

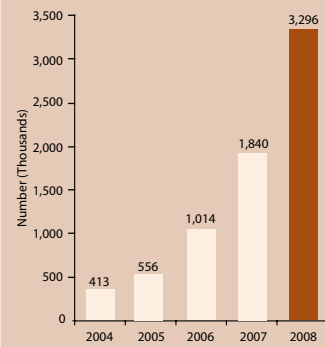
# EQUITY BANK GROUP

## AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES

### AS AT 31st DECEMBER 2008

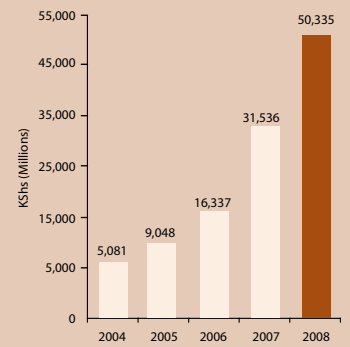
|   | GROUP<br>31/12/2008<br>Shs. 000<br>(Audited) | GROUP<br>31/12/2007<br>Shs. 000<br>(Audited) | BANK<br>31/12/2008<br>Shs. 000<br>(Audited) | BANK<br>31/12/2007<br>Shs. 000<br>(Audited) |
|---|--|--|---|---|
| <b>BALANCE SHEET</b>  |  |  |   |   |
| <b>A. ASSETS</b>  |  |  |   |   |
| 1. Cash (both 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/ (defficiency) (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 / (defficiency) (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 / (defficiency) (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 / (defficiency) (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 / (defficiency) (a-b)</b>                          | <b>-</b>                                     | <b>-</b>                                     | <b>27%</b>                                  | <b>57%</b>                                  |

#### Growth in Customer Numbers



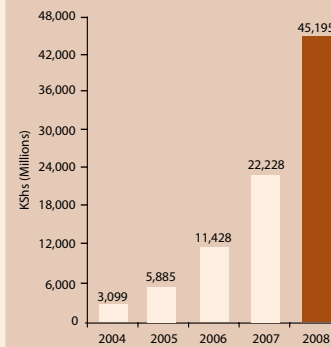
The number of deposit clients grew by 79% to close at 3,296,000. This represents an average of 120,000 accounts being opened per month.

#### Growth in Customer Deposits



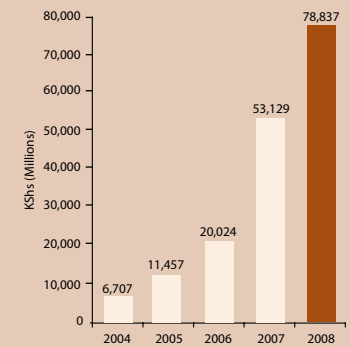
Customer deposits grew by 59% in the year to close at KShs 50.3 billion supported by growth in number of customer branches which closed at 128 up from 70 at the beginning of the year.

#### Growth in Gross Loan Portfolio



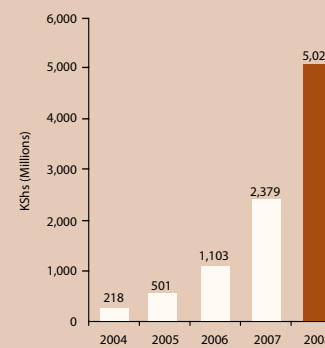
Gross loan portfolio grew by 103% in the year to close at KShs 45.1 billion distributed among 618,664 borrowing clients.

#### Growth in Total Assets



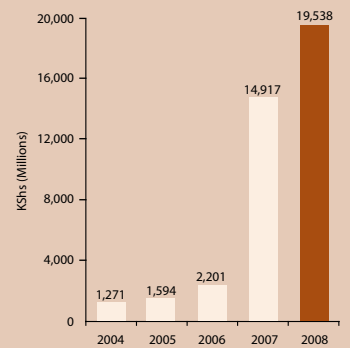
The balance sheet grew by 48% during the year with the major area of growth being in loans and advances in line with the bank's strategy to increase outreach and access to financial services.

#### Growth in Profit Before Tax



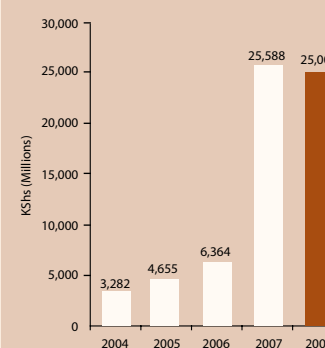
Profit before tax grew by 111% during the year to close at KShs 5.02 billion up from KShs 2.38 billion in December 2007. This was achieved despite the difficult business environment prevailing during the year.

#### Growth in Shareholders Funds



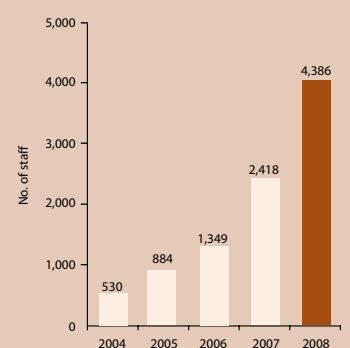
Capital adequacy has remained strong with shareholders funds growing by 31% to close at KShs 19.5 billion. The total capital to total risk weighted assets closed at 41% which is above the statutory minimum total capital to total risk weighted assets ratio of 12%.

#### 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