



Investor Briefing

Q1 2013 Results

May 2013





EQUITY CENTRE

Update on Strategic Initiatives





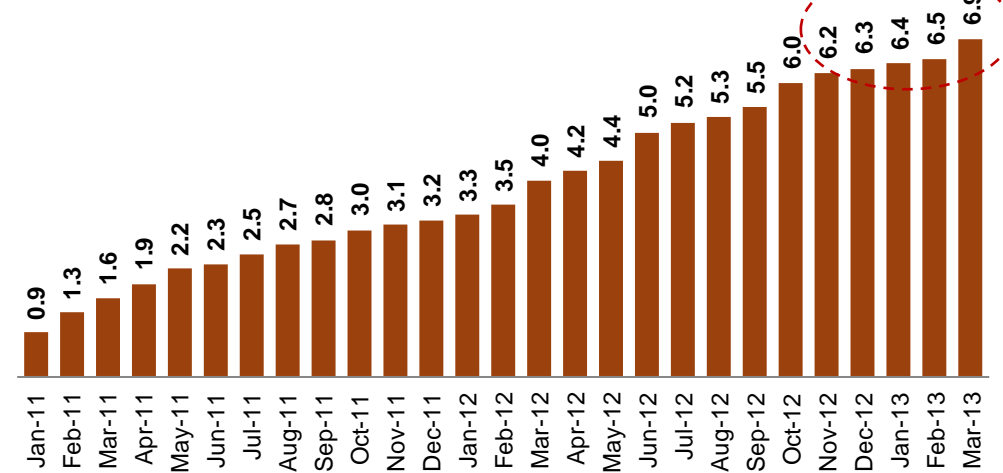
Agency Banking Model Proving Key Driver of Growth

Key Initiatives

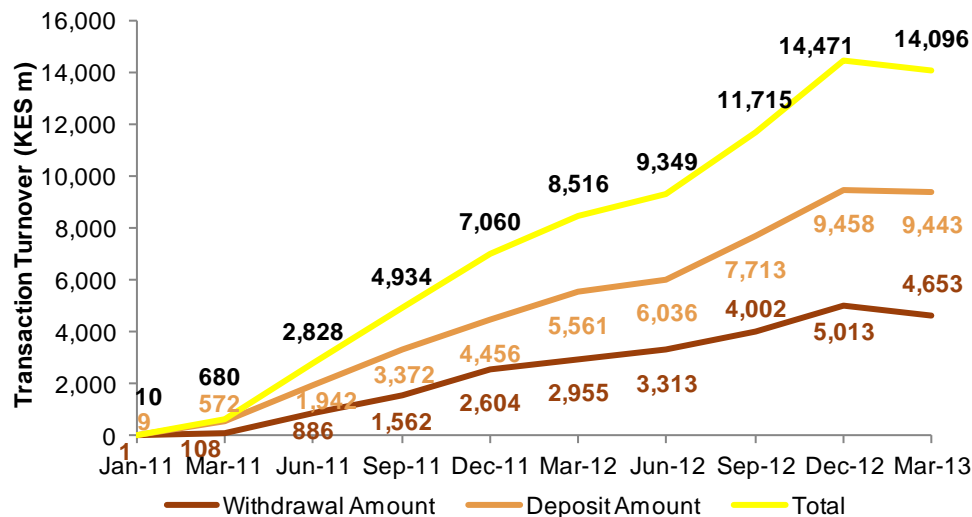
- Agency model started in 2011 allows the Bank to leverage on third party infrastructure for cash transactions
- Extremely successful initiative in Kenya – number of agents increased from 875 at the beginning of the year 2011 to 6,892 agents by March 2013
- Scalable business model for regional expansion rolled out in Rwanda and Tanzania
- Variable cost model: no capex required, no rent, no staff cost, only commission to agents
- Q1 impacted by softness in the economy due to elections

More Than 6,000 Agents Across The Region

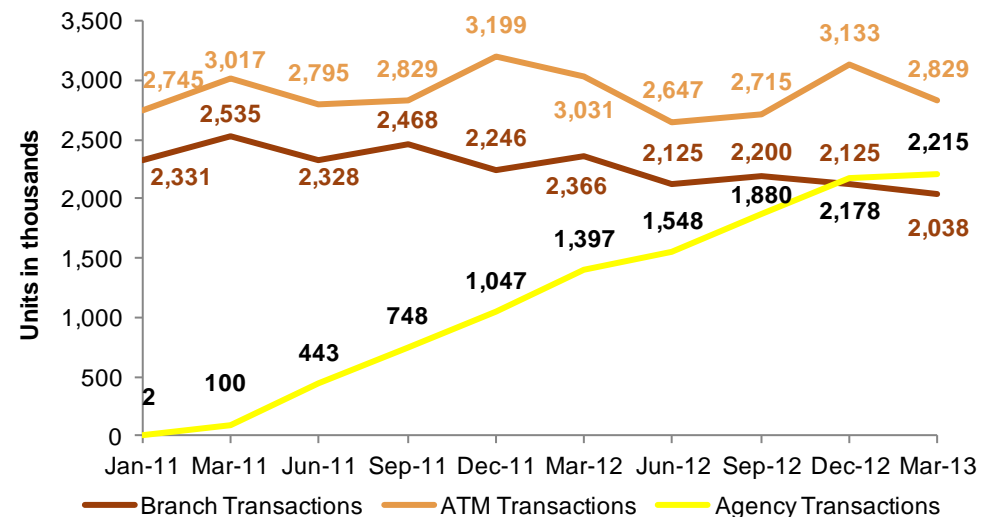
Number of Agents ('000)



New Source of Low Cost Deposits...



...And Key Driver of Growth

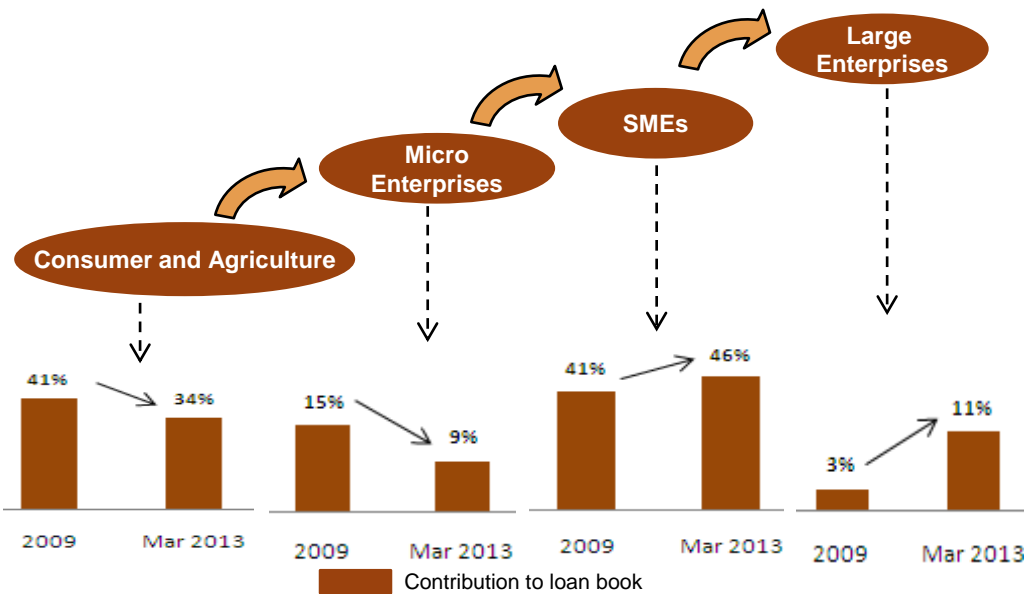




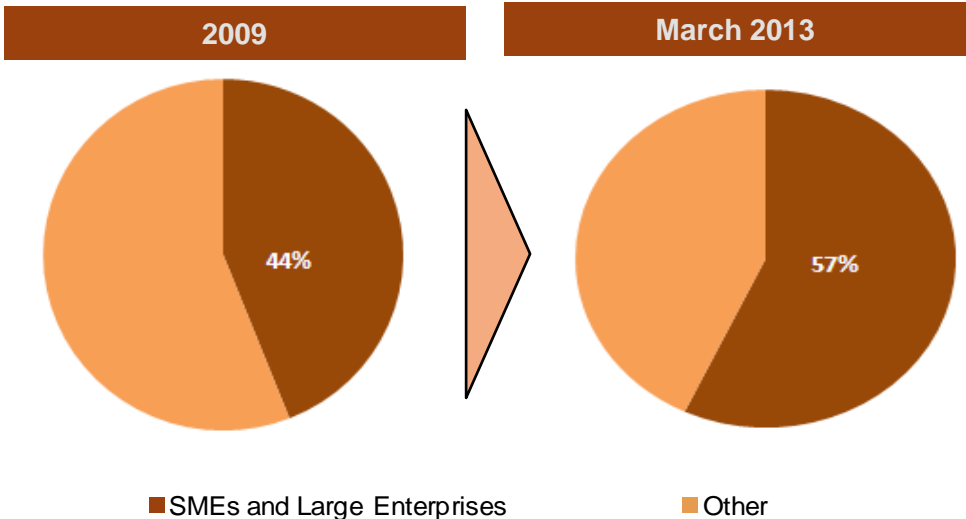
Increasing Strategic Focus on SMEs to Nurture Client Evolution



