



# Investor Briefing

## FY 2018 Performance



# Macroeconomic & Operating Environment



# Macro-economic & Operating Environment

	Interest Rates (Feb 2019)		FX (Local Currency v/s USD)		Inflation	GDP Growth
	CBR	Changes in Central Bank Rate (Year to Date)	28-Feb-19	Change Year to Date	Feb-19	(2019 Projected)
Kenya	9.0%	-100 Basis Points	100.09	2%	4.1%	6.0%
Tanzania	7.0%	-200 Basis Points	2,359	-5%	3.0%	6.6%
Uganda	10.0%	50 Basis Points	3,703	-2%	3.0%	5.5%
Rwanda	5.5%	0 Basis Points	885	-4%	-0.4%	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



# Macro-economic & Operating Environment



- **World Bank increased confidence in Kenya attractiveness** – Kenya Ease of Doing Business ranking by World Bank improved from position 80 to 61
- **KES strengthening** – KES has continuously gained ground against the USD, regional peers and other SSA currencies. KES has gained 2%, 3%, 6%, 7% against USD, 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



# Macro-economic & Operating Environment



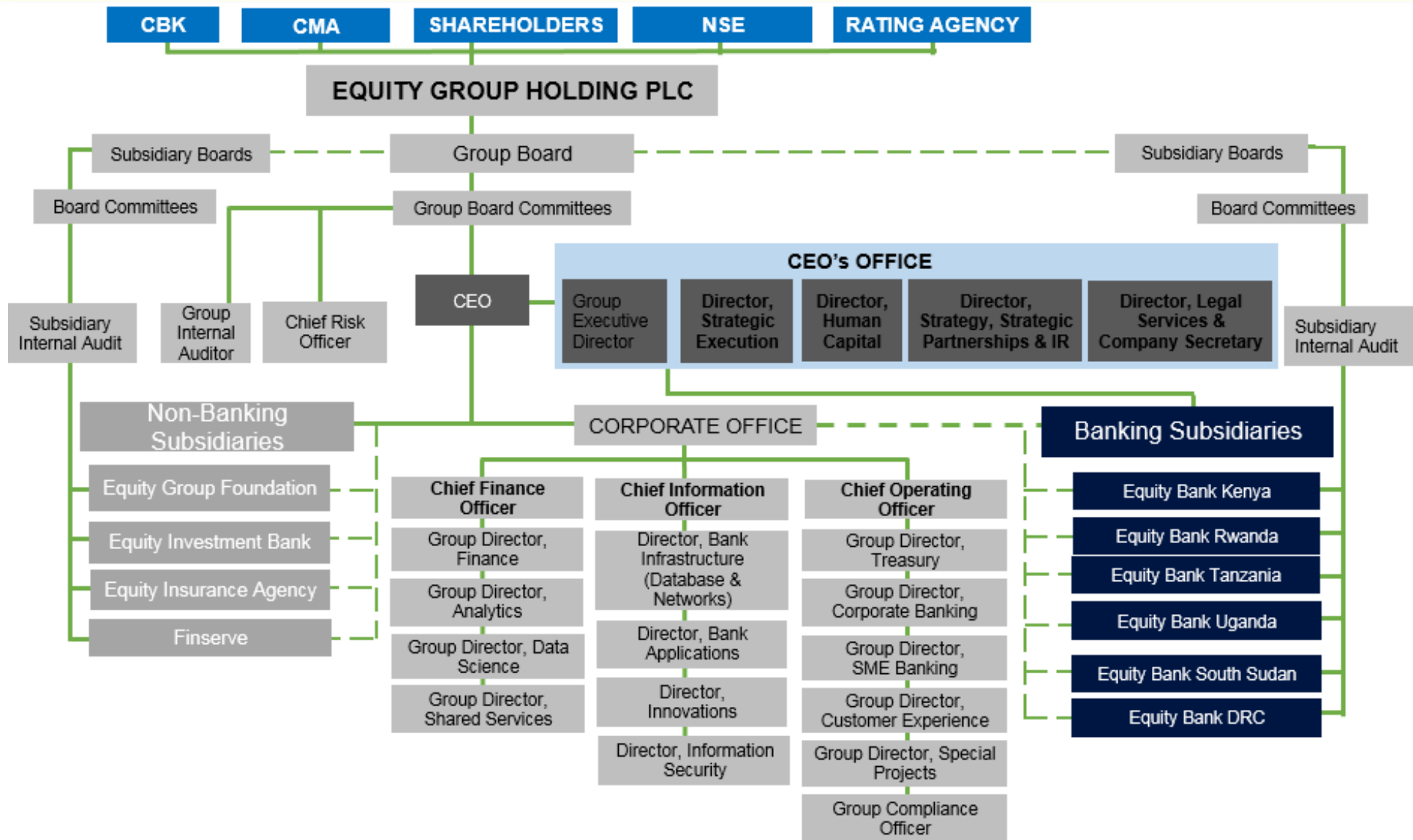
- **High court rules against interest capping** – High court rules interest rate capping as unconstitutional and urges parliament to amend the law
- **The continuous drop in CBR** – This has put pressure on Yields on Loans. CBR down 100 basis points in 2018
- **Uninterrupted increase in LIBOR rates in 2018** – the international debt market's LIBOR rates continue to depress Kenyan banks' Net Interest Margins. 6-month USD LIBOR rallied in 2018 to close the year at 2.88% against the start of year rate of 1.84%

2019 might however bring reprieve to the Kenyan banks with the LIBOR rates having dropped since start of the year to close Feb 2019 at 2.69%



# 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

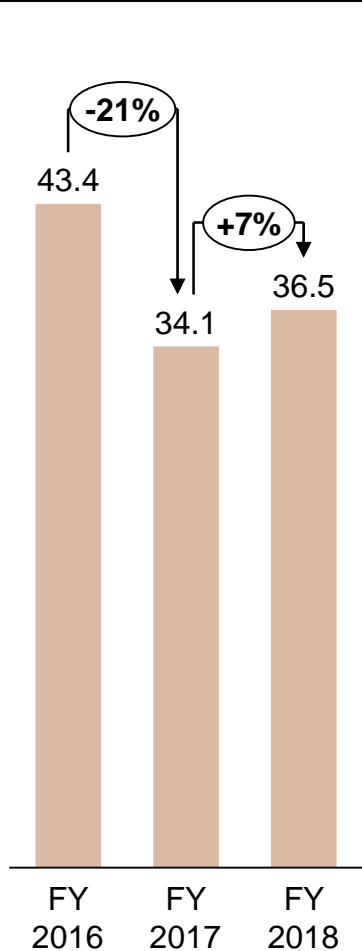




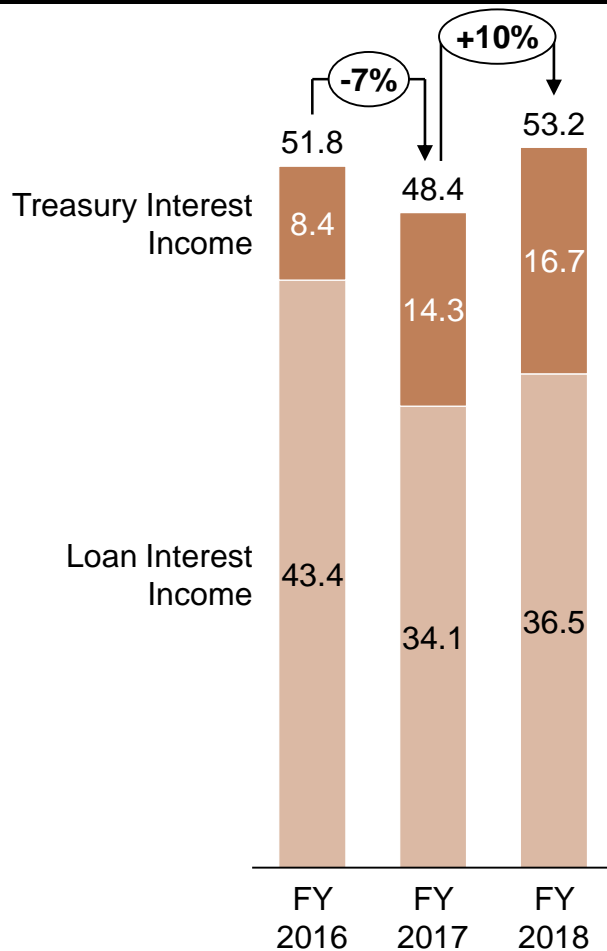
# Focus Area 1: Non-funded income growth & contribution

