

EQUITY NEWS

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Issue 01



Guest of Honour Deputy Prime Minister and Minister for Finance Uhuru Kenyatta with Orange CEO Mickael Ghossein and Equity Bank CEO Dr. James Mwangi at the launch of Orange Money.

FEATURED INSIDE



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ORANGE MONEY IS LAUNCHED IN KENYA, POWERED BY EQUITY BANK

November 2010 saw Equity Bank and telecommunications Service provider Telkom Kenya launch Orange Money, a versatile product that combines the features of mobile money transfer and mobile banking. Orange money is powered by Equity Bank's mobile banking platform. Orange money is mapped onto the customers' bank accounts, making it possible for the customers to literally run their accounts from their mobile handsets, with the accounts security aligned to that of the Bank. This integration allows for the ease of interbank transfers and loan origination using the service for Orange Money customers.

Customers who have subscribed to Orange money are able to send money to any mobile network. The service also comes with the convenience and reliability of the phonebook look up when transferring money and allows multiple transactions per day with an initial limit of Shs. 100,000. Other services include payment of utility bills, and enables customers to move money across bank accounts. Speaking at the launch event, Orange CEO Mickael Ghossein said the introduction of Orange Money to Kenya demonstrates the benefits of a deep convergence between a telecommunications organisation and a bank, by leveraging

on recent advancements in the Information and Communications Technology. He said the introduction of the product in Kenya was informed by lessons from other countries where Orange Money had been introduced, as well as intensive research on the needs and preferences of Kenyans.

Ghossein said the service is suited for organisations and individuals alike, saying it is an easy way for employees to pay salaries directly to their employers. He said in the coming months they will also scale the service up by adding to its functionality. Equity Bank CEO Dr. James Mwangi said the partnership with Telkom Orange comes at a time when Equity Bank is expanding its agency banking model across the country. With each partner having already an existing infrastructure of agents, this partnership is reaching more Kenyans with financial services. While Orange Money enables customers to carry out an array of financial transactions from their mobile phone, the agents further enhance these services by enabling the customers to deposit, withdraw money and do loan originations from agency locations.

Orange Money will also be introduced into the Ugandan market, where both Orange and

the Bank already have a foothold. Dr. Mwangi added "Cooperation with like-minded partners brings on board value added solutions, and Equity Bank will continue to seek partnerships that will not only focus on innovation, but will at the end of the day make a difference to the living standards of the majority of Kenyans. This is in line with the Bank's vision of championing the social economic prosperity of the people of Africa."

Dr. Mwangi said Equity Bank had been at the forefront of coming up with mobile banking solutions in Kenya as part of the group's bigger vision of bringing banking services closer to a majority of Kenyans through financial inclusivity.

While officially launching the new service, Deputy Prime Minister and Minister for Finance Uhuru Kenyatta praised the two organisations for combining their collective strengths to meet the market needs. He said, "The advent of mobile money transfer solutions in the market has seen an increase in the number of people who can access financial services, leading to inclusivity. The service gives Orange and Equity Bank customers more convenience as they run their bank accounts from their handsets."



DR. MWANGI ADDRESSES GLOBAL SAVINGS FORUM

Dr. Mwangi was one of the panelists at the first ever Global Savings Forum held in Seattle, organized by the Bill & Melinda Gates Foundation in November 2010. The Forum focused on the role of savings in the developing world. Dr. Mwangi was one of the panelists that discussed "New Partnerships for Technology-Enabled Financial Inclusion". Panelists included Bill Gates and luminaries from different organizations, including Michael Joseph, former Safaricom CEO. Speaking at the Forum, Dr. Mwangi said that mobile telephony is changing banking in a big way and the partnerships between banks and mobile carriers bring scale and cost efficiency. This year, Equity Bank forged partnerships with Safaricom, Orange and Essar in an effort to deepen financial access and take financial services to the majority of Kenyans who are still financially excluded. The forum brought together Heads of government, banking, technology, and international development.



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EQUITY BANK GROUP UN-AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 30TH SEPTEMBER 2010

