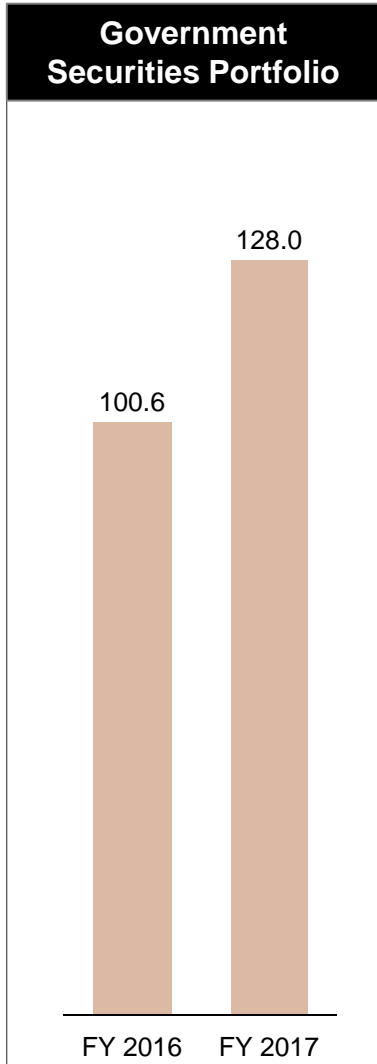
...which has allowed us to grow our number of transactions and commissions



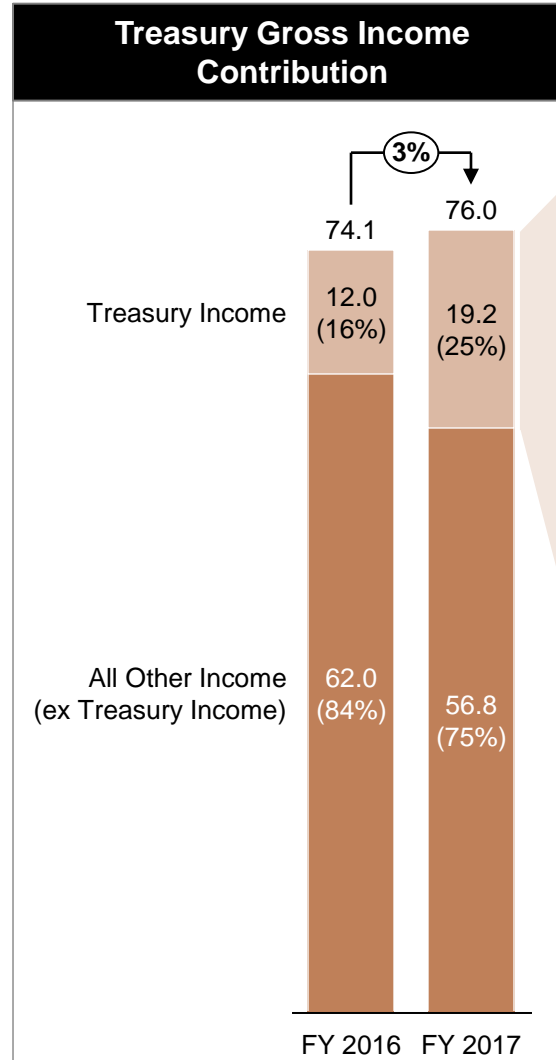


Focus Area 2: Treasury

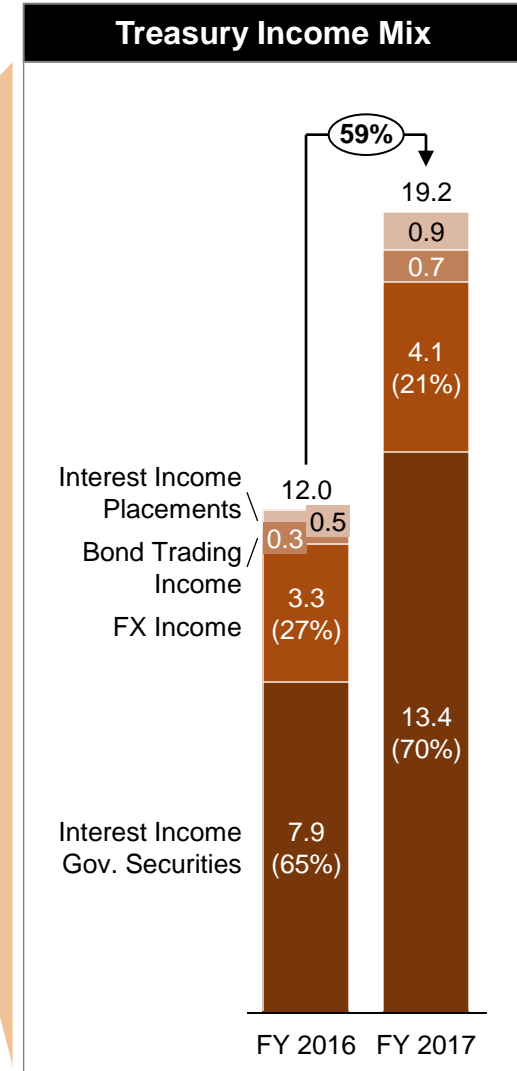
In KES Billion



In KES Billion



In KES Billion



Note: Income calculation above is before funding costs

Focus Area 3: Subsidiaries & business diversification

- Double digit growth in profitability across subsidiaries
- Enhanced PAT contribution to Group from 7% to 14%

In KES Billion

	Uganda	DRC	Rwanda	Tanzania	S. Sudan	EIA	Finserve	EIB	Total	EBKL	Contribution FY 2017	Contribution FY 2016
Deposit	20.7	32.3	15.1	19.1	4.9	-	-	-	92.1	298.7	24%	21%
<i>Growth</i>	52%	39%	20%	25%	-33%				28%	8%		
Loan	14.0	21.8	11.5	17.3	0.1	-	-	-	64.6	214.5	23%	20%
<i>Growth</i>	56%	28%	14%	7%	-19%				24%	0%		
Assets	29.3	42.9	21.4	26.0	8.3	0.4	2.0	1.2	131.4	406.4	24%	22%
<i>Growth</i>	60%	32%	36%	9%	-25%	-50%	11%	39%	25%	7%		
PAT (Kes)	0.9	0.3	0.5	0.2	0.11	0.3	0.2	0.1	2.6	16.3	14%	7%
<i>Growth (Kes)</i>	81%	63%	80%	17%	121%	0%	21%	94%	126%	7%		
PAT (LCY)	30.6	0.003	3.9	4.8	0.13	0.3	0.2	0.1		16.3		
<i>Growth (LCY)</i>	87%	60%	87%	18%	131%	0%	21%	94%		7%		

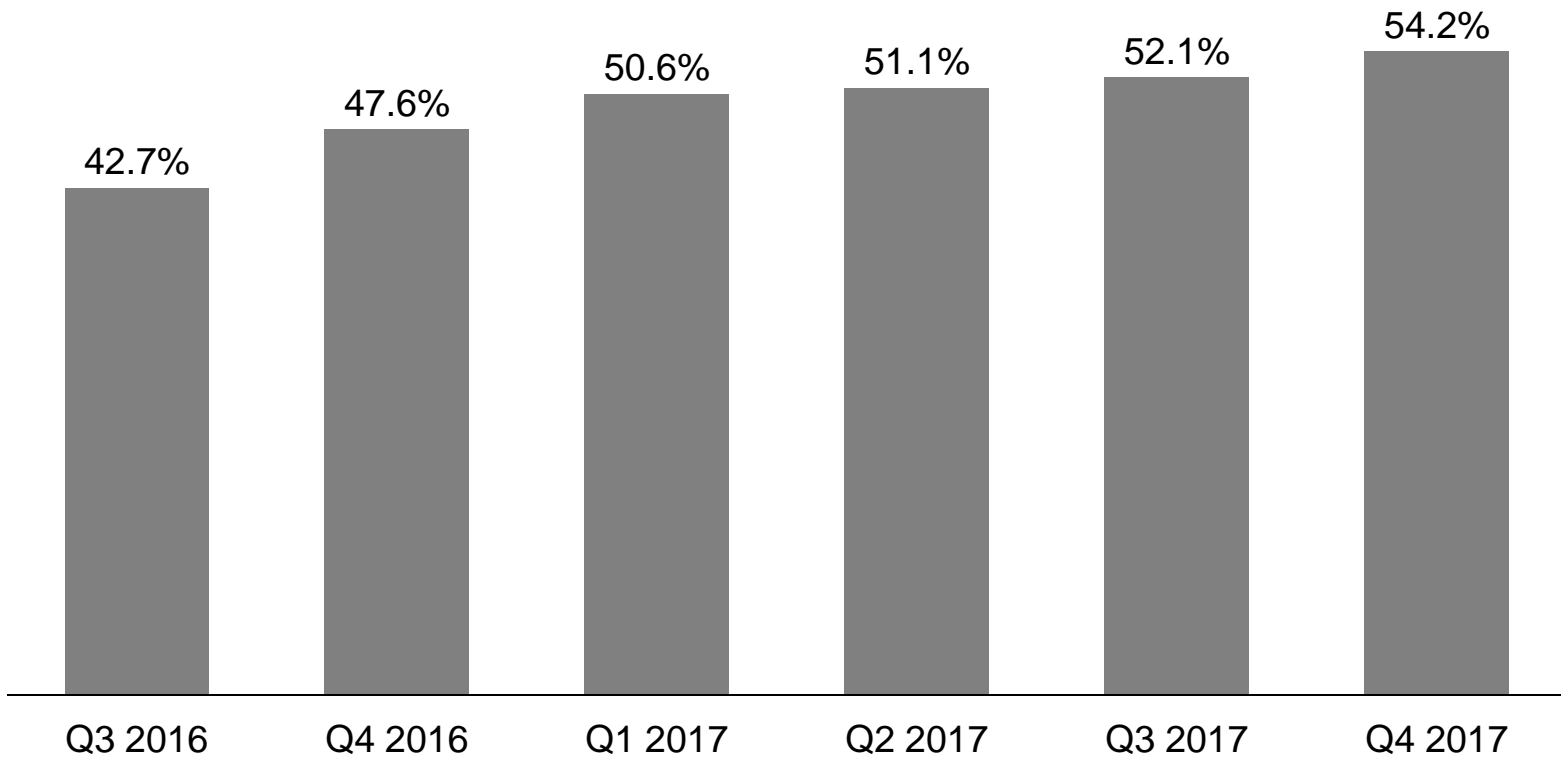


Focus Area 4: Strengthening liquidity position and agile balance sheet



....to mitigate economic uncertainty and shocks and to support responsiveness and agility