In Kes Billion

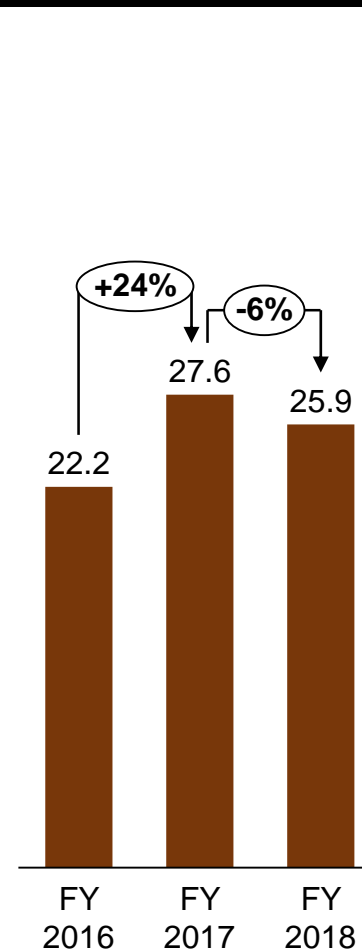
### Loan Interest Income Growth Trend



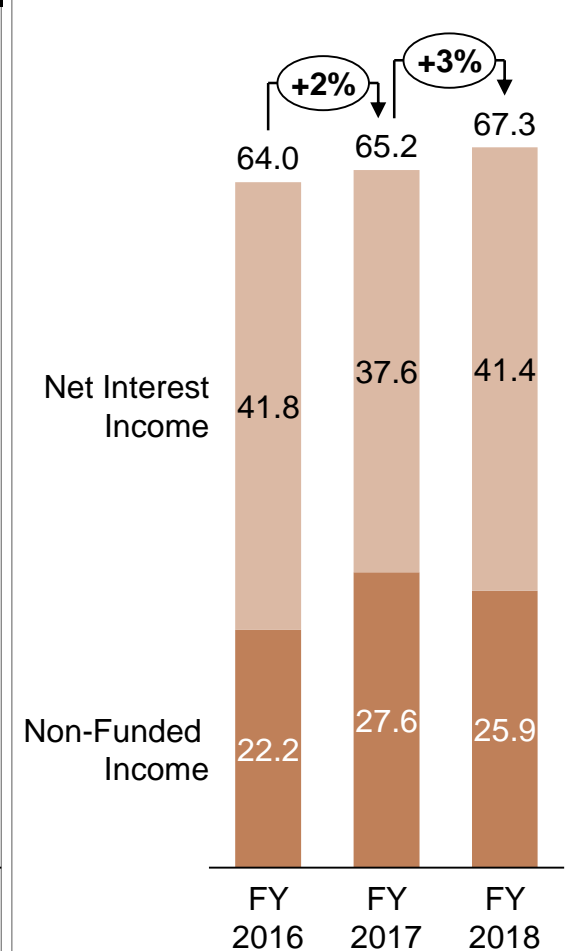
### Total Interest Income Growth Trend



### Non Funded Income Growth Trend



### Contribution to Income



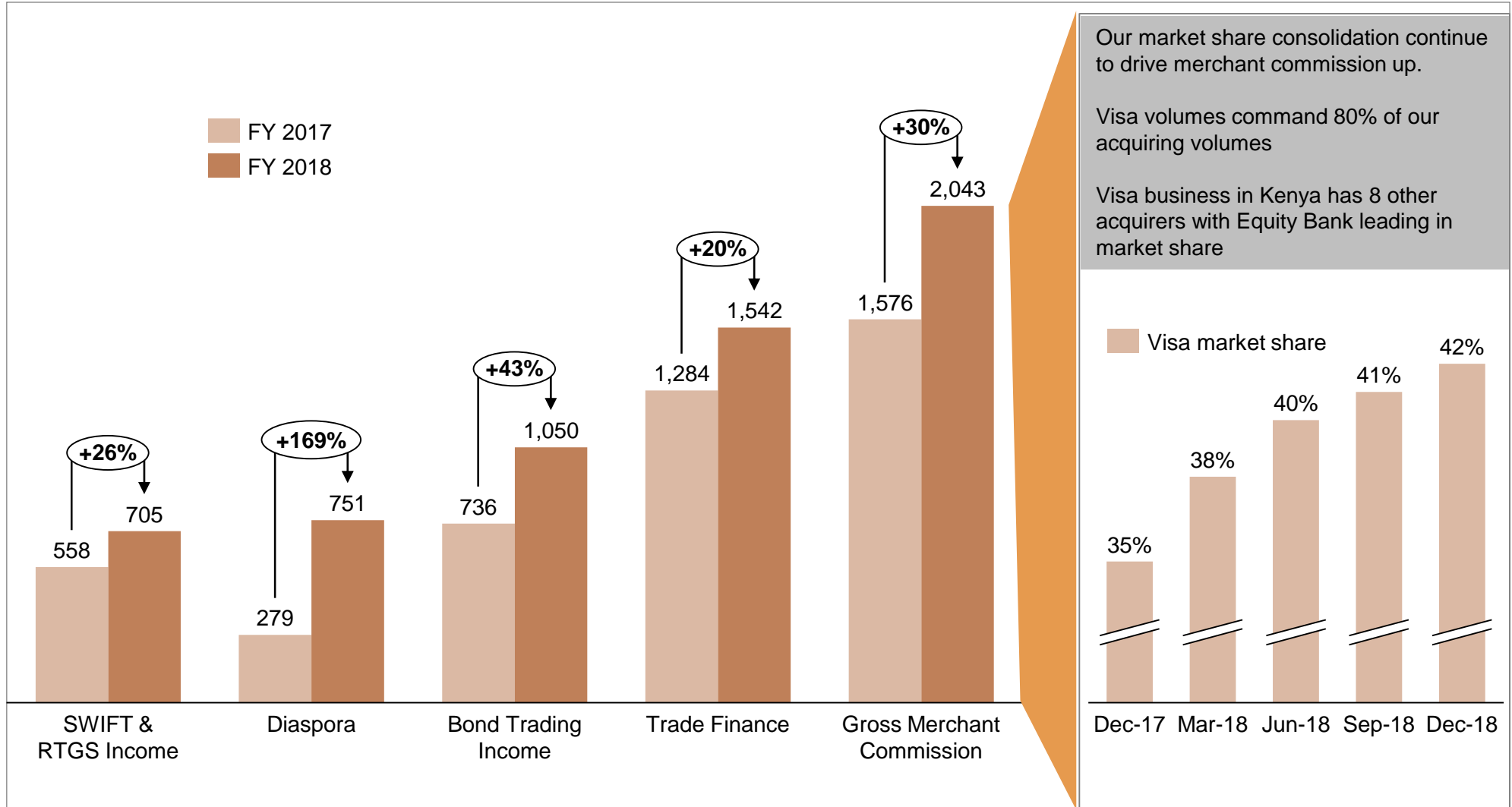


# Focus Area 1: Growth of diversified streams of non-funded income



In Kes Million

## Fees & Commissions (Key Lines - Group)



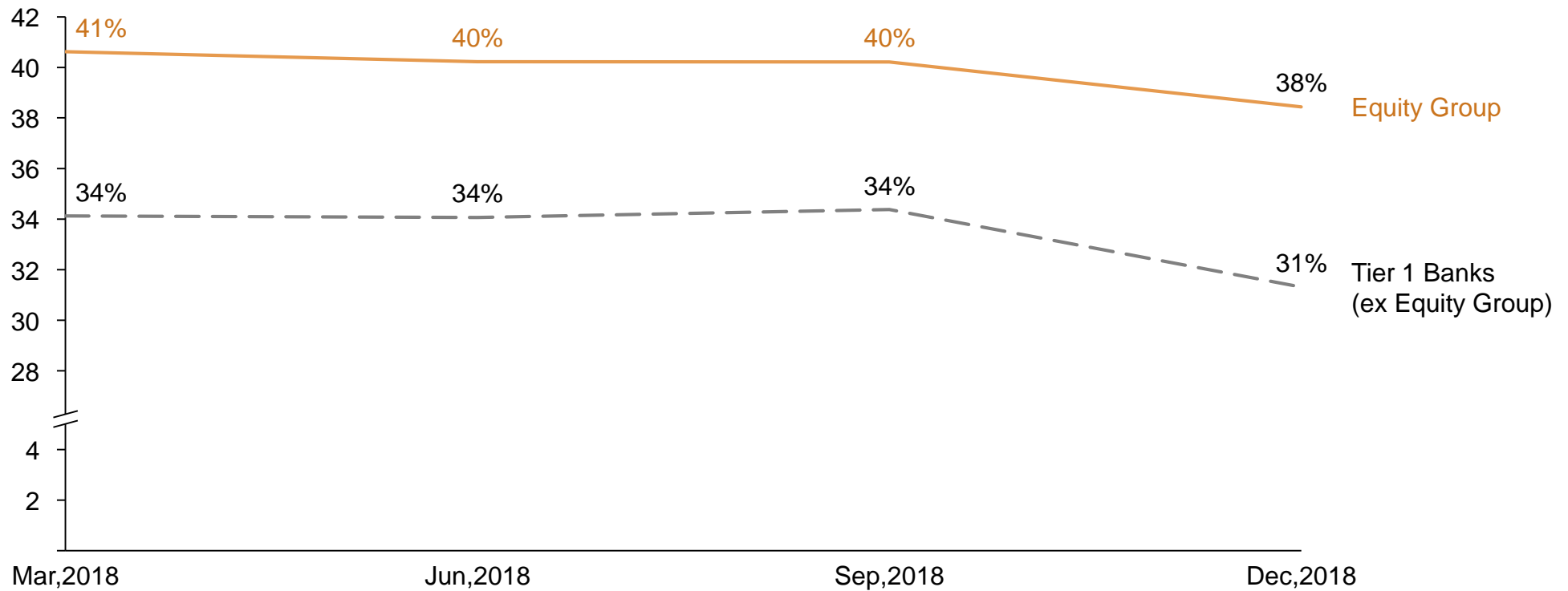


# Focus Area 1: NFI Contribution

## Equity Group more diversified than the sector



Strategically reducing income volatility from interest income



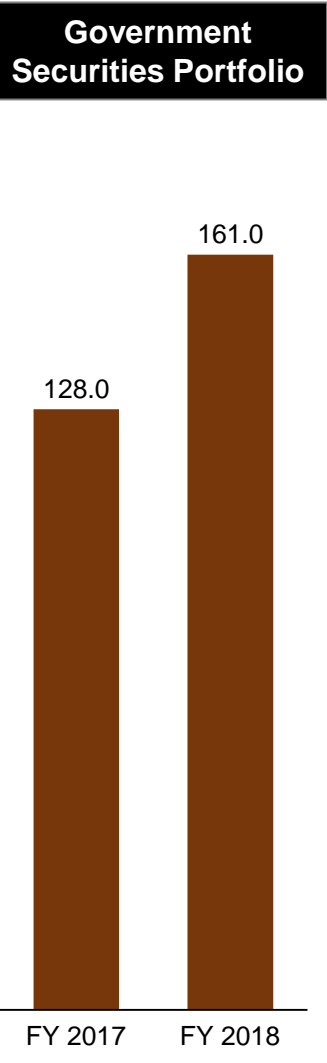
Dec 2018 Tier 1 Banks excludes CBA



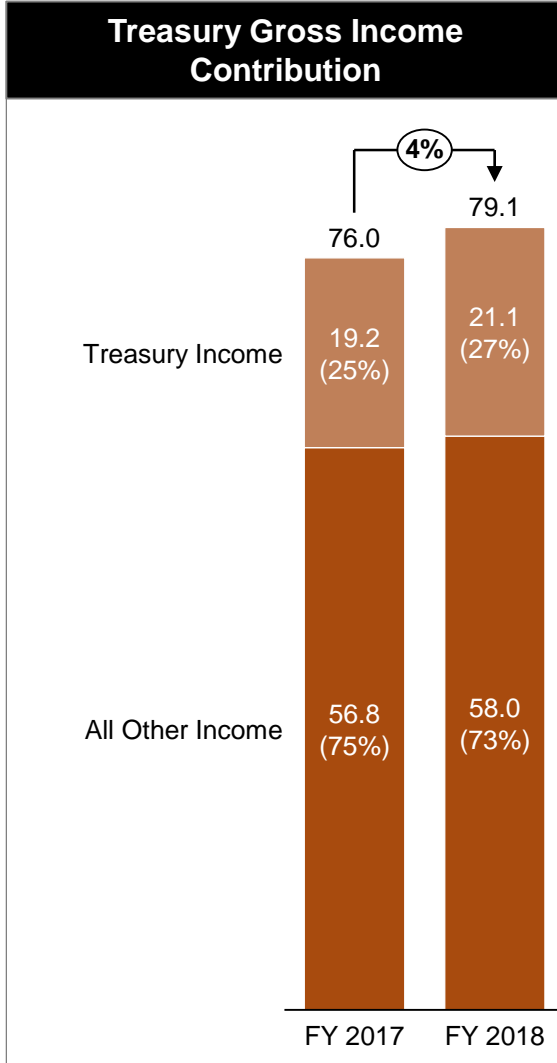
# Focus Area 2: Treasury



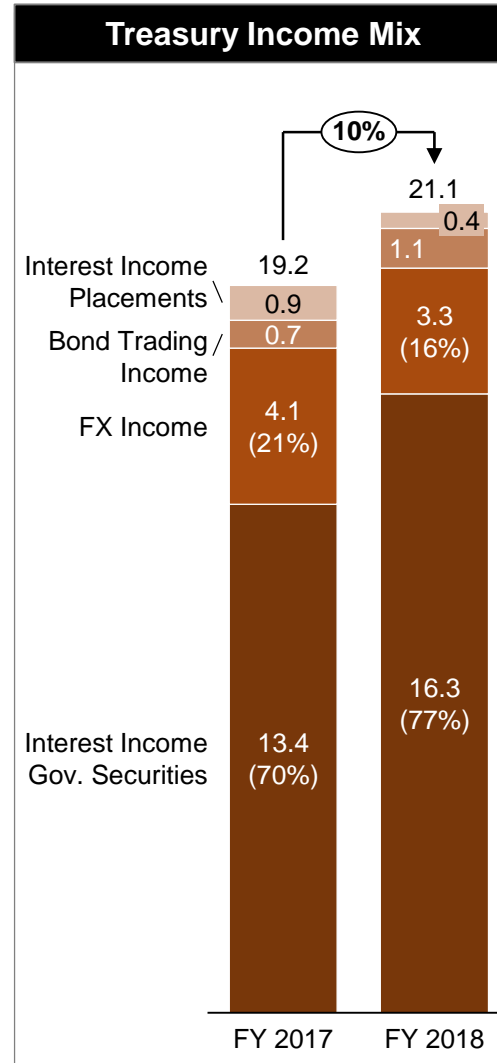
In KES Billion



In KES Billion

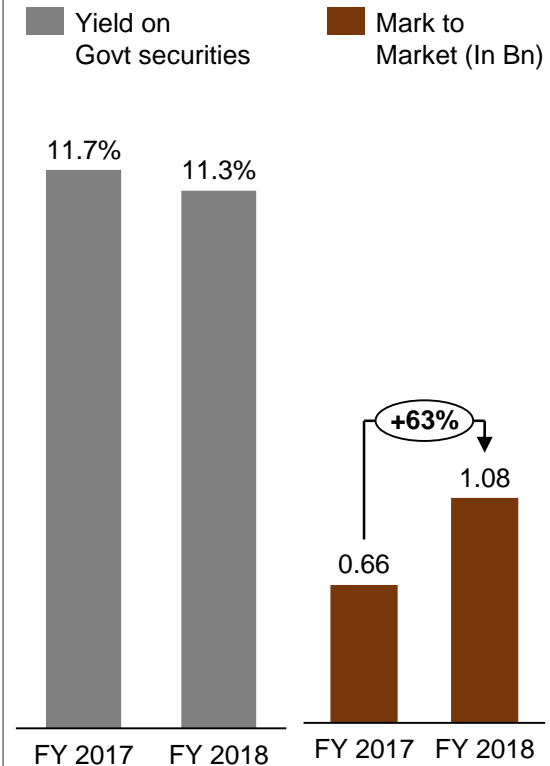


In KES Billion



### Yield on Government Securities & Capital Gains

Declining yields compensated by mark-to-market gains on Government Securities



Note: Income calculation above is before funding costs

# Focus Area 3: Geographical & business diversification

- Double digit growth in profitability for non-Kenyan subsidiaries
- Enhanced PAT contribution to Group at 15%

In KES Billion

	TZ	RW	UG	SS	DRC	EIA	EIB	Finserve	Subsidiaries Total/Growth	EBKL Total/Growth	Regional Contribution FY 2018	Regional Contribution FY 2017
Deposit	16.3	20.2	24.0	5.3	43.8				<b>109.5</b>	<b>341.6</b>	24%	24%
<i>Growth</i>	-15%	34%	16%	7%	35%				19%	14%		
Loan	14.5	15.3	19.2	0.1	24.5				<b>73.6</b>	223.6	25%	23%
<i>Growth</i>	-16%	33%	38%	-1%	12%				14%	4%		
Assets	24.5	27.0	32.3	8.6	58.0	0.3	0.6	1.8	<b>153.0</b>	438.5	26%	24%
<i>Growth</i>	-5%	26%	10%	3%	35%	-21%	-54%	-11%	16%	8%		
PBT	-0.6	1.0	1.3	0.2	1.4	0.5	0.0	0.0	<b>4.0</b>	24.4	14%	14%
<i>Growth</i>	-259%	45%	14%	590%	75%	19%	-105%	-84%	2%	6%		
PAT (Kes)	-0.3	0.7	1.0	0.2	1.0	0.4	-0.01	0.01	<b>2.9</b>	16.8	15%	14%
	-229%	46%	10%	125%	173%	21%	-116%	-95%	8%	3%		



# Focus Area 3: Geographical diversification

## Ratios - Banking Subsidiaries



RoAE		
Subsidiary	FY 2017	FY 2018
EBKL	28.6%	27.4%
EBUL	27.5%	21.6%
EBRL	16.1%	20.1%
EBTL	7.8%	-10.6%
DRC	6.2%	15.2%
EBSSL	3.1%	7.3%

RoAA		
Subsidiary	FY 2017	FY 2018
EBKL	4.2%	4.0%
EBUL	3.7%	3.1%
EBRL	2.6%	2.9%
EBTL	1.0%	-1.2%
DRC	0.9%	1.9%
EBSSL	1.1%	2.8%

Cost-to-Income Ratio		
Subsidiary	FY 2017	FY 2018
EBKL	46.7%	47.2%
EBUL	60.4%	64.5%
EBRL	56.8%	50.1%
EBTL	68.3%	79.1%
DRC	80.3%	69.7%
EBSSL	96.3%	74.5%

Cost-to-Asset Ratio		
Subsidiary	FY 2017	FY 2018
EBKL	6.3%	5.9%
EBUL	9.2%	8.3%
EBRL	7.5%	6.6%
EBTL	8.0%	10.6%
DRC	12.5%	10.4%
EBSSL	23.7%	8.9%



# Focus Area 4: Balance Sheet Agility

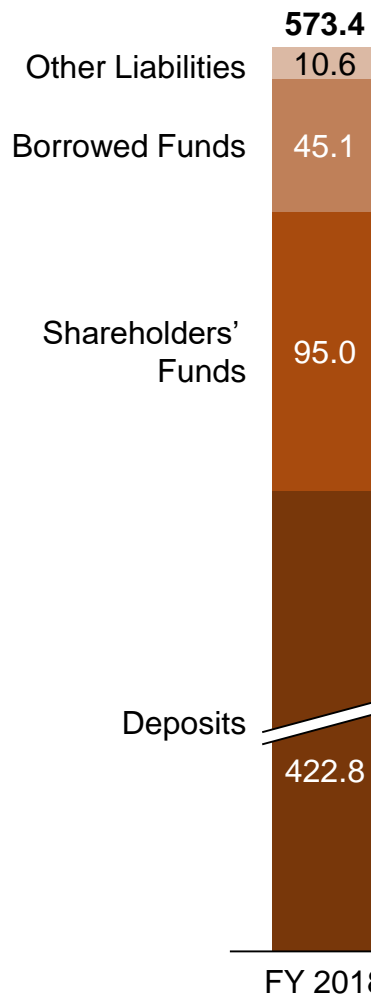


In KES Billion

## Funding Split

Group

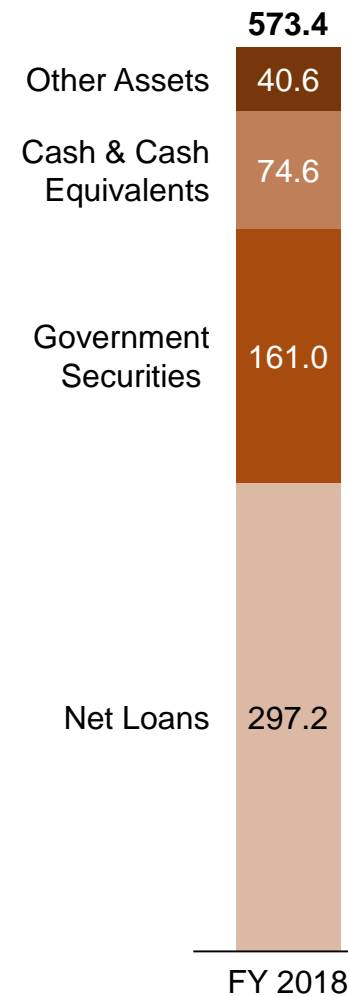
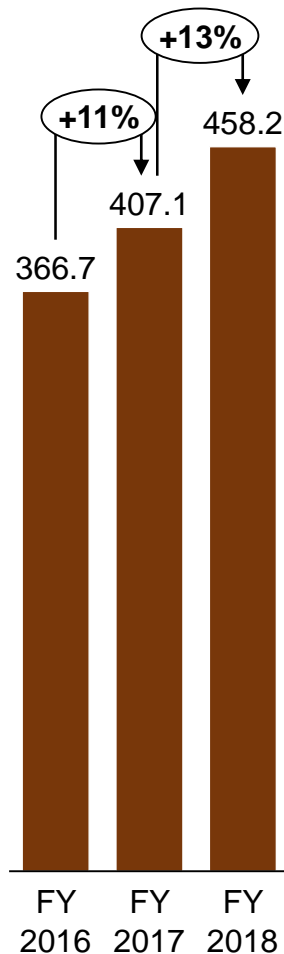
Deposits



## Asset Split

Group

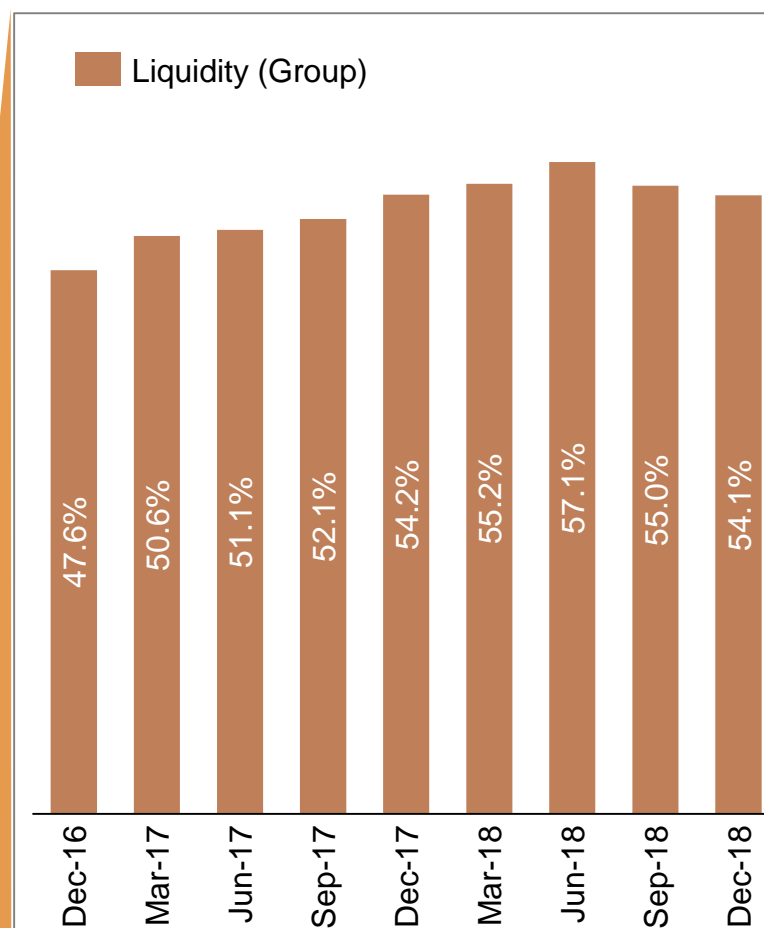
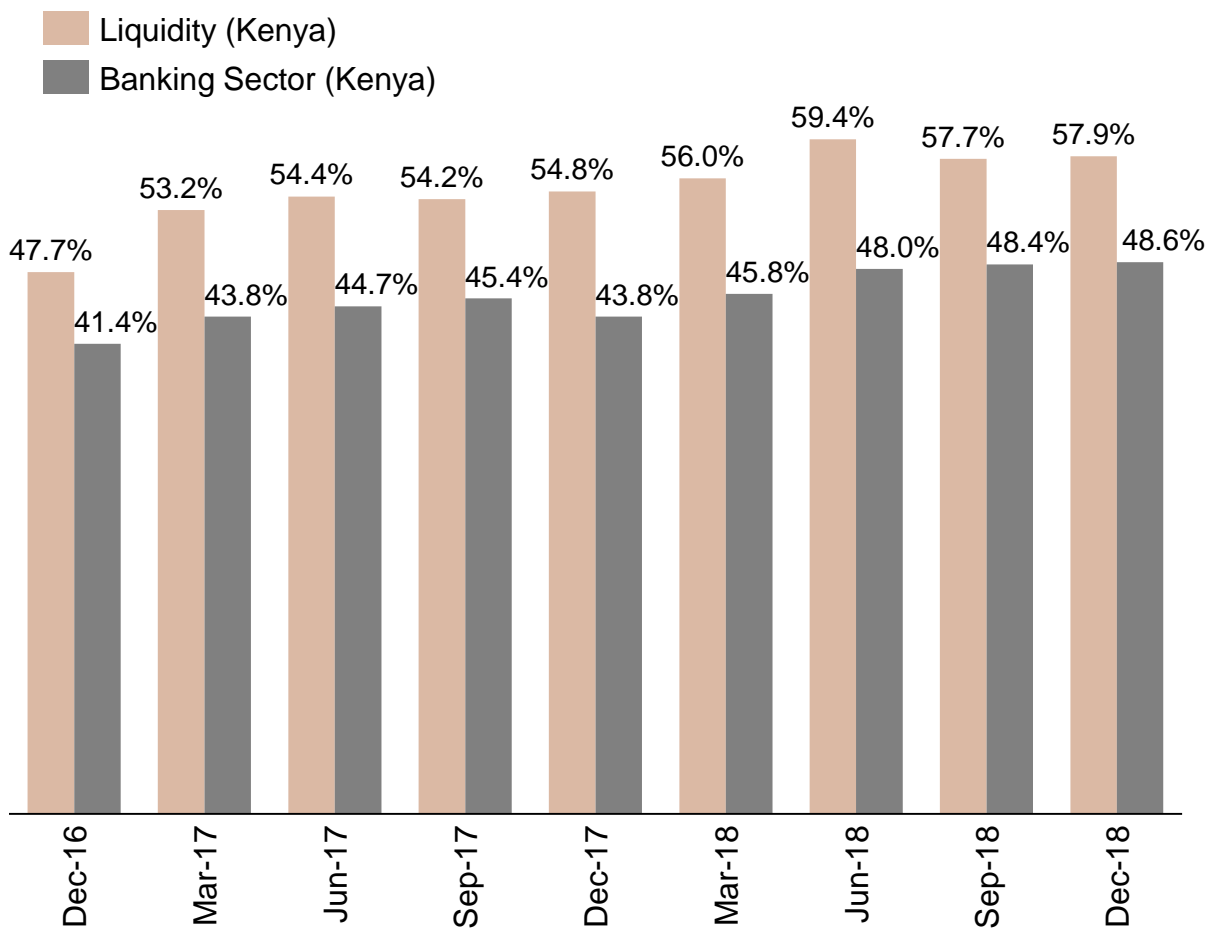
Net Loans & Govt Sec





# Focus Area 4: Balance Sheet Agility

Liquidity ratio of 57.9% makes the balance sheet agile for opportunistic growth & diversification strategies in case of change in the operating environment





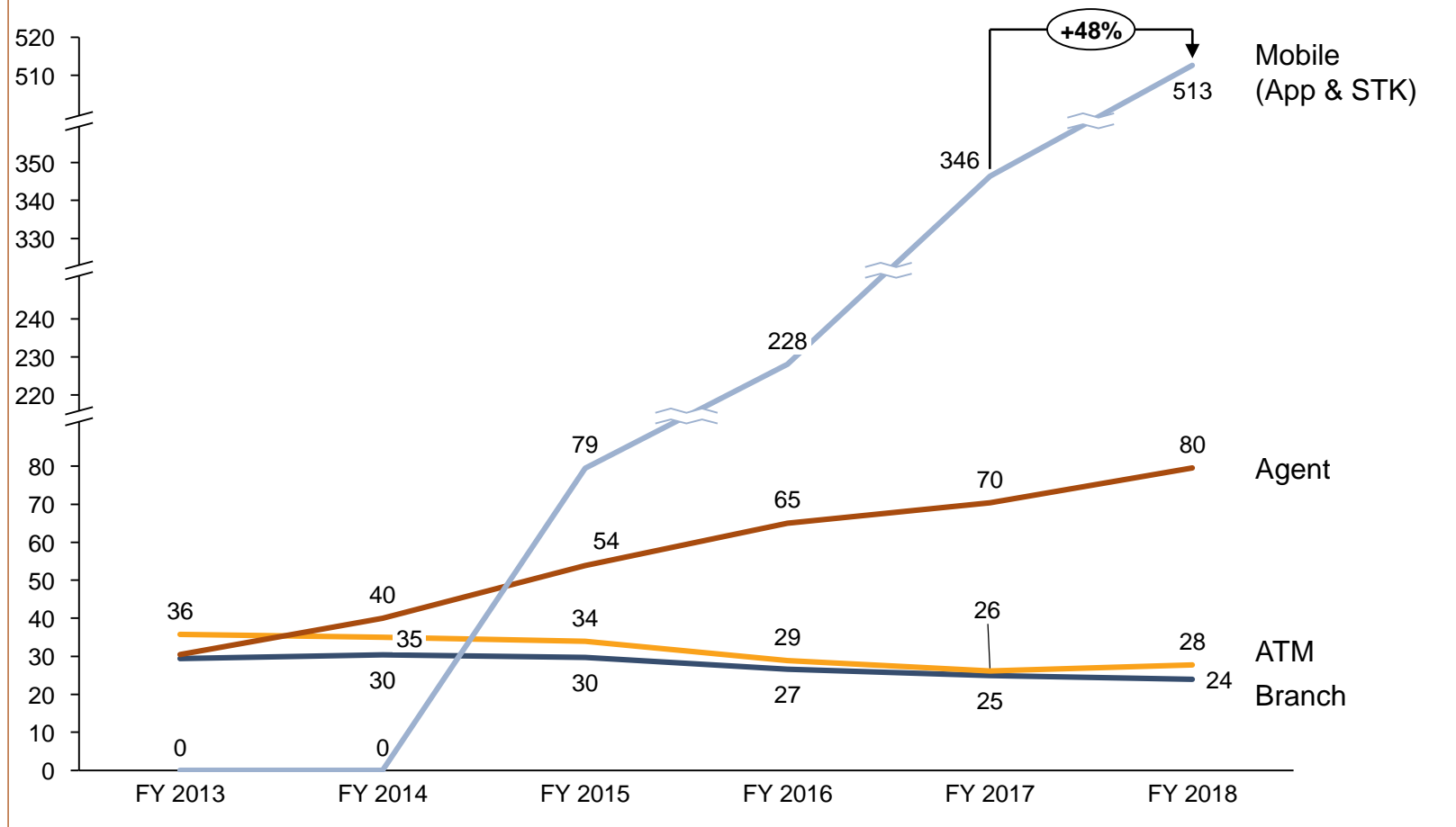


# Focus Area 5: Innovation and digitization

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

Transactions in millions

- 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 3<sup>rd</sup> party infrastructure