| BALANCE SHEET | GROUP 30/9/10 Shs. 000 (Un-audited) | GROUP 30/9/09 Shs. 000 (Un-audited) | BANK 30/9/10 Shs. 000 (Un-audited) | BANK 30/9/09 Shs. 000 (Un-audited) |
|---|--|--|---|---|
| A. ASSETS | | | | |
| 1. Cash (both Local & foreign) | 9,132,306 | 4,906,919 | 4,139,343 | 3,725,143 |
| 2. Balances due from central Bank of Kenya | 6,209,185 | 2,786,220 | 6,209,185 | 2,786,220 |
| 3. Kenya Government securities | 12,145,274 | 5,314,085 | 12,145,274 | 5,314,085 |
| 4. Foreign Currency Treasury Bills and Bonds | 104,896 | 67,695 | - | - |
| 5. Deposits and balances due from banking institutions | 1,532,153 | 2,905,359 | 1,324,088 | 2,774,776 |
| 6. Deposits and balances due from banking institutions abroad | 1,548,049 | 1,815,851 | 913,171 | 528,223 |
| 7. Government and other securities held for dealing purposes | 21,207,650 | 6,987,150 | 21,207,650 | 6,987,150 |
| 8. Tax recoverable | 31,992 | 10,792 | - | - |
| 9. Loans and advances to customers (net) | 70,904,578 | 58,143,947 | 66,755,803 | 55,029,009 |
| 10. Investment securities | 57,591 | 26,270 | - | - |
| 11. Balances due from group companies | 65,098 | - | 928,764 | 2,096,920 |
| 12. Investments in associates | 1,246,669 | 1,192,415 | 1,246,669 | 1,155,562 |
| 13. Investments in subsidiary companies | - | 1,100 | 4,880,691 | 3,371,191 |
| 14. Investments in joint ventures | - | - | - | - |
| 15. Investment properties | 8,494 | 11,269 | 8,494 | 11,269 |
| 16. Property and equipment | 6,462,475 | 6,315,741 | 5,277,620 | 5,223,259 |
| 17. Prepaid lease rentals | 4,007 | 4,588 | 4,007 | 4,588 |
| 18. Intangible assets | 1,897,709 | 1,853,435 | 724,983 | 293,942 |
| 19. Deferred tax asset | 5,536 | - | 5,536 | - |
| 20. Retirement benefit asset | - | - | - | - |
| 21. Other assets | 4,020,790 | 5,079,806 | 3,484,575 | 3,166,852 |
| 22. TOTAL ASSETS | 136,584,452 | 97,422,640 | 129,255,854 | 92,468,189 |
| B. LIABILITIES | | | | |
| 23. Balances due to Central Bank of Kenya | - | - | - | - |
| 24. Customer deposits | 98,810,268 | 65,660,674 | 91,312,166 | 62,757,511 |
| 25. Deposits and balances due to Local banking institutions | - | - | - | - |
| 26. Deposits and balances due to Foreign banking institutions | 464,296 | 18,489 | - | 18,489 |
| 27. Other money market deposits | - | - | - | - |
| 28. Borrowed funds | 7,089,409 | 7,444,326 | 6,983,396 | 6,087,155 |
| 29. Balances due to group companies | - | - | - | - |
| 30. Tax payable | 420,242 | 3,349 | 420,242 | 3,349 |
| 31. Dividends payable | 70,921 | 1,013 | 70,921 | 1,013 |
| 32. Deferred tax liability | - | 92,583 | - | 67,024 |
| 33. Retirement benefit liability | - | - | - | - |
| 34. Other liabilities | 1,656,121 | 1,765,255 | 1,334,745 | 1,446,699 |
| 35. TOTAL LIABILITIES | 108,511,256 | 74,985,689 | 100,121,471 | 70,381,239 |
| C. SHAREHOLDERS' FUNDS | | | | |
| 36. Paid up/Assigned capital | 1,851,388 | 1,851,388 | 1,851,388 | 1,851,388 |
| 37. Share premium/ (discount) | 12,161,021 | 12,157,307 | 12,161,021 | 12,157,307 |
| 38. Revaluation reserve | 1,417,851 | 119,985 | 1,898,562 | 66,479 |
| 39. Retained earnings/ Accumulated losses | 12,306,411 | 7,999,855 | 12,886,886 | 7,703,360 |
| 40. Statutory Loan Loss reserve | 336,525 | 308,416 | 336,525 | 308,416 |
| 41. Proposed dividends | - | - | - | - |
| 42. Capital grants | - | - | - | - |
| 43. TOTAL SHAREHOLDERS' FUNDS | 28,073,196 | 22,436,951 | 29,134,383 | 22,086,950 |
| 44. TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS | 136,584,452 | 97,422,640 | 129,255,854 | 92,468,189 |
| PROFIT AND LOSS ACCOUNT | | | | |
| INTEREST INCOME | | | | |
| 1.1 Loans and advances | 8,381,051 | 6,706,799 | 7,757,022 | 5,889,804 |
| 1.2 Government securities | 3,554,104 | 1,009,209 | 3,544,475 | 1,002,066 |
| 1.3 Deposits and placements with banking institutions | 46,072 | 123,586 | 82,213 | 94,998 |
| 1.4 Other | - | - | - | - |
| 1.5 Total Interest income | 11,981,228 | 7,839,595 | 11,383,711 | 6,986,868 |
| INTEREST EXPENSES | | | | |
| 2.1 Customer deposits | 1,027,969 | 559,886 | 898,954 | 468,500 |
| 2.2 Deposits and placements from banking institutions | 7,522 | 12,463 | 4,952 | 2,316 |
| 2.3 Other Interest expense | 458,146 | 557,687 | 458,146 | 557,687 |
| 2.4 Total Interest Expenses | 1,493,636 | 1,130,035 | 1,362,053 | 1,028,502 |
| NET INTEREST INCOME | 10,487,592 | 6,709,559 | 10,021,658 | 5,958,366 |
| OTHER OPERATING INCOME | | | | |
| 4.1 Fees and commissions income on loans & advances | 1,804,850 | 1,470,868 | 1,724,465 | 1,377,030 |
| 4.2 Other Fees and commissions income | 3,277,604 | 2,775,086 | 3,043,292 | 2,686,010 |
| 4.3 Foreign exchange trading income | 597,322 | 149,996 | 244,498 | 119,114 |
| 4.4 Dividend Income | - | 17,181 | - | 17,181 |
| 4.5 Other income | 339,215 | 146,681 | 85,848 | 38,544 |
| 4.6 Total Non-Interest Income | 6,018,991 | 4,559,812 | 5,098,103 | 4,237,879 |
| TOTAL OPERATING INCOME | 16,506,583 | 11,269,371 | 15,119,762 | 10,196,244 |
| OPERATING EXPENSES | | | | |
| 6.1 Loan Loss Provision | 1,833,705 | 452,047 | 1,558,118 | 405,032 |
| 6.2 Staff costs | 3,737,742 | 3,068,221 | 3,156,432 | 2,559,578 |
| 6.3 Directors' emoluments | 18,443 | 17,459 | 14,100 | 14,942 |
| 6.4 Rental charges | 541,148 | 447,814 | 401,126 | 351,946 |
| 6.5 Depreciation on property and equipment | 991,617 | 728,940 | 835,217 | 655,673 |
| 6.6 Ammortisation charges | 105,766 | 98,097 | 90,768 | 84,997 |
| 6.7 Other operating expenses | 2,814,478 | 2,239,645 | 2,275,254 | 1,921,039 |
| 6.8 Total Operating Expenses | 10,042,900 | 7,052,223 | 8,331,015 | 5,993,208 |
| Profit/ (loss) before tax and exceptional items | 6,463,683 | 4,217,148 | 6,788,747 | 4,203,036 |
| Exceptional items-share of profit of associate | 61,369 | 36,852 | 61,369 | 36,852 |
| Profit/ (loss) after exceptional items | 6,525,052 | 4,254,001 | 6,850,116 | 4,239,889 |
| Current tax | (1,399,470) | (869,528) | (1,357,749) | (840,607) |
| Deferred tax | - | - | - | - |
| Profit / (loss) after tax and exceptional items | 5,125,581 | 3,384,473 | 5,492,366 | 3,399,281 |
| OTHER DISCLOSURES | | | | |
| 1. NON PERFORMING LOANS AND ADVANCES | | | | |
| a) Gross non performing loans and advances | 3,578,036 | 4,464,400 | 3,148,696 | 4,143,806 |
| b) Less Interest in suspense | 403,489 | 567,097 | 387,626 | 567,097 |
| c) Total Non-Performing loans and advances (a-b) | 3,174,546 | 3,897,304 | 2,761,069 | 3,576,710 |
| d) less Loan loss provision | 1,197,279 | 955,759 | 909,377 | 798,757 |
| e) Net non- performing loans(c-d) | 1,977,267 | 2,941,544 | 1,851,692 | 2,777,953 |
| f) Discounted value of securities | 1,977,267 | 2,941,544 | 1,851,692 | 2,777,953 |
| g) Net NPLs Exposure (e-f) | - | - | - | - |
| 2. INSIDER LOANS AND ADVANCES | | | | |
| a) Directors, shareholders and associates | 2,038,194 | 459,449 | 2,038,194 | 458,147 |
| b) Employees | 1,597,504 | 1,453,854 | 1,507,697 | 1,381,701 |
| c) Total insider Loans and Advances and other Facilities | 3,635,698 | 1,913,303 | 3,545,891 | 1,839,848 |
| 3. OFF BALANCE SHEET ITEMS | | | | |
| a) Letter of Credit, guarantees, acceptances | 2,971,801 | 2,796,278 | 2,792,739 | 2,796,278 |
| b) Other contingent Liabilities | 340,829 | 497,331 | 340,829 | 497,331 |
| c) Total contingent Liabilities | 3,312,630 | 3,293,609 | 3,133,568 | 3,293,609 |
| 4. CAPITAL STRENGTH | | | | |
| a) Core Capital | - | - | 18,143,452 | 15,555,287 |
| b) Minimum statutory capital | - | - | - | 250,000 |
| c) Excess/ (deficiency) | - | - | 17,793,452 | 15,305,287 |
| d) Supplementary capital | - | - | 5,345,122 | 5,566,759 |
| e) Total Capital (a+d) | - | - | 23,488,573 | 21,122,046 |
| f) Total Risk Weighted Assets | - | - | 81,292,495 | 68,346,585 |
| Ratios | | | | |
| g) Core Capital/ Total Deposit Liabilities | - | - | 20% | 25% |
| h) Minimum statutory ratio | - | - | 8% | 8% |
| i) Excess / (deficiency) (g-h) | - | - | 12% | 17% |
| j) Core Capital/ Total Risk Weighted Assets | - | - | 22% | 23% |
| k) Minimum statutory Ratio | - | - | 8% | 8% |
| L) Excess / (deficiency) (j-k) | - | - | 14% | 15% |
| m) Total Capital/ Total Risk Weighted assets | - | - | 29% | 31% |
| n) Minimum statutory Ratio | - | - | 12% | 12% |
| o) Excess / (deficiency) (m-n) | - | - | 17% | 19% |
| 5. LIQUIDITY | | | | |
| a) Liquidity Ratio | - | - | 49% | 33% |
| b) Minimum statutory Ratio | - | - | 20% | 20% |
| c) Excess / (deficiency) (a-b) | - | - | 29% | 13% |

