

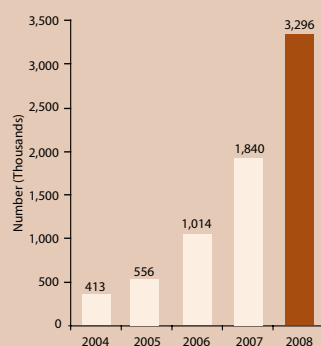
# EQUITY BANK GROUP

## AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES

### AS AT 31st DECEMBER 2008

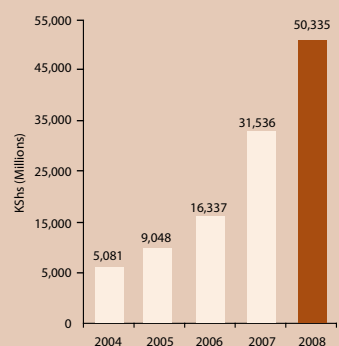
	GROUP 31/12/2008 Shs. 000 (Audited)	GROUP 31/12/2007 Shs. 000 (Audited)	BANK 31/12/2008 Shs. 000 (Audited)	BANK 31/12/2007 Shs. 000 (Audited)
<b>BALANCE SHEET</b>				
<b>A. ASSETS</b>				
1. Cash (both Local & foreign)	3,652,137	3,015,005	3,395,811	3,015,005
2. Balances due from central Bank of Kenya	2,468,490	2,138,352	2,468,490	2,138,352
3. Kenya Government securities	4,329,659	13,542,935	4,329,659	13,542,935
4. Foreign Currency Treasury Bills and Bonds	88,774	-	-	-
5. Deposits and balances due from banking institutions	5,160,775	4,105,148	5,160,775	4,105,148
6. Deposits and balances due from banking institutions abroad	1,162,111	2,786,245	669,833	2,786,245
7. Government and other securities held for dealing purposes	8,145,450	-	8,145,450	-
8. Tax recoverable	13,312	-	-	-
9. Loans and advances to customers (net)	44,193,749	21,836,435	40,857,796	21,836,435
10. Investment securities	-	-	-	-
11. Balances due from group companies	-	-	182,373	-
12. Investments in associates	1,155,562	441,830	1,155,562	441,830
13. Investments in subsidiary companies	51,000	-	2,976,191	-
14. Investments in joint ventures	-	-	-	-
15. Investment properties	11,269	11,269	11,269	11,269
16. Property and equipment	4,824,261	2,602,876	4,258,579	2,602,876
17. Prepaid lease rentals	4,101	4,153	4,101	4,153
18. Intangible assets	1,465,428	224,342	347,797	224,342
19. Deferred tax asset	-	-	-	-
20. Retirement benefit asset	-	-	-	-
21. Other assets	2,110,726	2,420,657	3,171,840	2,420,657
<b>22. TOTAL ASSETS</b>	<b>78,836,806</b>	<b>53,129,247</b>	<b>77,135,526</b>	<b>53,129,247</b>
<b>B. LIABILITIES</b>				
23. Balances due to Central Bank of Kenya	-	-	-	-
24. Customer deposits	50,334,525	31,535,515	48,977,136	31,535,515
25. Deposits and balances due to Local banking institutions	-	-	-	-
26. Deposits and balances due to Foreign banking institutions	899	53,321	899	53,321
27. Other money market deposits	-	-	-	-
28. Borrowed funds	6,463,137	4,521,390	6,166,630	4,521,390
29. Balances due to group companies	-	-	-	-
30. Tax payable	513,730	209,036	513,730	209,036
31. Dividends payable	-	-	-	-
32. Deferred tax liability	94,144	44,876	67,024	44,876
33. Retirement benefit liability	-	-	-	-
34. Other liabilities	1,892,567	1,848,440	1,750,185	1,848,440
<b>35. TOTAL LIABILITIES</b>	<b>59,299,002</b>	<b>38,212,578</b>	<b>57,475,603</b>	<b>38,212,578</b>
<b>C. SHAREHOLDERS' FUNDS</b>				
36. Paid up/Assigned capital	1,851,388	1,811,050	1,851,388	1,811,050