■ Liquidity Ratio (Group)



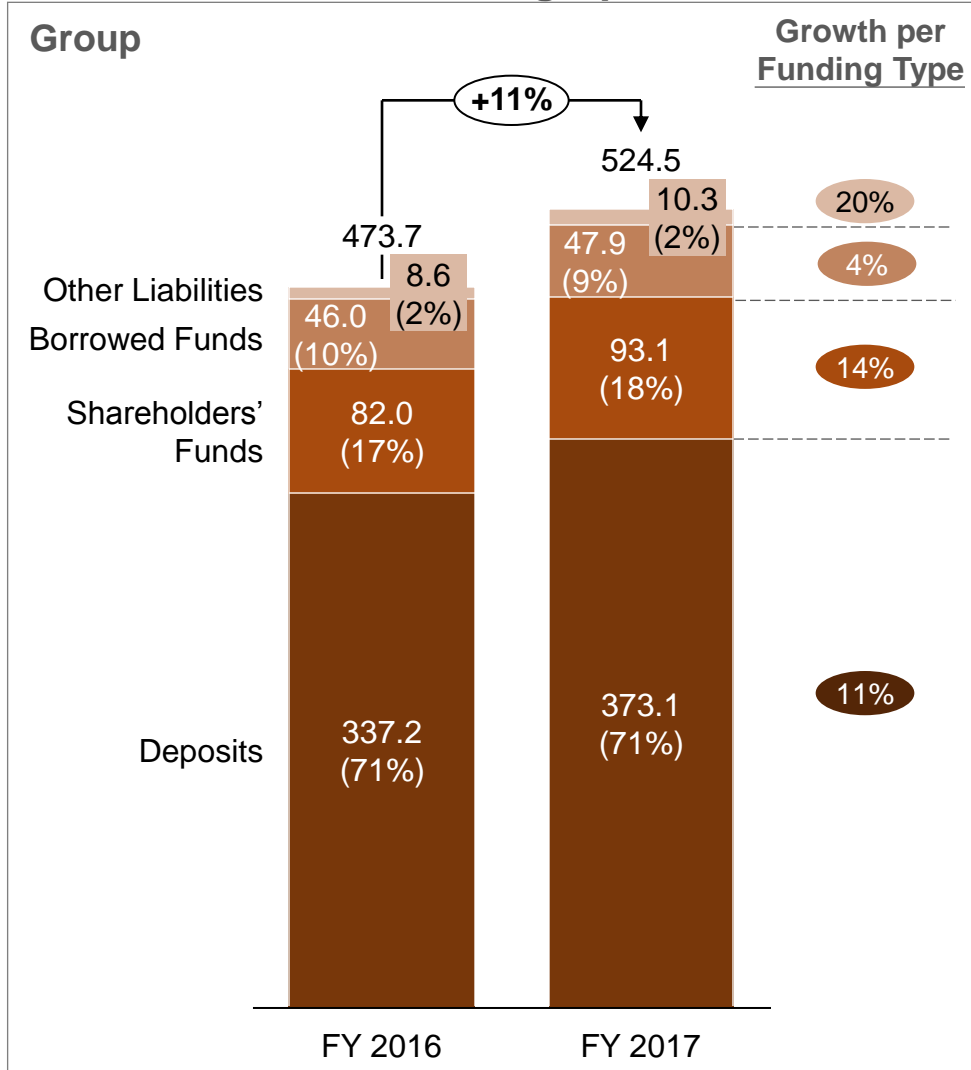


Focus Area 4: Strengthening liquidity position and agile balance sheet

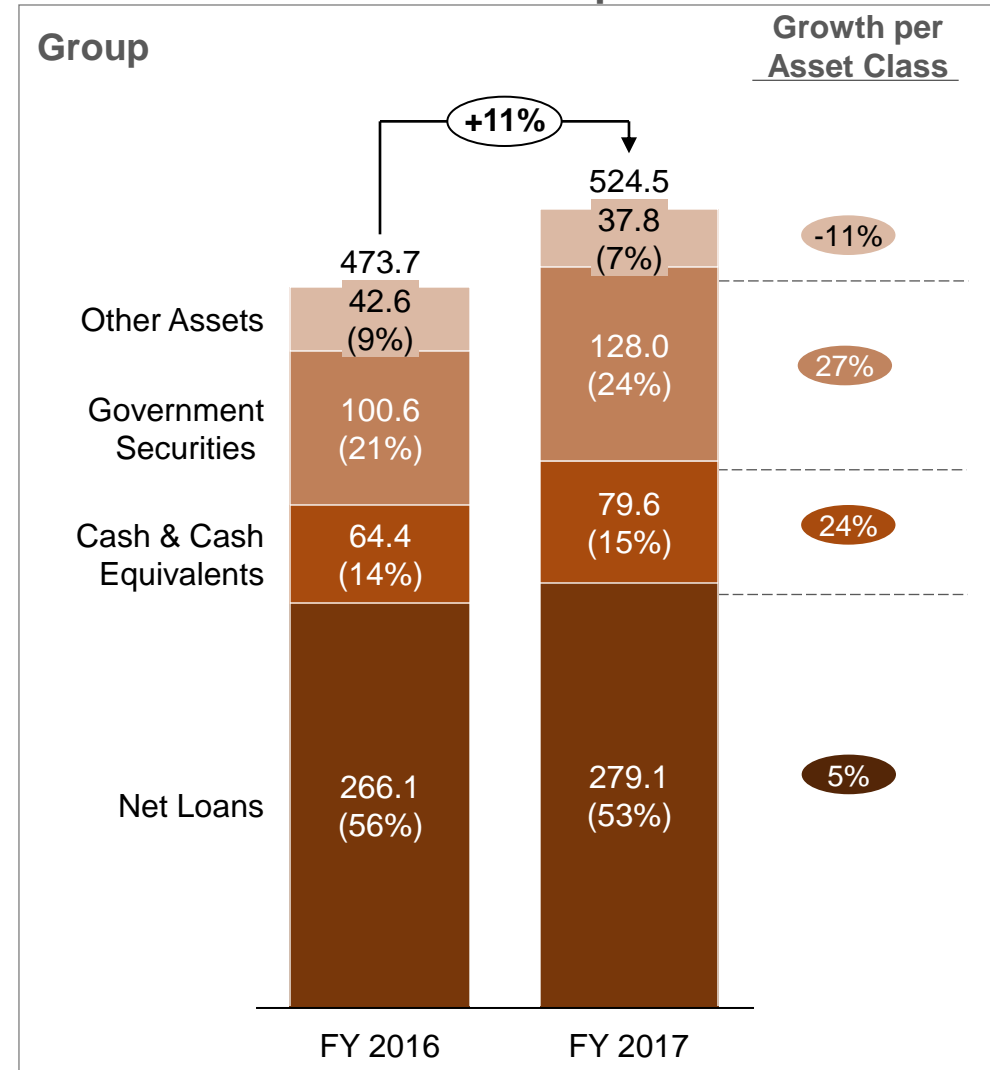


In KES Billion

Funding Split



Asset Split

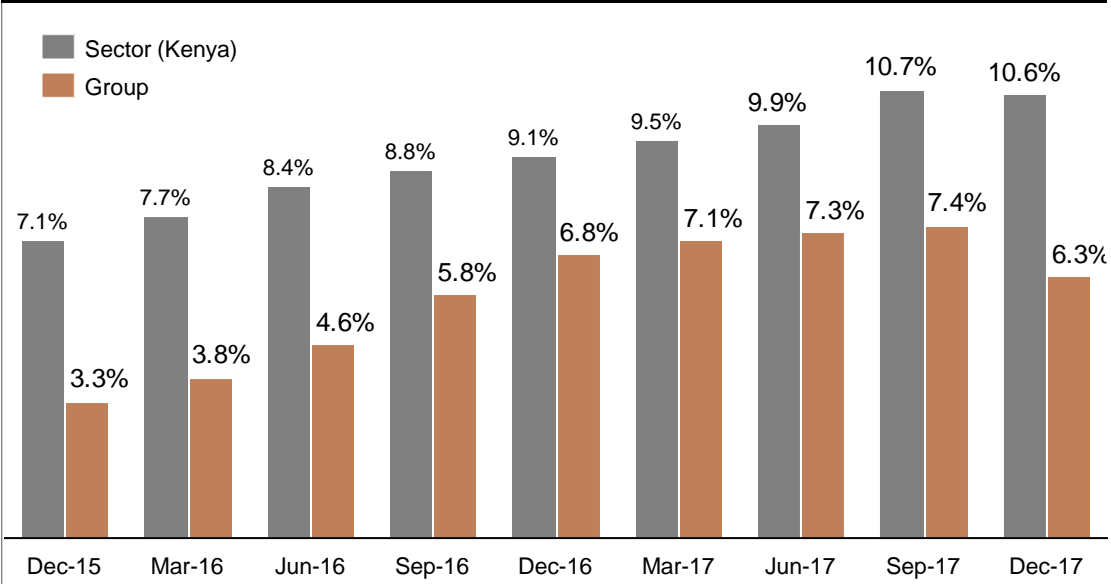




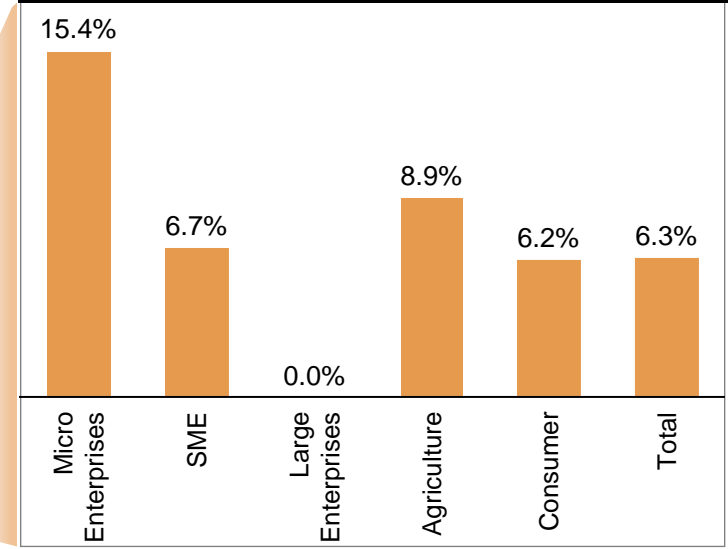
Focus Area 5: Asset quality (Group)