The above financial statements and disclosures are extracts of the financial records of the Group
Signed: **DR. JAMES MWANGI, MBS** Chief Executive Officer/Managing Director
Signed: **MR. PETER K. MUNGA, EBS** Chairman

EQUITY BANK Q3 PROFIT UP 53%

Pledges to continue embracing innovative ICT solutions to foster further growth

Equity Bank Group, the leading regional financial services solutions provider maintained its track record, managing to post a 53% profit before tax in its third quarter financial results released in October 2010.

Riding high on increased customer deposits and a modestly favorable economic climate, Equity Bank Group Profit before tax grew to Kshs 6.53 Billion during the nine month trading period ended September 30th up from Kshs 4.25 Billion posted during the same period last year. Equally the period under review saw the after tax profit grow by 51% from Kshs 3.38 Billion to reach Kshs 5.13 Billion.

Within the period under review, the Bank also managed to impressively grow its asset base to stand at Kshs 136.5 Billion up from Kshs 97.4 Billion reflecting a more than 40% growth.

The growth in assets was fueled by 50% growth in customer deposits from Kshs.65.6 Billion in 2009 to Kshs.98.8 Billion in 2010.

Total operating income within the same period grew by 46% from Kshs 11.2 Billion to Kshs 16.5 Billion, with the growth mostly coming from interest income which increased by 53% from Kshs 7.84 Billion in September 2009 to Kshs 11.98 Billion in the period under review. The Group's non- interest income grew by 32% from Kshs 4.56 Billion to Kshs 6.02 Billion, mainly driven by commissions and fees from transactions. Operating expenses grew by 42% from Kshs 7.05 Billion to Kshs 10.04 Billion.

The Equity Bank Group further managed to reduce its non performing loans portfolio by an impressive 20% to stand at Kshs 3.57 Billion down from Kshs 4.46 Billion registered during the same period last year.

Speaking when he released the results at the Equity Centre Nairobi, Equity Bank Group Chief Executive Officer Dr. James Mwangi attributed the positive results to the Bank's ongoing strategy to adopt innovative customer oriented Information and Communication Technology (ICT) solutions, and a growing loan book buoyed by increased optimism in the economic outlook.

Addressing Equity Group Investors and the media, Dr. Mwangi disclosed that the bank's M-Kesho product is currently enjoying tremendous success and had already hit the 700,000 customer mark.