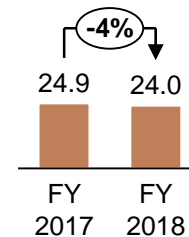
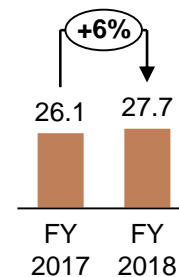
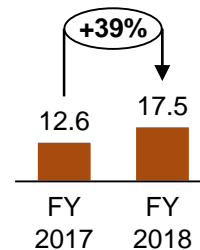
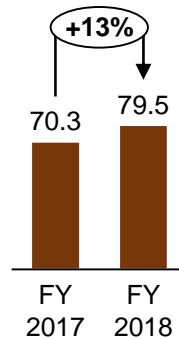
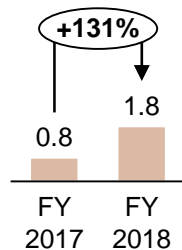
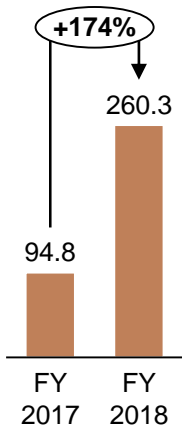
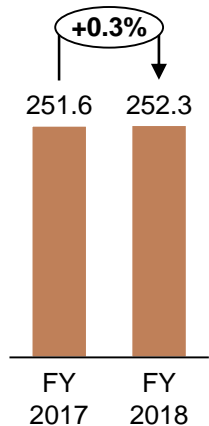
# Focus Area 5: Innovation and digitization

## Leveraging off variable cost 3rd party infrastructure

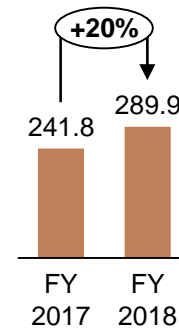
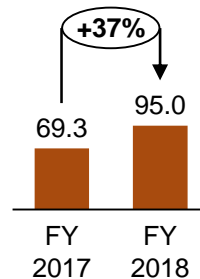
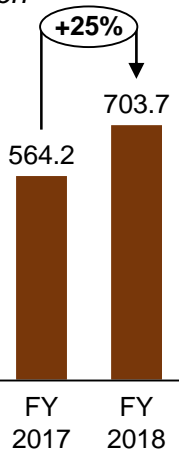
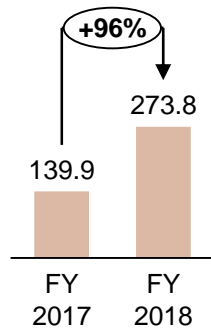
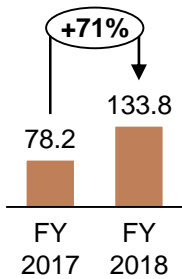
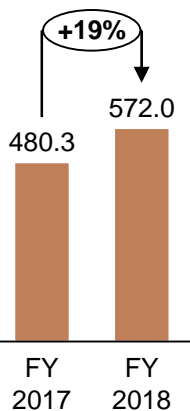
### Variable cost channels

### Fixed cost channels

Transaction numbers in millions



Transaction value in KES billion



Equitel

EazzyApp

EazzyBiz

Agency

Merchants

ATM

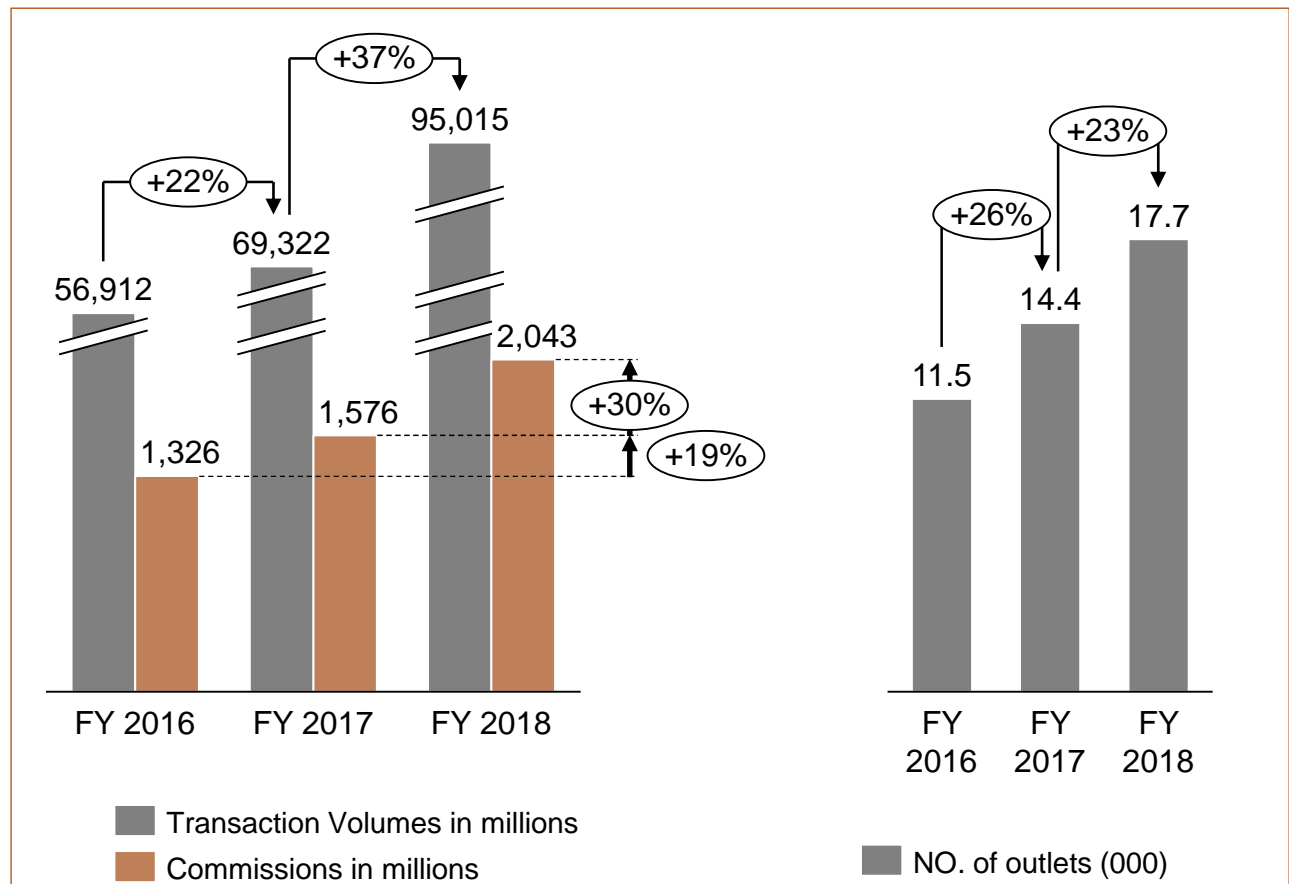
Branch

# Focus Area 5: Fintech Innovations in Merchant Banking

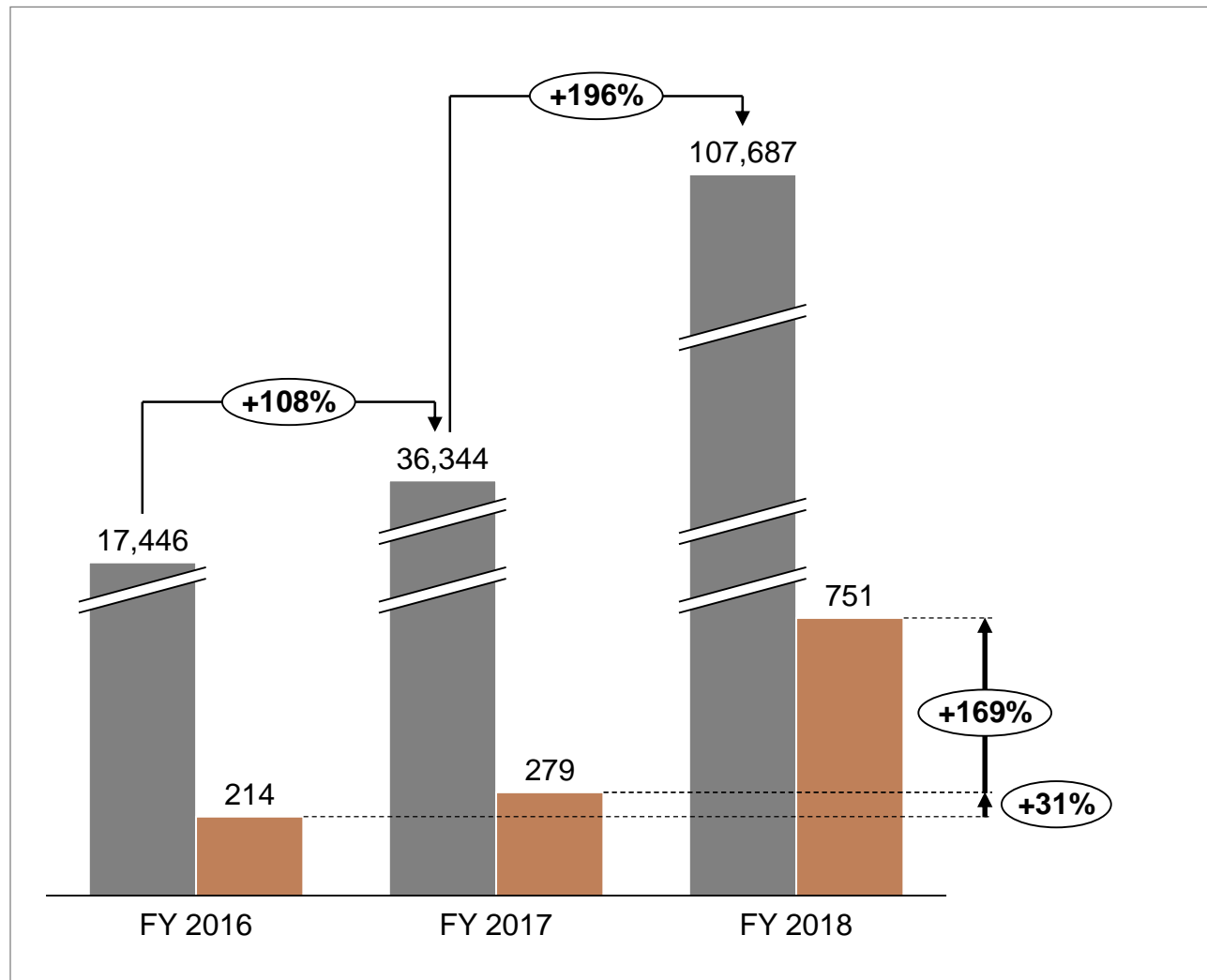
- The use of a Universal POS that converges Mobile Wallets, Cards & Digital payments



- 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)



■ Diaspora Transaction Volumes (Kes M) ■ Diaspora Commissions (Kes M)

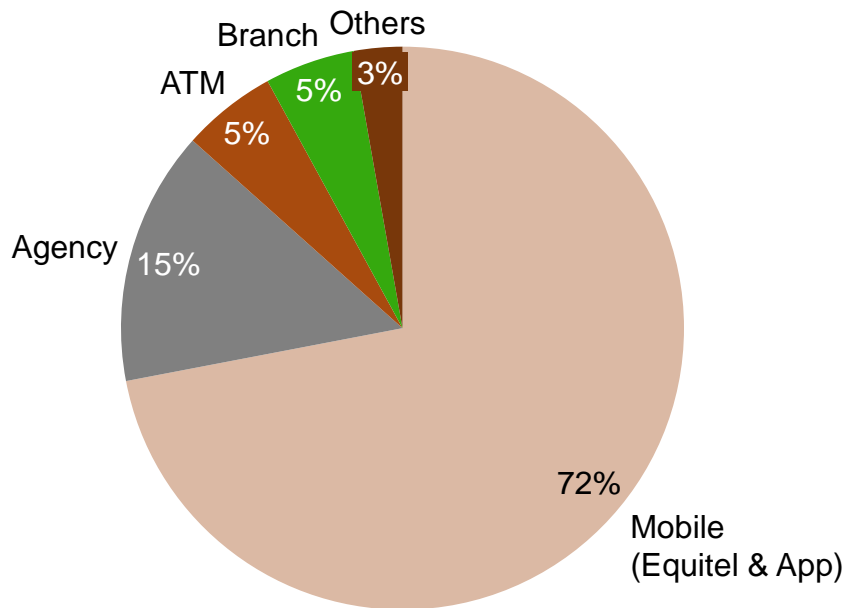


# Focus Area 5: Fintech Innovation and digitization

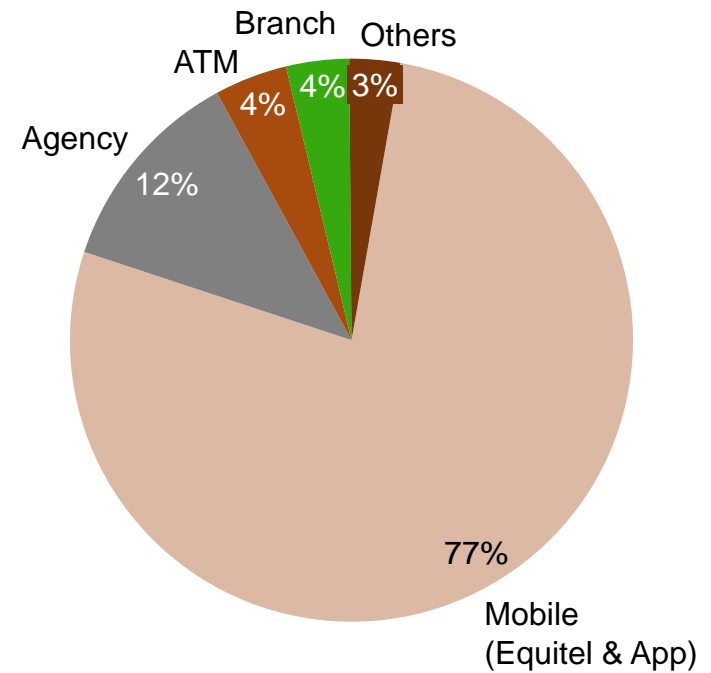
## 96% of our Transactions outside the branch



FY 2017



FY 2018





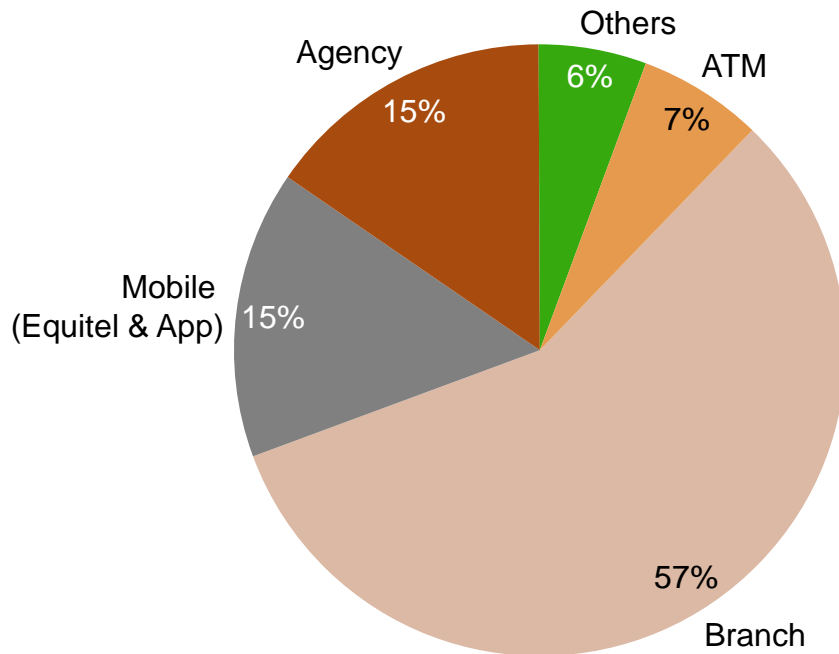
# Focus Area 5: Fintech Innovation and digitization

## 48% of our Transactions Value outside the branch

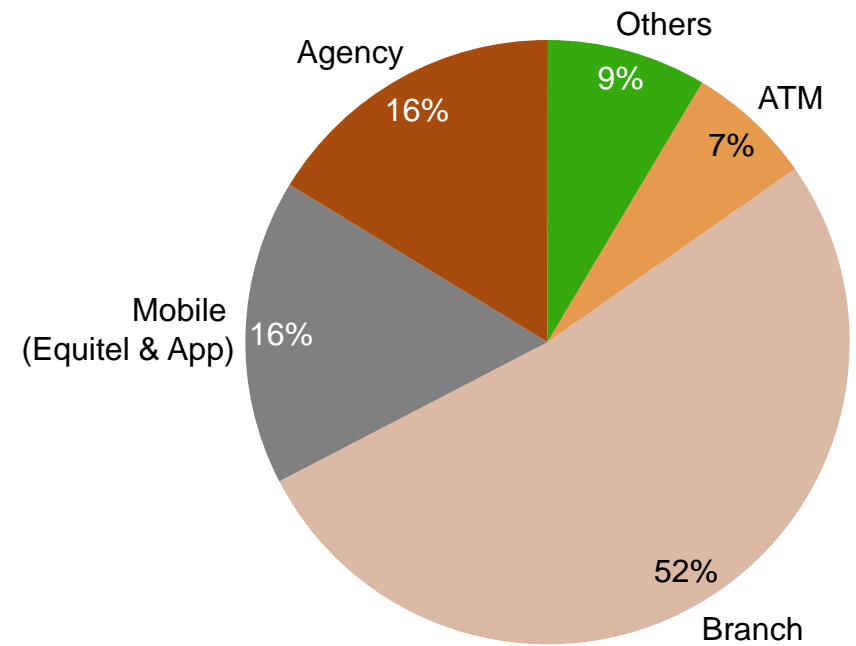


Branches now handling high value transactions for SME, corporates, wealth management & advisory services

FY 2017



FY 2018





# Finserve Rebranded



THE NEW FACE OF THE FINTECH



# Fintech Innovations



Jenga **Payment  
Gateway**



Jenga **API**



# Fintech Transactions & Volume



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

Equitel has close to 2 Million 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 December 2018, we had over 300,000 downloads, which is impressive by any measure.