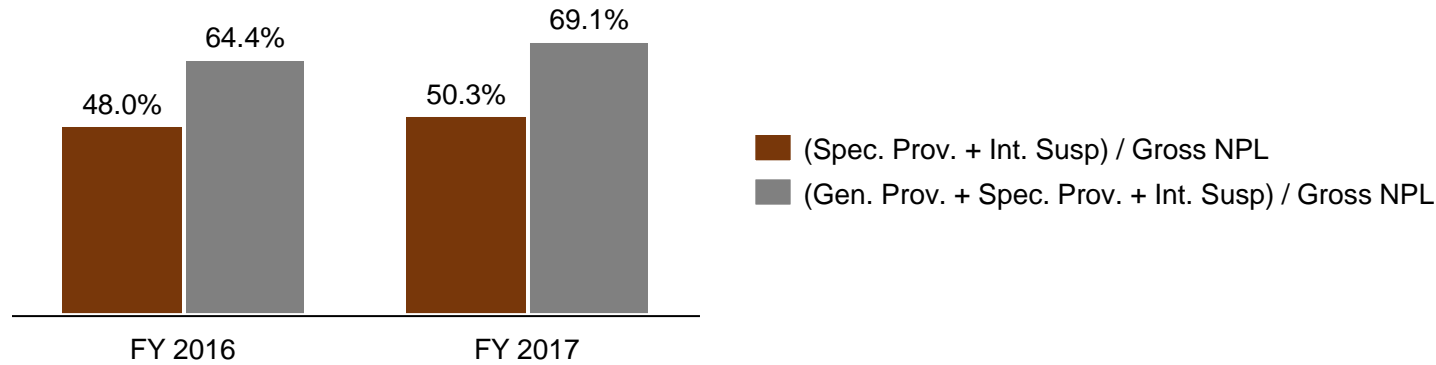
NPL's – Sector vs EGH Plc as at Q4 2017



NPL per sector as at Q4 2017



NPL Coverage





Focus Area 6: Innovation and digitization

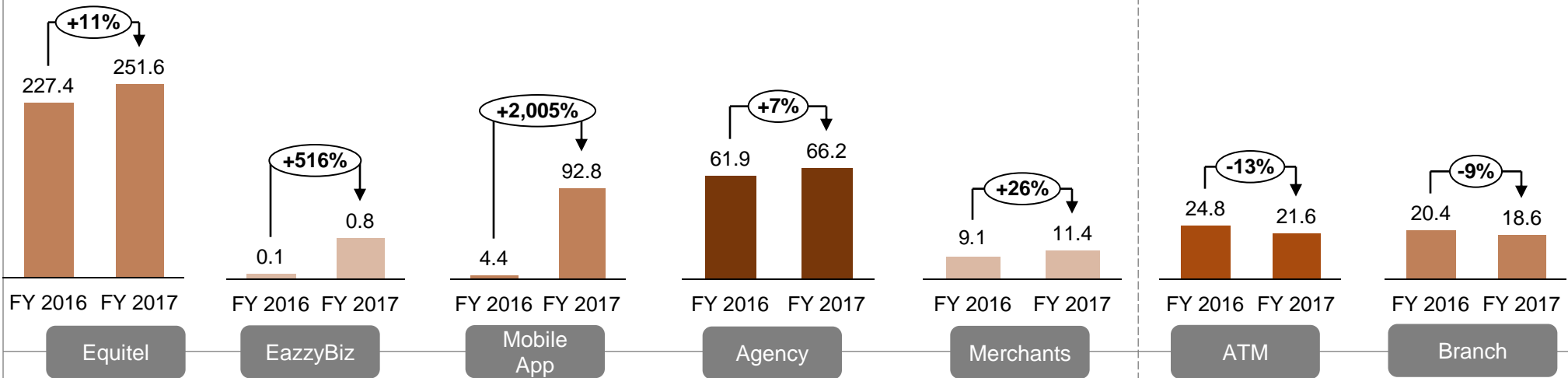
3rd party infrastructure



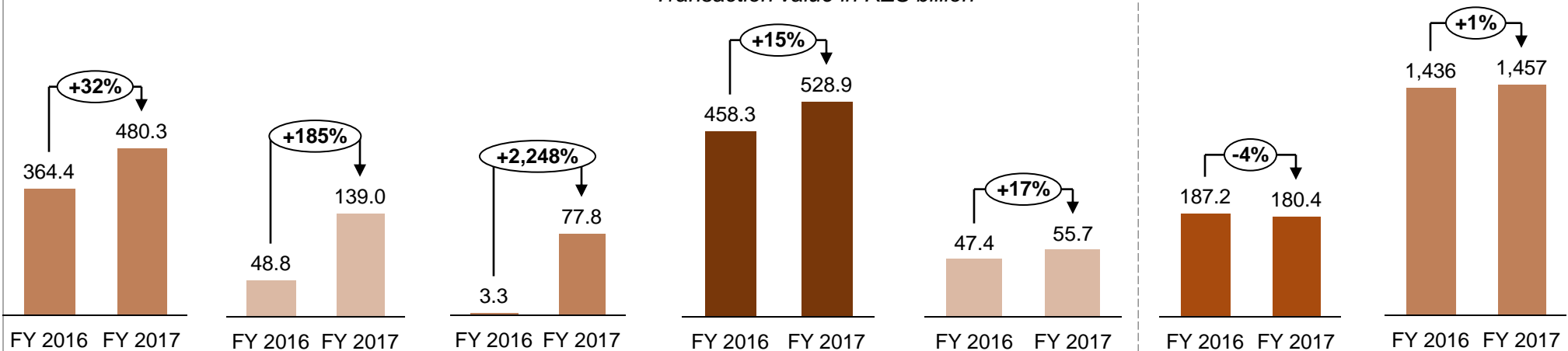
Variable cost channels

Fixed cost channels

Transaction numbers in millions



Transaction value in KES billion

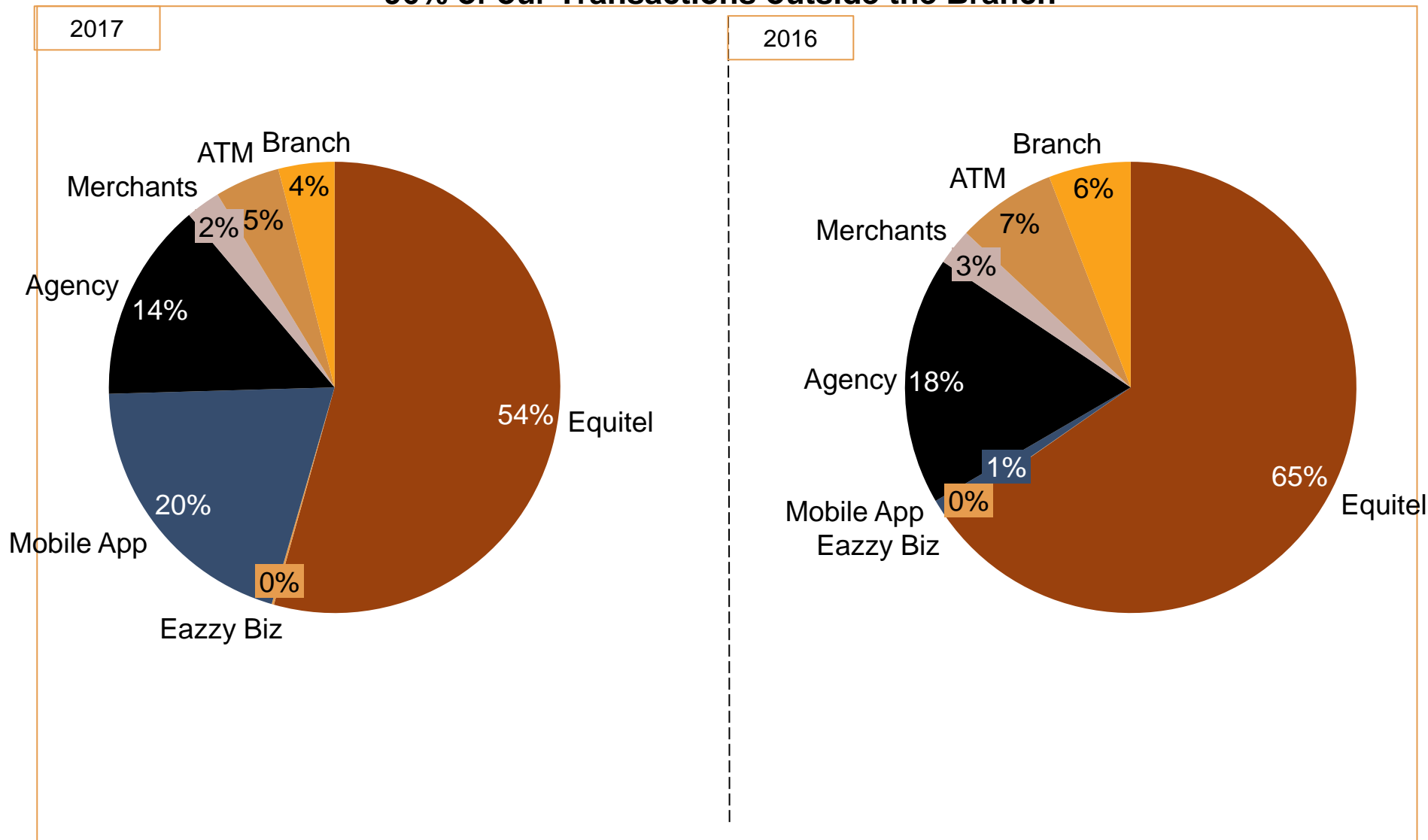




Focus Area 6: Innovation and digitization