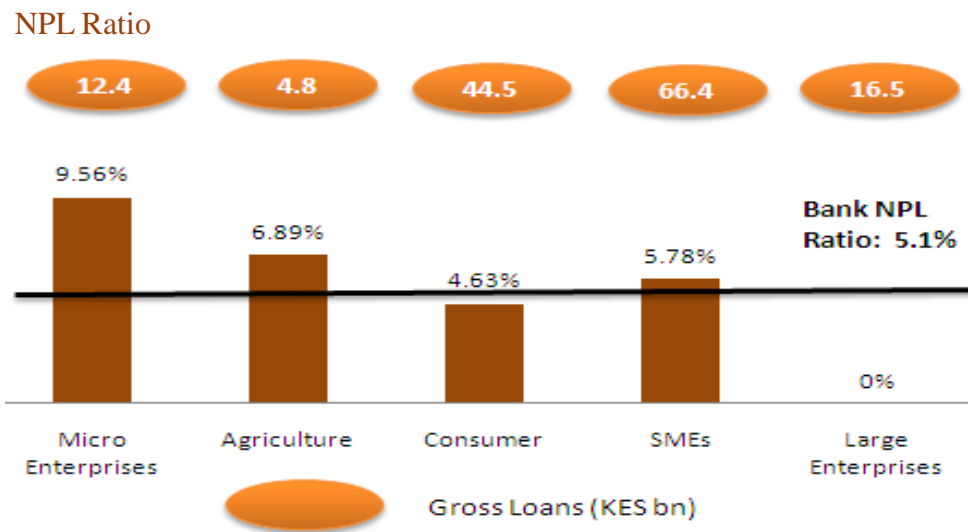
We Are Following Our Customers Evolution



Increasing Focus on SMEs Loan Book



Low Risk Strategy



Key Strategic Initiatives

- Acquisition strategy = retention strategy through graduation process
- Investment in 7 Supreme Branches to better serve our SMEs
- Revamped product offering
- Significant investment in recruitment and training of relationship managers and officers
- Advisory services and mentorship for SMEs



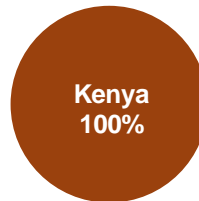
Regional Expansion

Regional Expansion Opportunity

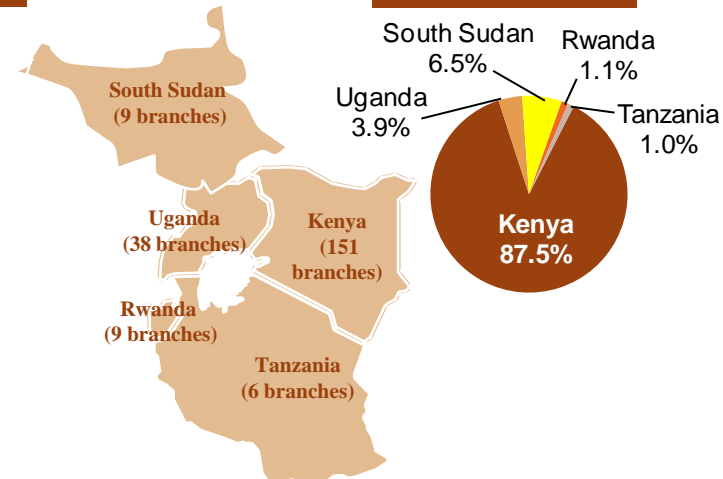
- Commenced regional expansion with acquisition in Uganda in 2008
- Now present in 5 countries: Kenya, Uganda, Tanzania, South Sudan and Rwanda
- Already rolling out agency branchless banking where Central Bank has Agency Banking Guidelines (Kenya, Rwanda)
 - Tanzania agency roll out expected within a year
- Leveraging shared ICT platforms to support new subsidiaries and ensure group level compliance and standardisation

Equity Bank Presence in East Africa

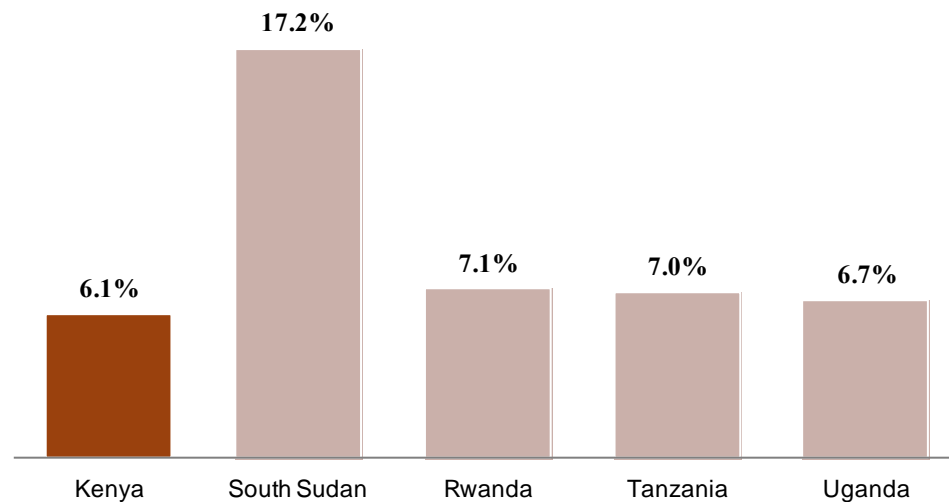
2007 Revenues



Q1 2013 Revenues



Real GDP Growth – Next 4 Years¹



1. Average GDP growth 2013 - 2017. Source: IMF projections



Bancassurance: A New Strategic Initiative



Bancassurance Division – Key Highlights

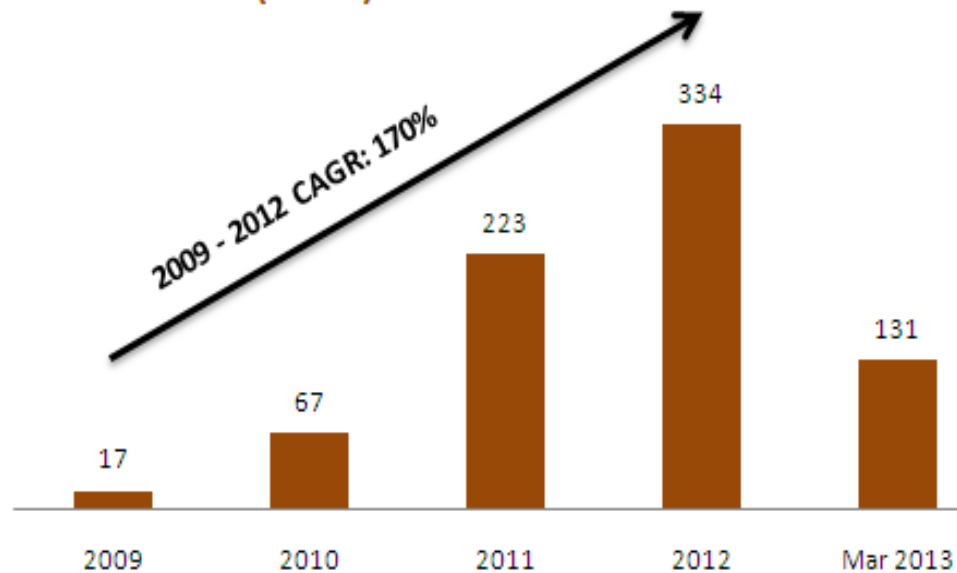
- Operations started at the beginning of 2008 with a pilot process in 4 branches
- Equity Bank currently distributes insurance products through a network of over 150 branches with a staff compliment of 183 (22 based at head office and 161 at the branches)
- Number 2 insurance intermediary in terms of premium, volumes and profitability