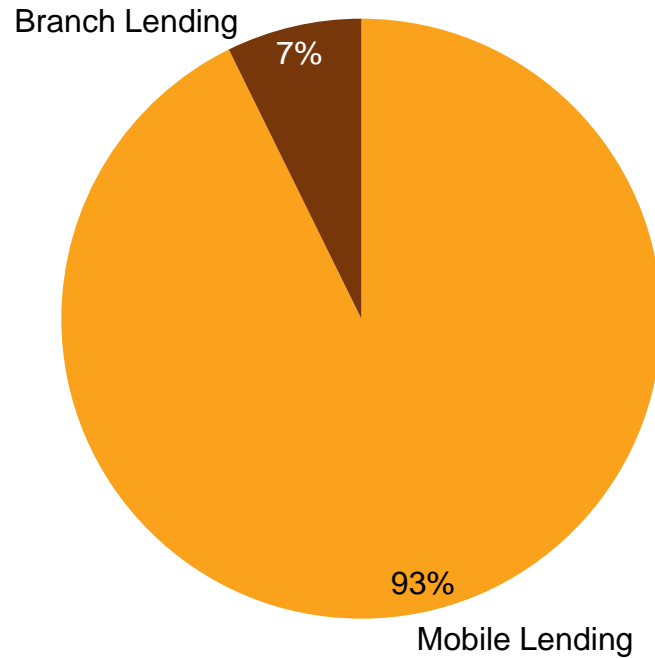


# Focus Area 5: Fintech Innovation and Digitization

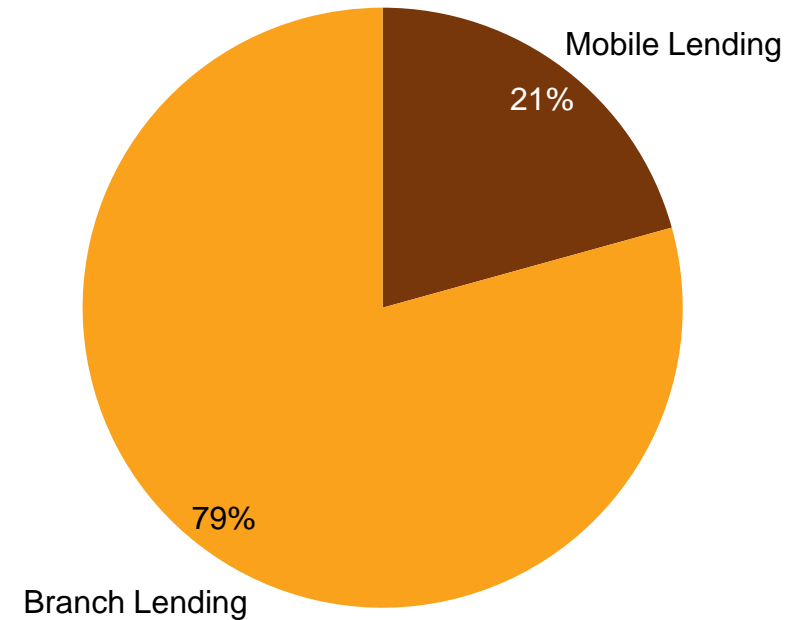
## 93% of our Loan Transactions via Mobile Channel



FY 2018 Transaction count



FY 2018 Transaction value



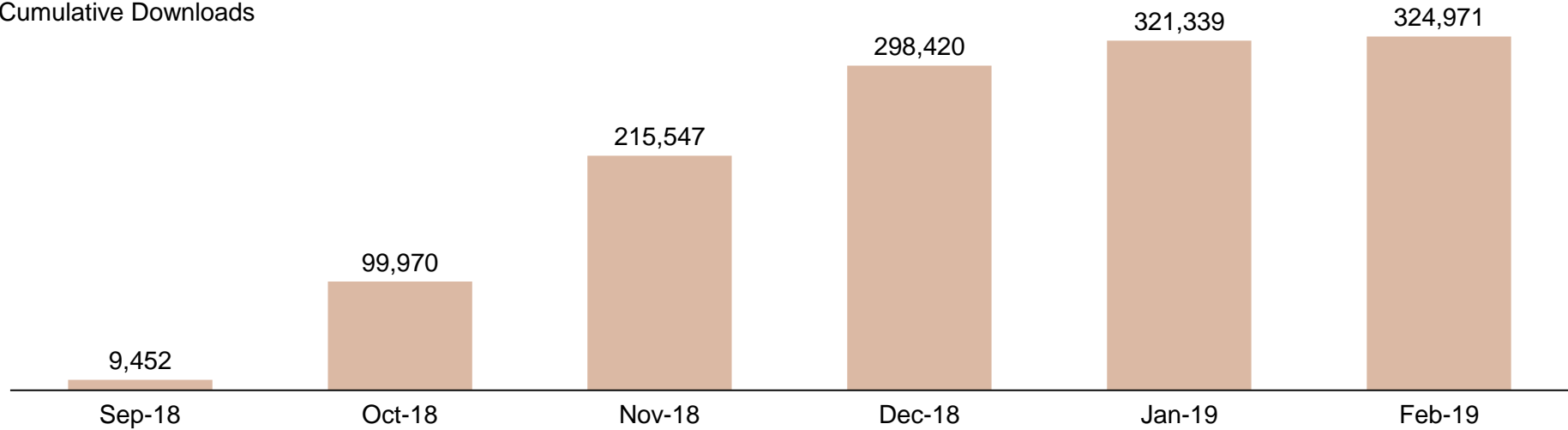


# Focus Area 5: Fintech Innovation and digitization

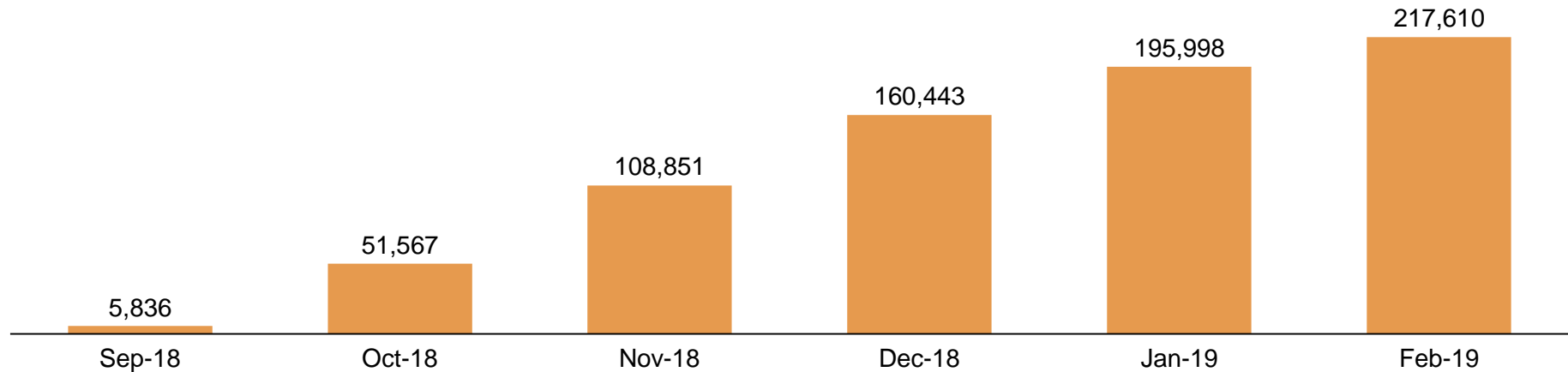
## Finserve's M-Key



Cumulative Downloads



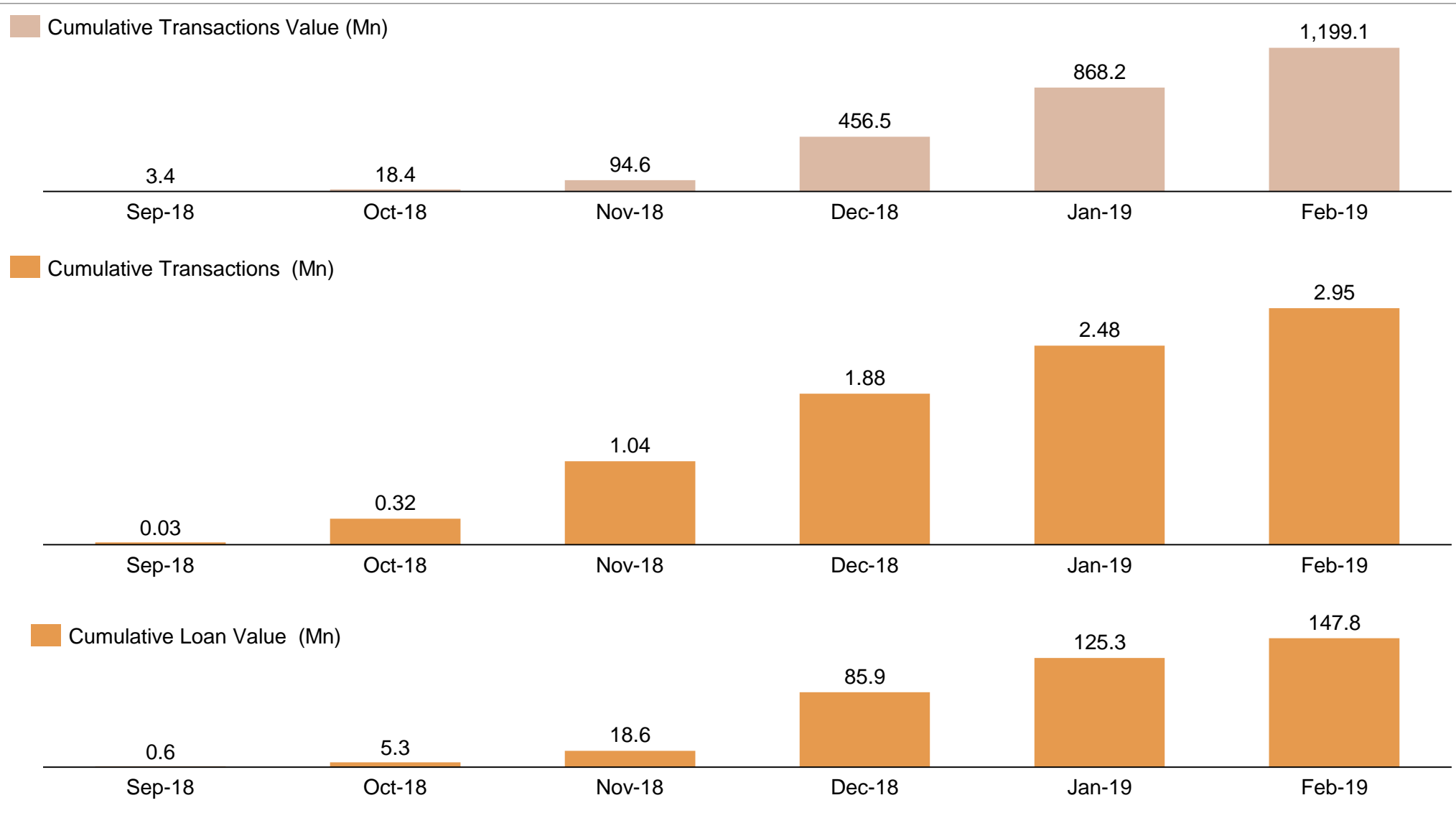
Cumulative Activations





# Focus Area 5: Fintech Innovation and digitization

## Finserve's M-Key



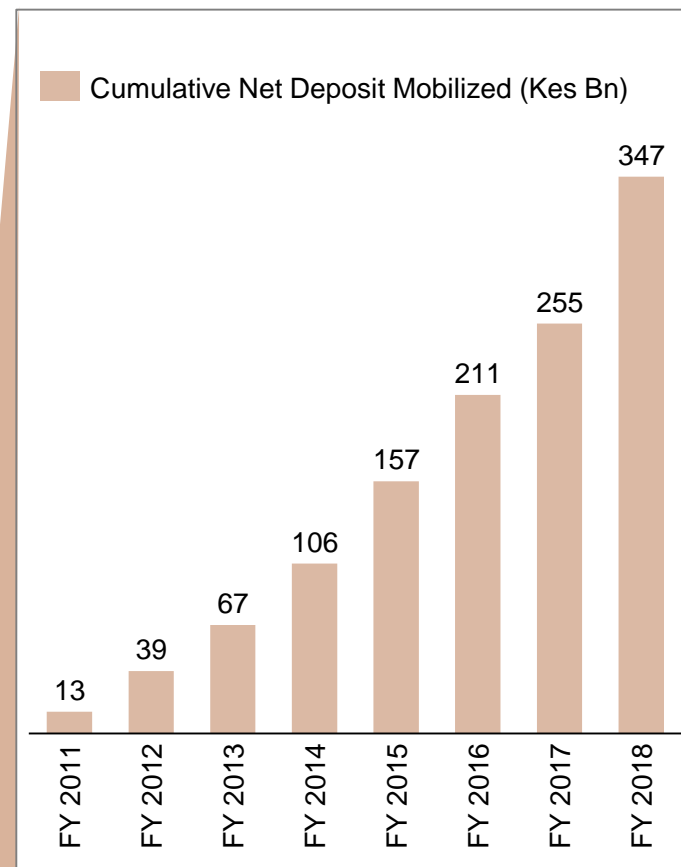
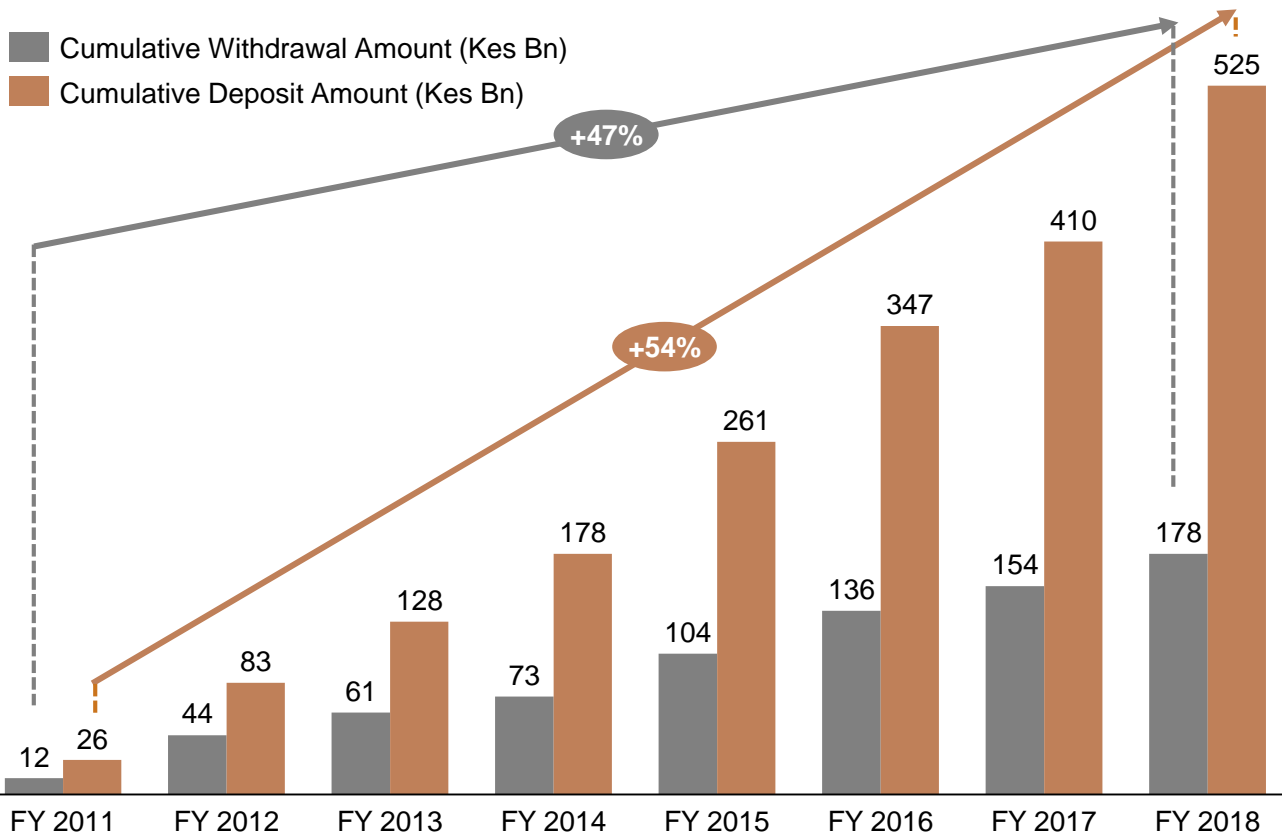


# Focus Area 5: Fintech Innovation and digitization

## Agency model becoming a net deposit mobilizer

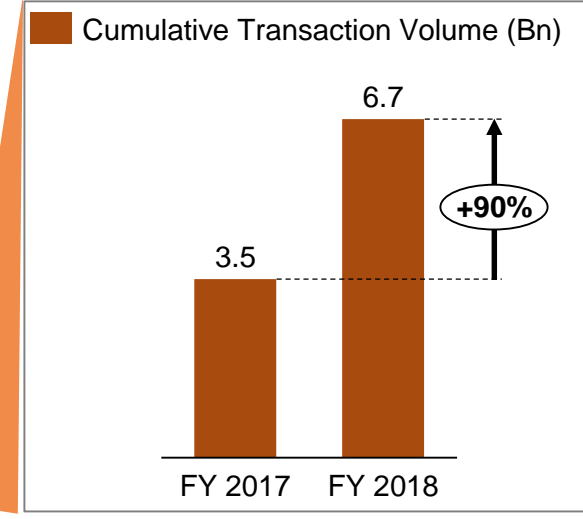
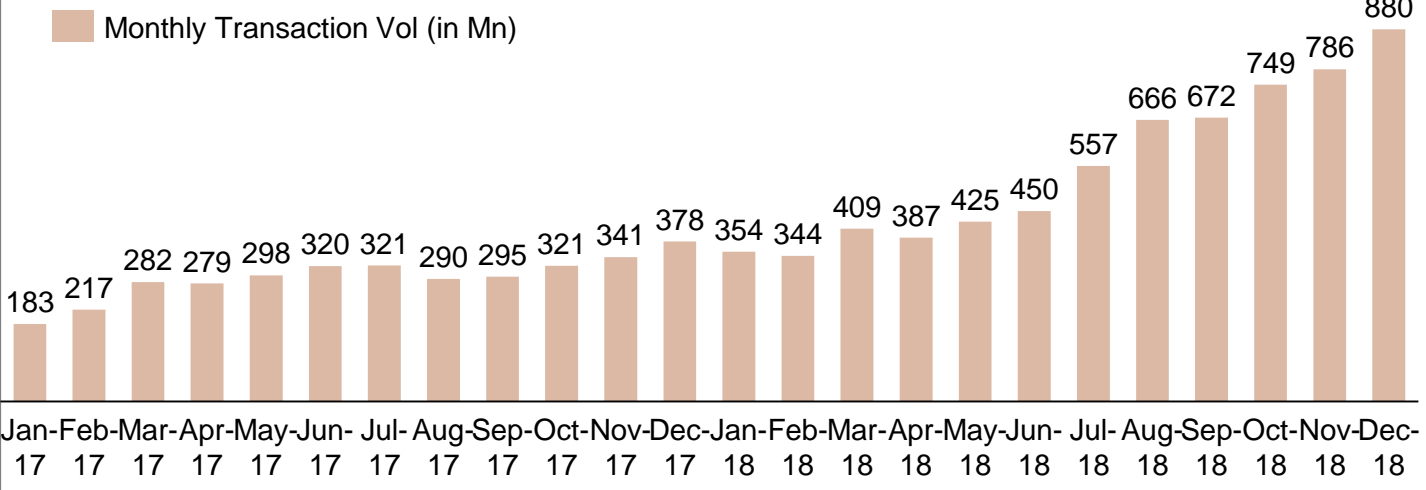
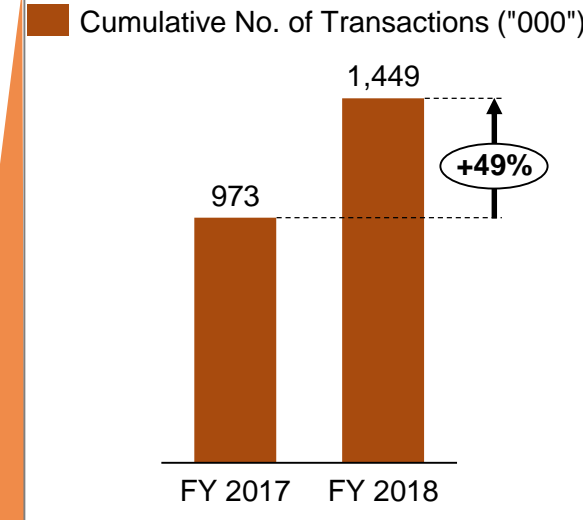
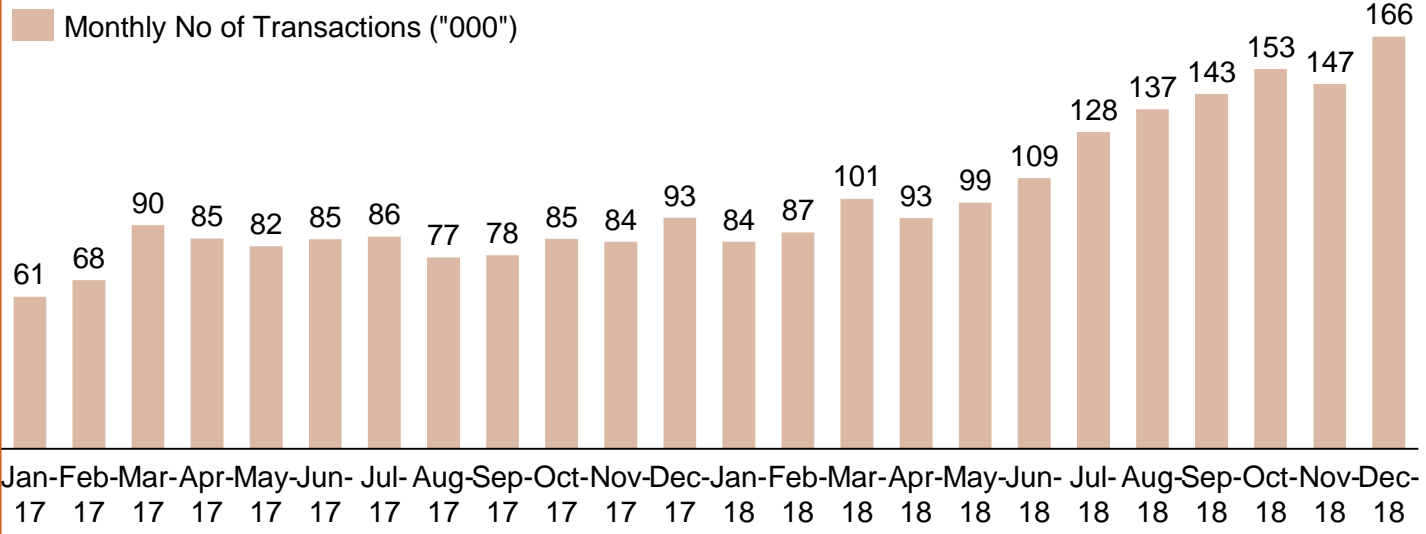