96% of our Transactions outside the Branch

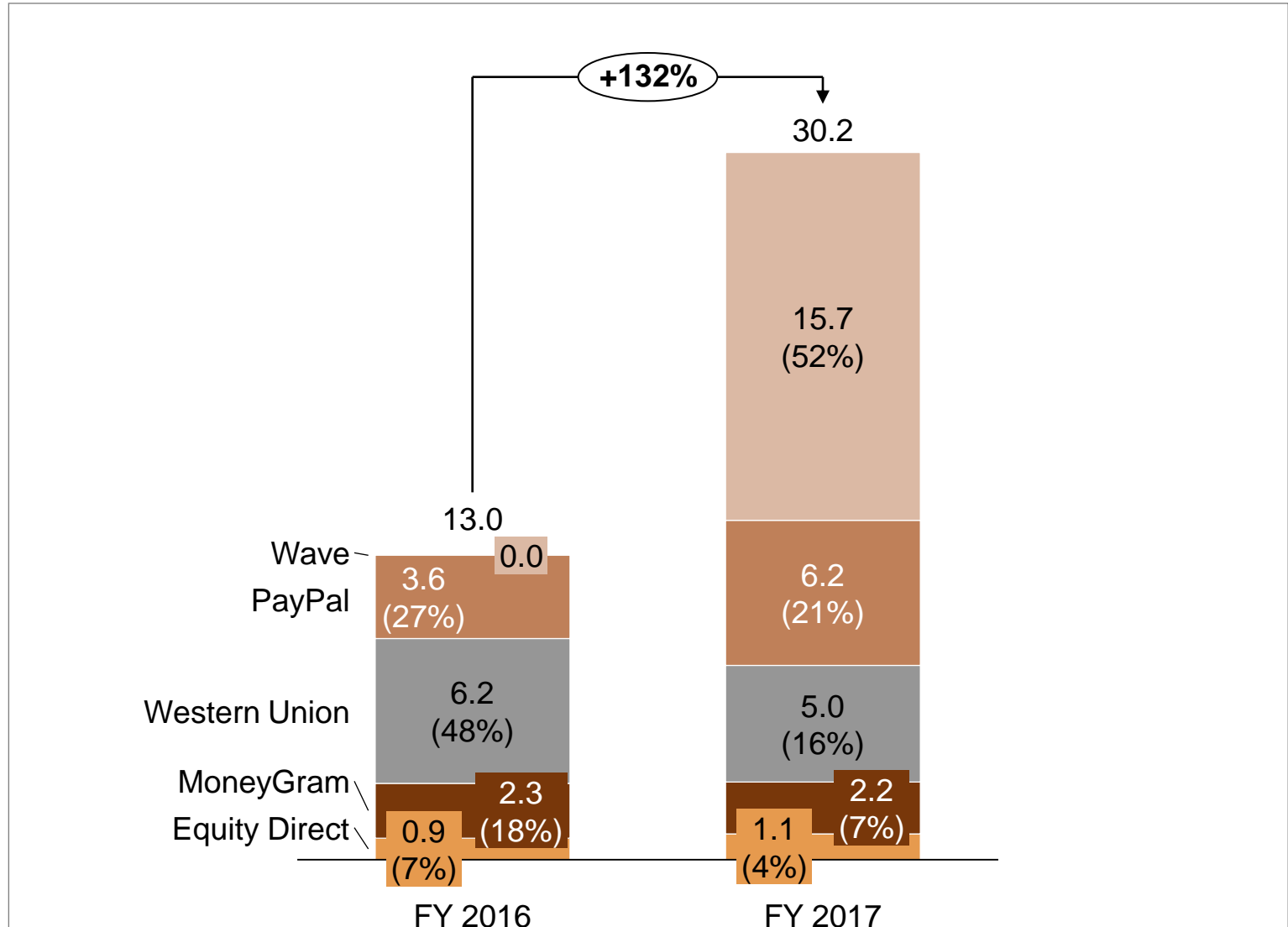




Focus Area 6: Innovation and digitization (Diaspora)



Volume In KES Billion

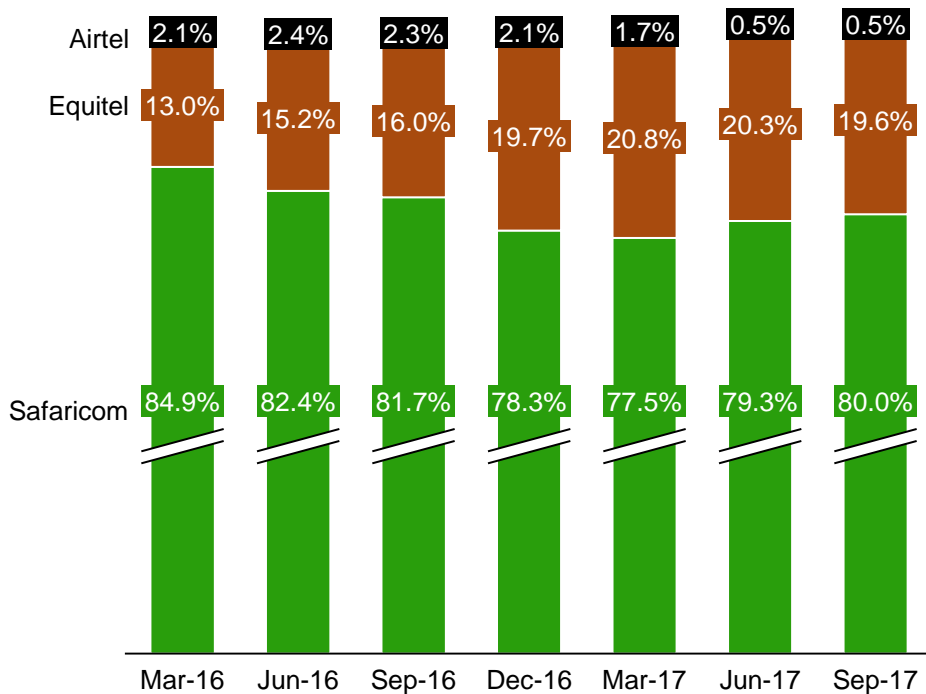




Focus Area 6: Innovation and digitization (Market Share of National Money Transfer)

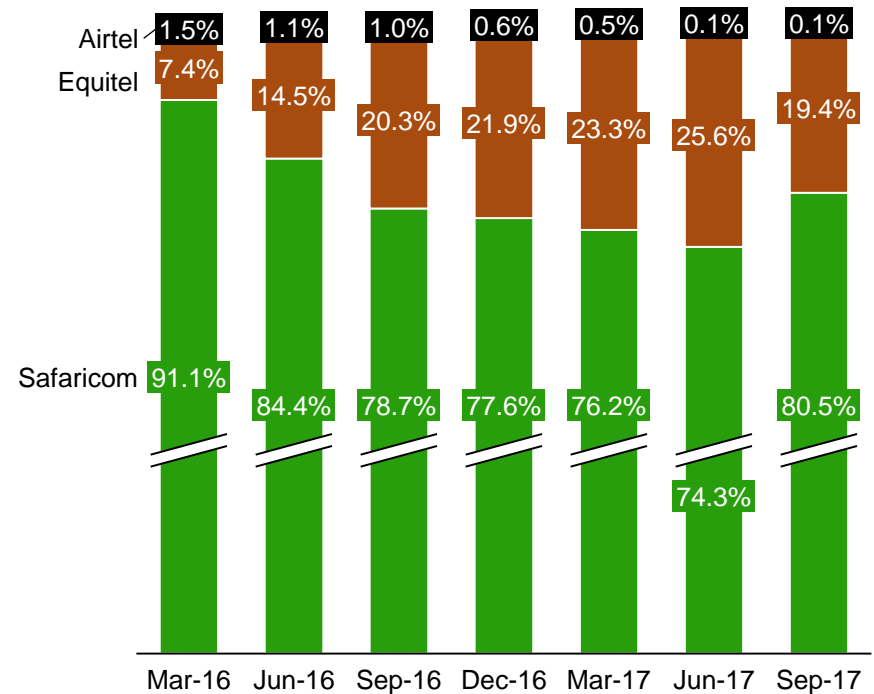


Count



- Total sector number of mobile transactions were 536.0 million in Q3 2017 a 12% increase from Q2 2017.