37. Share premium (discount)	12,161,021	10,543,037	12,161,021	10,543,037
38. Revaluation reserve	(349,321)	12,216	(112,216)	12,216
39. Retained earnings/ Accumulated losses	4,455,467	1,754,072	4,340,480	1,754,072
40. Statutory Loan Loss reserve	308,416	252,906	308,416	252,906
41. Proposed dividends	1,110,833	543,387	1,110,833	543,387
42. Capital grants	-	-	-	-
<b>43. TOTAL SHAREHOLDERS' FUNDS</b>	<b>19,537,804</b>	<b>14,916,668</b>	<b>19,659,923</b>	<b>14,916,668</b>
<b>44. TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>78,836,806</b>	<b>53,129,247</b>	<b>77,135,526</b>	<b>53,129,247</b>
<b>PROFIT AND LOSS ACCOUNT</b>				
<b>INTEREST INCOME</b>				
1.1 Loans and advances	6,175,508	2,512,419	5,357,338	2,512,419
1.2 Government securities	1,540,590	545,508	1,540,590	545,508
1.3 Deposits and placements with banking institutions	262,924	196,711	270,713	196,711
1.4 Other	-	-	-	-
<b>1.5 Total interest income</b>	<b>7,979,022</b>	<b>3,254,638</b>	<b>7,168,641</b>	<b>3,254,638</b>
<b>INTEREST EXPENSES</b>				
2.1 Customer deposits	552,339	244,580	517,424	244,580
2.2 Deposits and placements from banking institutions	22,824	2,630	22,824	2,630
2.3 Other interest expense	787,064	247,314	676,382	247,314
<b>2.4 Total interest expenses</b>	<b>1,362,228</b>	<b>494,525</b>	<b>1,216,630</b>	<b>494,525</b>
<b>NET INTEREST INCOME</b>	<b>6,616,794</b>	<b>2,760,113</b>	<b>5,952,011</b>	<b>2,760,113</b>
<b>OTHER OPERATING INCOME</b>				
4.1 Fees and commissions income on loans & advances	1,869,197	883,253	1,679,039	883,253
4.2 Other Fees and commissions income	3,281,099	1,948,878	3,154,891	1,948,878
4.3 Foreign exchange trading income	754,405	147,376	707,951	147,376
4.4 Dividend Income	-	-	-	-
4.5 Other income	83,874	82,981	62,440	82,981
<b>4.6 Total Non-Interest Income</b>	<b>5,988,575</b>	<b>3,062,488</b>	<b>5,604,320</b>	<b>3,062,488</b>
<b>TOTAL OPERATING INCOME</b>	<b>12,605,369</b>	<b>5,822,601</b>	<b>11,556,331</b>	<b>5,822,601</b>
<b>OPERATING EXPENSES</b>				
6.1 Loan Loss Provision	1,019,626	(25,341)	875,061	(25,341)
6.2 Staff costs	2,937,836	1,453,471	2,567,458	1,453,471
6.3 Directors' emoluments	16,661	16,094	16,661	16,094
6.4 Rental charges	375,428	181,867	356,700	181,867
6.5 Depreciation on property and equipment	649,375	357,508	615,671	357,508
6.6 Ammortisation charges	99,779	65,673	95,648	65,673
6.7 Other operating expenses	2,518,461	1,409,511	2,272,530	1,409,511
<b>6.8 Total Operating Expenses</b>	<b>7,617,167</b>	<b>3,458,783</b>	<b>6,799,729</b>	<b>3,458,783</b>
<b>Profit/(loss) before tax and exceptional items</b>	<b>4,988,203</b>	<b>2,363,818</b>	<b>4,756,601</b>	<b>2,363,818</b>
Share of profit in associate	34,083	14,702	34,083	14,702