**Agent Deposits** growing at an increasingly higher rate than **Agent Withdrawals** thus creating an **exponential growth in Net Deposit Mobilized**



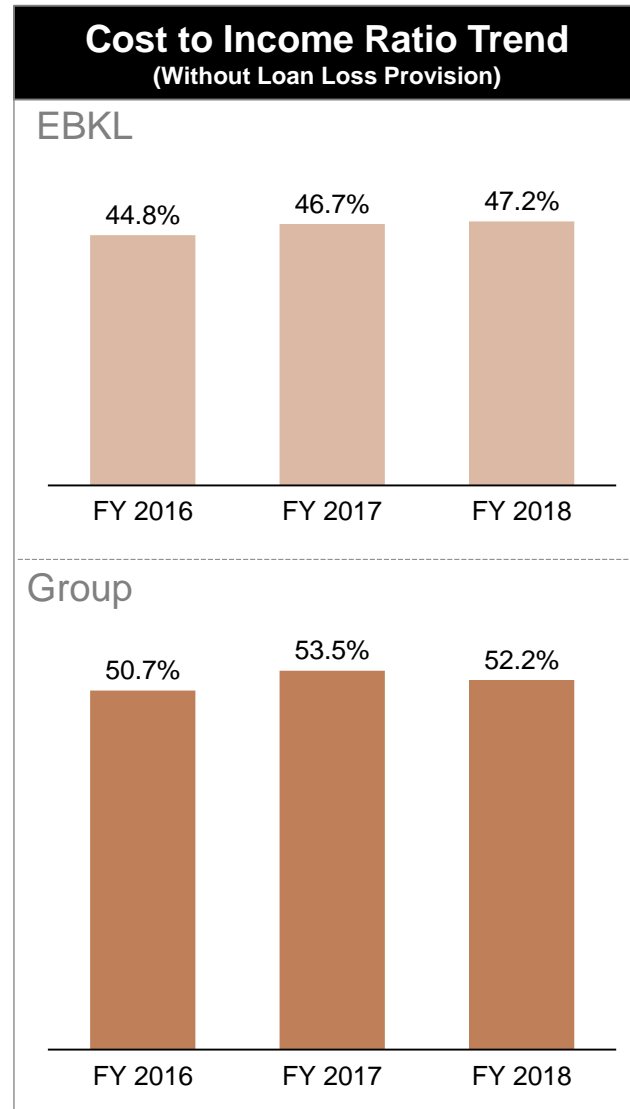
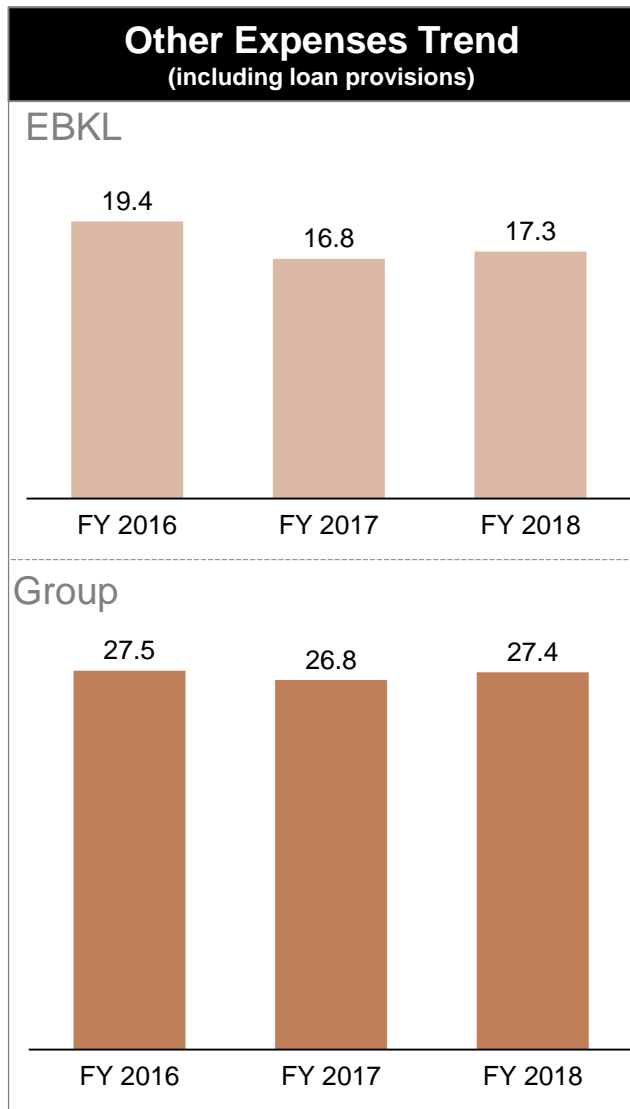
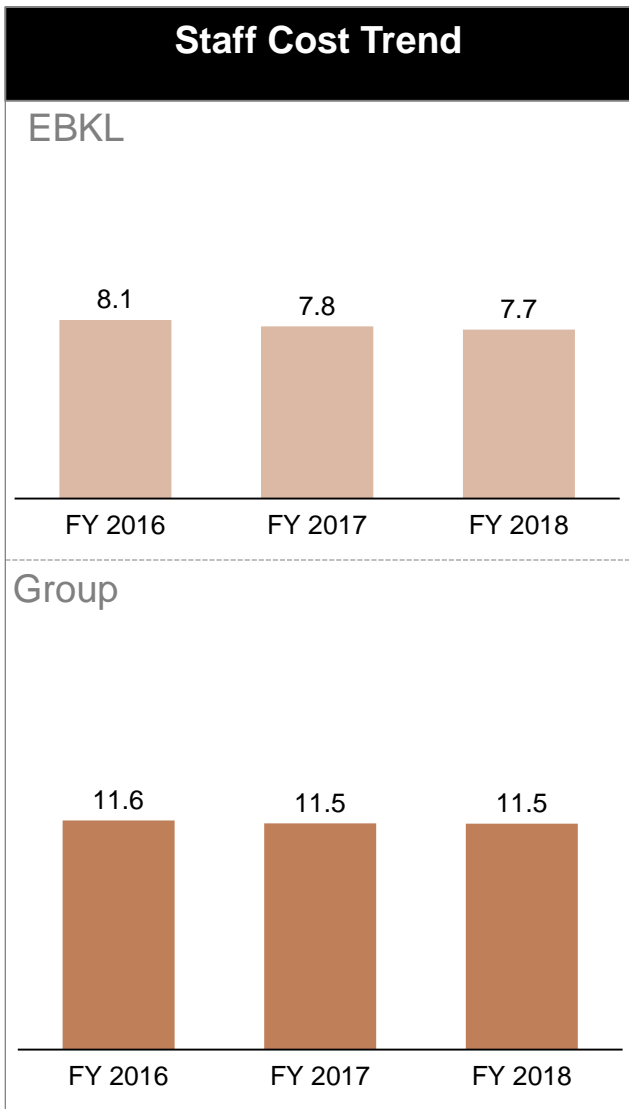


# Focus Area 5: Fintech Innovations in EazzyPay





# Focus Area 6: Efficiencies and cost optimization

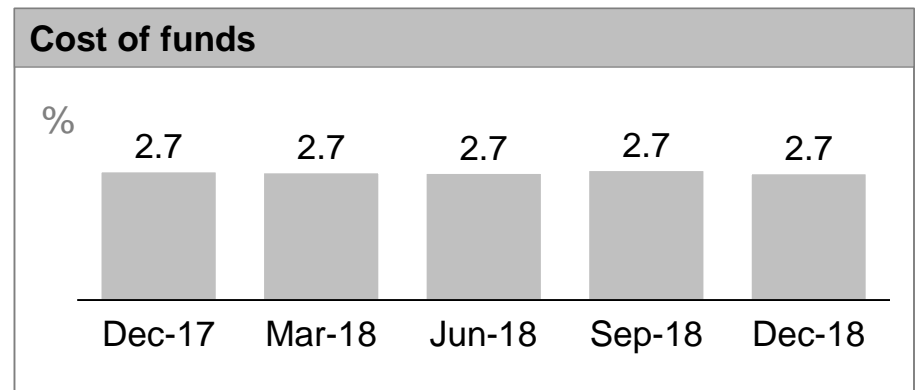
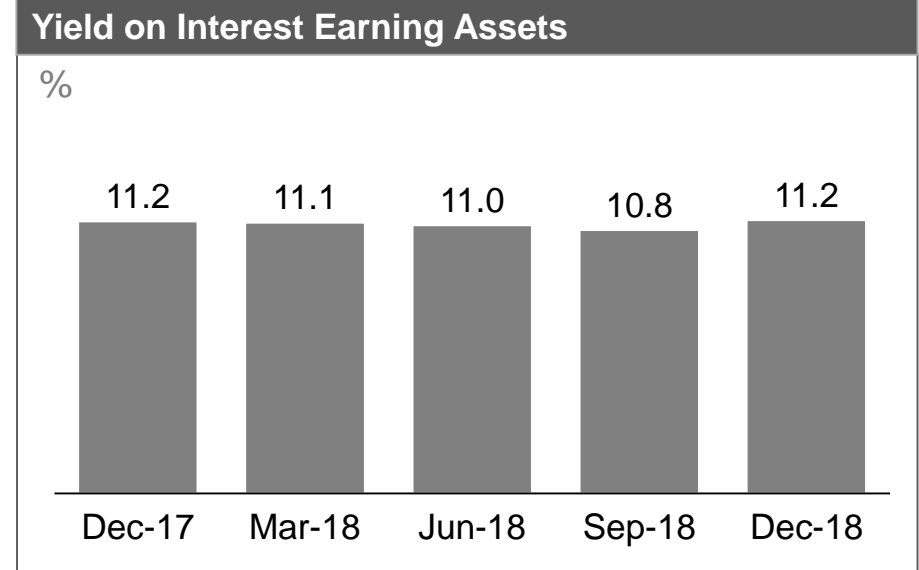
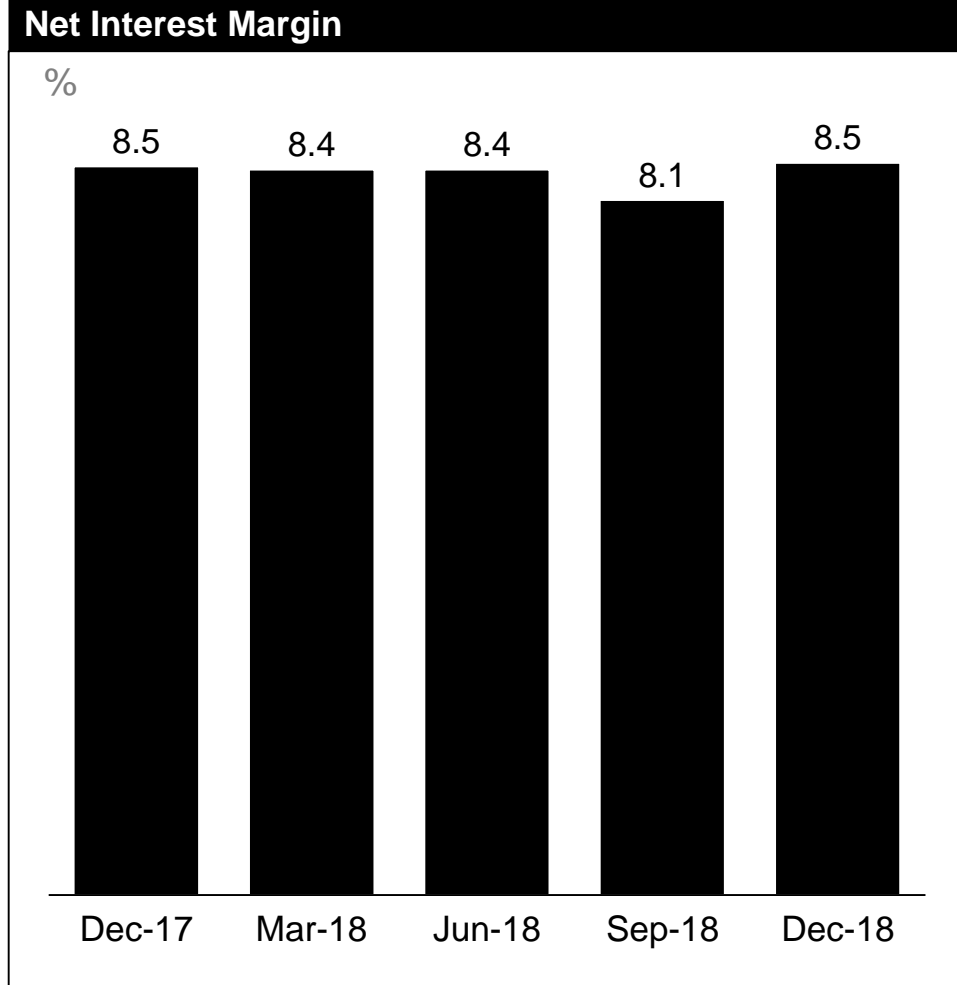






# Focus Area 6: Efficiencies and cost optimization

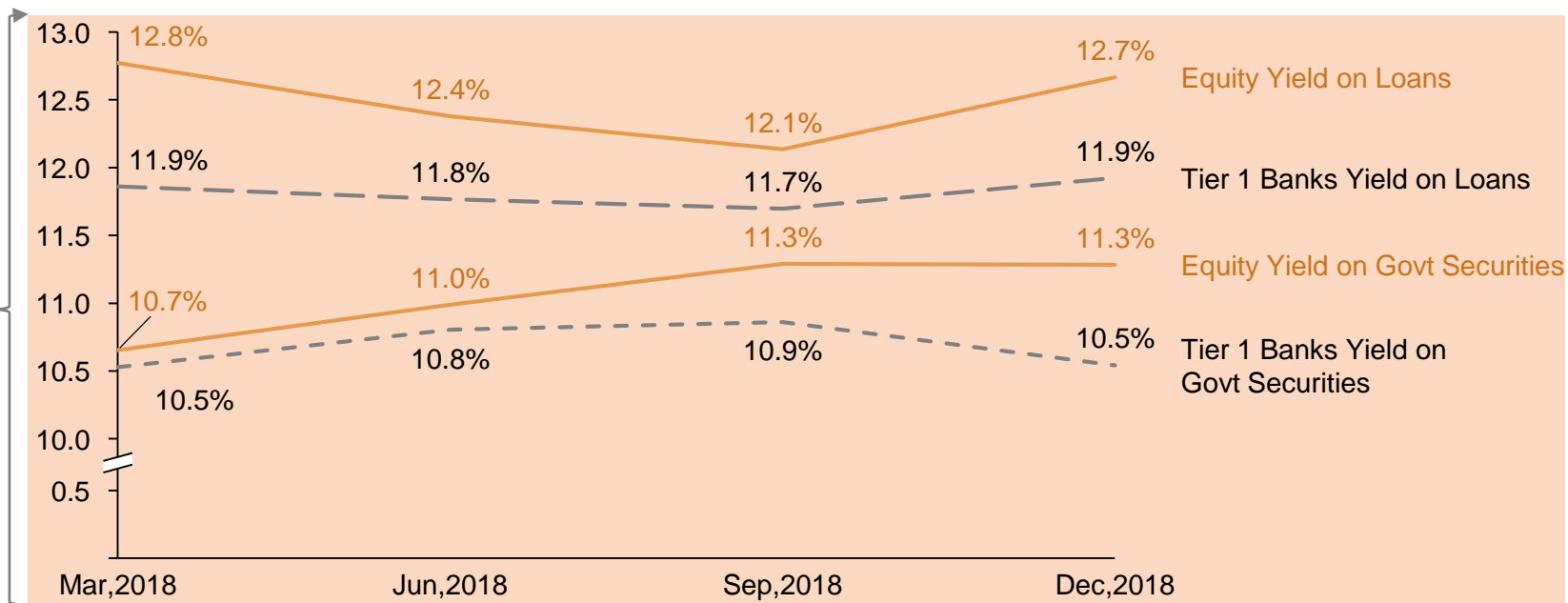
Group



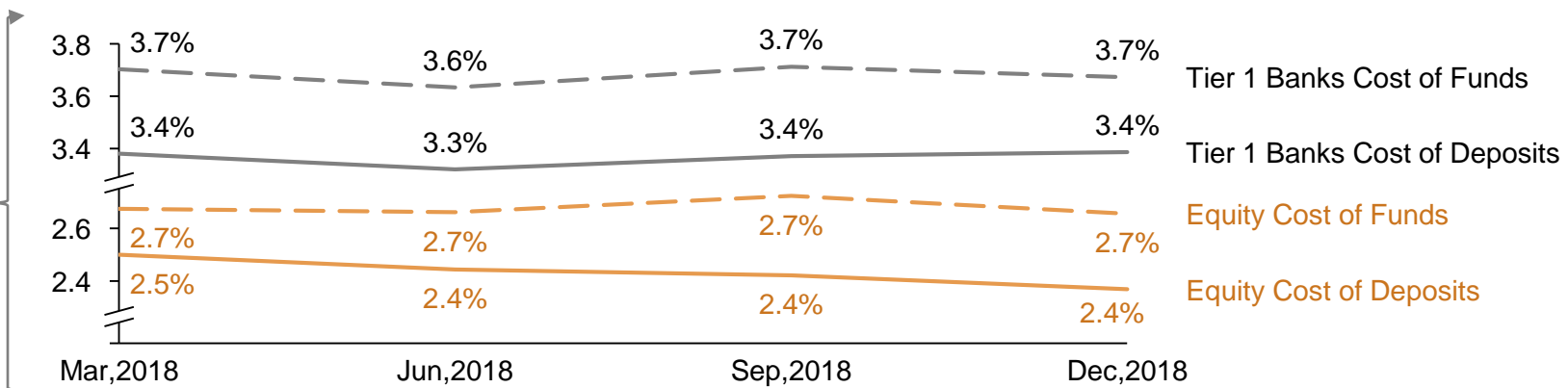


# Focus Area 6: Efficient Financial Intermediation

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

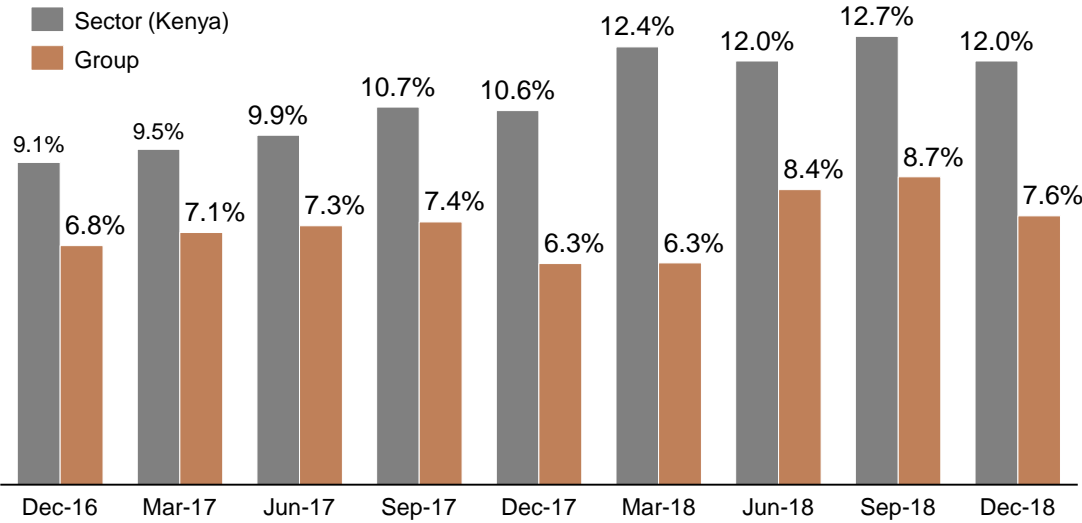


Tier 1 Banks excludes Equity Group. Dec 2018 Tier 1 Banks excludes CBA

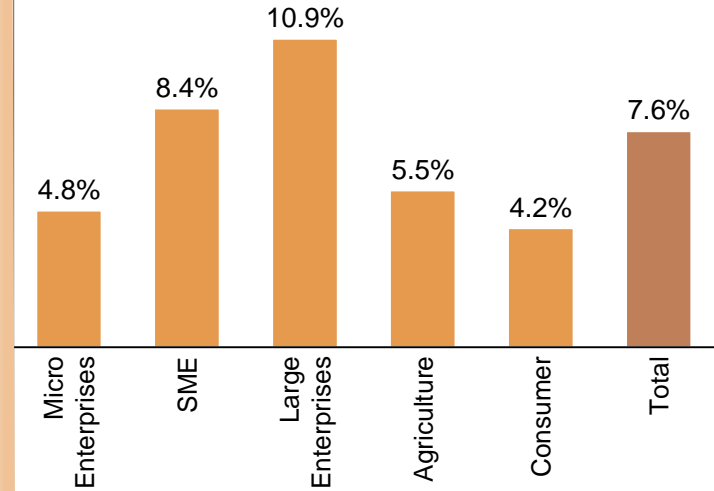


# Focus Area 7: Asset quality (Group)

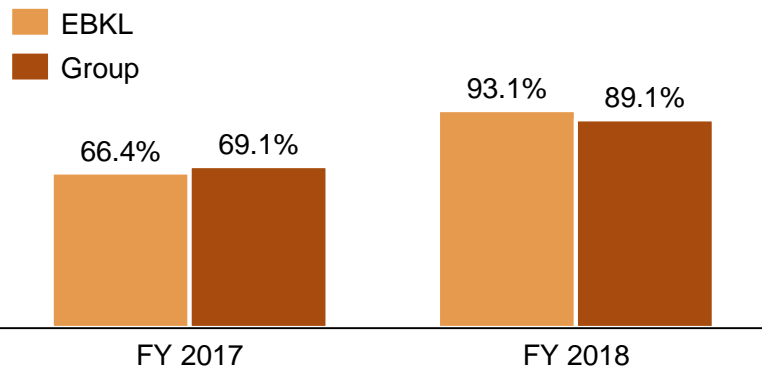
**NPL's – Sector vs EGH Plc as at FY 2018**