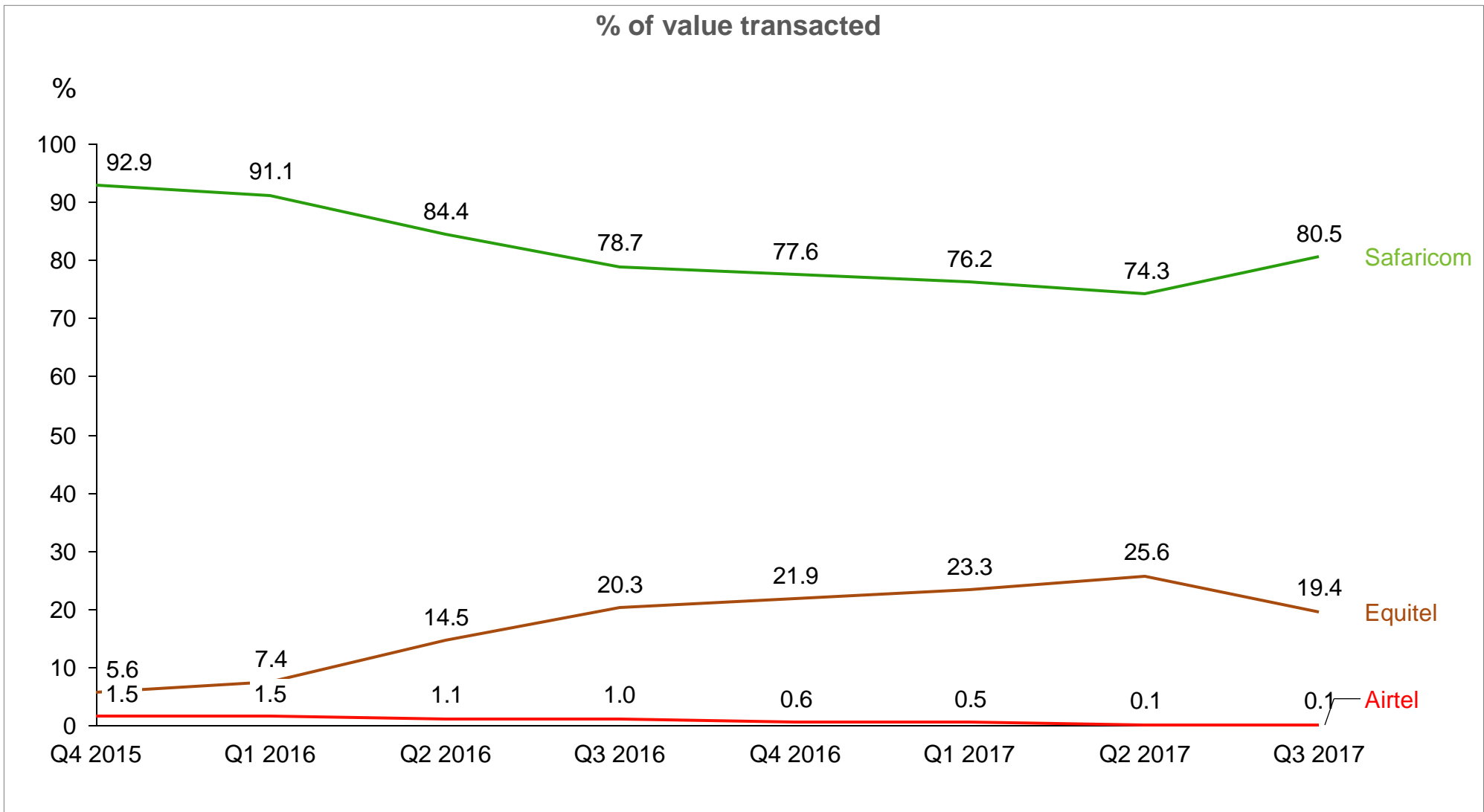
Value



- Total sector value of mobile transactions were 1.66 trillion in Q3 2017. This was a 36% increase from Q2 2017.



Focus Area 6: Innovation and digitization (Market Share of National Money Transfer)



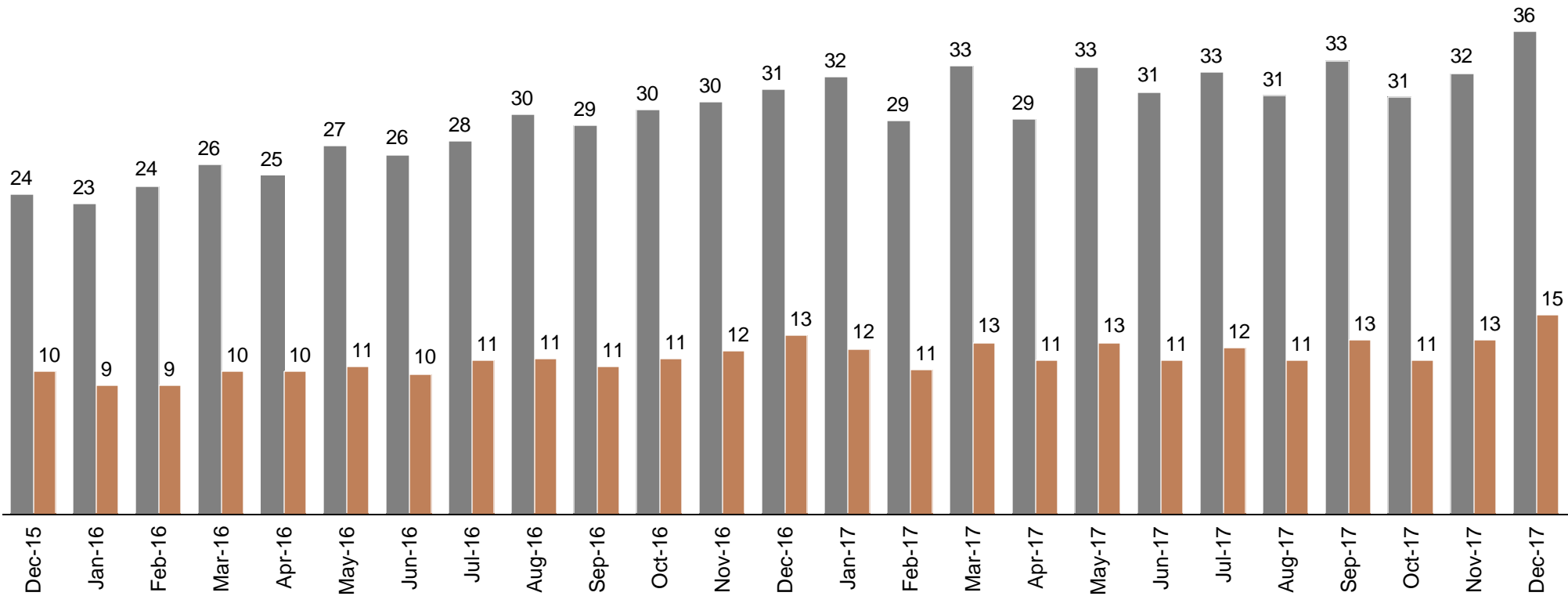
Source: Communications Authority of Kenya



Focus Area 6: Innovation & digitization (Agency Banking)

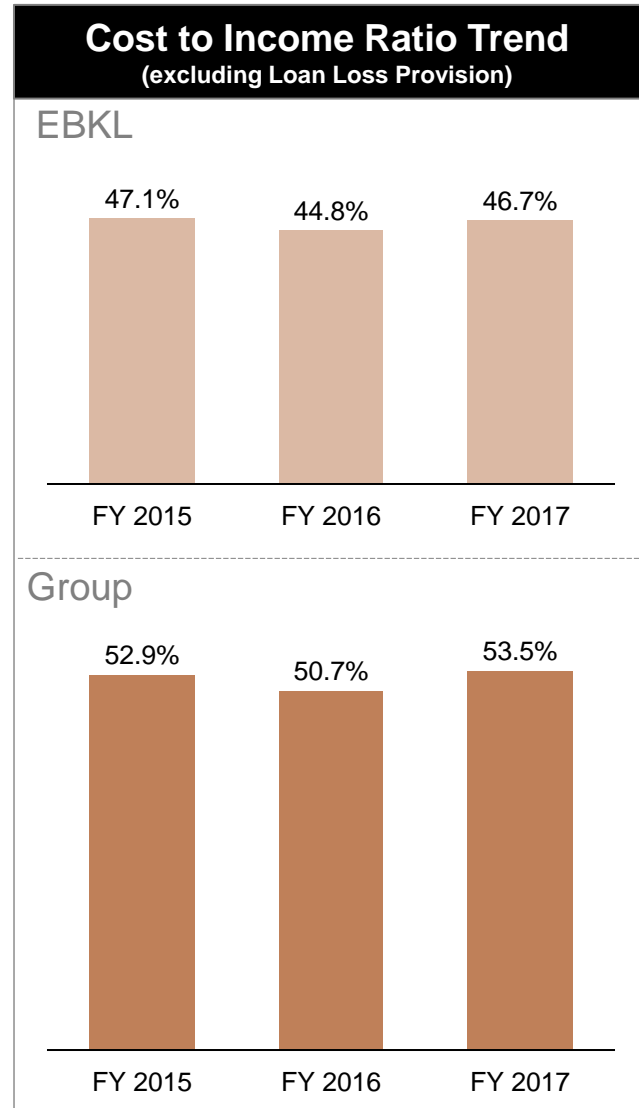
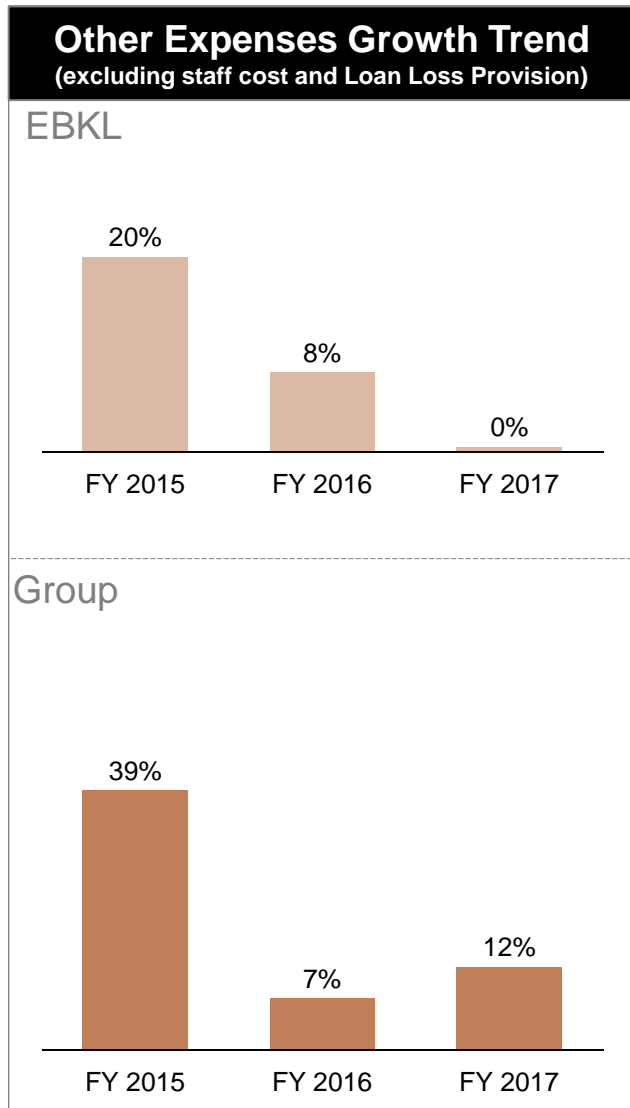
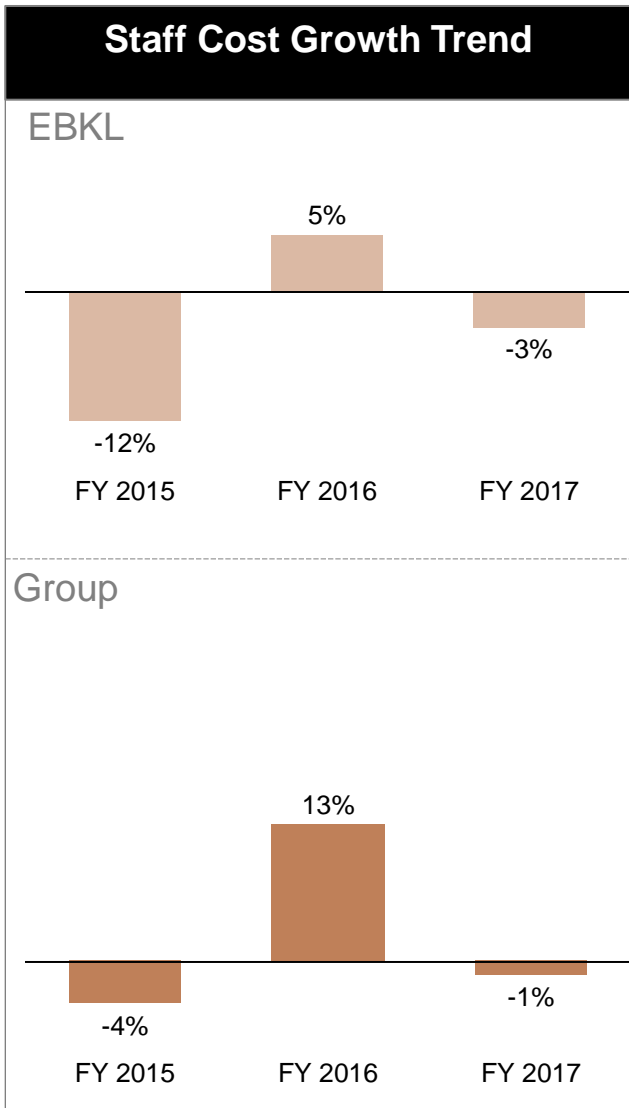