Buoyed by such success and as part of the Group's commitment to bridge the gap between the banked and unbanked masses, Dr. Mwangi pledged to further step up mutually beneficial partnerships with other ICT related solutions providers in coming months. The Bank is also growing its loan book by targeting its micro, small and medium clients. Early in the year, Equity signed up a partnership with China Development Bank for a Kshs 4 Billion to support small and medium enterprises (SME) in the country. The loan facility is available to small and medium enterprises at an interest rate of between 7% to 9% for periods of 3-7 years making it the cheapest source of funding for the sector in the country.

"Our mission is to offer inclusive; customer focused financial services that socially and economically empower our clients and other stakeholders and that's a cardinal role that we shall continue playing in the medium and long-term," he assured. "As part of our vision to be the champion of the socio-economic prosperity of the people of Africa, we shall continue to embrace ICT solutions and forge close links with like minded partners in our quest to one day bank all of Africa's unbanked people," Dr. Mwangi added.

With regional and local political/economic reforms now underway, Dr. Mwangi confirmed that Equity Bank and its subsidiaries will continue playing a key role in facilitating financial services growth.

"M-KESHO IS THE NEW WAY TO BANK FOR ME, SO I CAN LOOK AFTER MY FUTURE"



M-KESHO
M-PESA EQUITY ACCOUNT

MESSAGE FROM THE TEAM LEADER

A YEAR WORTH CELEBRATING

It gives me great pleasure to welcome you to our inaugural Equity Newspaper. This publication comes towards the end of a very successful year for us at Equity Bank. It is the year when, with dedication from staff, and great support from our customers, the Bank ventured into several new grounds with resounding success.

We began the year with a very positive performance. With an improved economic environment, we found ourselves back on familiar ground, recording exemplary performance coupled with growth and expansion, a trend which we have maintained throughout the year.

On our social front, we crystallized our partnership with The MasterCard Foundation. This partnership has enabled top performers in the Kenya Certificate of Primary Education (KCPE) who cannot afford an education to get full scholarship that pays for their secondary school education. In 2010 the program provided comprehensive scholarships to 200 academically gifted yet financially disadvantaged students, that will enable them to complete secondary school education in Kenya. The program also provides leadership development, career guidance and mentoring to an additional 344 secondary school students. This was a defining moment for us, and for the families that benefited from these scholarships. We have since witnessed the encouraging performance and renewed hope that characterizes this first class of beneficiaries.

2010 also marked another great milestone where eight of our Pre University sponsorship beneficiaries got admission to the Ivy league Universities including Harvard, MIT and Yale while another two went to London School of Economics and Wooster college in Ohio. It gives us pride to see how our academically gifted youth are taking up opportunities with determination to lay a strong foundation for their future. Our hope is that they will in turn



Dr. James Mwangi
CEO & MD Equity Bank

"with an improved economic environment, we found ourselves back on familiar ground, recording exemplary performance coupled with growth and expansion, a trend which we have maintained throughout the year"

mentor those behind them, and eventually create a pool of future leaders who will contribute to the social economic prosperity of our communities.

On the business side, this year the Bank realized its goal of spearheading convergence with the Telecommunication sector, in an effort to take financial services to more people through mobile technology. We successfully forged partnerships with Safaricom's Mpesa, Orange and Essar. Through these innovations we will continue making access to financial services more convenient and accessible from the mobile phone. We assure you of our continued commitment to take financial services to the last mile through our continuous innovation and exploitation of modern technology. We shall continue to strive to give

our communities an opportunity to enter the market economy and unlock their economic potential.

It was another great milestone when the Bank rolled out agency banking. We can now see our vision and commitment to take financial services to the communities where they are, coming true. We see this as a great opportunity to create employment and wealth equitably both in rural and urban areas. We are urging particularly the young people, women, and the SME sector to seize this opportunity and use agency banking to create employment.

We take this opportunity to express our gratitude to all of you, our customers, for your continued support. It is this support that gives us the motivation and inspiration to continuously venture into new grounds, in search of innovations that will help make access to banking easier and convenient for all. We have continued to grow together in trust. The trust and confidence that you have bestowed on us has made us become one of the most celebrated financial institutions in Africa.

We have been voted as the Best Microfinance Bank in Africa by the African Banker Awards for two consecutive years, 2008 and 2009. This year, the Bank was voted as the best performing Ai 40 Company in Africa by the Africa Investor in New York, while your CEO was voted the Banker of Year by the African Banker Awards. The CEO was also named by the Financial Times of London as one of the world's top 50 Emerging Markets Business Leaders.

Your Bank also holds the Global Vision Award as a "concept of the future that will shape the world economy."

As we enter the festive season, we wish all of you a Merry Christmas, and a Happy new year full of God's blessings, health and prosperity. We look forward to brighter days ahead walking together and serving you.

Equity Bank and Safaricom Launch the Revolutionary M-Kesho

M-PESA customers now enjoy banking services on their mobile phones

This year saw Equity Bank and Safaricom launch M-Kesho, a bank account that facilitates customers to transfer money to and from their M-PESA via their mobile handsets while enjoying other benefits that come with the bank account. President Mwai Kibaki launched M-Kesho at a ceremony that attracted local and international participants. Equity Bank's Chief Executive Officer, Dr James Mwangi said, "this partnership marks the convergence between banking and telecommunications which will indeed take financial services to the last mile."

Safaricom Chief Executive Officer Michael Joseph said, "M-PESA is proud to launch another new initiative with our partners Equity Bank by offering a new service that will target customers who are looking for the convenience of a bank account that uses M-



Equity Bank and Safaricom CEOs peruse through the M-Kesho brochure

PESA as the tool to deposit and withdraw money into their accounts.

The launch of M-KESHO was in response to identified M-PESA customer needs for a convenient and affordable way to keep their money which they can access through agents

including Equity Bank Auto Branches (ATMs). Through M-KESHO, over 5.7 million Equity Bank account holders and over 9.5 million M-PESA customers now enjoy a linkage between the two services. M-PESA customers can now withdraw money from Equity Bank ATMs.

