

28<sup>th</sup> February, 2011

The Chief Executive Officer  
Nairobi Stock Exchange  
P O Box 43633-00100  
**NAIROBI**



Dear Sir,

**RE: EQUITY BANK GROUP AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER, 2010.**

We wish to publish our audited financial statements as at 31<sup>st</sup> December, 2010. The financial statements have been duly approved by the Central Bank of Kenya and the bank's Board of Directors.

The Directors have recommended a first and final dividend of Kshs. 0.80/= per each ordinary share of Ksh 0.50/= for the year ended 31<sup>st</sup> December 2010, subject to Shareholders' approval.

The following documents are enclosed for your information:

4. A copy of the un-audited financial statements.
5. Statement of Changes in Equity.
6. Cash Flow Statement.

We take this opportunity to express our appreciation for your support and cooperation.

Yours faithfully,



**Dr. James Mwangi, MBS**  
**Managing Director & CEO**

Encls.

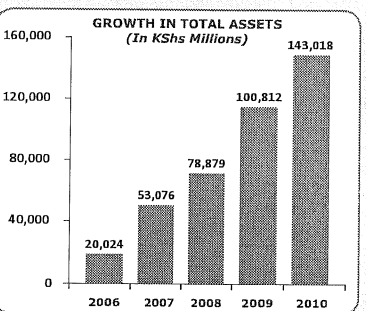
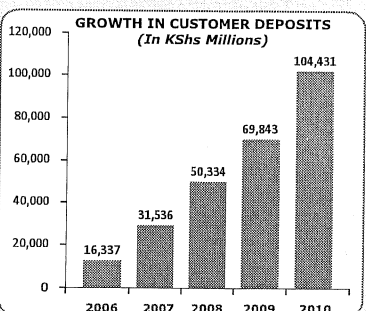
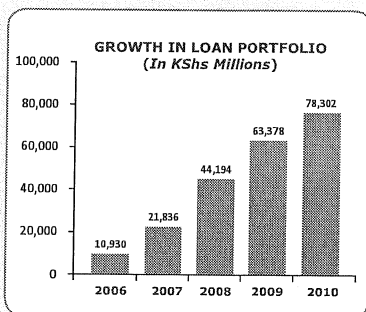
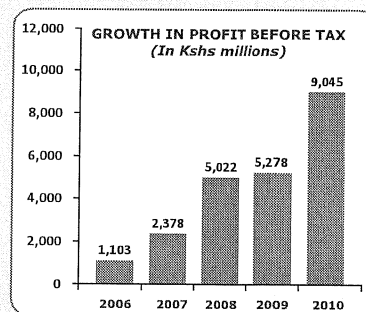
# EQUITY BANK GROUP