Key Opportunities

- 1 Low level of insurance penetration
- 2 Leverage strong and trusted brand
- 3 Leverage the bank's distribution network
- 4 Ongoing demerger of Life and Non-Life insurance companies
- 5 Finance Act 2012
- 6 Vision 2030

PBT Evolution

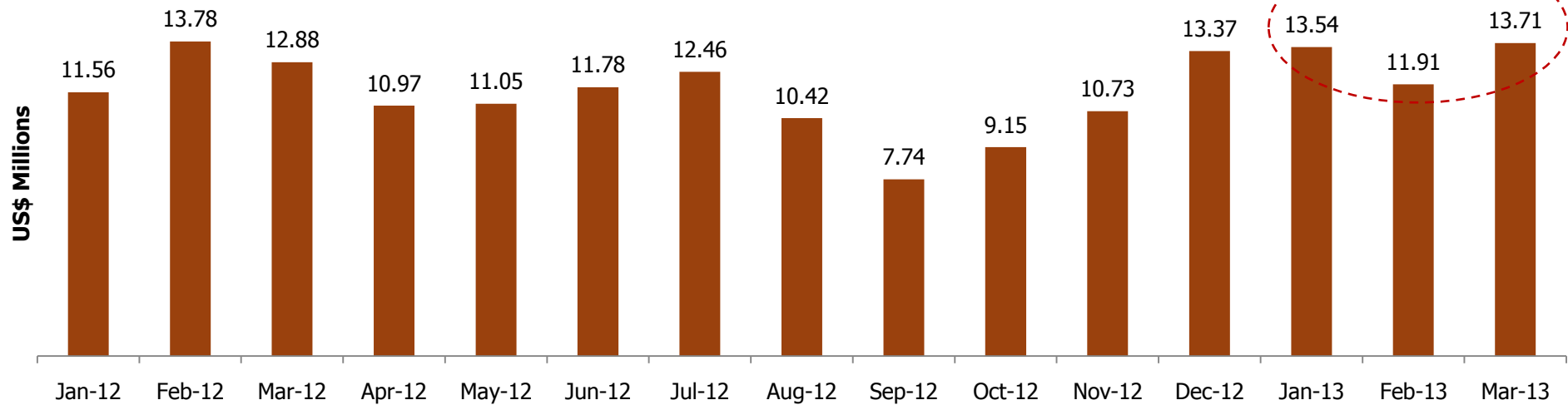
Insurance PBT (KESm)



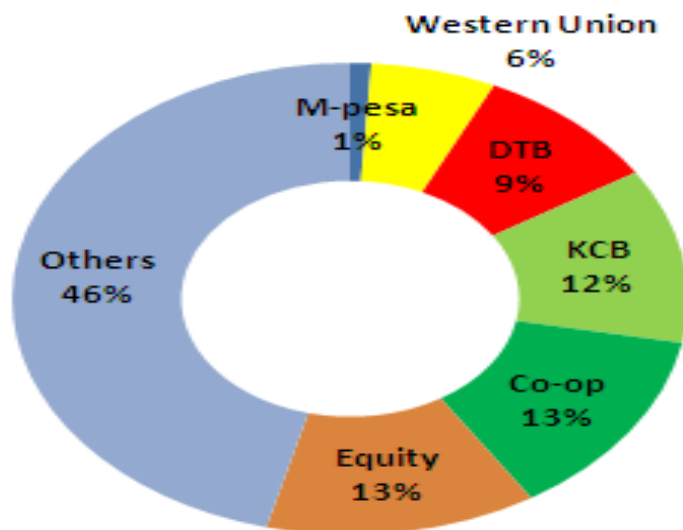


Diaspora Remittances Initiative

Equity Bank Monthly Diaspora Remittances (US\$ Millions)



Share of January remittances (Kshs 8.9 billion)



➤ Equity Bank leads the remittance market and commands a **13%** market share in the banking industry.

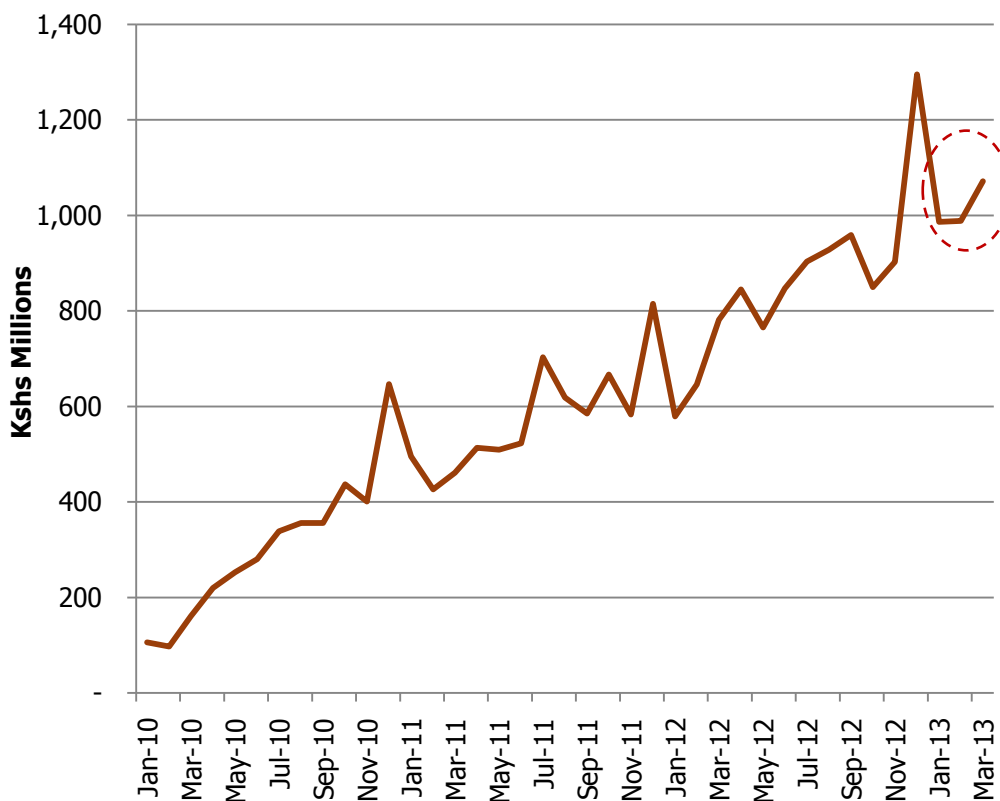
➤ In the first quarter of 2013, approximately **US\$ 40 million** from the diaspora was channeled via Equity Bank into the country