■ Monthly Agents Deposit (Kes Bn)
■ Monthly Agents Withdrawal (Kes Bn)





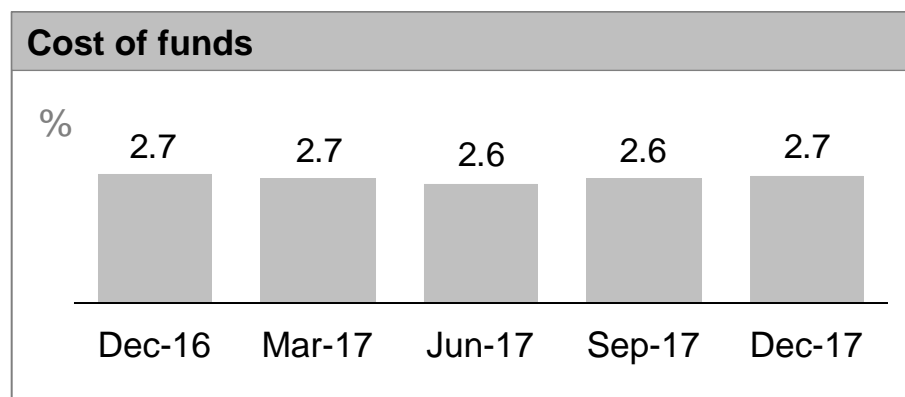
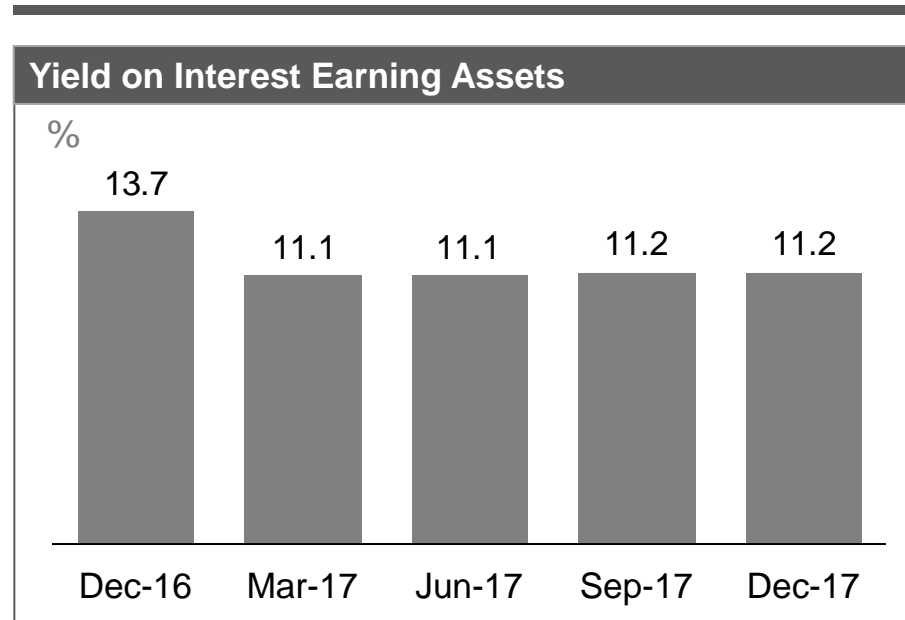
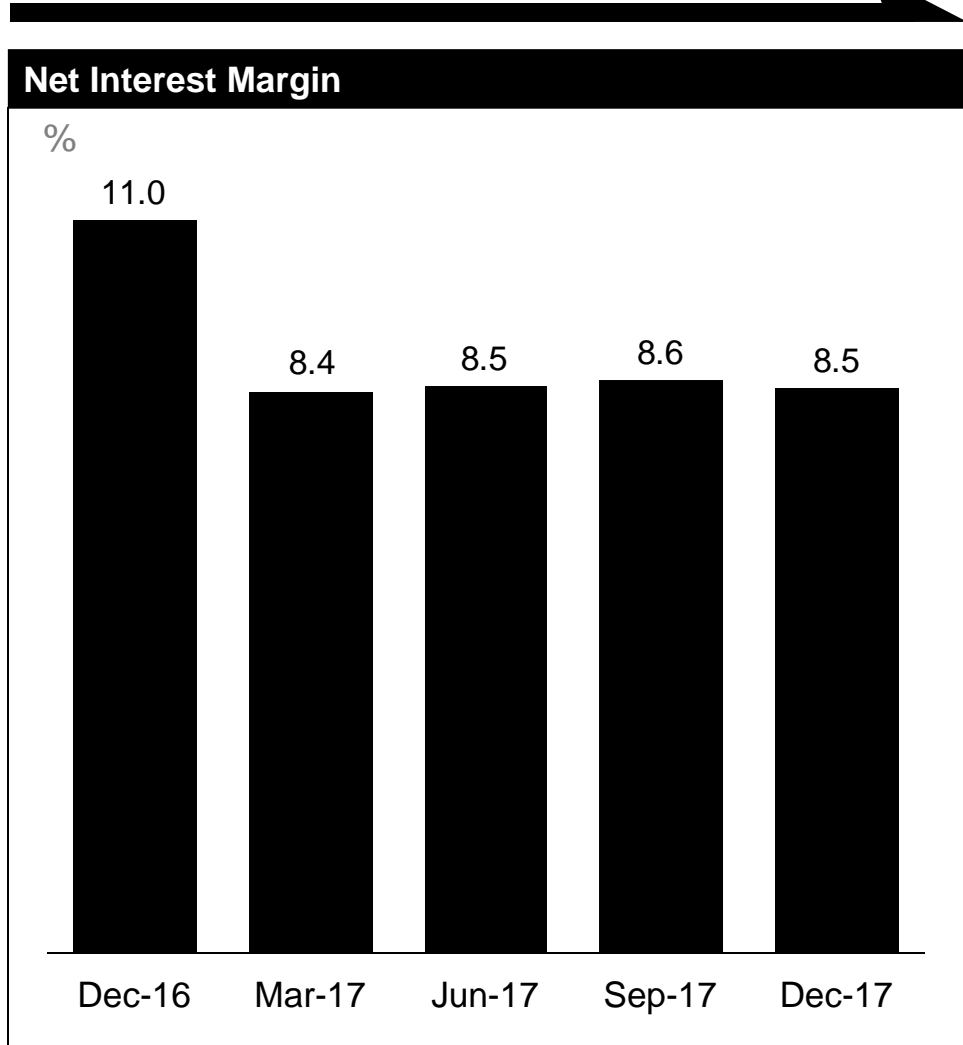
Focus Area 7: Efficiencies and cost optimization





Focus Area 7: Efficiencies and cost optimization

Group



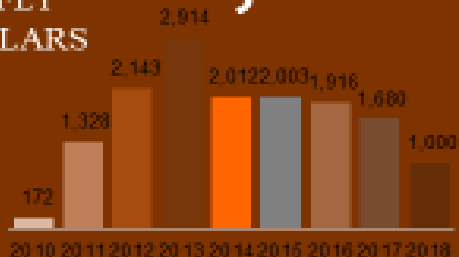


Shared Prosperity Model & Business Impact



TOTAL WINGS TO FLY SCHOLARS

15,168



2017 GRADUATING CLASS

- 94% secondary school completion
- 69% attained university entry grades
- 86% take on school and community leadership roles

600,000

2,616

PEASANT FARMERS TRANSFORMED TO AGRI-BUSINESSES

MEDIUM-SIZED FARMERS SUPPORTED

10,641

UNIVERSITY SCHOLARS

5,431 Interned at Equity Bank
443 in Global Universities

1,551,726

WOMEN & YOUTH

FROM 2010 TO 2017



Kenyan women and youth completed the financial literacy education.



