

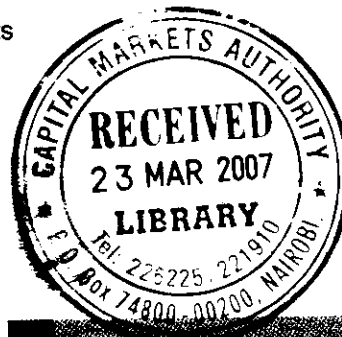
# Contents

Notice of Annual General Meeting	2 - 3
<i>Arifa ya Mkutano Mkuu wa Kila Mwaka</i>	4 - 5
Chairman's Statement	6 - 7
<i>Taarifa ya Mwenyekiti</i>	8 - 9
CEO's Statement	10 - 11
<i>Taarifa ya Afisa Mkuu Mtendaji</i>	12 - 13
Financial Highlights	14 - 15
Key Achievements	16 - 17
Statement on Corporate Social Responsibility CSR	18 - 19
Board of Directors	20 - 21
Senior Management	22 - 23
Report and Financial Statements	24 - 67

CMA - Ke Library



AR0364



# Notice of Annual General Meeting

H9  
3393  
A8  
EGSS  
2006  
C-2

Notice is hereby given that the Third Annual General Meeting (AGM) of the shareholders of Equity Bank Limited will be held on **30th March 2007 at Kenyatta International Conference Centre (KICC) NAIROBI at 10.00 a.m.** to transact the following business:

1. To read the notice convening the meeting.
2. To receive, consider and if thought fit, adopt the Annual Report and Financial Statements for the year ended 31st December 2006 together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve a first and final dividend for the year ended 31st December 2006 of KShs 2/= per ordinary share of KShs 5/= par value subject to withholding tax where applicable.
4. Election of Directors:
  - a) Mr. Benson Irungu Wairegi retires in accordance with Article 100 of the Company's Articles of Association and being eligible, offers himself for re-election;
  - b) Mr. Fredrick Mwangi Muchoki retires in accordance with Article 100 of the Company's Articles of Association and being eligible, offers himself for re-election;
  - c) Ms Beatrice Sabana retires in accordance with Article 100 of the Company's Articles of Association and does not seek re-election.
5. To fix the remuneration of the directors.
6. To note that the auditors Messrs Ernst & Young, being eligible and having expressed their willingness, will continue in office in accordance with section 159 (2) of the Kenyan Companies Act (Cap 486) and to authorize the directors to fix their remuneration.

1. Equity Bank Limited -- Periodicals  
2. Banks and banking -- Kenya -- periodicals

7. To pass the following ordinary resolutions:-

- (1) THAT the authorised share capital of the Company be increased from Kenya Shillings Five Hundred Million (KShs 500,000,000/=) divided into One Hundred Million Shares (100,000,000) of Kenya Shillings Five (KShs 5/=) each to Kenya Shillings One Billion Five Hundred Million (KShs 1,500,000,000/=) divided into Three hundred Million shares (300,000,000) of Kenya Shillings Five (KShs 5/=) each by the creation of Two Hundred Million (200,000,000) ordinary shares of Kenya Shillings Five (KShs 5/=) each to rank pari passu in all respects with the existing ordinary shares in the capital of the company.
- (2) THAT pursuant to Article 134 of the Company's Articles of Association and upon the recommendations of the Board and subject also to the approval of the Capital Markets Authority, it is hereby agreed and the Board is hereby directed as follows:
  - i. To capitalise the sum of KShs 905,645,500 /= being the amounts standing to the credit of the Share Premium Account (KShs 480,362,000/=) and the Revenue Reserves Account (KShs 425,283,500/=) and such sum be made available for distribution amongst the shareholders of the issued shares of KShs 5/= each in the capital of the Company in the proportion of two (2) bonus shares for each one (1) ordinary share held by them, on condition that the sum shall not be paid in cash but shall be applied in paying up in full 181,129,100 ordinary shares of KShs 5/= each in the capital of the Company at present unissued, to be allotted and issued as fully paid up at par to and amongst such members in the proportion of two (2) new ordinary shares of KShs 5/= for every one (1) ordinary share held;