Source: Central Bank of Kenya

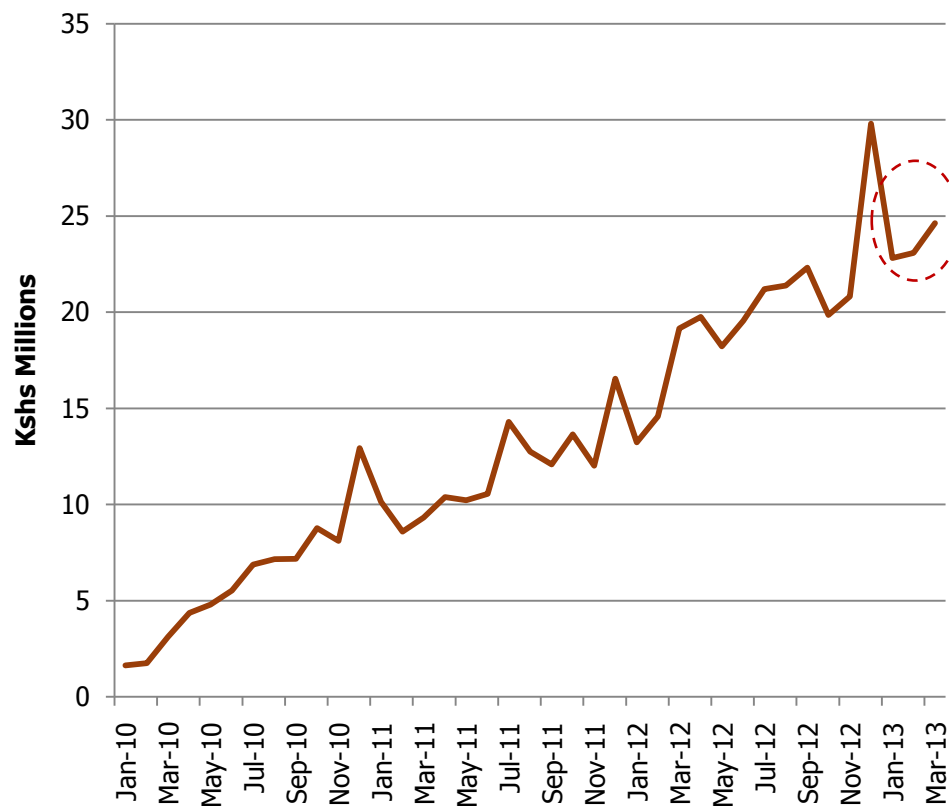


Payment Processing & Merchant Business

Monthly Turnover



Monthly Commission





Facilitating a Cashless Society



- ◆ Beba Pay
- ◆ PayPass-MPOS Technology
- ◆ Tap and Go-Application of Near Field Technology
- ◆ Cash Points



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Update on Macroeconomic Environment



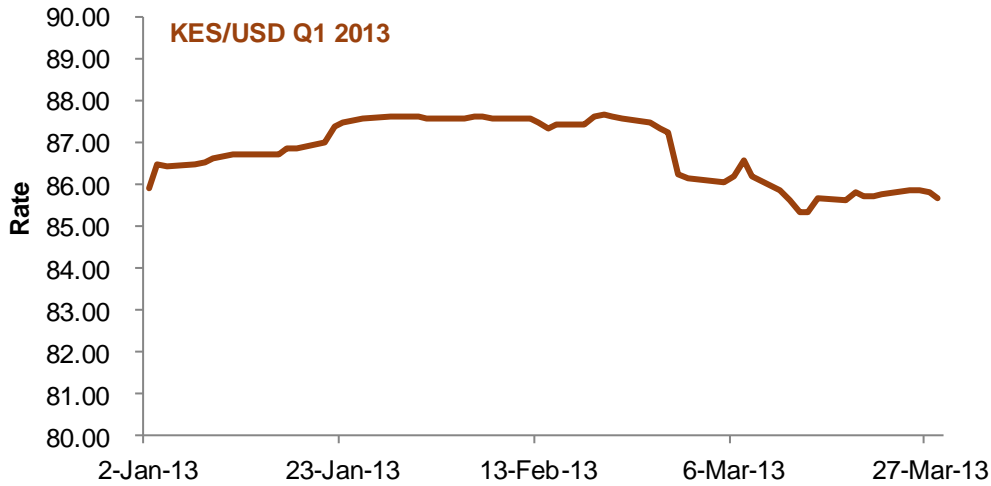
Key Macroeconomic Updates

- 1 Peaceful Kenyan elections impacting trade in Q1 2013
- 2 Ripple effects from delays in government payments to SMEs in Dec 2012
 - Payments expected to take place in the remainder of the year
- 3 Stability in FX rate
 - Appreciation of KES vs. USD from 87.6 in Dec-2012 to 85.6 at 31-Mar-2013
- 4 Stable inflation rates across all countries the bank operates in
 - Kenya, Uganda and Rwanda inflation stable within 3.5% – 5.5% boundaries
 - Tanzania inflation higher at 9.8% but experiencing a decreasing trend
- 5 Growth in the private sector credit
 - Increased by 12% in the twelve months to January 2013 compared to 10.4% in December 2012 and a low of 7.1% in October 2012
 - Evidence of an expanding economy

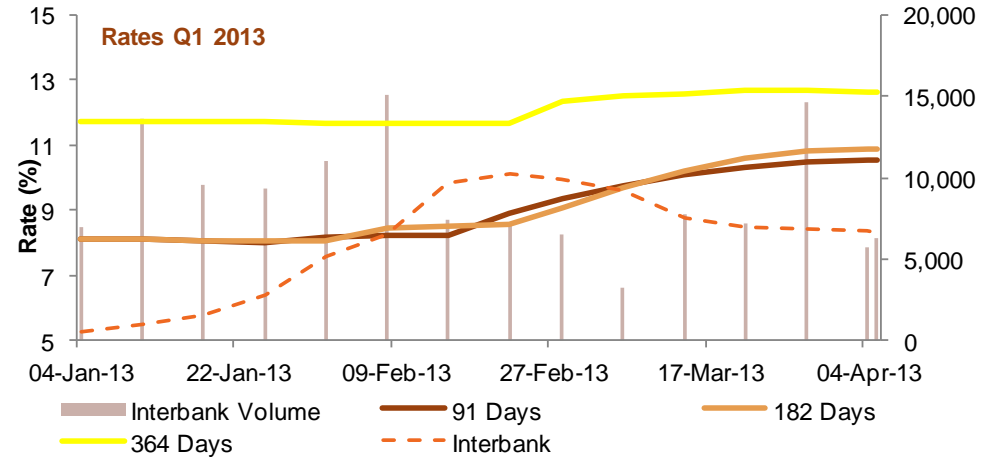


Evolution of Key Macroeconomic Indicators

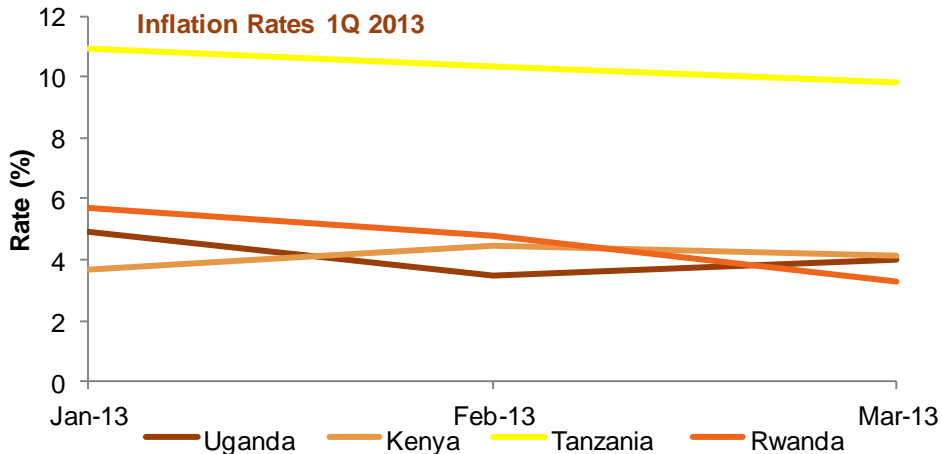
KES Displayed Less Volatility in Q1 2013



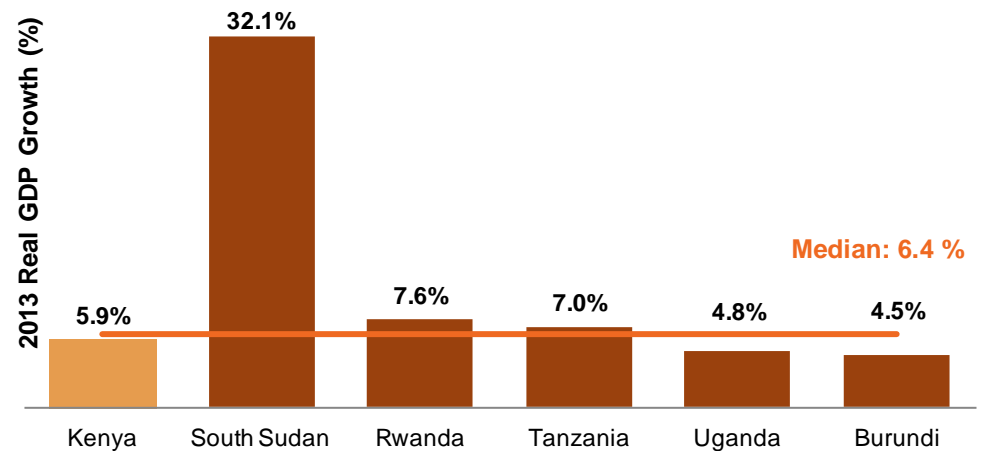
Stable Interest Rates, However Increased Liquidity Resulted in a Declining Interbank Rate in Kenya



Declining Inflation Rates in the Region...