EQUITY

GROUP FOUNDATION

Content availed through mobile channel

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

1Mil

Trees planted

40,000

Clean energy products distributed

36,166

ENTREPRENEURS TRAINED

USD

228,651,215

TOTAL FUNDS RAISED FOR CURRENT PROGRAMS

USD

5.3

Billion in loans to women
EMPOWERING LOANS UNDER FANIKISHA



Business Validation



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



Equity Bank Limited

Rating Scale	Rating	Rating Outlook
National	Aa3.ke/KE-1	Stable
Global	B2	

- 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 rate Equity Bank Kenya the same as Kenya Government on a **Global Rating of B2, Stable Outlook**. This is after Kenya being downgraded
- Moody's rate Equity Bank the **highest credit within Kenya** with a **National Scale Rating of Aa3**
- 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' highlights that this compares with the bank's peers that have a "more aggressive loan growth strategy despite the challenging environment"

Global Credit Rating Co. rates Equity Group

Equity's Global Credit Rating



GCR | GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

September 2017

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

- GCR has affirmed the national scale ratings assigned to Equity Group Holdings Plc of AA-(KE) and A1+(KE) in the long term and short term respectively; with the outlook accorded as Stable.
- The accorded ratings assigned to EGH Plc reflects its strong competitive position in Kenya's banking industry, which is underpinned by a favorable market reputation, as well as a resilient and innovative financial services business, spread across East Africa and the Democratic Republic of Congo.
- The rating is also as a result of its Robust internal capital generation and strong Profitability which remained resilient in FY16 despite challenging operating conditions, characterized by economic and political uncertainty and unfavorable banking developments in Kenya.



High and improving Global Ranking



The Banker TOP 1000 WORLD BANKS

Equity Bank	<u>Overall</u>	<u>Soundness</u> (Capital Assets Ratio)	<u>Performance</u> (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

Note: Lower Profits on Capital and Return on Assets ranking in 2016 and 2017 are driven by investments in DRC, the effect of the currency devaluation in South Sudan, and additive capital injection in Uganda, Tanzania and Rwanda.



Africa's best bank 2016: Equity Bank

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



2017 African Banker Awards



Equity Bank has been named as the:

- Best Retail Bank in Africa
- Best Digital Bank in Kenya
- Best CSR East Africa

Equity Bank CEO, Dr James Mwangi, named Banker of the Year in East Africa





Equity has earned recognition in 2017 Think Business Awards



EQUITY BEST BANK IN KENYA FOR THE 6TH TIME

Category	1st	2nd	3rd
Best Bank Overall	Equity Bank		
Best Bank Tier 1 (Big Banks)	Equity Bank		
Best Bank in Retail Banking	Equity Bank		
Best Commercial Bank in Micro Finance	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 Mwangera (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