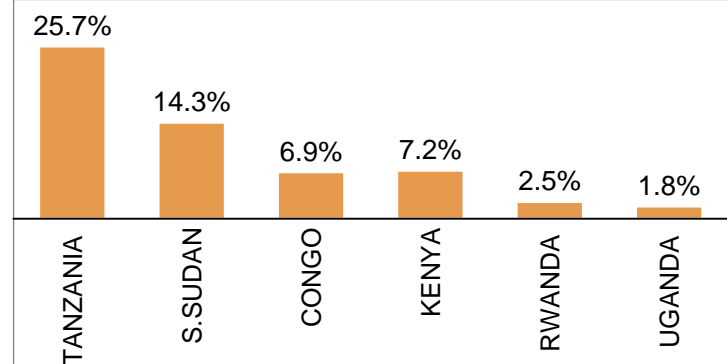
**NPL per sector as at FY 2018**



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



**NPL per Country as at FY 2018**

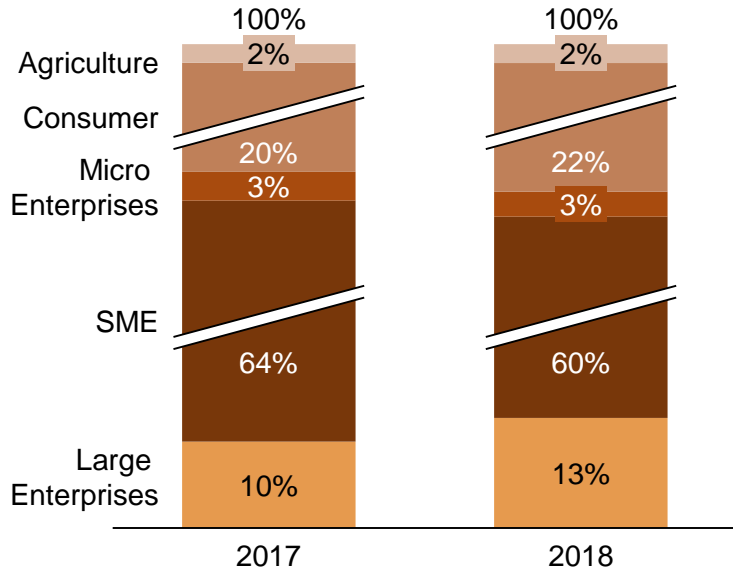




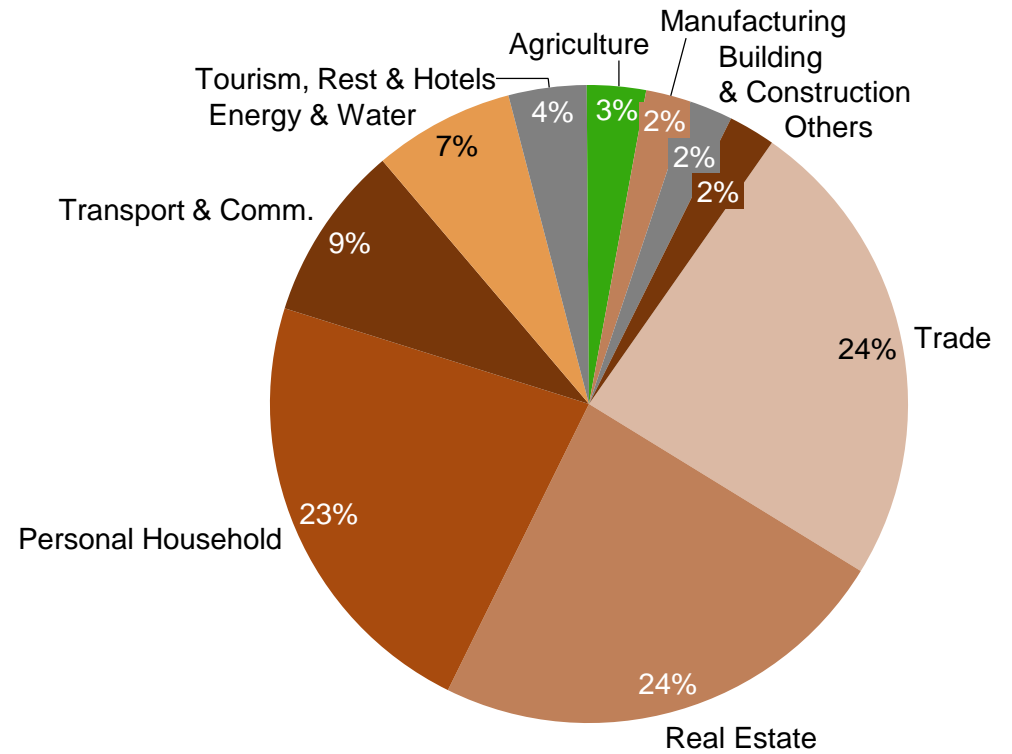
# Focus Area 7: Asset distribution (Group)



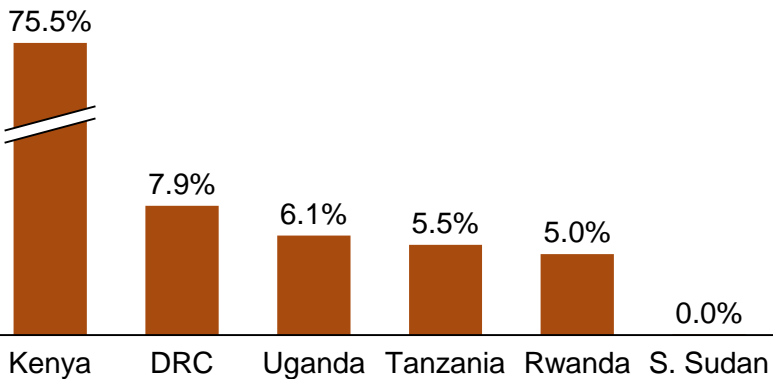
Split by market segmentation



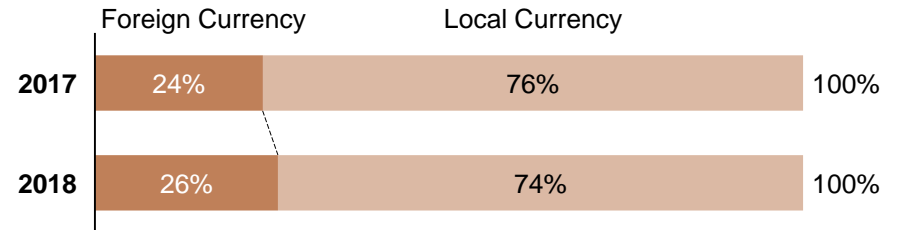
Split by economic sectors



Contribution per country



Split by currency

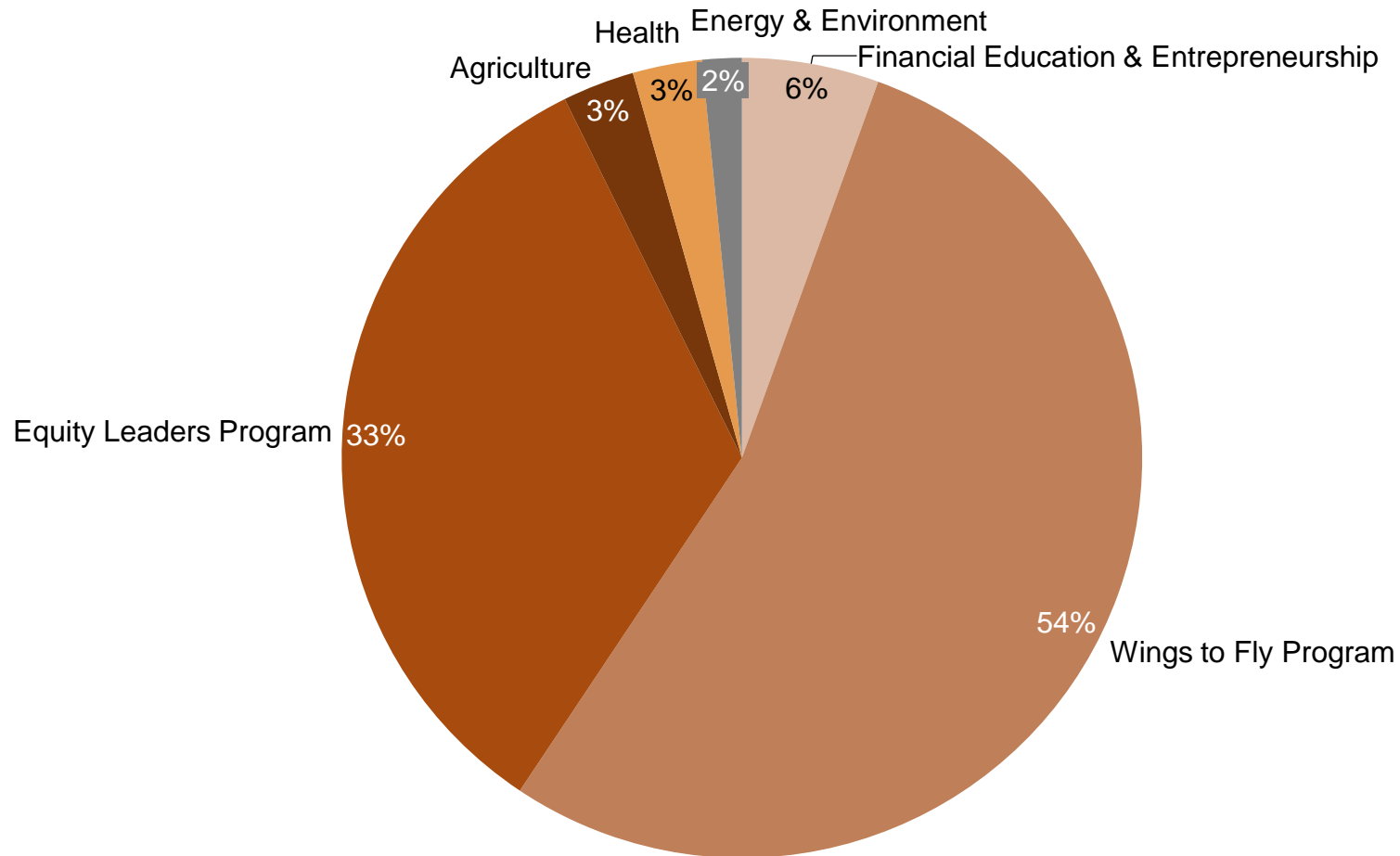




# Focus Area 8: Impact Investment Impact & Social Investment Programs



USD 345 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

**600,000** PEASANT FARMERS TRANSFORMED TO AGRI-BUSINESSES

**31,291** SMALL & MEDIUM-SIZED FARMERS SUPPORTED

**1,732,469**

Women and Youth Trained in Financial Education

Content availed through mobile channel

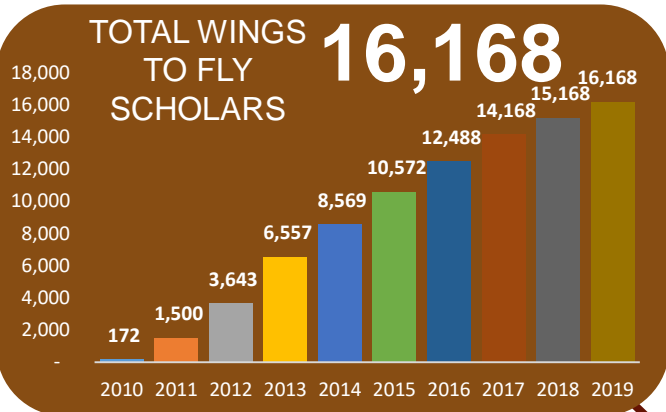
- Mobile & digital learning tools for Scholars
- MAMA for mothers
- Financial Education
- Wikipedia

**42,827** MSMEs Trained

USD 65M Accessed in Loans

USD **344,877,349**

TOTAL FUNDS RAISED FOR CURRENT PROGRAMS



**12,256** UNIVERSITY SCHOLARS

496 attending or alumni of global universities

**1 Million** Trees planted

**77,117** 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  
**2018**

**EuroMoney Awards for Excellence**  
Kenya's Best Bank





# Global Ratings and Accolades



	<b>Brand</b>	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
	<b>Brand</b>	EABC Chairman's Award- Overall Best Regional Company Best East African Company- CSR Best East African Company- Financial services (1st Runners up)
	<b>Brand</b>	Best Commercial Bank – East Africa Best Commercial Bank – Kenya Most Innovative Bank – Kenya
	<b>Product</b>	Best Digital Offering – East Africa
	<b>Leadership</b>	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

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



# 2018 National Banking Awards and Accolades

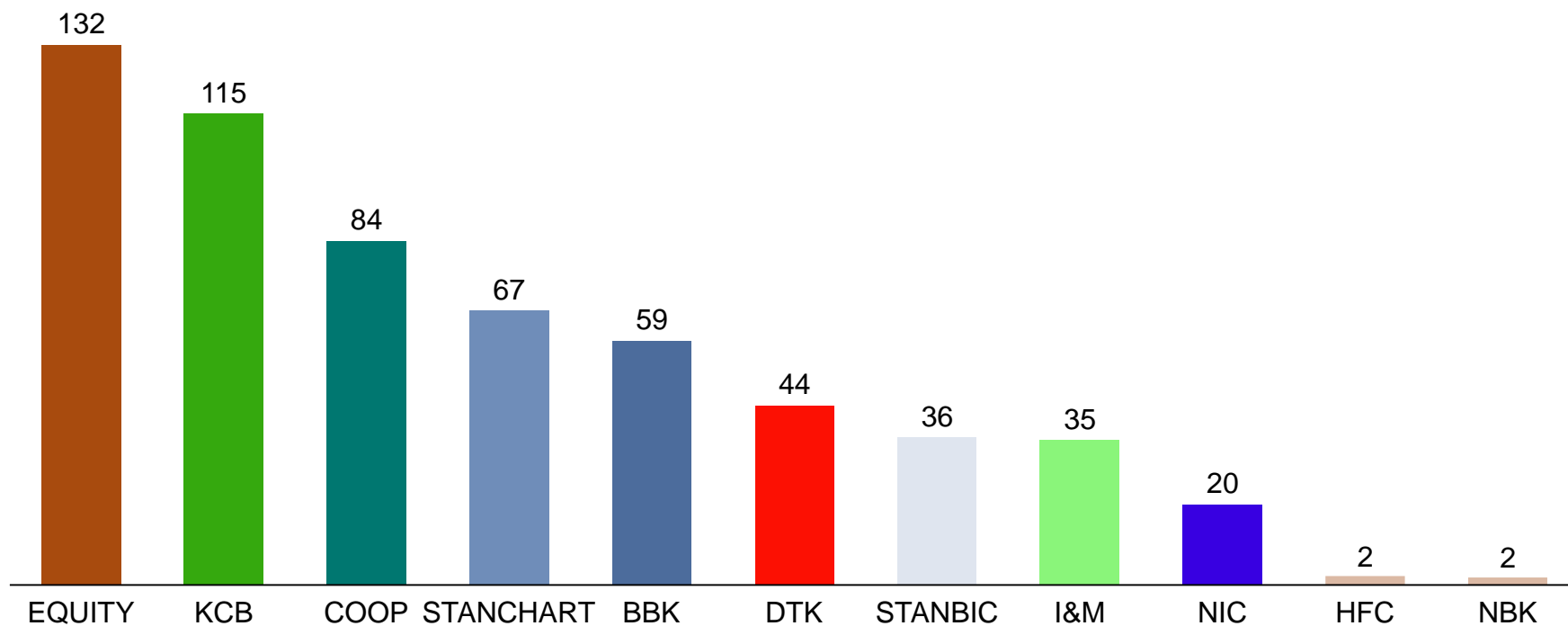




# Market Validation Market Capitalization



■ NSE Market Capitalization (Kes B) as of 31st Dec 2018





# Intermediation & Financial Performance



# Balance Sheet



*KES (Billion)*

**GROUP**

	<b>FY 2017</b>	<b>FY 2018</b>	<b>Growth</b>
<b>Assets</b>			
<b>Net Loans</b>	<b>279.1</b>	<b>297.2</b>	<b>6%</b>
<b>Cash &amp; Cash Equivalents</b>	<b>79.6</b>	<b>74.6</b>	<b>-6%</b>
<b>Government Securities</b>	<b>128.0</b>	<b>161.0</b>	<b>26%</b>
<b>Other Assets</b>	<b>37.8</b>	<b>40.6</b>	<b>8%</b>
<b>Total Assets</b>	<b>524.5</b>	<b>573.4</b>	<b>9%</b>
<b>Liabilities &amp; Capital</b>			
<b>Deposits</b>	<b>373.1</b>	<b>422.8</b>	<b>13%</b>
<b>Borrowed Funds</b>	<b>47.9</b>	<b>45.1</b>	<b>-6%</b>
<b>Other Liabilities</b>	<b>10.3</b>	<b>10.6</b>	<b>3%</b>
<b>Shareholder's Funds</b>	<b>93.1</b>	<b>95.0</b>	<b>2%</b>
<b>Total Liabilities &amp; Capital</b>	<b>524.5</b>	<b>573.4</b>	<b>9%</b>