<b>Profit/(loss) after exceptional items</b>	<b>5,022,286</b>	<b>2,378,520</b>	<b>4,790,684</b>	<b>2,378,520</b>
Current tax	(1,062,599)	(454,278)	(1,015,653)	(454,278)
Deferred tax	(49,404)	(33,959)	(22,389)	(33,959)
<b>Profit / (loss) after tax and exceptional items</b>	<b>3,910,283</b>	<b>1,890,283</b>	<b>3,752,643</b>	<b>1,890,283</b>
<b>OTHER DISCLOSURES</b>				
<b>1) NON PERFORMING LOANS AND ADVANCES</b>				
a) Gross non performing loans and advances	2,754,750	1,197,938	2,443,666	1,197,938
b) Less Interest in suspense	222,980	209,134	215,979	209,134
<b>c) Total Non-Performing loans and advances (a-b)</b>	<b>2,531,770</b>	<b>988,804</b>	<b>2,227,687</b>	<b>988,804</b>
d) Less Loan loss provision	750,111	205,758	649,661	205,758
e) Net non-performing loans(c-b)	1,781,659	783,046	1,578,026	783,046
f) Discounted value of securities	1,781,659	783,046	1,578,026	783,046
<b>g) Net NPLs Exposure (e-f)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2) INSIDER LOANS AND ADVANCES</b>				
a) Directors, shareholders and associates	208,753	147,967	207,434	147,967
b) Employees	956,678	444,375	900,428	444,375
<b>c) Total insider Loans and Advances and other Facilities</b>	<b>1,165,431</b>	<b>592,342</b>	<b>1,107,862</b>	<b>592,342</b>
<b>3) OFF BALANCE SHEET ITEMS</b>				
a) Letter of Credit, guarantees, acceptances	1,889,017	2,758,326	1,889,017	2,758,326
b) Other contingent Liabilities	8,517	8,517	8,517	8,517
<b>c) Total contingent Liabilities</b>	<b>1,897,534</b>	<b>2,766,843</b>	<b>1,897,534</b>	<b>2,766,843</b>
<b>4) CAPITAL STRENGTH</b>				
a) Core Capital	-	-	14,272,336	13,666,329
b) Minimum statutory capital	-	-	250,000	250,000
<b>c) Excess/ (deficiency) (g-h)</b>	<b>-</b>	<b>-</b>	<b>14,022,336</b>	<b>13,416,329</b>
d) Supplementary capital	-	-	5,637,234	3,961,096
<b>e) Total Capital (a+d)</b>	<b>-</b>	<b>-</b>	<b>19,909,570</b>	<b>17,627,425</b>
f) Total Risk Weighted Assets	-	-	48,833,994	29,918,983
<b>Ratios</b>				
g) Core Capital/ Total Deposit Liabilities	-	-	29%	44%
h) Minimum statutory ratio	-	-	8%	8%
<b>i) Excess / (deficiency) (g-h)</b>	<b>-</b>	<b>-</b>	<b>21%</b>	<b>36%</b>
j) Core Capital/ Total Risk Weighted Assets	-	-	29%	46%
k) Minimum statutory Ratio	-	-	8%	8%
<b>l) Excess / (deficiency) (j-k)</b>	<b>-</b>	<b>-</b>	<b>21%</b>	<b>38%</b>
m) Total Capital/ Total Risk Weighted assets	-	-	41%	59%
n) Minimum statutory Ratio	-	-	12%	12%
<b>o) Excess / (deficiency) (m-n)</b>	<b>-</b>	<b>-</b>	<b>29%</b>	<b>47%</b>
<b>5) LIQUIDITY</b>				
a) Liquidity Ratio	-	-	47%	77%
b) Minimum statutory Ratio	-	-	20%	20%
<b>c) Excess / (deficiency) (a-b)</b>	<b>-</b>	<b>-</b>	<b>27%</b>	<b>57%</b>

