




**EQUITY BANK GROUP**

**INVESTORS BRIEFING**


Q1 – 31<sup>st</sup> MARCH 2011 PERFORMANCE



**...challenging economic outlook – globally & locally**

- Globally, the economic outlook in large economies remains fragile
  - USA – risk of revision of its sovereign credit rating (by Moody's) together with the possibility of QE3 as the budget deficit has still not been brought under control
  - China – Growth slowed down due to harsh inflation spell
  - Japan – the natural catastrophe aftermath
  - Sovereign debt crisis in Europe (PIIGS) with austerity measures taking hold in the UK
  - Political unrest in MENA region resulting in surging oil prices


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**..challenging economic outlook..cont'd**

- In Kenya, the outlook is similarly challenging due to:
  - Inflation caused by the surge in oil prices. In Kenya, Q1 2011 inflation has increased to 9% (in March) from 3% in the previous quarter
  - This is driven by rising oil prices which will in turn affect the prices of essential commodities thereby eroding disposal incomes
  - The political risk factors such as the ICC process and the impending 2012 elections likely to dampen sentiment

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**..challenging economic outlook..cont'd**

- In the Eastern Africa region, there is a mixed bag of economic news:
  - Inflationary pressures are being observed in Tanzania & Uganda – very much like in Kenya
  - On the other hand, Rwanda's outlook is positive with GDP growth expected to continue in 2011
  - Southern Sudan's administration has its work cut out following the referendum which will make it an independent country in July 2011

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**.....BUT delivering on strategic objectives is on track**

- a) Regional Expansion:
  - Rationalisation of the Equity Uganda is now complete and from 2011, the business is now reporting profits
  - Opening of new branches in Rwanda & Tanzania by end of Q2 (5 in each country by the end of 2011)
  - Building on the success already achieved in Southern Sudan, two new branches will be opening in Q2 2011



**.....BUT delivering on strategic objectives is on track**

- b) Roll-out and embedding of Agency banking:
  - Services now delivered at convenient locations to our customers with the roll-out of 5,000 agents
  - This will enhance over the counter customer experience at the branches

....BUT delivering on strategic objectives is on track



c) Mobile telecommunication solutions:

- Retail credit and insurances products are now delivered on the mobile phone
- Roll-out of Orange Money International payments solution

....BUT delivering on strategic objectives is on track



d) Diversification of Product Offering:

- Strengthening Treasury and Trade Finance business
- Introduction of a range of mortgages
- Introduction of VISA and MasterCard branded credit cards

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....BUT delivering on strategic objectives is on track



e) Customer Experience Focus:


- Creation of Research & Product Development team focussed on identifying changes in customer demands ensuring proactive delivery of products and solutions to meet the customer needs
- Delivering enhanced convenience, access and affordability through the Agency model and mobile phone banking

Performance Review




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BUSINESS DRIVERS



	Q1 2011	Q1 2010	Growth
Number of Customers	6.2M	4.5M	38%
Number of Branches	163	155	5%
Number of ATMs	557	515	8%
Number of Staff	5,772	5,108	13%
Telcos connected	3	0	

FUNDING



	Q1 2011 Ksh Billion	Q1 2010 Ksh Billion	Growth
Deposits	114.3	77.4	48%
Subordinated debt	7.09	6.79	4%
Shareholders' Funds	26.59	23.37	14%
Total Funding	153.49	110.58	39%

### ASSETS

	Q1 2011 Ksh Billion	Q1 2010 Ksh Billion	Growth
Loans	86.19	66.16	30%
Government Securities	29.61	18.38	57%
Cash & Bank Deposits	22.02	12.68	74%
<b>Total Assets</b>	<b>153.49</b>	<b>110.58</b>	<b>39%</b>

### ASSET QUALITY

	Q1 2011 Ksh. Million	Q1 2010 Ksh. Million	Change %
Gross NPL	3,967	4,790	-17%
NPL/Gross Loans	4.5%	7.3%	-38%
Asset Quality	2.1%	3.8%	-45%

### ASSET QUALITY TREND

	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11
Gross NPL	5,333	4,790	4,337	3,578	3,599	3,967
Provisions	2,269	2,187	1,769	1,601	1,386	2,117
Net NPL	3,064	2,603	2,569	1,977	2,213	1,850
Coverage of NPL	43%	46%	41%	45%	39%	53%
NPL/GL	8.1%	7.3%	6.5%	5.2%	4.8%	4.5%
Asset Quality	4.7%	3.8%	3.6%	2.7%	2.8%	2.1%

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### STABILITY & COMPLIANCE


	Q1 2011	Statutory Requirement	Excess
Core Capital/Total Deposit Liabilities	20%	8%	12%
Core Capital/Total Risk Weighted Assets	21%	8%	13%
Total Capital/Total Risk Weighted Assets	27%	12%	15%
Liquidity Ratio	36%	20%	16%

### INCOME STATEMENT

	Q1 2011 Ksh Billion	Q1 2010 Ksh Billion	Change
Interest Income on Loans	3.26	2.71	20%
Interest on Govt. Securities & Bank Deposits	0.75	0.42	79%
Fees & Commissions	0.74	0.57	31%
Transaction fee	1.32	1.02	29%
Treasury & Trade Finance	1.54	0.78	97%
<b>Total Interest Income</b>	<b>4.01</b>	<b>3.13</b>	<b>20%</b>
<b>Total Non Interest Income</b>	<b>2.93</b>	<b>2.03</b>	<b>44%</b>


### EXPENSE STATEMENT

	Q1 2011 Ksh Billion	Q1 2010 Ksh Billion	Change
Total Interest Expense	0.42	0.52	-18%
Staff Costs	1.31	1.10	19%
Loan Loss Provision	0.7	0.51	37%
<b>Total Operating expenses</b>	<b>3.65</b>	<b>2.99</b>	<b>22%</b>
Cost to Income Ratio (With Provisions)	56%	64%	13%
Cost to Income Ratio (Without Provisions)	45%	53%	15%

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**PROFIT & LOSS ACCOUNT**

	Q1 2011	Q1 2010	Growth
Profit Before Tax	2.90	1.68	73%
Profit After Tax	2.33	1.25	87%
Earnings Per Share	2.52	1.35	87%
Return on Equity	34.6%	21.5%	61%
Return on Assets	6.3%	4.7%	34%

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**THANK YOU**

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