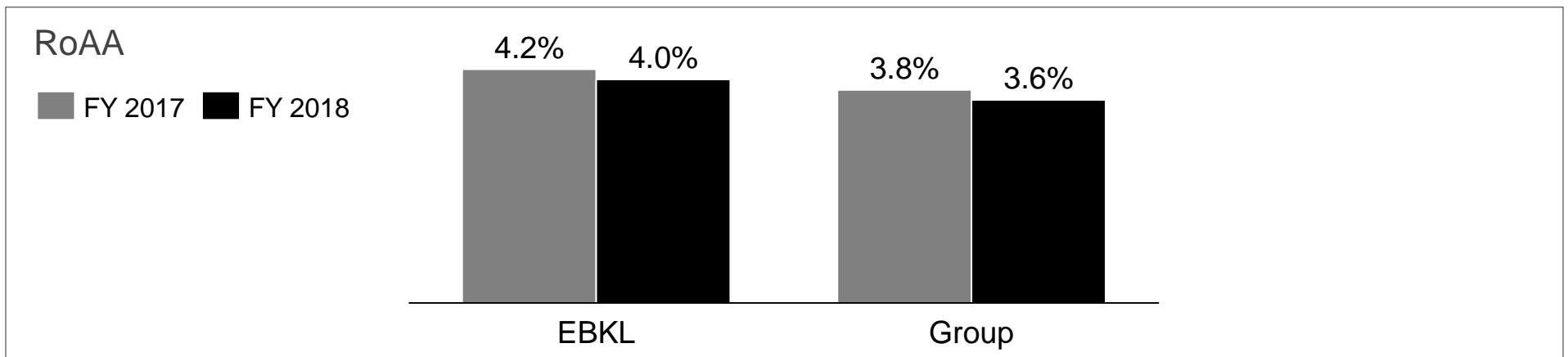
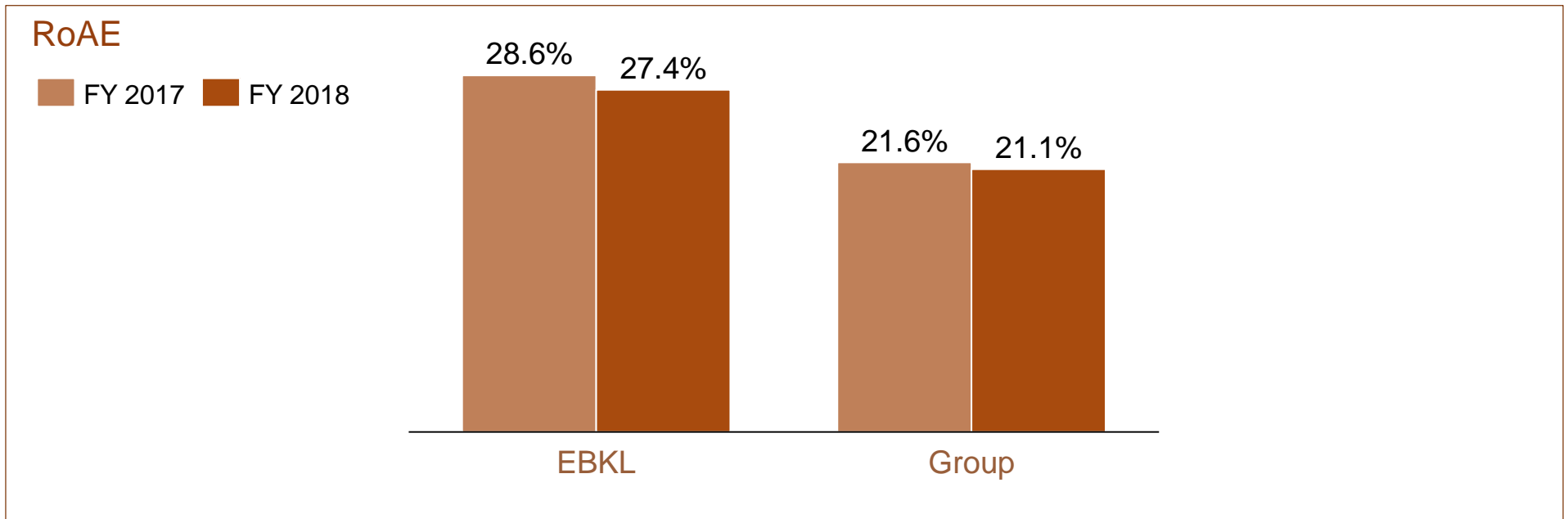


## 6% Growth in PBT

<b>KES (Billion)</b>	<b>GROUP</b>		
	<b>FY 2017</b>	<b>FY 2018</b>	<b>Growth %</b>
<b>Interest Income</b>	<b>48.4</b>	<b>53.2</b>	<b>10%</b>
<b>Interest Expense</b>	<b>-10.8</b>	<b>-11.8</b>	<b>9%</b>
<b>Net Interest Income</b>	<b>37.6</b>	<b>41.4</b>	<b>10%</b>
<b>Non-Funded Income</b>	<b>27.6</b>	<b>25.9</b>	<b>-6%</b>
<b>Total Income</b>	<b>65.2</b>	<b>67.3</b>	<b>3%</b>
<b>Loan Loss Provision</b>	<b>-3.4</b>	<b>-3.7</b>	<b>8%</b>
<b>Staff Costs</b>	<b>-11.5</b>	<b>-11.5</b>	<b>0%</b>
<b>Other Operating Expenses</b>	<b>-23.4</b>	<b>-23.7</b>	<b>1%</b>
<b>Total Costs</b>	<b>-38.3</b>	<b>-38.8</b>	<b>1%</b>
<b>PBT</b>	<b>26.9</b>	<b>28.5</b>	<b>6%</b>
<b>Tax</b>	<b>-8.0</b>	<b>-8.6</b>	<b>8%</b>
<b>PAT</b>	<b>18.9</b>	<b>19.8</b>	<b>5%</b>
<b>Proposed Dividend</b>	<b>7.5</b>	<b>7.5</b>	



# RoAE and RoAA Trend







# Financial Ratios

	EBKL FY 2017	EBKL FY 2018	Group FY 2017	Group FY 2018
Yield on Loans	11.7%	11.7%	12.5%	12.7%
Yield on Government Securities	11.7%	11.4%	11.7%	11.3%
Yield on Interest Earning Assets	11.0%	11.1%	11.2%	11.2%
Cost of Deposits	2.3%	2.1%	2.3%	2.4%
Cost of Funds	2.6%	2.5%	2.7%	2.7%
Net Interest Margin	8.4%	8.6%	8.5%	8.5%
Cost to Income Ratio (with provisions)	51.6%	50.6%	58.7%	57.7%
Cost to Income Ratio (without provision)	46.7%	47.2%	53.5%	52.2%
RoAE	28.6%	27.4%	21.6%	21.1%
RoAA	4.2%	4.0%	3.8%	3.6%
<b>Asset Quality</b>				
Cost of Risk	1.1%	0.7%	1.2%	1.2%
<b>Leverage</b>				
Loan / Deposit Ratio	71.8%	65.4%	74.8%	70.3%
<b>Capital Adequacy Ratios</b>				
Core Capital to Risk Weighted Assets	15.8%	14.0%	21.8%	15.9%
Total Capital to Risk Weighted Assets	16.5%	14.0%	22.5%	15.9%
Liquidity ratio	54.8%	57.9%	54.2%	54.1%
Dividend Payout			40.0%	38.3%
Dividend Yield			5.0%	5.7%
Dividend/Par value			400.0%	400.0%



# 2018 Outlook – Group



	Group	
	2018 Outlook	FY 2018 Actual
<b>Loan Growth</b>	10% - 15%	6%
<b>Deposit Growth</b>	5% - 15%	13%
<b>Net Interest Margin</b>	8.5% - 10%	8.5%
<b>Non Funded Income Mix</b>	42% - 45%	38%
<b>Cost to Income Ratio</b>	48% - 52%	52.2%
<b>Return on Equity</b>	22% - 25%	21.1%
<b>Return on Assets</b>	3.8% - 4.5%	3.6%
<b>Cost of Risk</b>	0.8% - 1.2%	1.2%
<b>NPL</b>	4% - 5.5%	7.6%
<b>Subsidiaries Contribution (Assets)</b>	25% - 30%	26%
<b>Subsidiaries Contribution (PBT)</b>	20% - 25%	14%



# 2019 Outlook – Group



	<b>Group</b>
	<b>2019 Outlook</b>
<b>Loan Growth</b>	10% - 15%
<b>Deposit Growth</b>	10% - 15%
<b>Net Interest Margin</b>	8.5% - 10%
<b>Non Funded Income Mix</b>	42% - 45%
<b>Cost to Income Ratio</b>	48% - 52%
<b>Return on Equity</b>	23% - 25%
<b>Return on Assets</b>	3.8% - 4.5%
<b>Cost of Risk</b>	0.8% - 1.2%
<b>NPL</b>	4.0% - 5.5%
<b>Subsidiaries Contribution (Assets)</b>	25% - 30%
<b>Subsidiaries Contribution (PBT)</b>	20% - 25%



# THANK YOU

Dr James Mwangi, CBS

Group Managing Director & CEO

[KeEquityBank](#)

[@KeEquityBank](#)

Email: [info@equitybank.co.ke](mailto:info@equitybank.co.ke)

Web site: [www.equitybankgroup.com](http://www.equitybankgroup.com)



# Appendix

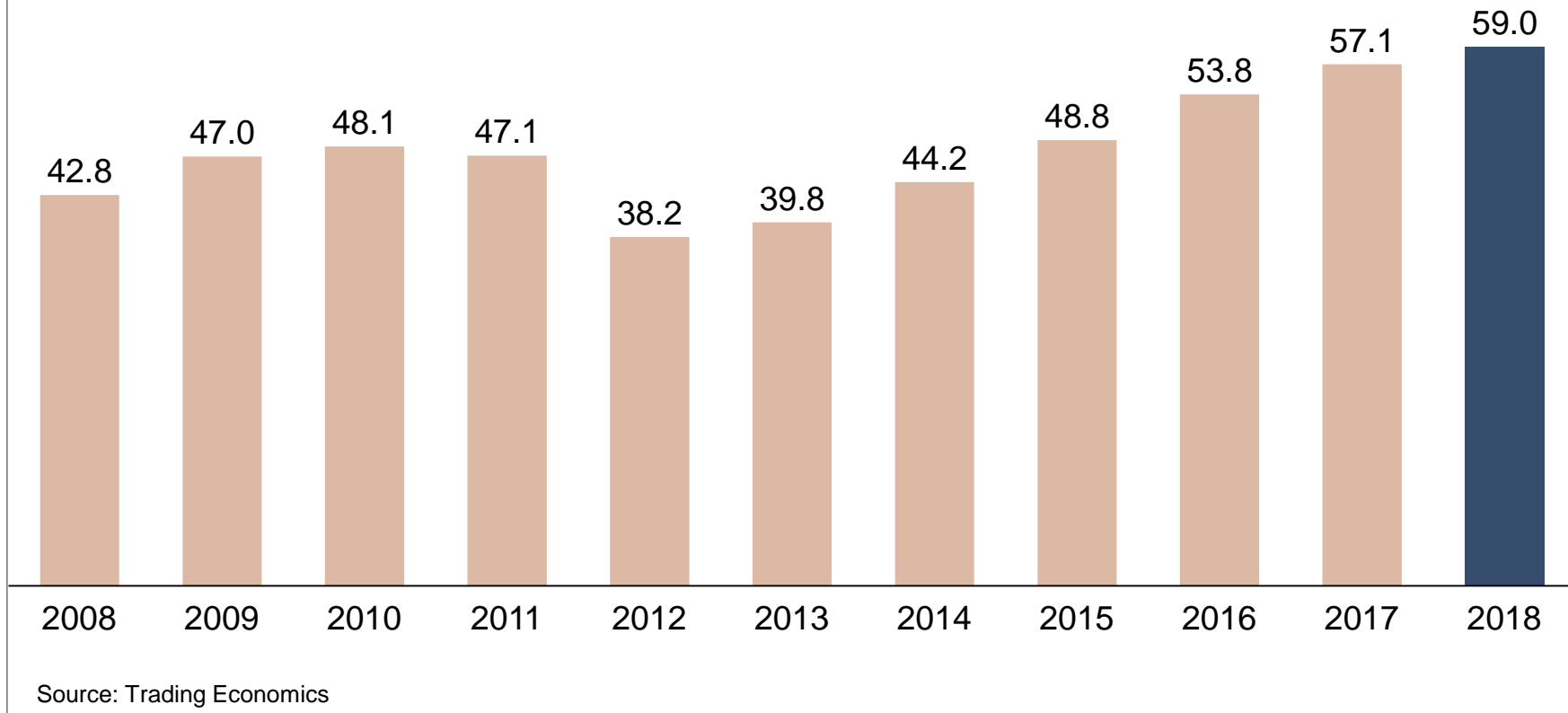


# Macroeconomic Environment Indicators & Trends - Kenya



# Debt to GDP

Kenya recorded a government debt equivalent to 57.1 percent of the country's Gross Domestic Product in 2017. This is expected to continue increasing trending at around 59 percent in 2018



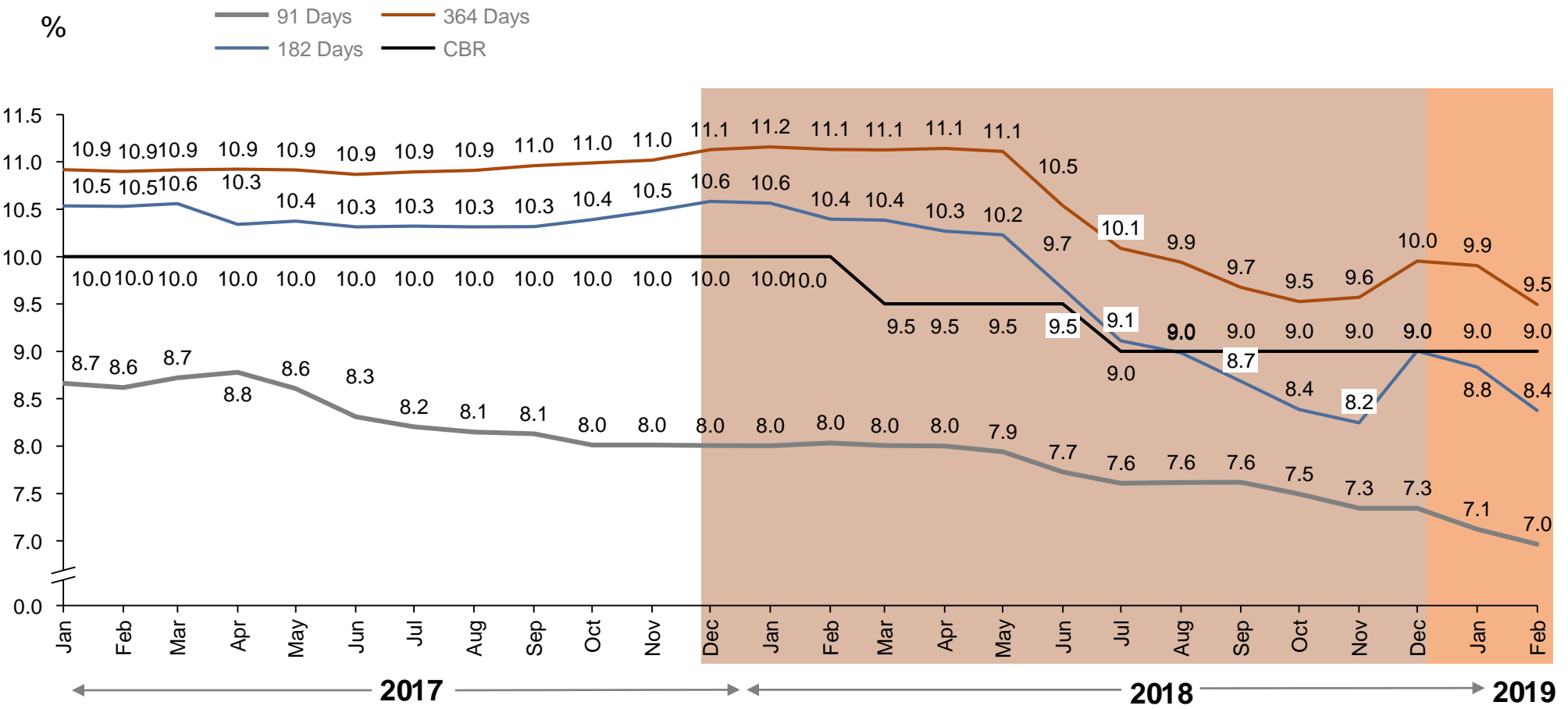


# Interest Rates - Kenya



The Monetary Policy Committee (MPC) met on 28th Jan 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





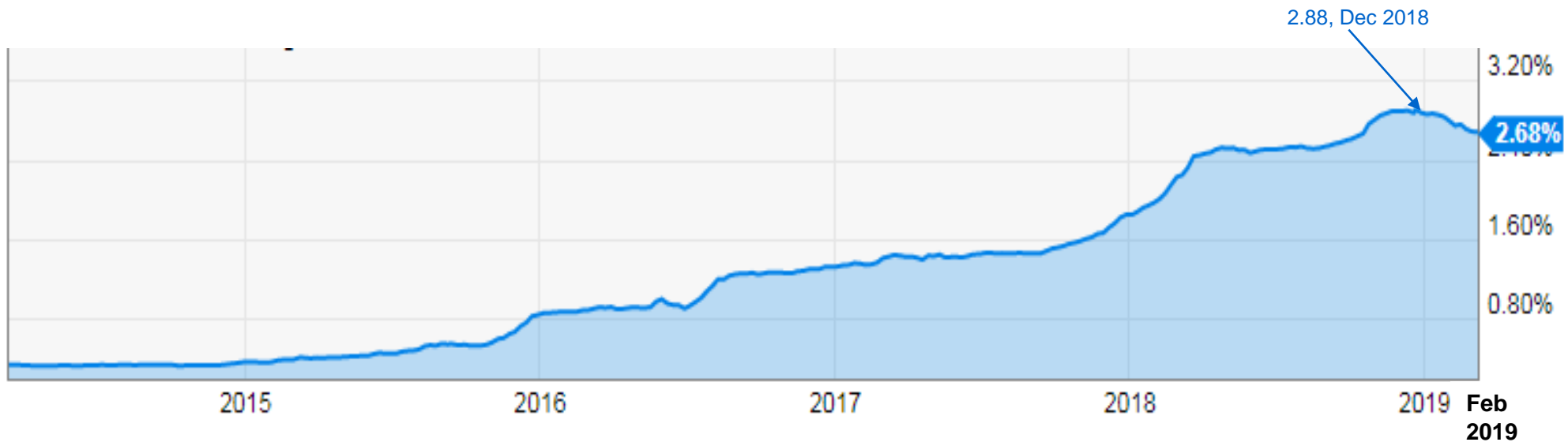


# Global Interest Rates



The past 4 years have seen USD Interest rates skyrocket, negatively affecting local banks borrowing from the international debt market. Equity Bank has however hedged this risk through pricing thus safeguarding its USD Net Interest Margin.

USD 6 Month LIBOR

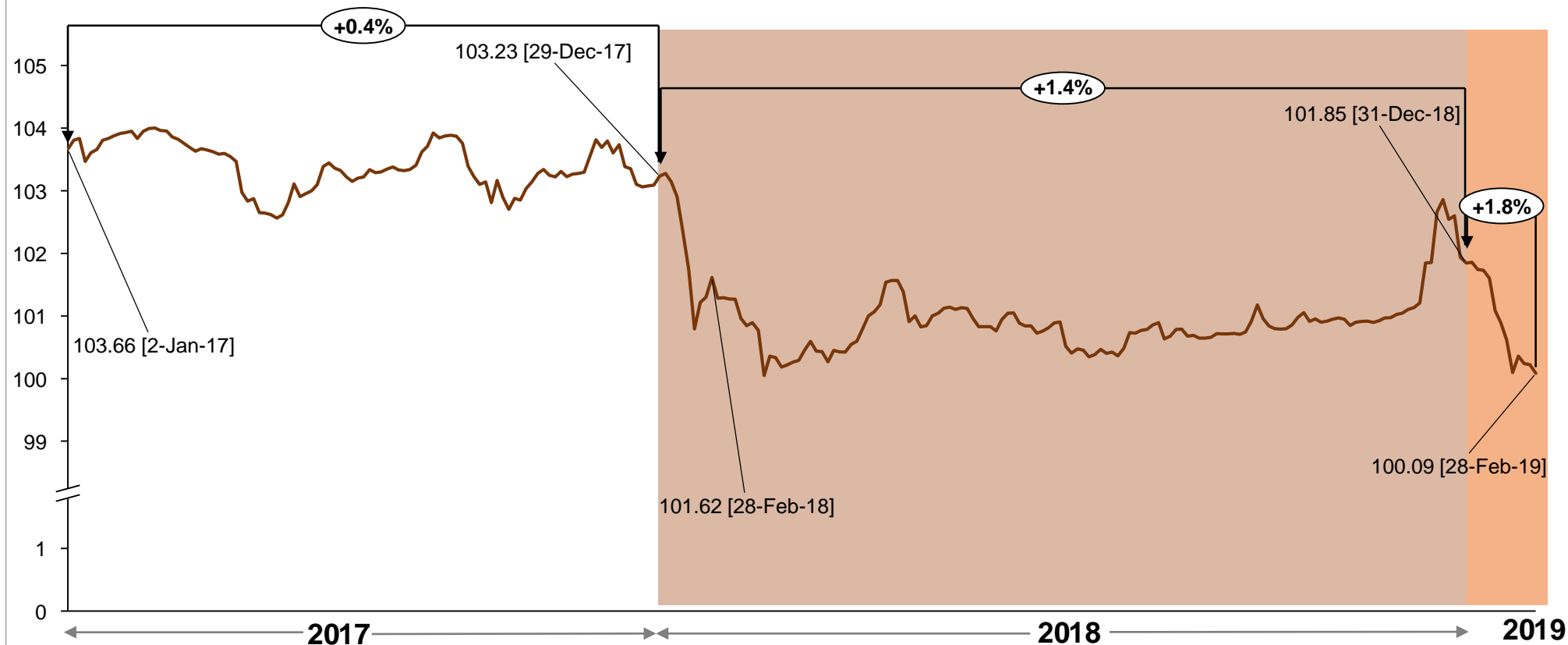




# Foreign Exchange – Kenya

The **Shilling gained** 1.4% in 2018 against the USD. Additionally, it has already against 1.8% in the first two months of 2019.