Banking Superbrand



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

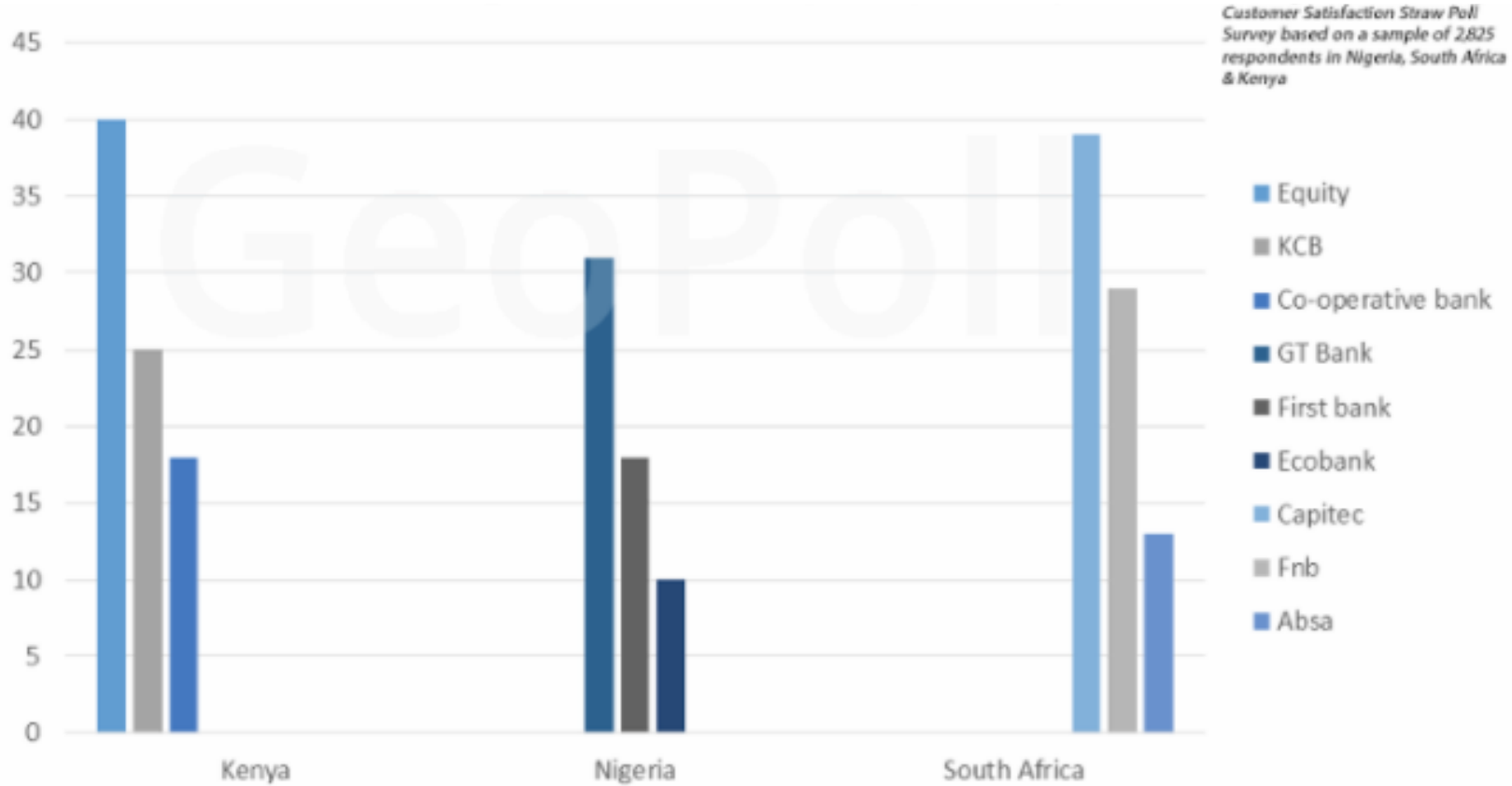




Geopoll Survey Ranks Equity Bank as Most preferred lender in Kenya

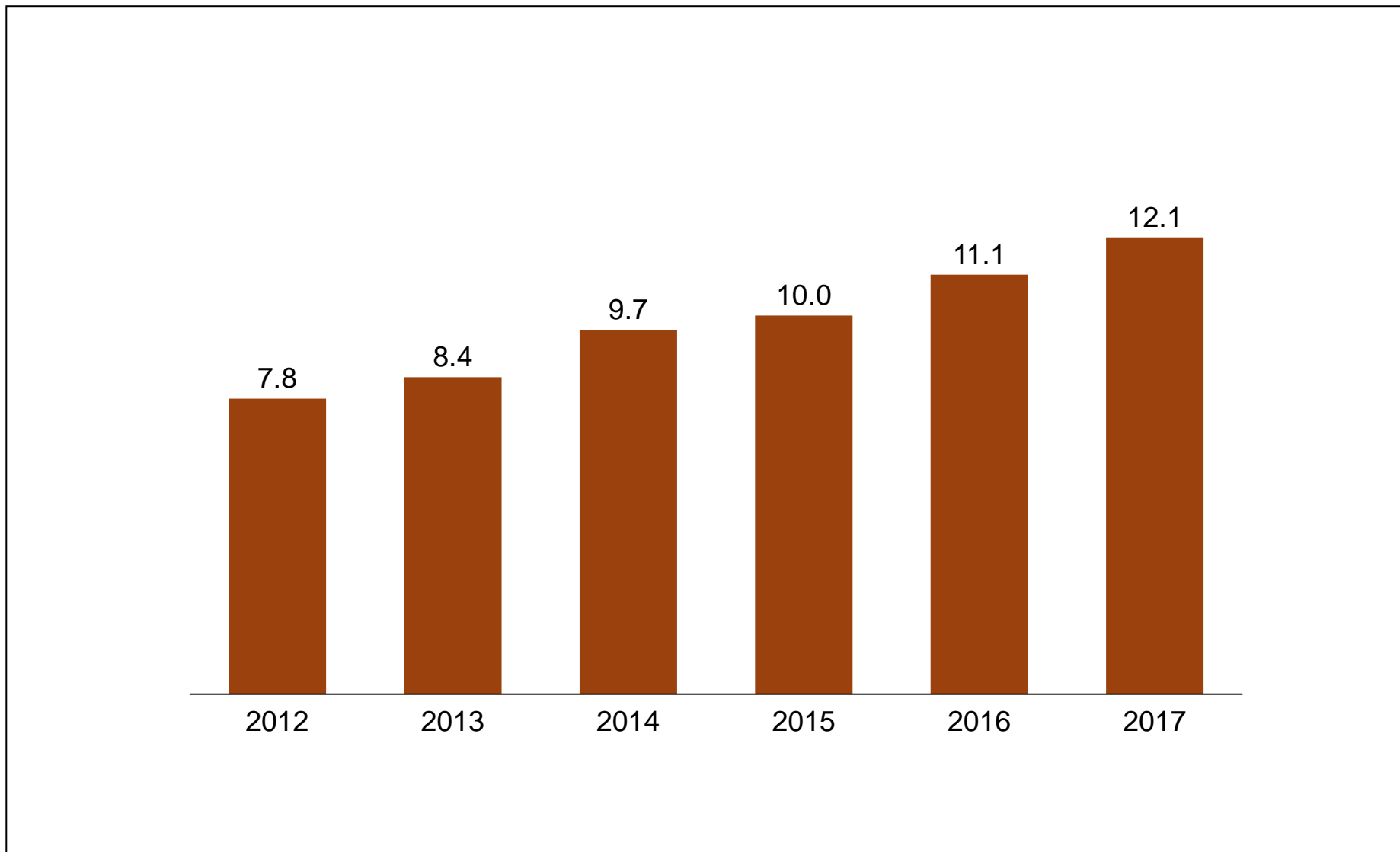


Equity Bank, GT Bank and Capitec are among the most preferred banks in Kenya, Nigeria and South Africa respectively





Consistent Growth in Customer Numbers

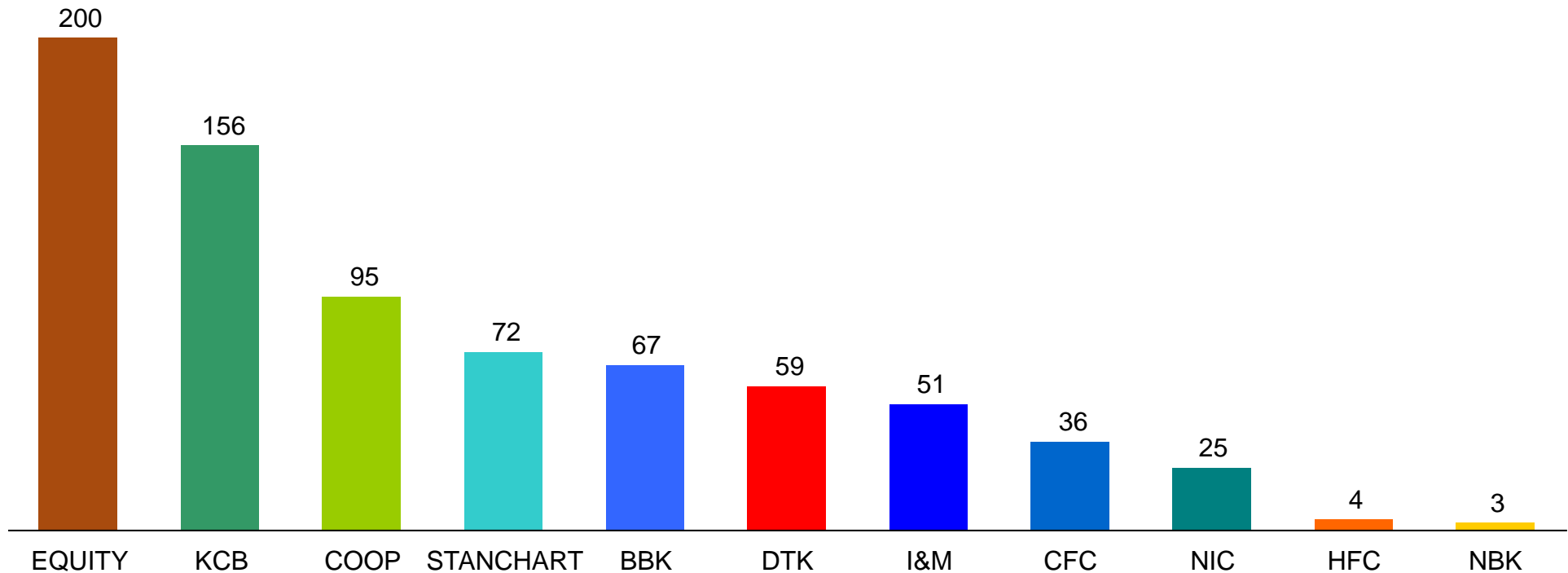




Kenyan Banks Market Capitalization



■ NSE Market Capitalization (Kes B) as at 21 March 2018





Intermediation & Financial Performance



Balance Sheet (Group)



KES (Billion)

	FY 2016	FY 2017	Growth
Assets			
Net Loans	266.1	279.1	5%
Cash & Cash Equivalents	64.4	79.6	24%
Government Securities	100.6	128.0	27%
Other Assets	42.6	37.8	-11%
Total Assets	473.7	524.5	11%
Liabilities & Capital			
Deposits	337.2	373.1	11%
Borrowed Funds	46.0	47.9	4%
Other Liabilities	8.6	10.3	20%
Shareholder's Funds	82.0	93.1	14%
Liabilities & Capital	473.7	524.5	11%



14% Growth in PAT (Group)



<i>KES (Billion)</i>	FY 2016	FY 2017	Growth
Interest Income	51.8	48.4	-7%
Interest Expense	(10.0)	(10.8)	8%
Net Interest Income	41.8	37.6	-10%
Non-Funded Income	22.2	27.6	24%
Total Income	64.0	65.2	2%
Loan Loss Provision	(6.6)	(3.4)	-48%
Staff Costs	(11.6)	(11.5)	-1%
Other Operating Expenses	(20.8)	(23.4)	12%
Total Costs	(39.1)	(38.3)	-2%
PBT	24.9	26.9	8%
Tax	(8.3)	(8.0)	-4%
PAT	16.6	18.9	14%
Dividend	7.5	7.5*	

* proposed



Financial Ratios



	EBKL FY 2016	EBKL FY 2017	Group FY 2016	Group FY 2017
Profitability				
Yield on Loans	16.0%	11.7%	16.1%	12.5%
Yield on Government Securities	10.5%	11.7%	11.0%	11.7%
Yield on Interest Earning Assets	14.2%	11.0%	13.7%	11.2%
Cost of Deposits	2.4%	2.3%	2.5%	2.3%
Cost of Funds	2.7%	2.6%	2.7%	2.7%
Net Interest Margin	11.5%	8.4%	11.0%	8.5%
Cost to Income Ratio (with provisions)	54.7%	51.6%	61.1%	58.7%
Cost to Income Ratio (without provision)	44.8%	46.7%	50.7%	53.5%
RoAE	30.5%	28.6%	21.5%	21.6%
RoAA	4.2%	4.2%	3.7%	3.8%
Dividend Payout Ratio			45.6%	40.0%
Dividend to Par Ratio			400.0%	400.0%
Asset Quality				
Cost of Risk	2.28%	1.09%	2.48%	1.26%
Leverage				
Loan / Deposit Ratio	77.1%	71.8%	78.9%	74.8%
Capital Adequacy Ratios				
Core Capital to Risk Weighted Assets	14.4%	15.8%	18.7%	19.7%
Total Capital to Risk Weighted Assets	15.5%	16.5%	19.7%	20.4%
Liquidity				
Liquidity ratio	47.7%	54.8%	47.6%	54.2%



2018 Outlook – Group



	Group	
	2018 Outlook	2017 Actual
Loan Growth	10% - 15%	5%
Deposit Growth	5% - 15%	11%
Net Interest Margin	8.5% - 10%	8.5%
Non Funded Income Mix	42% - 45%	42%
Cost to Income Ratio	48% - 52%	53.5%
Return on Equity	22% - 25%	21.6%
Return on Assets	3.8% - 4.5%	3.8%
Cost of Risk	0.8% - 1.2%	1.26%
NPL	4% - 5.5%	6.3%
Subsidiaries Contribution (Assets)	25% - 30%	24%
Subsidiaries Contribution (PBT)	20% - 25%	14%



THANK YOU

Dr James Mwangi, CBS

Group Managing Director & CEO

[KeEquityBank](#)

[@KeEquityBank](#)

Email: info@equitybank.co.ke

Web site: www.equitybankgroup.com



Appendix



Ratios - Banking Subsidiaries



RoAE		
Subsidiary	Dec-16	Dec-17
EBKL	30.2%	28.6%
EBUL	23.5%	27.5%
EBRL	9.8%	16.1%
EBTL	6.6%	7.8%
DRC	5.7%	6.2%
EBSSL	-23.2%	3.1%

RoAA		
Subsidiary	Dec-16	Dec-17
EBKL	4.2%	4.2%
EBUL	2.6%	3.7%
EBRL	1.9%	2.6%
EBTL	0.8%	1.0%
DRC	0.8%	0.9%
EBSSL	-3.4%	1.1%

Cost-to-Income Ratio		
Subsidiary	Dec-16	Dec-17
EBKL	44.8%	46.7%
EBUL	57.1%	60.4%
EBRL	67.8%	56.8%
EBTL	68.5%	68.3%
DRC	78.7%	80.3%
EBSSL	142.9%	96.3%

Cost-to-Assets Ratio		
Subsidiary	Dec-16	Dec-17
EBKL	7.6%	6.3%
EBUL	12.0%	9.2%
EBRL	8.9%	7.5%
EBTL	7.2%	8.0%
DRC	13.9%	12.5%
EBSSL	9.3%	23.7%