...Combined With Solid 2013 GDP Growth Forecasts For the East African Region



Source: IMF, Kenya Central Bank



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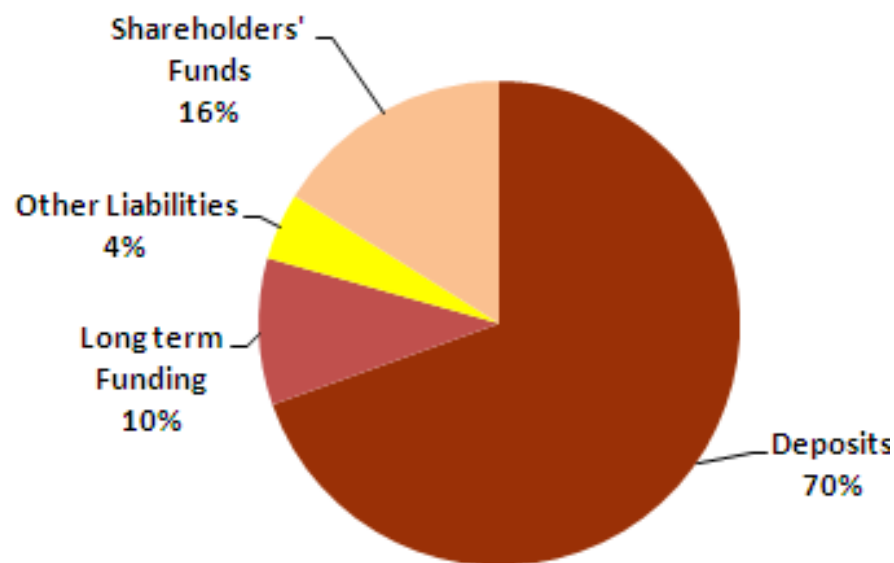
Q1 2013 Results and Key Financials



Structure of Funding Portfolio

	Mar 2012	Mar 2013	Growth
Liabilities & Capital (Bn)	KES	KES	%
Deposits	153.68	175.32	14%
Borrowed Funds	14.90	24.78	66%
Other Liabilities	7.49	11.30	51%
Shareholders' Funds	<u>32.90</u>	<u>40.83</u>	<u>24%</u>
Total Liabilities & Capital	<u>208.97</u>	<u>252.23</u>	<u>21%</u>

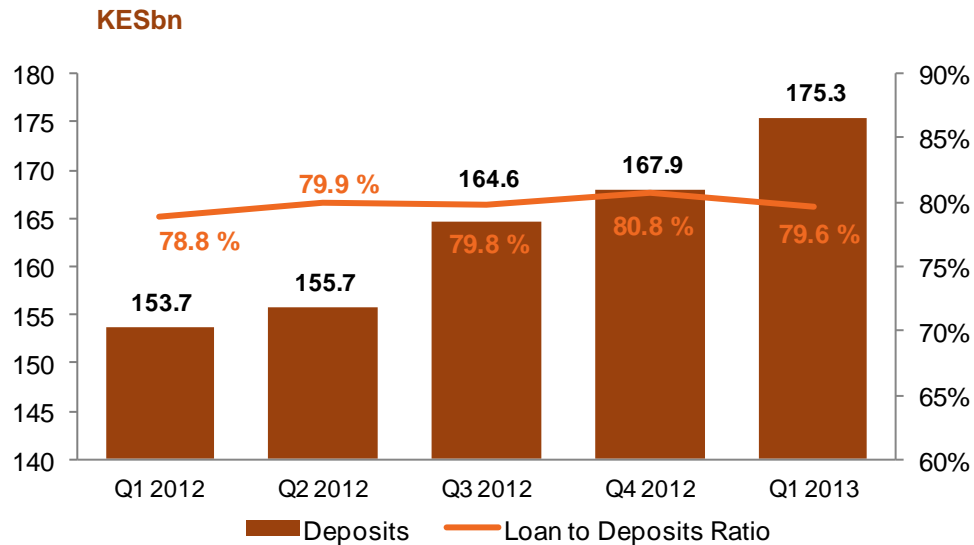
Funding Distribution





Sources of Funding

Deposits Evolution

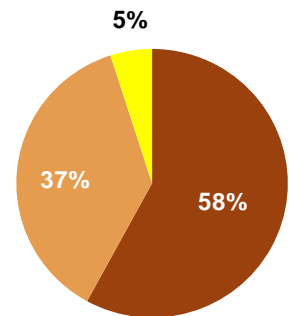


Key Commentary

- Strong growth in deposits achieved in Q1 2013 despite tough trading conditions
- Focus on low cost savings and terminating expensive deposits
- Stable loan to deposits ratio
- Significant liquidity

Q1 2013 Deposits Breakdown

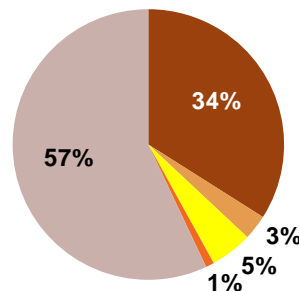
By Type



Total: KES175.3bn

Legend: Savings (Dark Brown), Current (Light Brown), Term (Yellow)

By Maturity¹



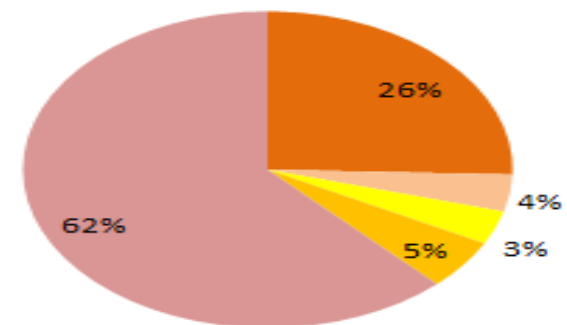
Total: KES175.3bn

Legend: Less than 3 months (Dark Brown), 6-12 months (Yellow), More than 5 years (Grey), 1-5 years (Orange), 3-6 months (Light Brown)

¹ Split based on Kenya only

Q1 2013 Funding Breakdown by Maturity

Total: KES 252.23bn



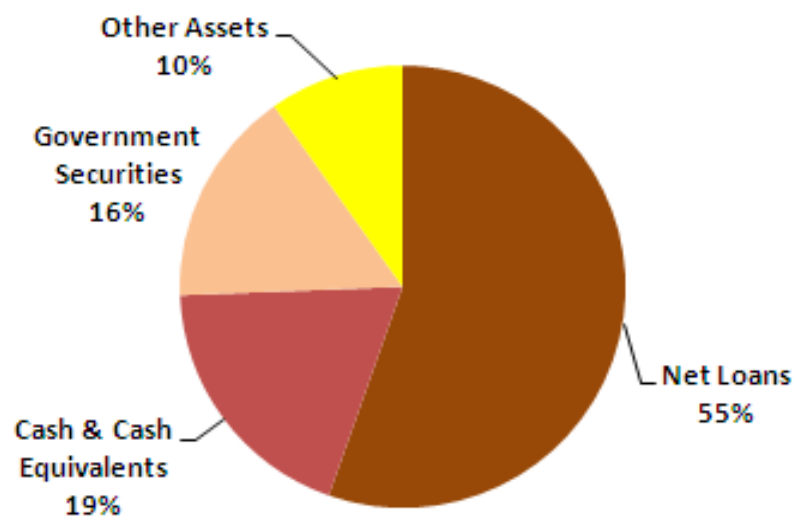
Legend: Less than 3 months (Dark Brown), 3-6 months (Light Brown), 6-12 months (Yellow), 1-5 years (Orange), More than 5 years (Grey)