NEWS BRIEFS

Equity awarded Investor Accolade

Equity Bank was named the best performing Ai 40 Company in the 2010 African Investor Series Awards. The African Investor Index Awards recognize and reward exceptional business practices, economic achievements and investments across the investment spectrum in Africa. They also emphasize responsibility towards society and good corporate citizenship. Equity Bank won the best Ai 100 company award in 2008 & 2009.

CEO Wins African Banker Award

Equity Bank CEO and Managing Director Dr James Mwangi was named the 2010 African Banker of the Year "for revolutionizing Kenya's banking industry, pioneering the first mobile banking technology in the world to reach out to the unbanked, and for championing the empowerment of ordinary people through inclusive finance."

Speaking about the recognition, Dr Mwangi said: "This continental recognition further goes to prove that Equity Bank's model of financial inclusivity is a game winner. But the greatest tribute goes to Equity Bank customers who have stood with the Bank through the years." Dr Mwangi noted that mobile banking is a powerful tool that can be used to deliver financial services to millions of Kenyans who have a mobile phone but do not have a bank account due to challenges associated with accessing financial services, especially in the rural areas of the country.

Women Body Honours CEO

In 2010, the Women Entrepreneurship Development and Gender Equality (WEDGE), honored Dr. James Mwangi for his role in championing entrepreneurship development among women and youth in Kenya. Speaking during the award ceremony, Dr Mwangi said Equity Bank remains committed to support entrepreneurship development among women offering them competitive products that meet their financial needs. Month of the Woman Entrepreneur is an annual event organized by WEDGE, an ILO women's economic empowerment program and is celebrated in Kenya, Ethiopia, Tanzania, Zambia, and Uganda.



at your preferred supermarket



Pay using your AutoBranch or VISA ATM card



Get Cash withdraw cash from your Equity Bank account at the cashier

EQUITY PICTORIAL



1. In June 2010, Dr Mwangi and Dr Michael Joseph (immediate former CEO of Safaricom) were awarded the Honorary Doctorate of Letters of Africa Nazarene University for the innovative ideas that have transformed the lives of millions of Kenyans through Mkesho-a mobile phone centric bank account.
2. The Equity Group Foundation with the support of The MasterCard Foundation has launched a program on entrepreneurship training for youth and women in the country. The Foundation is also partnering with Kenyatta University to train over 8,000 youth in Financial Education. Recently EGF organized training for Master Trainers who were trained and certified by Micro Finance Opportunities (MFO) as Financial Education Master Trainers. Their graduation ceremony was graced by Equity Bank CEO Dr James Mwangi, Kenyatta University Vice Chancellor Professor Olive Mugenda (not in photo) and MFO Training Officer Bailey Butzberger.
3. Sept 2010, Vice President Hon. Kalonzo Musyoka was in Lower Eastern Province Kenya to flag off a bumper sorghum harvest. He said the move by Equity Bank to pay farmers through Mkesho-the innovative mobile phone bank account would save time and transport related costs. He told farmers that East African Breweries Limited (EABL) had committed themselves to buy the entire produce of gadam sorghum while Equity Bank was providing farm input loans to the farmers and Kenya Agricultural Research Institute (KARI) provided certified seeds. He urged the farmers to take advantage of these opportunities to increase their earnings from the crop output.
4. In May 2010, Dr James Mwangi led a team drawn from the Save the Mau partnership to plant indigenous trees in the Mau complex. He said the Bank is committed to mobilizing staff and

- members to plant the targeted 1 million trees. Save the Mau; Turn Over A New Leaf program is a joint initiative by Equity Bank, Kenya Wildlife Service, Nation Media Group, Greenbelt Movement and the East Africa Breweries.
5. In 2010, Equity Bank scooped The Best Bank and the Best Financial Institution awards at the Nairobi International Trade Fair. The trophies were presented by President Kibaki at the fair. The Bank participates in all Agricultural shows in the country as part of its initiative to support agribusiness.
6. Equity Bank has partnered with the Department for International Development DFID of UK and the Government to roll out a social payments system that is more efficient than food relief to the communities affected by hunger. Using a Smart Card and biometric technology, each household receives a cash payment every two months through the Hunger Safety Net Programme (HSNP). The initiative is transforming lives and livelihoods of thousands of people enabling them to access food and also save money for health and education.
7. In April 2010, The Bank donated funds to the Kaben Landslide Disaster Fund of Marakwet district which was established to help restore families who were affected by the landslides in that region. Assistant Minister for Cooperative Development who is also Member of Parliament for Marakwet East Hon. Jebii Kilimo received the cheque from the Equity Bank CEO Dr James Mwangi.
8. Equity Bank Kenya clinched the 2010 Interbank Games Championships overall winners' trophy for the 3rd time in a row. The record books were rewritten as Equity Bank became the second bank to keep the trophy for good having won in 2008, 2009 and 2010. Equity won the trophy from Central Bank of Kenya that previously won it for 24 straight years.



CASH INTO YOUR ACCOUNT MARA HIO HIO

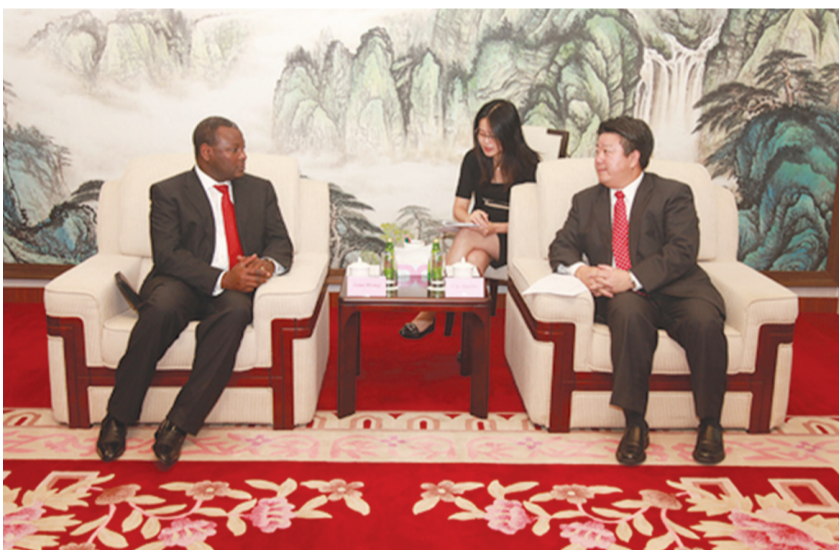
Deposit cash and your account is credited immediately with equity's new cash deposit ATMs. Mara hio hio!