## AUDITED FINANCIAL STATEMENTS AND OTHER DISCLOSURES AS AT 31ST DECEMBER 2010



### BALANCE SHEET

	GROUP		BANK	
	12/31/10	12/31/09	12/31/10	12/31/09
	Shs. 000	Shs. 000	Shs. 000	Shs. 000
<b>A. ASSETS</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>	<b>Audited</b>
1. Cash (both Local & foreign)	8,500,359	4,359,233	3,635,336	2,773,165
2. Balances due from central Bank of Kenya	4,802,374	3,739,749	4,802,374	3,739,749
3. Kenya Government securities	8,633,028	5,016,507	8,633,028	5,016,507
4. Foreign Currency Treasury Bills and Bonds	17,268	308,760	-	-
5. Deposits and balances due from banking institutions	2,387,849	3,378,988	2,029,967	3,263,290
6. Deposits and balances due from banking institutions abroad	2,812,514	1,516,384	1,279,027	227,433
7. Government and other securities held for dealing purposes	22,577,650	6,827,150	22,577,650	6,827,150
8. Tax recoverable	85,638	74,519	-	-
9. Loans and advances to customers (net)	78,301,921	63,378,232	72,902,021	59,868,232
10. Investment securities	759,643	32,305	700,000	-
11. Balances due from group companies	106,499	9,608	1,238,580	2,022,379
12. Investments in associates	1,259,696	1,213,872	1,259,696	1,213,872
13. Investments in subsidiary companies	-	-	5,084,191	3,437,691
14. Investments in joint ventures	-	-	-	-
15. Investment properties	8,494	8,494	8,494	8,494
16. Property and equipment	6,970,525	6,441,969	5,693,536	5,192,719
17. Prepaid lease rentals	29,260	30,892	4,019	4,069
18. Intangible assets	1,927,409	1,762,930	754,491	569,795
19. Deferred tax asset	61,061	5,536	61,061	5,536
20. Retirement benefit asset	-	-	-	-
21. Other assets	3,776,926	2,706,623	3,226,526	2,341,644
<b>22. TOTAL ASSETS</b>	<b>143,018,114</b>	<b>100,811,750</b>	<b>133,889,997</b>	<b>96,511,725</b>
<b>B. LIABILITIES</b>				
23. Balances due to Central Bank of Kenya	-	-	-	-
24. Customer deposits	104,430,586	69,842,963	95,203,689	65,824,732
25. Deposits and balances due to Local banking institutions	-	-	-	-
26. Deposits and balances due to Foreign banking institutions	499,840	-	-	-
27. Other money market deposits	-	-	-	-
28. Borrowed funds	7,463,654	6,486,123	7,463,654	6,114,047
29. Balances due to group companies	-	-	-	-
30. Tax payable	701,365	20,231	657,341	20,231
31. Dividends payable	9,523	1,052	9,523	1,052
32. Deferred tax liability	4,754	-	-	-
33. Retirement benefit liability	-	-	-	-
34. Other liabilities	2,704,478	1,552,512	2,248,244	1,214,223
<b>35. TOTAL LIABILITIES</b>	<b>115,814,201</b>	<b>77,902,880</b>	<b>105,582,451</b>	<b>73,174,285</b>
<b>C. SHAREHOLDERS' FUNDS</b>				
36. Paid up/Assigned capital	1,851,388	1,851,388	1,851,388	1,851,388
37. Share premium/ (discount)	12,161,021	12,161,021	12,161,021	12,161,021
38. Revaluation reserve	(1,388,013)	(142,193)	(990,285)	112,871
39. Retained earnings/ Accumulated losses	11,203,578	7,108,066	11,940,868	7,394,523
40. Statutory Loan Loss reserve	413,717	449,477	382,332	336,525
41. Proposed dividends	2,962,222	1,481,111	2,962,222	1,481,111
42. Capital grants	-	-	-	-
<b>43. TOTAL SHAREHOLDERS' FUNDS</b>	<b>27,203,913</b>	<b>22,908,870</b>	<b>28,307,546</b>	<b>23,337,440</b>
<b>44. TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>143,018,114</b>	<b>100,811,750</b>	<b>133,889,997</b>	<b>96,511,725</b>
<b>Equity Bank Group</b>				
<b>PROFIT AND LOSS ACCOUNT</b>				
<b>INTEREST INCOME</b>				
1.1 Loans and advances	11,361,393	9,483,873	10,497,539	8,286,601
1.2 Government securities	2,302,919	1,275,115	2,292,340	1,263,406
1.3 Deposits and placements with banking institutions	110,841	33,197	95,417	141,309
1.4 Other	-	-	-	-
<b>1.5 Total Interest Income</b>	<b>13,775,153</b>	<b>10,792,186</b>	<b>12,885,296</b>	<b>9,691,317</b>
<b>INTEREST EXPENSES</b>				
2.1 Customer deposits	1,448,427	815,157	1,270,299	675,534
2.2 Deposits and placements from banking institutions	12,698	4,426	6,608	4,296
2.3 Other Interest expense	600,684	802,536	551,863	733,935
2.4 Total Interest Expenses	2,061,809	1,622,119	1,828,771	1,413,764
<b>NET INTEREST INCOME</b>	<b>11,713,344</b>	<b>9,170,067</b>	<b>11,056,525</b>	<b>8,277,552</b>