Asset Portfolio

	Mar 2012	Mar 2013	Growth
Assets (Bn)	KES	KES	%
Net Loans	121.13	139.56	15%
Cash & Cash Equivalents	38.36	48.06	25%
Government Securities	29.64	40.32	36%
Other Assets	<u>19.84</u>	<u>24.29</u>	<u>22%</u>
Total Assets	<u>208.97</u>	<u>252.23</u>	<u>21%</u>

Asset Distribution



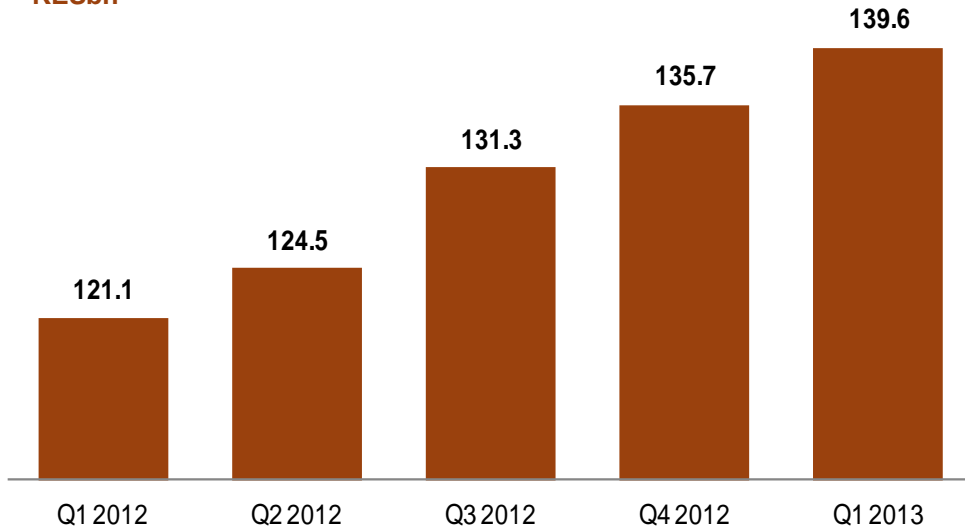


Asset Creation



Customer Loans Evolution

KESbn

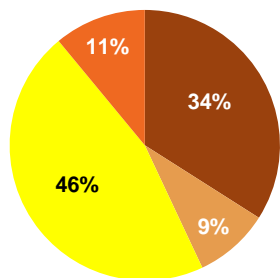


Key Commentary

- Continued growth in the loan book, despite tough trading conditions
- Growth in the quarter driven by SME loans
- Strategy focussed on following graduation process of clients

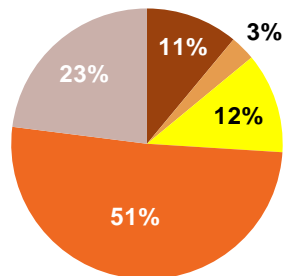
Q1 2013 Loan Book Breakdown

By Customer Type



Total: KE139.6bn

By Maturity¹



Total: KE139.6bn

- Consumer and Agriculture
- SME
- Large Enterprises
- Micro Enterprises

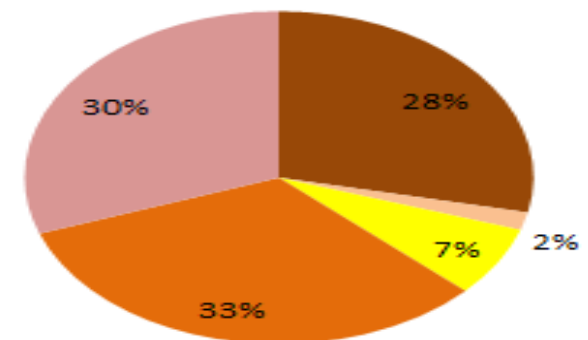
- Less than 3 months
- 6-12 months
- More than 5 years

- 3-6 months
- 1-5 years

¹ Split based on Kenya only

Q1 2013 Asset Breakdown By Maturity

Total: KES 252.23bn

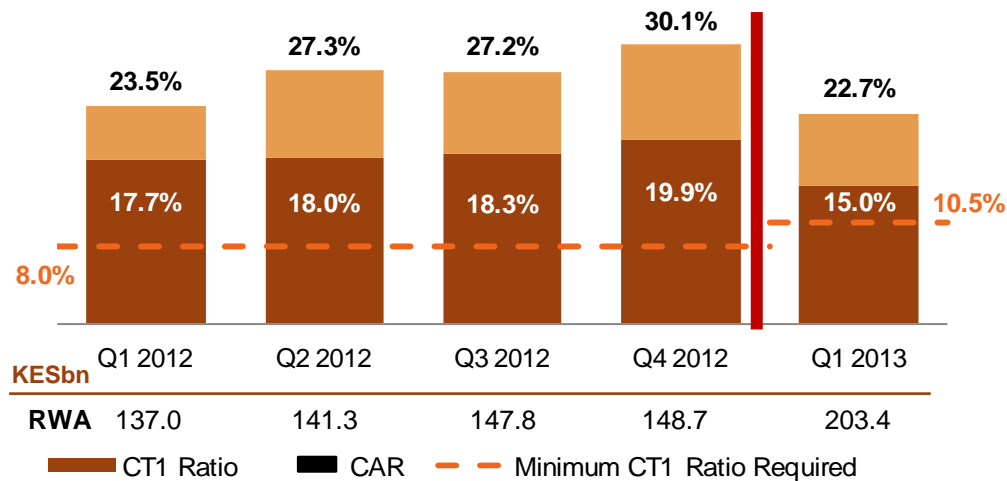


- Less than 3 months
- 3 - 6 months
- 6 - 12 months
- 1 - 5 years
- More than 5 years

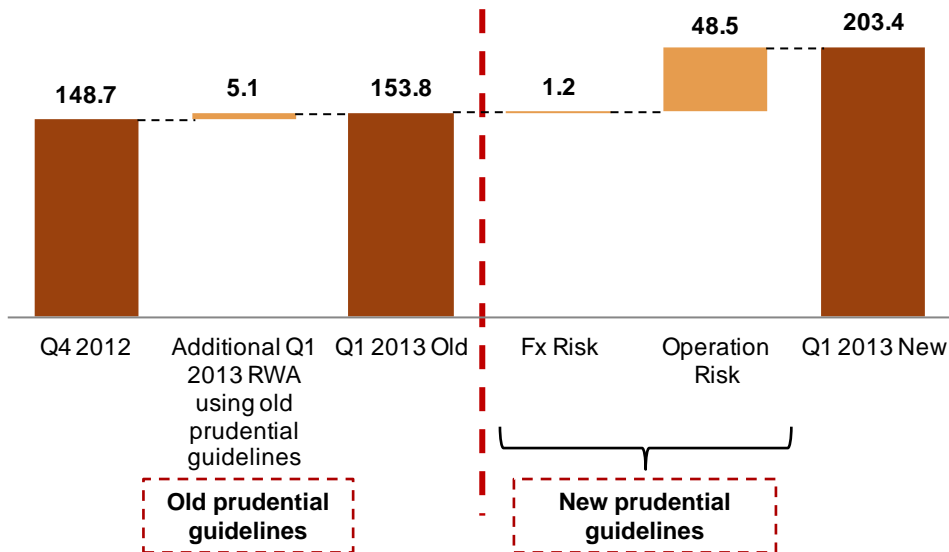


Capital Position

Capital Ratio Evolution



Q4 2012 – Q1 2013 RWA Evolution Breakdown



RWA Evolution

- Reduction in CT1 and CAR driven by introduction of new regulatory prudential guidelines for RWA calculation including:
 - Foreign exchange risk
 - Operational risk
- Minimum regulatory capital ratios revised upward:
 - Core capital to total deposits ratio: from 8% to 10.5%
 - Core capital to total RWA: from 8% to 10.5%
 - Total capital to total RWA: from 12% to 14.5%
- Equity Bank took decision in 2012 to hold significant buffer over minimum requirements in anticipation of new prudential guidelines
- **Excess capital of KES 9.1bn over minimum requirements to fund growth**