PARTNERSHIPS



EQUITY BANK PARTNERS WITH ESSAR TELECOM TO ENHANCE YUCASH SERVICE

In its continued efforts towards financial deepening and inclusion, Equity Bank partnered with Essar Telcom's Yucash to provide Kenyans with yet another mobile centric financial solution. Speaking during the launch of the partnership, Equity Bank CEO Dr. James Mwangi explained that the new service would enable the yu subscribers' and other non yu subscribers registered on yuCash to transfer their funds from their yu-Cash accounts to their Equity Bank Accounts directly from their mobile phones and from their bank accounts to their yuCash accounts. Designed as what is technically known as a Mapped Account, Dr. Mwangi added that yuCash customers will alongside basic money transfer send and receive cash across the various local mobile network operators. Emphasizing the innovative thinking behind the yuCash services, Chaturvedi, said, "only yuCash gives you five channels through which you can transact, including The Internet (WAP), SMS, Voice, USSD as well as the now commonly used SIM Tool Kit. This means that even when you travel abroad, you can still access your yuCash account and take care of emergencies at home at the same competitive local rates." yuCash supports any mobile phone number in Kenya. The customers simply need to visit the nearest Equity Bank Branch to request the new yuCash services.



EQUITY BANK IS SOLE AGENT OF CHINA UNION PAY IN E. AFRICA. China Union Pay cards to be accepted on Equity Bank's ATMs and Point of Sale terminals countrywide

China Union Pay cards will be accepted at Equity Bank's over 700 ATMs, 5,000 Points of Sale and over 1,000 merchant outlets worldwide, offering the Union's customers a convenient and wider network. Equally, Equity Bank customers on VISA can now access their accounts from China Union Pay's ATMs and POS all around the world, making it easy and convenient for Kenya's business community that imports goods from China to transact business. With the signing up of the new deal, Equity Bank became China Union Pay's sole agent in East Africa.

Best performing AI 40 company of the year in Africa 2010

African Banker of the Year 2010

African Business of the Year 2009

Africa's CEO of the Year 2009

Global Vision Award in Microfinance

Best Performing AI 100 Company of the Year in Africa 2008 & 2009

Banking Superbrand in East Africa 2008 & 2009

Emerging Markets Most Sustainable Bank of the Year 2009 in Africa & Middle East

Best AI Financial Reporting Company in Africa in 2009

Microfinance Bank of the Year 2008 & 2009

Yara Laureate for a Green Revolution in Africa 2009

Best Bank in Kenya 2008 & 2009

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Pay for your shopping, fuel and meals at over 24 million Visa-branded outlets and withdraw your money from over 1 million Visa-branded ATMs worldwide with your Equity Visa Debit Card.

APPLY FOR YOUR VISA CARD TODAY!

BRANCH NEWS

A GESTURE FROM A GOOD NEIGHBOUR

On 20th November 2010, the team from the two Meru branches carried out acts of compassion and support to the local community, akin to being a good neighbour.

Meru and Meru Makutano branch staff jointly participated in two events on the same day. Meru Hospice walk organised by Meru hospice took place in Makutano township while a tree planting exercise was organised by Village Trust and local self help groups with support from their MP, Hon. Dr. Kilemi Mwiria. The two branches had donated over 1,000 trees in this event.



Mr Jimton Magiri Team Leader, Meru Makutano branch inspects the trees. (Inset) Mr Collins Mukangu, Team Leader, Meru branch gives a speech.

ONE FAMILY, AT ALL TIMES

The Westlands Branch staff recently came together in a sign of family unity in support of one of their staff, Samuel Nyaga whose baby needed specialized medical attention abroad. The team, led by their team leader Mary Mugwanja organized for a funds drive and appealed to the Equity family to lend a helping hand to send baby Felix Munyi for treatment. The funds drive was a resounding success largely due to the teamwork exhibited and benevolence of the Equity Bank family. Speaking at the function, the Branch team leader Mary Mugwanja said, "On behalf of the Westlands family, we extend our thanks to all who supported us in prayers, encouragement and funds. Teamwork, colleagues is truly made of this. God bless Equity Bank, staff, families, and friends for the invaluable support"



The contribution from the CEO Dr. James Mwangi was presented to baby Felix's parents, Mr and Mrs Samue Nyaga by Rodgers Mungumi, HR Manager (extreme right) and Mary Mugwanja (second left)

HIGHLIGHTS



Kapenguria finances a school bus and donates blankets to Ortum High School

Ortum high school is proudly riding in a new school bus, thanks to finance extended by Kapenguria Branch. Ululations from students, parents, teachers and the entire Ortum community rend the air as the Kapenguria branch Team Leader, Joel Sawe handed over the bus to the school management. Ortum boys Principal Simon Kitalel Kachapin was full of praise for the Bank for supporting the school citing Equity's financing of the brand new bus and previously donating blankets to students affected by a fire that razed down a boys dormitory earlier in the year. Speaking during the function, area MP Hon. Wilson Litole and his Kapenguria counterpart Hon. Julius Murgor urged the Pokot community to optimize on the presence of Equity Bank to support their economic activities.

Luanda team visit local school for the deaf

In June 2010, Luanda Branch Staff paid a surprise visit to Ebukuya School for the deaf which is home to over 100 deaf students. The staff delighted the students with donation of food stuff, and also spent the afternoon bonding with them through various games. The School management thanked the Luanda Branch team for putting a smile on the face of the students.

NGARA



Ngara branch staff recently visited the Children of Rescue Dada home in Ngara where they donated foodstuff and other items for the needy children. The homerescues children from the streets and rehabilitates them for at least one year as their parents are sought for a re-union.