#### Growth in Customer Numbers



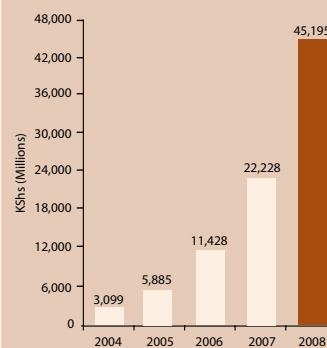
The number of deposit clients grew by 79% to close at 3,296,000. This represents an average of 120,000 accounts being opened per month.

#### Growth in Customer Deposits



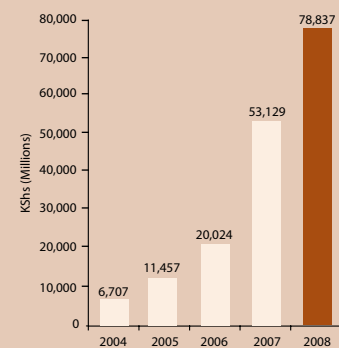
Customer deposits grew by 59% in the year to close at KShs 50.3 billion supported by growth in number of customer branches which closed at 128 up from 70 at the beginning of the year.

#### Growth in Gross Loan Portfolio



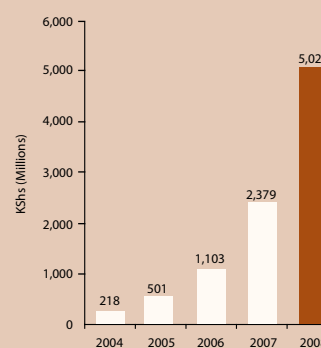
Gross loan portfolio grew by 103% in the year to close at KShs 45.1 billion distributed among 618,664 borrowing clients.

#### Growth in Total Assets



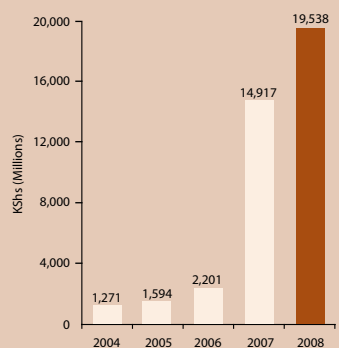
The balance sheet grew by 48% during the year with the major area of growth being in loans and advances in line with the bank's strategy to increase outreach and access to financial services.

#### Growth in Profit Before Tax



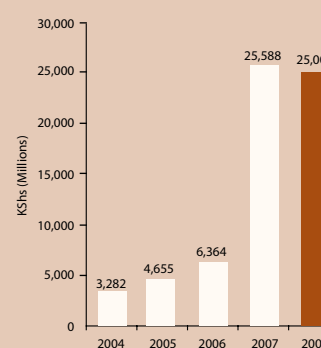
Profit before tax grew by 111% during the year to close at KShs 5.02 billion up from KShs 2.38 billion in December 2007. This was achieved despite the difficult business environment prevailing during the year.

#### Growth in Shareholders Funds



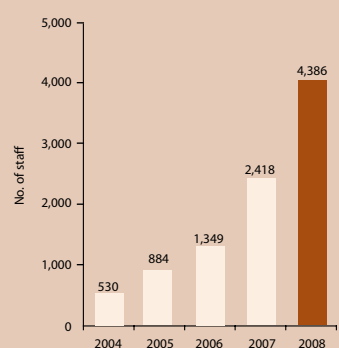
Capital adequacy has remained strong with shareholders funds growing by 31% to close at KShs 19.5 billion. The total capital to total risk weighted assets closed at 41% which is above the statutory minimum total capital to total risk weighted assets ratio of 12%.

#### Growth in Liquid Assets



The Group's liquidity (cash and cash equivalent) closed at KShs 25 billion, translating to a liquidity ratio of 50% against a statutory minimum of 20%.

#### Growth in Staff Numbers



To support the growth and strategic expansion of the business into the region, staff numbers grew by 81% in the year to close at 4,386.

The financial statements are extracts from the books of account of the institution. The accounts have been audited by Messrs. Ernst & Young and have received unqualified opinion. A full set of the financial statements would be available at our registered offices after approval at the AGM.

Signed: **DR. JAMES MWANGI, MBS**  
CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR

Signed: **MR. PETER K. MUNGA, EBS**  
CHAIRMAN