Solid 1Q 2013 Performance: Income Statement

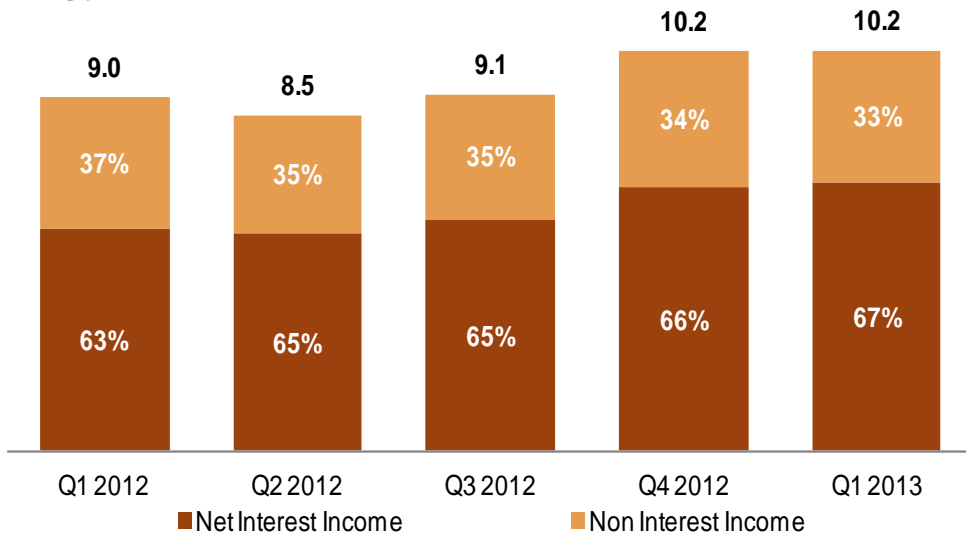
KESm	Q1 2012	Q1 2013	Q1 2013 vs. Q1 2012
Interest Income	7,322	7,987	9.1%
Interest Expense	(1,626)	(1,115)	(31.4)%
Net Interest Income	5,696	6,872	20.6%
Other Income	3,318	3,336	0.5%
Total Income	9,014	10,208	13.2%
Provisions	(729)	(682)	(6.4)%
Operating Costs	(4,584)	(5,057)	10.3%
Exceptional Items	33	47	42.4%
PBT	3,735	4,516	20.9%
Tax	(1,098)	(1,302)	18.6%
PAT	2,637	3,214	21.9%
Key Ratios			
NIM	13.4%	13.5%	
C/I Ratio	50.9%	49.5%	
Cost of Risk	2.48%	1.98%	
RoAE	31.4%	30.7%	
RoAA	5.2%	5.2%	



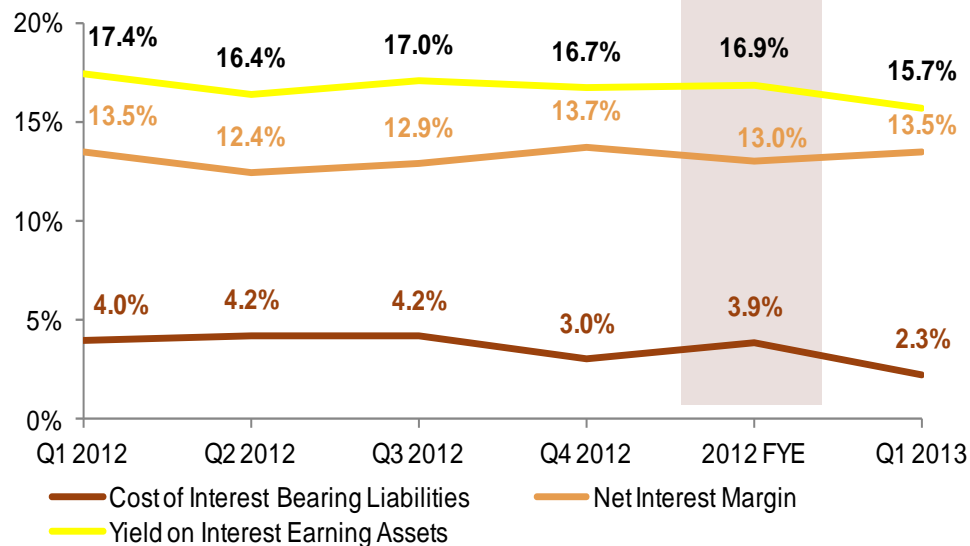
Revenues

Total Income Evolution

KESbn



Net Interest Margin Evolution



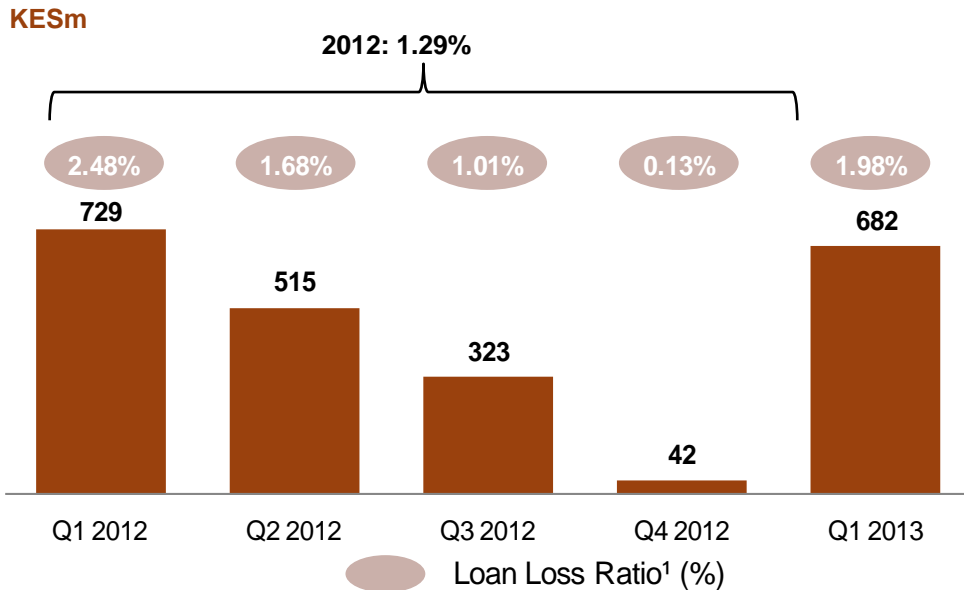
Key Commentary

- Strong revenue performance despite softness in trading conditions due to uncertainties around elections
- Stable net interest margin
 - Decrease in yield on interest earning assets driven by re-pricing of new loans
 - Decrease in cost of funds as a result of deliberate strategy to retire from expensive deposits
- Reduction in contribution of non-interest income to total income driven by lower FX trading revenue
 - New prudential guidelines
 - Lower FX volatility