MARSABIT



Staff at Marsabit Branch recently donated food to orphaned children of Mama Fatima children's home. The branch team leader, Benson Kinyua told the children at the home that they too had a chance to rise above their challenges and live normal lives if they embraced a positive attitude in life and put effort in their studies. The Marsabit staff raised the funds to buy the children food, play items and refreshments. They spent the better part of their visit playing with the children.

NYERI

Deborah Wairuri, an orphan from Nyeri is a proud beneficiary of an education scholarship courtesy of Nyeri Branch staff. Deborah did well in the 2008 KCPE exams but she could not raise the fees needed for her to join secondary school opting for employment at a Nyeri hotel. Nyeri Branch staff came to her rescue and raised funds for her school fees.



HEAD OFFICE

Former Speaker lauds Equity Bank

Former Speaker of the National Assembly, Hon Francis Ole Kaparo has challenged corporate organizations to invest in programmes and activities that support the youth. Kaparo, who is the Chief Scout of the Kenya Scout Association (KSA) made the remarks upon receiving Kshs 1Million from Equity Bank CEO Dr. James Mwangi in support of the 13th World Scout Moot. The Bank also helped KSA to obtain free computers and internet connection to ease communication by the 1,500 scouts participating in the Moot. Said Kaparo, "supporting young people is taking corporate social responsibility seriously. It is investing in the future of our country." The Moot was being held in Africa for the first time.



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You need to be a registered M-PESA customer to use this service
M-PESA Agent No. is 286286

M-PESA Equity ATM Tariff

| Transaction Range Min (Ksh) | Max (Ksh) | Transaction Fee (Ksh) |
|-----------------------------|-----------|-----------------------|
| 200 | 2,500 | 30 |
| 2,501 | 5,000 | 60 |
| 5,001 | 10,000 | 100 |
| 10,001 | 20,000 | 175 |
| 20,001 | 35,000 | 175 |



NEW BRANCHES

Equity Bank Kenya branch network has increased with the opening of additional branches in the course of 2010. These include Kibera and Kasarani in Nairobi, Kengeleni, Changamwe and Mtwapa in Mombasa, Kenyatta University, Bomet, Migori and Nyeri Kimathi Way branch.



Kibera Branch

Equity Bank Supports World Heart Day

Equity Bank was part sponsor of the 2010 World Heart Day held in Nairobi. The event brought together 5,000 school children and teachers mainly from Nairobi for the fun day and fund raiser for this noble cause. Community branch championed the event.



REGIONAL NEWS

SOUTHERN SUDAN NEWS



The headquarters of Equity Bank Southern Sudan in Juba



Hai Malakal



Yei

Equity Southern Sudan Grows

Branches in Juba, Hai Malakal and Yei

It's now a year since Equity Bank opened its first branch in the Southern Sudanese capital of Juba. Equity's presence in Southern Sudan has continued to grow with the opening of the second branch in Juba at Hai Malakal and another in Yei. Hai Malakal is on the busy road that serves the bustling Konyo Konyo market in the city. Yei is a transit town connecting Western Equa-

torial, Western Bahr El Gazel, Lake, Unity and Warrap States to the other states of Southern Sudan.

Only 50,000 people out of a population of 12 million people are banked in the South with majority of them in Juba. Southern Sudan consists of ten states which were formerly parts of three historic provinces of Bahr el Ghazal, Equatoria, and Upper Nile.

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UGANDA NEWS

Bank Partners with the Anglican Church in Uganda

In August 2010, Dr. Mwangi was in Uganda to address The All Africa Bishops Conference that brought together 400 Bishops from Africa, Americas, Europe, Middle East and South Asia. The theme of the Conference was "Securing Our Future: Unlocking Our Potential." It was organized by the Council of Anglican Provinces of Africa and hosted by the Province of the Church of Uganda. Dr. Mwangi was invited by His Grace Henry Luke Orombi, the Arch-Bishop of the Province of Uganda through Equity Bank Uganda Ltd which has established a strong working relationship with the Church. In March 2010, the Anglican Church of Uganda and Equity Bank entered a Memorandum of Understanding (MoU) that



enables the Church, its affiliate Churches, its staff, members of the Church, and any other affiliated organizations including universities, schools, health centers and building projects run or owned by the church to access affordable, and convenient services from Equity

Running for a course

After months of preparation, 5th December 2010 dubbed "Yellow Sunday" saw 70 staff members of Equity Bank Uganda put on their running shoes to join thousands in the MTN Marathon. The biggest annual sports event attracted many companies for a charity run under MTN's Corporate Social Responsibility. This year round, Equity Bank Uganda proudly took part in the marathon for the first time.

Equity Recognized as Best Employer

In December 2010 the Ugandan Investment Authority recognized Equity Bank Uganda Limited as the 'Best Employer of the Year' and awarded a certificate in recognition of the valuable contributions to the economic development of Uganda.

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May God's
favour and
blessings
be upon you,
Members

Equity Bank thanks all our members for a wonderful year of working together. We thank you for your trust, your partnership and for your patience and understanding when we fell short of your expectations. Merry Christmas, Members!



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IN THE MEDIA

Award-winning Equity Bank unlocks SME growth

Loan with China Development Bank will give local entrepreneurs a major boost

Small and medium enterprise (SME) operators in Kenya are expected to witness accelerated growth in their businesses after Kenya's Equity Bank and the China Development Bank (CDB) signed a \$50 million loan agreement in Nairobi in support of the sector, which has been constrained by the lack of finance from financial institutions.

Equity Bank, Kenya's largest bank by customer base — home to more than 56 percent of bank accounts in Kenya and with more than 165 branches — has a strong foothold in the lower income segment of society.

Its unique business model that allows clients to transform their lives and livelihoods has won it several local and international accolades, including:

- The Microfinance Bank of the Year in Africa (2008-09) - for assisting local communities and aspiring entrepreneurs to raise finance, ultimately contributing to their growth and development.

- Africa Investor Series Awards 2009 (New York) — Top in the AI 100 company category (2008-09) as the best performing company in Africa.