<b>OTHER OPERATING INCOME</b>				
4.1 Fees and commissions income on loans & advances	2,537,581	2,106,760	2,422,234	1,977,386
4.2 Other Fees and commissions income	4,433,164	3,928,382	4,078,493	3,791,506
4.3 Foreign exchange trading income	878,079	222,150	390,053	17,181
4.4 Dividend Income	2,267	17,181	-	-
4.5 Other income	2,587,535	231,630	2,246,361	48,324
<b>4.6 Total Non-Interest Income</b>	<b>10,438,626</b>	<b>6,506,103</b>	<b>9,137,141</b>	<b>5,995,608</b>
<b>TOTAL OPERATING INCOME</b>	<b>22,151,970</b>	<b>15,676,169</b>	<b>20,193,666</b>	<b>14,273,161</b>
<b>OPERATING EXPENSES</b>				
6.1 Loan Loss Provision	1,904,578	1,035,328	1,558,311	880,436
6.2 Staff costs	5,236,735	4,295,321	4,433,990	3,561,197
6.3 Directors' emoluments	28,881	43,424	21,150	24,557
6.4 Rental charges	608,507	645,389	547,051	471,330
6.5 Depreciation on property and equipment	1,343,539	1,035,732	1,132,863	921,927
6.6 Ammortisation charges	145,434	138,315	125,476	120,494
6.7 Other operating expenses	3,934,005	3,262,839	3,063,008	2,723,657
<b>6.8 Total Operating Expenses</b>	<b>13,201,681</b>	<b>10,456,349</b>	<b>10,881,849</b>	<b>8,703,597</b>
<b>Profit/(loss) before tax and exceptional items</b>	<b>8,950,289</b>	<b>5,219,821</b>	<b>9,311,817</b>	<b>5,569,564</b>
Exceptional items-share of profit of associate	94,503	58,310	94,503	58,310
<b>Profit/(loss) after exceptional items</b>	<b>9,044,792</b>	<b>5,278,130</b>	<b>9,406,320</b>	<b>5,627,874</b>
Current tax	(1,964,238)	(1,116,703)	(1,307,469)	(1,137,302)
Deferred tax	50,771	72,561	55,525	72,561
<b>Profit / (loss) after tax and exceptional items</b>	<b>7,131,325</b>	<b>4,233,988</b>	<b>7,554,376</b>	<b>4,563,132</b>
Earnings per share-basic and diluted	1.93	1.14	2.04	1.23
Dividend per share(KShs)	0.8	0.4	0.8	0.4
<b>OTHER DISCLOSURES</b>				
<b>1) NON PERFORMING LOANS AND ADVANCES</b>				
a) Gross non performing loans and advances	4,374,713	5,332,979	3,470,580	4,565,118
b) Less Interest in suspense	471,145	491,134	471,145	491,134
<b>c) Total Non-Performing loans and advances (a-b)</b>	<b>3,903,568</b>	<b>4,841,846</b>	<b>2,999,435</b>	<b>4,073,984</b>
d) less Loan loss provision	915,279	1,777,476	891,236	1,431,230
e) Net non-performing loans(c-b)	2,988,289	3,064,370	2,108,199	2,642,754
f) <b>Discounted value of securities</b>	<b>2,988,289</b>	<b>3,064,370</b>	<b>2,108,199</b>	<b>2,642,754</b>
g) Net NPLs Exposure (e-f)	-	-	-	-
<b>2) INSIDER LOANS AND ADVANCES</b>				
a) Directors, shareholders and associates	2,650,734	1,461,907	2,650,734	1,460,846
b) Employees	1,840,790	1,492,771	1,741,775	1,395,980
<b>c) Total insider Loans and Advances and other Facilities</b>	<b>4,491,524</b>	<b>2,954,678</b>	<b>4,392,509</b>	<b>2,856,826</b>
<b>3) OFF BALANCE SHEET ITEMS</b>				
a) Letter of Credit, guarantees, acceptances	4,256,029	2,185,000	4,116,711	2,105,727
b) Other contingent Liabilities	271,280	766	247,998	766
<b>c) Total contingent Liabilities</b>	<b>4,527,309</b>	<b>2,185,766</b>	<b>4,364,709</b>	<b>2,106,493</b>
<b>4) CAPITAL STRENGTH</b>				
a) Core Capital	-	-	19,930,590	16,873,069
b) Minimum statutory capital	-	-	500,000	350,000
<b>c) Excess/ (deficiency)</b>			<b>19,430,590</b>	<b>16,523,069</b>
d) Supplementary capital	-	-	5,389,823	5,615,197
<b>e) Total Capital (a+d)</b>			<b>25,320,413</b>	<b>22,488,266</b>
f) Total Risk Weighted Assets	-	-	90,804,610	71,416,437
<b>Ratios</b>				
g) Core Capital/ Total Deposit Liabilities			21%	26%
h) Minimum statutory ratio			8%	8%
<b>i) Excess / (deficiency) (g-h)</b>			<b>13%</b>	<b>18%</b>
j) Core Capital/ Total Risk Weighted Assets			22%	24%
k) Minimum statutory Ratio			8%	8%
<b>l) Excess / (deficiency) (j-k)</b>			<b>14%</b>	<b>16%</b>
m) Total Capital/ Total Risk Weighted assets			28%	31%
n) Minimum statutory Ratio			12%	12%
<b>o) Excess / (deficiency) (m-n)</b>			<b>16%</b>	<b>19%</b>
<b>5) LIQUIDITY</b>				
a) Liquidity Ratio			40%	32%
b) Minimum statutory Ratio			20%	20%
<b>c) Excess / (deficiency) (a-b)</b>			<b>20%</b>	<b>12%</b>