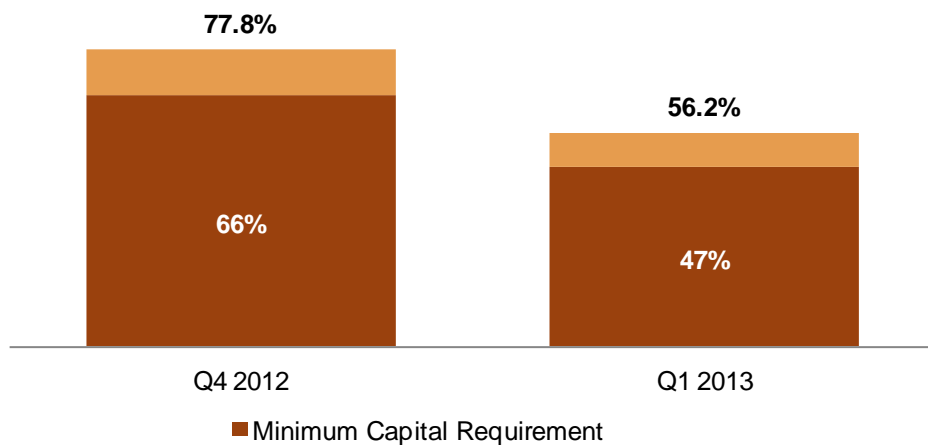


Impairments

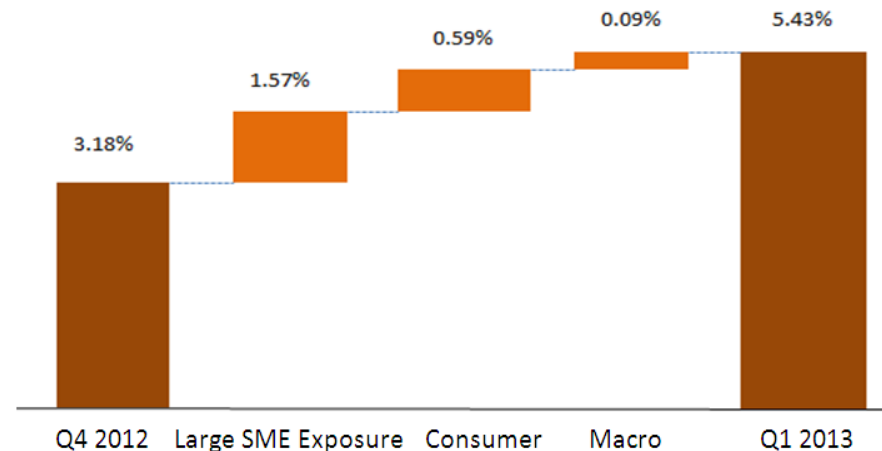
Loan Loss Provision Evolution



Coverage Ratio Evolution⁴



NPL Ratio Evolution²



- New prudential guidelines requiring longer observation period
- SMEs impacted by late payments from government in Dec 2012
- **Loan book still over-provisioned. Equity Bank undertook strategic decision in 2012 to increase provisions above prudential guidelines given macro uncertainties**

¹ Calculated as loan loss provision / average customer loans

² For Kenya only

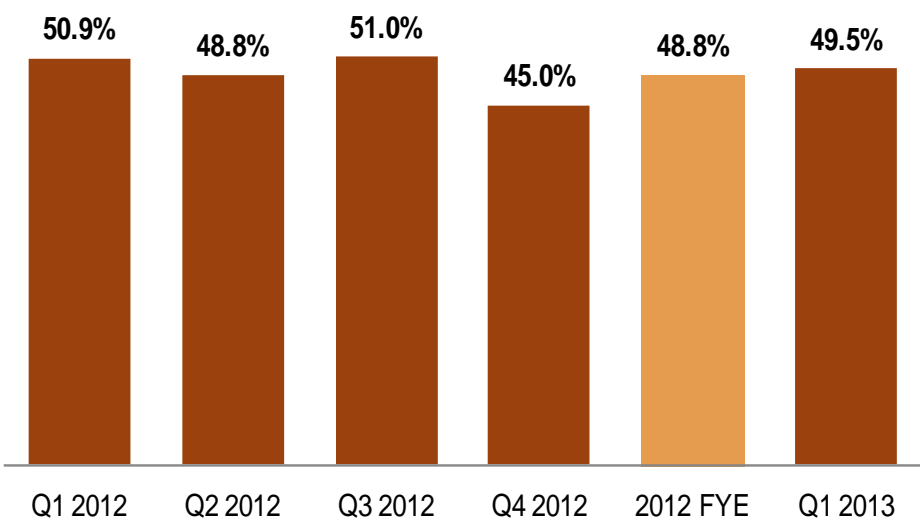
³ Other includes CBK downgraded accounts and government delay in payments

⁴ Under CBK rules



Costs

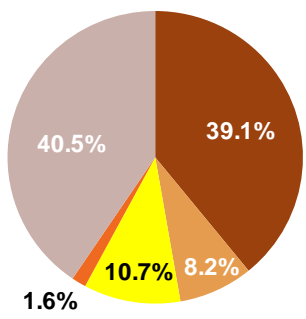
Cost to Income Ratio



Key Commentary

- Operating costs under control (Q1 2013 C/I ratio 1.5% lower than Q1 2012) driven by increased leverage on agency model
- Agency model is shifting cost structure from fixed to variable
- Continued focus on cost management**

Operating Costs Breakdown



Total: KES 5.1bn

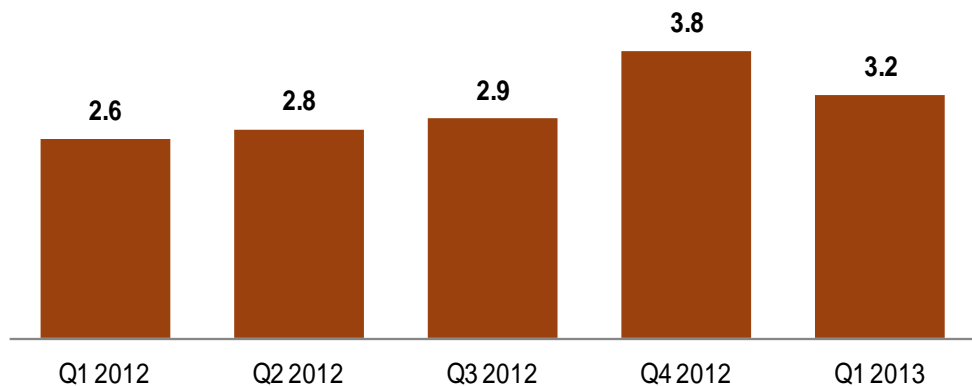
- Staff Costs
- Rental Charges
- Depreciation on Property and Equipment
- Amortisation Charges
- Other Operating Expenses



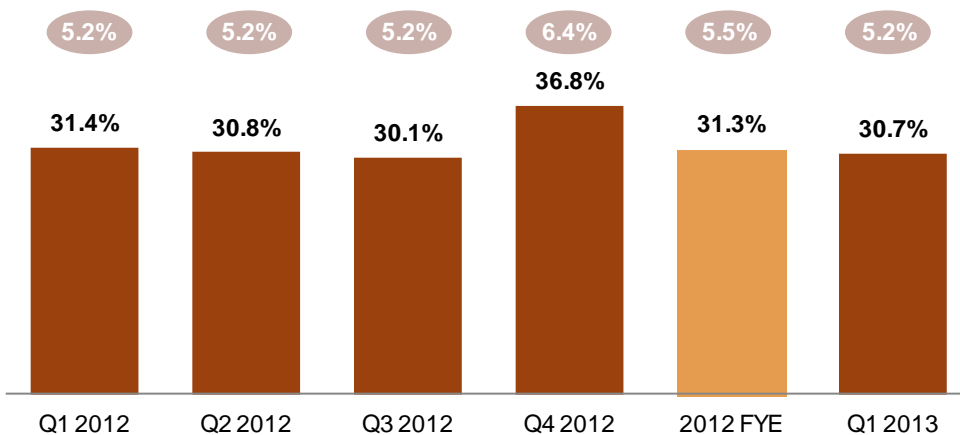
Profitability

PAT Evolution

KESbn



RoAE Evolution



○ RoAA

Key Commentary

- Q1 2013 profitability metrics in line with 2012 full year figures
- Solid performance in Q1 2013 achieving 22% growth in PAT vs. Q1 2012
- Continued focus on profitability with a Return on Equity of 31% despite strong capital base
- Return on Assets consistently higher than 5% in the past 5 quarters



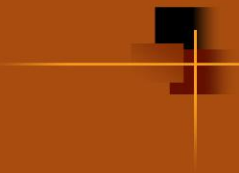
Q1 2013 Results - Summary

Key Highlights

- Solid performance in Q1 2013 achieving 22% growth in PAT vs. Q1 2012 and RoE of 31%
- 21% growth in PBT achieved in Q1 2013 vs. Q1 2012
- Continued focus on profitability with RoE of 31% despite strong capital base
- Agency model proving successful and acting as a key driver of growth
- Regional expansion accelerating
 - Tanzania now open
- Increased strategic focus on SMEs
- Continued focus on innovation and technology to drive down cost base

Key Figures

	Mar 2012	Mar 2013	% Change
Income (KES bn)	9.01	10.21	+13%
PBT (KES bn)	3.73	4.52	+21%
PAT (KES bn)	2.64	3.21	+22%
Cost / Income	50.9%	49.5%	
Loan Loss Ratio	2.48%	1.98%	
RoE	31.4%	30.7%	
RoA	5.2%	5.2%	
CT1 Ratio	17.7%	15.0%	
NPL Ratio	2.7%	5.1%	



THANK YOU

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