- Africa Business Of the Year Award 2009 – Equity Bank's business model cited by world business leaders as a case study for sustainability in financial services.

Many changes in the banking sector in Kenya have been accredited to Equity Bank due to its approach to businesses that has literally forced large operators in banking in Kenya to try and follow suit.

Because of the informal nature

of operators of SME businesses, access to credit facilities is a big challenge and therefore many rely on their savings for expansion of their businesses.

Lack of access to affordable credit is recognized as one of the key setbacks facing the development of the SME sector in Kenya. It is expected that the funds will provide a source of cheap loans for the sector that faces an insatiable thirst for access to credit and growth.

The loan facility signed with China Development Bank will be available to SME borrowers at interest rates of between 7 percent and 9 percent for periods ranging from three to seven years.

This effectively makes it the cheapest source of funding for the sector in Kenya.

First to get Chinese help

Equity Bank is the first beneficiary of the Chinese \$50 million earmarked for the development of SMEs in Africa. It took three years for the two institutions to reach the SME loans agreement. The signing ceremony took place at Equity Bank's head office in Nairobi and was witnessed by CDB officials.

Equity Bank's Chief Executive Officer and Managing Director James Mwangi, who was named by London's Financial Times as one of the top world business leaders from 50 BRIC countries, said:

"We are proud as a bank and as Kenyans to be the first beneficiary of this support. This facility will allow us to grant our SME customers long-term facilities for development at affordable interest rates. The SME sector in Kenya faced the challenge of the high cost of credit, high bank charges and fees, limiting their potential to contribute to the country's Vision 2030, Kenya's economic blueprint."

CDB has been studying Equity Bank with a view to learning the much-acclaimed Equity Bank model of banking for possible lessons to be applied in China and sees the development of private SMEs as a key tool to generate and secure employment, fuel economic growth and stabilize society.

Governor of the CDB Jiang Chaoliang said the agreement was a sign of the south-to-south cooperation and collaboration to address the common challenges between the two institutions and countries.

"It is significant that Kenya and Equity Bank are the first beneficiaries of this SME fund for Africa. It reflects the growing relationship between Kenya and China," he said.

Multibillion estate project

Equity Bank has issued a credit facility worth \$28.6 million to Thika Greens Ltd (TGL) for the construction of a golf estate in Kenya.

Metallurgical Construction



We are proud, as a bank and as Kenyans, to be the first beneficiary of this support by China Development Bank. This facility will allow us to grant our small and medium enterprise customers long-term facilities for development at very affordable interest rates."

DR. JAMES MWANGI
CEO AND MD OF EQUITY BANK

Company of China is undertaking the construction project. TGL is owned by a group of 50 Kenyan investors, most of them in the real estate business.

The golf estate will be located in Thika town, 43 km east of Kenya's capital Nairobi. Construction is taking place on 1,135 acres of land and will incorporate a residential community with all associated facilities to support a viable suburb.

The project consists of two estates: Waterfalls Country Homes and Thika Greens Golf Estate.

Thika Greens Golf Estate will be a lifestyle estate built around an 18-hole championship golf course similar to the high-end estates found in Australia, South Africa and the US.

The project is expected to cost a staggering \$650 million upon the completion of the construction of the houses and infrastructure on site.

In an interview with Kenya's weekly publication The Financial Post, TGL's Managing Director

Charles Kibiru said the entire golf estate will have 4,000 housing units per milestone, considering that Kenya has a housing unit shortage of fifteen times that figure.

"Our vision is to replicate the project by setting up more golf estates in other major cities in Kenya like Mombasa, Kisumu, Nakuru and Machakos," he said.

Second phase launched

In its second phase which the MD said is due for launch this month, TGL has contracted DDV Design Group of South Africa, an architect firm which has designed a private member's club house overlooking an 18-hole championship golf course and a golf estate where 810 plots will be sold to the public.

"The Chinese Construction Company, MCC4, which we have contracted to undertake the construction will commence operations in July as we gear up to complete the project in two years' time," he said.



Dr. James Mwangi, CEO of Equity Bank and China Development Bank officials sign an historic loan agreement.

EQUITY BANK FACT FILE

- Listed at Nairobi Stock Exchange and Uganda Securities Exchange
- Largest bank in eastern and central Africa with over five million customers
- Market Capitalization of \$1.2 billion
- Third biggest company on the Nairobi Stock Exchange
- Total Asset Base: \$1.6 billion

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EABL and Equity join hands to boost sorghum farmers' returns

East African Breweries is promising sorghum farmers in Eastern province a ready market for the grain in its search for alternatives to barley as the main raw material.

The brewer has made a commitment to buy sorghum grown in the area, assuring farmers of a dedicated stream of income.

EABL buys sorghum from specific areas of Eastern Province following its decision to use the crop as the main raw material for some of its brands like the low-priced Senator drink.

Farmers acting as out growers are supported by the Equity Bank to purchase inputs including the right sorghum seeds and fertilizers while EABL guarantees the market.

Take advantage

"Farmers should take advantage of these opportunities to increase their earnings from the crop output," said Vice-President Mr Kalonzo Musyoka.

He spoke when Equity Bank announced that will now receive payments for sorghum deliveries its M-Kesho account, and those servicing loans from the Bank will pay them through the same channel.

"Equity Bank has given Sh10 million for seeds. Let's plant as much as we can since we have a ready market," said the Vice President.

Currently, EABL buys gadam



EABL buys sorghum directly from farmers' through its appointed purchasing agent. FILE

sorghum, a drought resistant variety, directly from farmers' through its appointed purchasing agent.

Over 1,500 tonnes of the crop have been planted in Mwingi district alone by 6,000 farmers.

An acre of gadam Sorghum, used in the brewing of beer and animal feed, produces 600 kilos translating into Sh10,200 per acre. Experts say farmers can realize up to 1000 kilos per acre with improved agricultural practices.



Equity Bank wishes all our members a New Year full of happiness, prosperity and a bold achievement of your goals. May you find God's favour & blessings in the New Year. As for us we will endeavour and strive to make our service offering and relationship with you better.



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