— KES/USD





# Foreign Reserves – Kenya

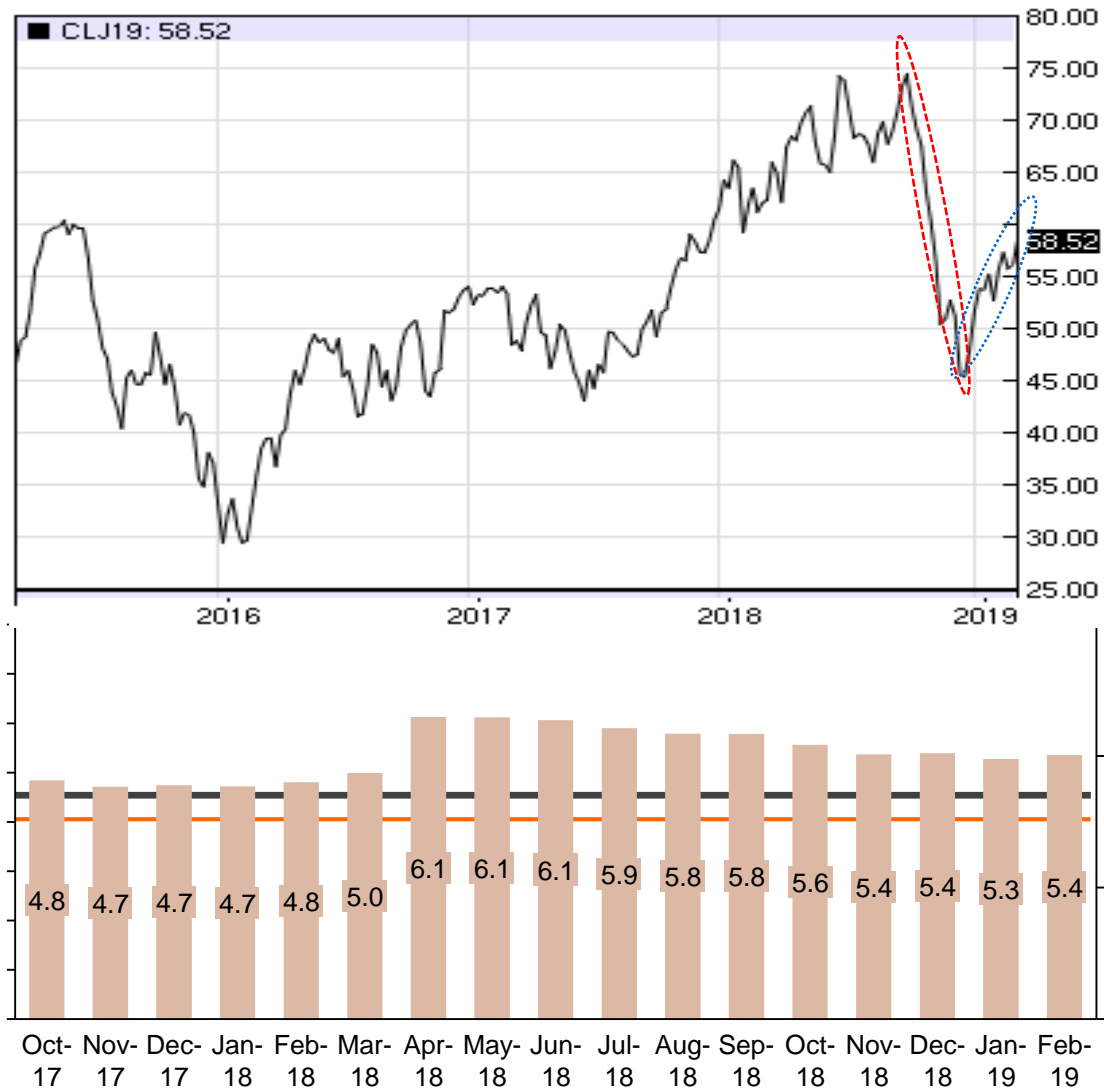


## Crude Oil Prices

Sharp decline in Q3 2018 muted the effects of recovery of oil prices to the advantage of oil importers like Kenya.

The resumed recovery of oil prices in 2019 might however suppress the FX reserves.

FX reserves however remain above the statutory requirement of 4 months as well as above the EAC region's convergence criteria of 4.5 months of import cover.

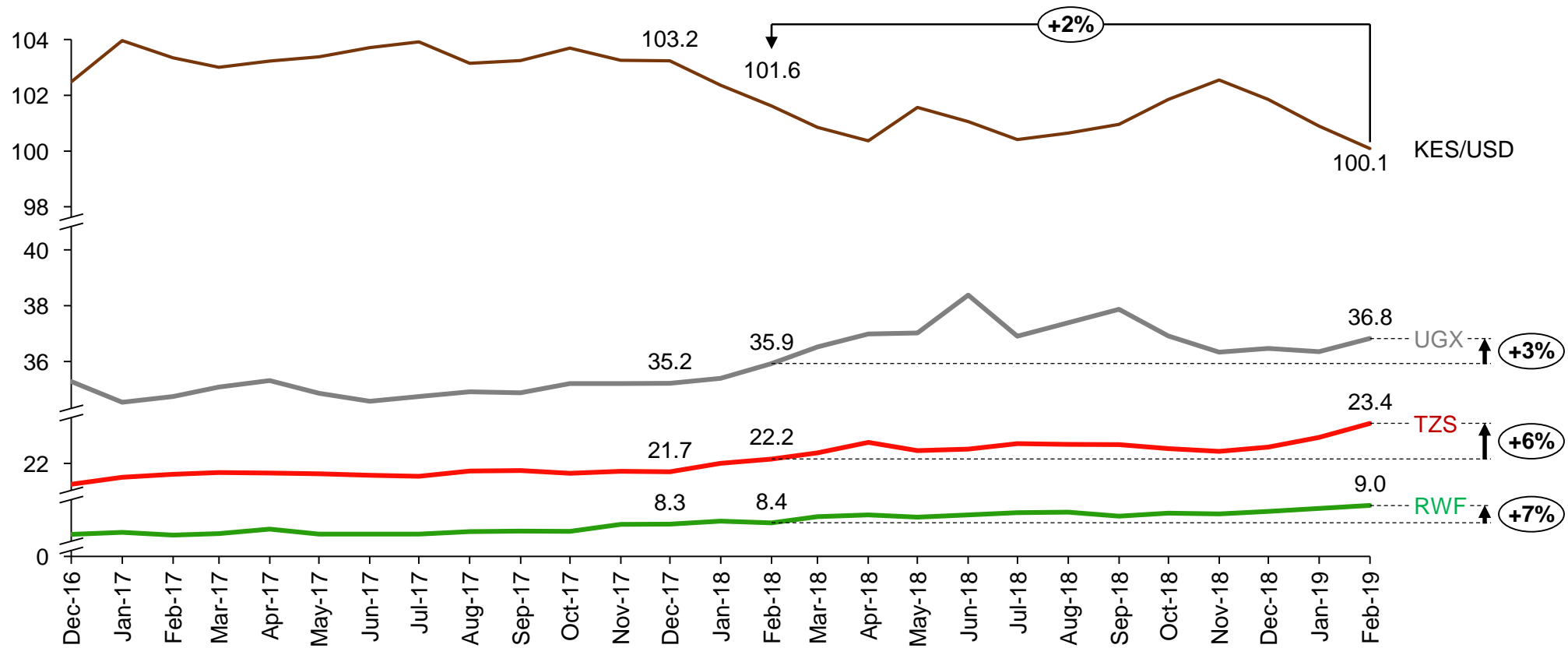




# FX – Selected East Africa Countries



**KES** has gained ground against her East African peers and **against the USD** YoY

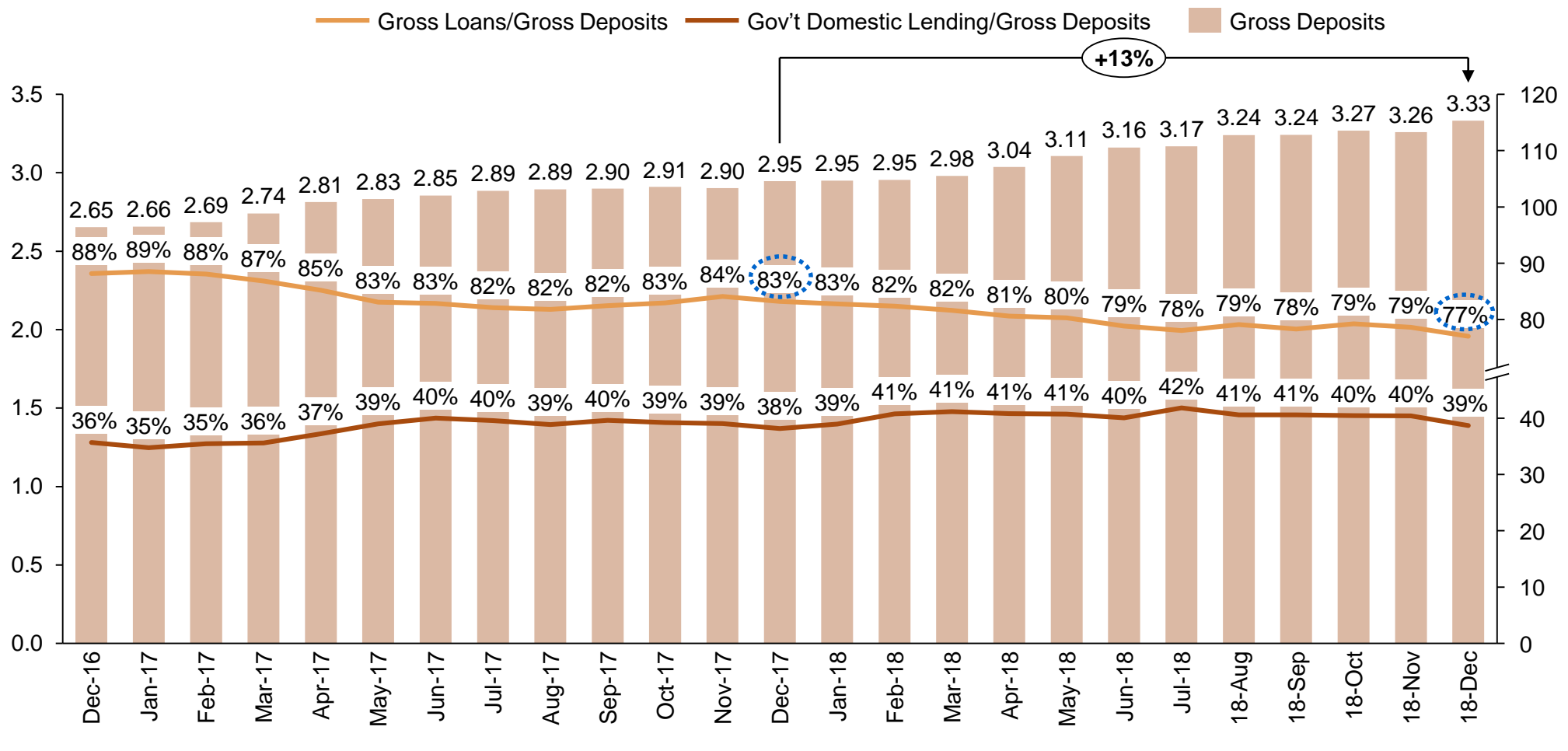




# Government crowding out the private sector

## The competition for credit

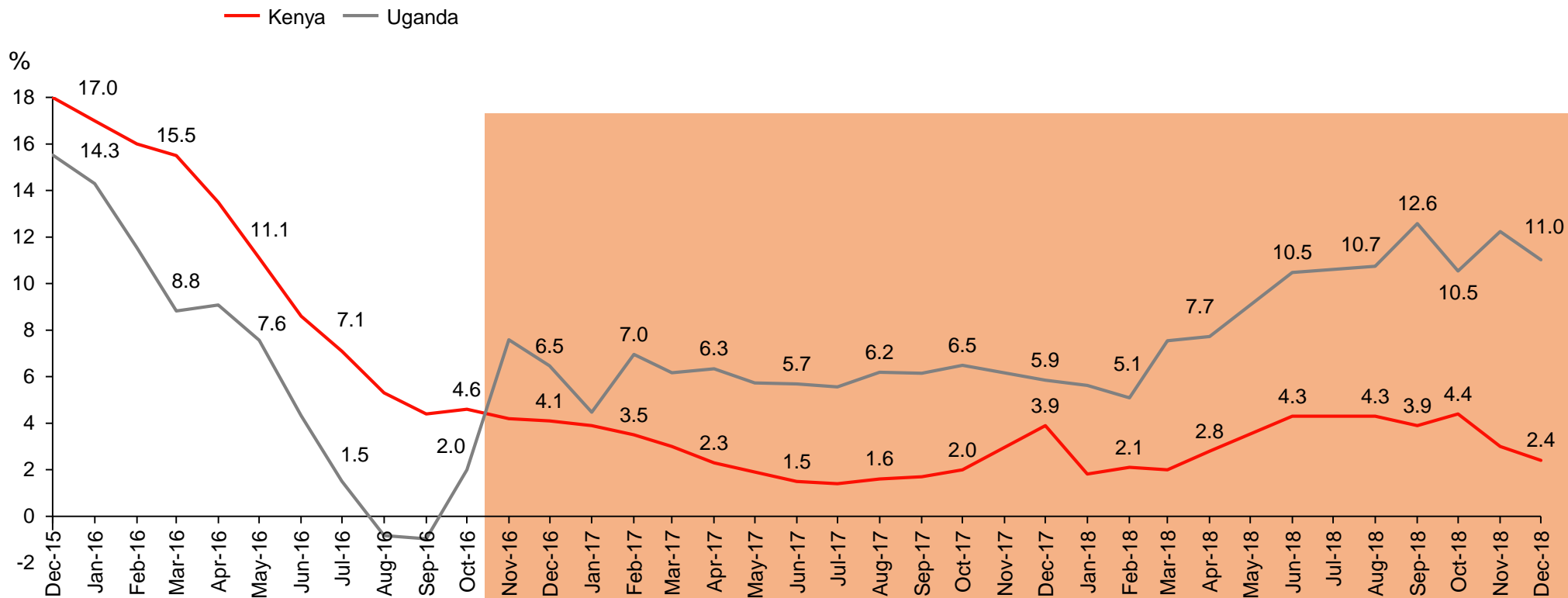
The private sector continues to be disenfranchised in the credit market due to the ineffectiveness of the interest rate regime to price risk. This continues to squeeze the private sector credit growth despite the ever increasing loanable deposits.





# Private Sector Credit Growth Trend

Private sector credit growth continues being subdued in Kenya due to the inability of banks to price risk, coupled with increased government borrowing which has crowded out the private sector

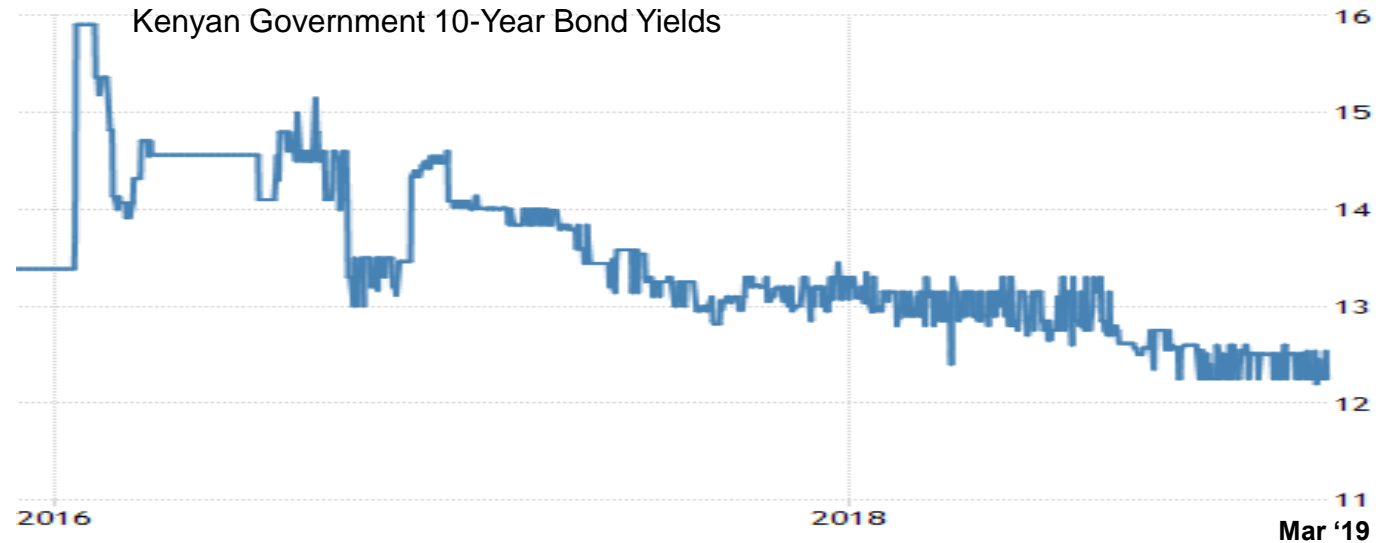




# Kenya Government Bond Index

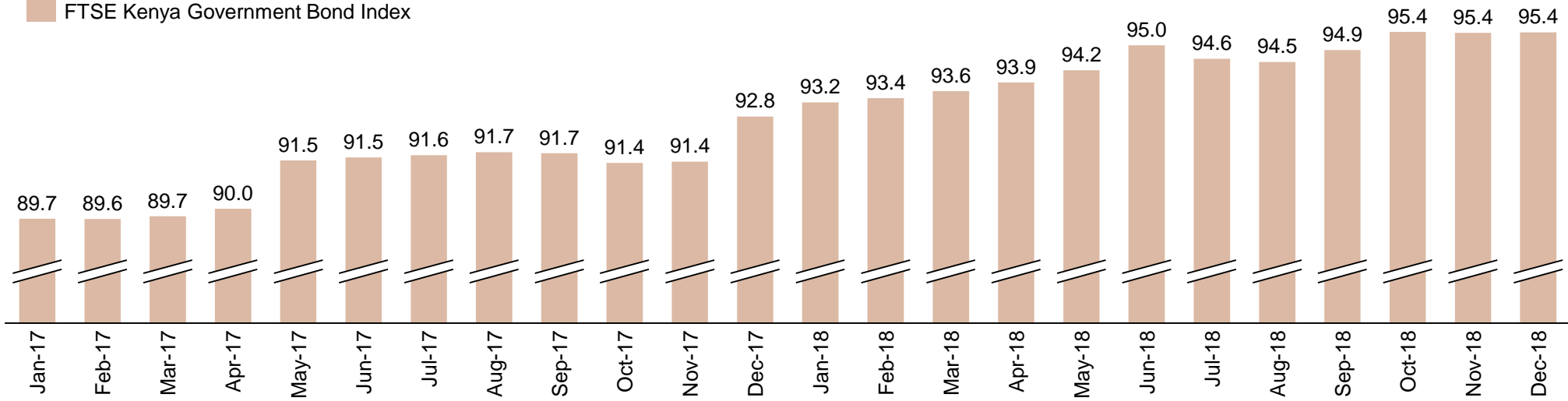
## Banks secure refuge in Government lending

With interest rates continuing to decline, banks are taking refuge in Government lending, where the decline in interest rates is compensated by appreciation in Government securities value



SOURCE: TRADINGECONOMICS.COM | MINISTRY OF FINANCE, KENYA

■ FTSE Kenya Government Bond Index





# Maximum Lending Rates

## Banks secure refuge in Government lending

While sector NPLs are increasing, signaling heightened private sector credit risk, the interest rates are dropping, making pricing of risk difficult.