Signed: **DR. JAMES MWANGI, MBS** Chief Executive Officer/MANAGING DIRECTOR  
Signed: **MR. PETER K. MUNGA, EBS** Chairman

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**EQUITY BANK LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

**Group**

*In millions of Kenya Shillings*

For the year ended 31 December 2010	Share capital	Share Premium	Retained earnings	Statutory loan reserve	Available for sale reserve	Foreign currency translation reserve	Available for sale reserve	Other reserves	Proposed dividend	Total Equity
At 1 January 2010	1,851	12,161,110	449	113	(201)	11	(67)	1,481	22,908	
Share capital issued	-	-	-	-	-	-	-	-	-	
Total comprehensive income:	-	7,131	-	-	-	-	-	-	7,131	
Profit for the year	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	(1,103)	(124)	29	(46)	-	(1,244)	
Statutory loan reserve transfers	-	-	(75)	(35)	-	-	-	-	(110)	
Dividends:	-	-	-	-	-	-	-	-	-	
Final for 2009 paid	-	-	-	-	-	-	-	(1,481)	(1,481)	
Proposed for 2010	-	-	(2,962)	-	-	-	-	2,962	-	
Other reserves	-	-	-	-	-	-	-	-	-	
<b>At 31 December 2010</b>	<b>1,851</b>	<b>12,161</b>	<b>11,204</b>	<b>414</b>	<b>(990)</b>	<b>(325)</b>	<b>40</b>	<b>(113)</b>	<b>2,962</b>	<b>27,204</b>
<b>For the year ended 31 December 2009</b>	<b>1,851</b>	<b>12,161,498</b>	<b>308</b>	<b>(112)</b>	<b>(170)</b>	<b>-</b>	<b>-</b>	<b>(67)</b>	<b>1,111</b>	<b>19,580</b>
At 1 January 2009	-	-	-	-	-	-	-	-	-	-
Total comprehensive income:	-	4,234	-	-	-	-	-	-	-	4,234
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	225	(31)	11	-	-	-	205
Statutory loan reserve transfers	-	-	(141)	141	-	-	-	-	-	-
Dividends:	-	-	-	-	-	-	-	-	-	-
Final for 2008 paid	-	-	-	-	-	-	-	-	(1,111)	(1,111)
Proposed for 2009	-	-	(1,481)	-	-	-	-	1,481	-	-
<b>At 31 December 2010</b>	<b>1,851</b>	<b>12,161,110</b>	<b>449</b>	<b>113</b>	<b>(201)</b>	<b>11</b>	<b>(67)</b>	<b>1,481</b>	<b>22,908</b>	

EQUITY BANK LIMITED AND SUBSIDIARIES  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2010  
Bank

*In millions of Kenya Shillings*

**For the year ended 31 December 2010**

	Share capital	Share premium	Retained earnings	Statutory loan reserve	Available for sale reserve	Proposed dividend	Total Equity
As at January 2010	1,851	12,161	7,395	337	113	1,481	23,338
Share capital issued	-	-	-	-	-	-	-
Total comprehensive income:							
Profit for the year	-	-	7,554	-	-	-	7,554
Other comprehensive income	-	-	-	-	(1,103)	-	(1,103)
Statutory loan reserve transfers	-	-	(46)	46	-	-	-
Dividends:							
Final for 2009 paid	-	-	-	-	-	(1,481)	(1,481)
Proposed for 2010	-	-	(2,962)	-	-	2,962	-
<b>At 31 December 2010</b>	<b>1,851</b>	<b>12,161</b>	<b>11,941</b>	<b>382</b>	<b>(990)</b>	<b>2,962</b>	<b>28,307</b>

**For the year ended 31 December 2009**

As at January 2009	1,851	12,161	4,340	308	(112)	1,111	19,659
Total comprehensive income:							
Profit for the year	-	-	4,563	-	-	-	4,563
Other comprehensive income	-	-	-	-	225	-	225
Statutory loan reserve transfers	-	-	(29)	29	-	-	-
Dividends:							
Final for 2008 paid	-	-	-	-	-	(1,111)	(1,111)
Proposed for 2009	-	-	(1,481)	-	-	1,481	-
<b>At 31 December 2009</b>	<b>1,851</b>	<b>12,161</b>	<b>7,395</b>	<b>337</b>	<b>113</b>	<b>1,481</b>	<b>23,338</b>

## CONSOLIDATED STATEMENT OF CASHLOWS

<i>In millions of Kenya Shillings</i>	Group		Bank	
	2010	2009	2010	2009
<b>Cash flows from operating activities</b>				
Net profit before taxation	9,045	5,278	9,407	5,628
Adjustments for:				
Depreciation	1,343	1,035	1,133	922
Amortisation of investment property		3	-	3
Amortisation of intangible assets	146	136	125	118
Provision for non-performing loans	1,905	1,035	1,558	880
Interest on term borrowings	602	803	553	734
<b>Operating profit before working capital changes</b>	<b>13,041</b>	<b>8,290</b>	<b>12,776</b>	<b>8,285</b>
Loans and advances	(16,938)	(20,221)	(14,592)	(19,891)
Other assets	(1,070)	(538)	(101)	(1,008)
Customer deposits	34,588	19,509	29,379	16,848
Due from related parties	(97)	(10)	-	-
Other liabilities	1,160	(340)	1,042	(536)
<b>Cash generated from operations</b>	<b>30,684</b>	<b>6,690</b>	<b>28,504</b>	<b>3,698</b>
Income taxes paid	(1,294)	(1,697)	(1,270)	(1,631)
<b>Net cash from operating activities</b>	<b>29,390</b>	<b>4,993</b>	<b>27,234</b>	<b>2,067</b>
<b>Cash flows to/from investing activities</b>				
Purchase of property and equipment	(1,893)	(2,688)	(1,633)	(1,856)
Surplus on revaluation of properties and other reserves	(17)	11	-	-
Purchase of intangible assets	(310)	(392)	(310)	(341)
Proceeds from sale of fixed assets	22	1	-	1
Investment in subsidiary		-	(1,647)	(462)
Investment in associate	(95)	(58)	(46)	(58)
Dividend received	49			
Purchase of investment securities	(31,534)	(4,740)	(31,532)	(4,488)
Proceeds from sale of investments securities	11,730	4,795	11,465	4,795
Revaluation of investment securities	(1,103)	225	(1,103)	225
Foreign currency translation reserve	(124)	(31)	-	-
Restricted balances with Central bank	(1,821)	(916)	(1,392)	(538)
<b>Net cash used in investing activities</b>	<b>(25,096)</b>	<b>(3,793)</b>	<b>(26,198)</b>	<b>(2,722)</b>
<b>Cash flows (used in)/from financing activities</b>				
Dividend paid	(1,481)	(1,111)	(1,481)	(1,111)
Proceeds from long term borrowings	2,257	406	2,129	328
Repayment of long term borrowings	(780)	(380)	(780)	(380)
Interest paid on term borrowings	(602)	(803)	(553)	(734)
<b>Net cash flow used in financing activities</b>	<b>(606)</b>	<b>(1,888)</b>	<b>(685)</b>	<b>(1,897)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>3,688</b>	<b>228</b>	<b>351</b>	<b>(2,552)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>9,752</b>	<b>10,439</b>	<b>7,141</b>	<b>9,693</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>13,440</b>	<b>9,751</b>	<b>7,492</b>	<b>7,141</b>