2007/0364

# Notice of Annual General Meeting

continued

- ii. THAT every such bonus share so distributed shall rank pari passu with the existing issued ordinary shares provided that such bonus shares shall not participate in the dividend being declared for the year ended 31st December 2006 and provided also that fractional entitlements shall be ignored and holders of ordinary shares shall not be entitled to fractional certificates or to payments in lieu of them. The shares shall be treated for all purposes as an increase of the amount of share capital of the respective shareholder;
  - iii. THAT should any of the said bonus shares not be issued by reason of fractions of a share being disregarded, the directors may allot and issue the same to such persons and upon such terms and conditions as they may deem fit.
- (3) THAT the decision of the Board to adopt 30th September 2005 (and not 30th June 2005) as the closing date for entitlement of the bonus shares approved by the Company in the Extraordinary General Meeting of 10th August 2005 be and is hereby confirmed and ratified.
- (4) THAT the Secretary be directed to arrange for the filing with the Registrar of Companies of all necessary returns consequent upon the business dealt with at this meeting."
8. Any other business of which notice will have been duly received.

**By order of the Board**



Mary Wangari Wamae  
Company Secretary  
NAIROBI  
12th February 2007

**NOTE:**

- 1) A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a proxy form must be duly completed by the member and lodged with the Company Secretary at the Company's Head Office situated in **NHIF BUILDING 14TH FLOOR**, not later than 10.00 am on 28th March 2007 failing which it will be invalid. In case of a corporate body, the proxy must be under its common seal. A form of proxy is attached to this report.
- 2) Subject to approval of shareholders, the Board of Directors has resolved to recommend to members at the forthcoming Annual General Meeting a dividend for the year 2006 of KShs 2/= per share being 40% of par value to be paid to shareholders on the register at the close of business on 5th April 2007. The dividend will be paid on or about 20th April 2007.
- 3) The date of closure of register for bonus issue will be announced after the approval from the Capital Markets Authority has been obtained.
- 4) The bonus shares issued herein will not be entitled to participate in the dividend declared for the year ended 31st December 2006.

# Arifa ya Mkutano Mkuu wa Kila Mwaka

Arifa inatolewa hapa kwamba mkutano mkuu wa tatu wa wenye hisa wa kampuni ya Benki ya Equity utafanywa tarehe **30 mwezi Machi 2007 katika jumba la mikutano la Kenyatta International Conference Centre saa nne asubuhi** kutekeleza shughuli zifuatazo:

1. Kusoma arifa ya kuandaa mkutano.
2. Kupokea, kutafakari na ikikubaliwa, kuidhinisha ripoti ya kila mwaka na taarifa za kifedha kwa mwaka uliomalizika tarehe 31 Disemba 2006 pamoja na ripoti ya mwenyekiti, wakurugenzi na wakaguzi wa hesabu za pesa.
3. Kuidhinisha mgao wa faida wa kwanza na wa mwisho kwa mwaka 2006 wa shilingi mbili kwa kila hisa ya kawaida ya shilingi tano baada ya kutozwa ada panapohitajika.
4. Kuchagua Wakurugenzi:
  - a) Bw. Benson Irungu Wairegi anastaafu kuambatana na kifungu 100 cha sheria za makampuni na kwa kuwa anahitimu anajiwasilisha kuchaguliwa tena;
  - b) Bw. Fredrick Mwangi Muchoki anastaafu kuambatana na kifungu 100 cha sheria za makampuni na kwa kuwa anahitimu anajiwasilisha kuchaguliwa tena;
  - c) Bi Beatrice Sabana anastaafu kuambatana na kifungu 100 cha sheria za makampuni na hajajiwasilisha kuchaguliwa tena.
5. Kuweka mishahara ya wakurugenzi.
6. Kufahamishwa kwamba wakaguzi Messrs Ernst & Young, wakiwa wamehitimu na kuelezea nia yao kuendelea kuhudumu, wataendelea kuhudumu kuambatana na kifungu 159 (2) cha sheria za makampuni nchini Kenya (Cap 486) na kutoa idhini kwa wakurugenzi kuweka mishahara yao.
7. Kupitisha maazimio ya kawaida yafuatayo:
  - (1) KWAMBA mtaji ulioidhinishwa wa kampuni uongezwe kutoka shilingi milioni mia tano (KShs 500,000,000/-) uliyogawanywa kwa hisa milioni mia moja (100,000,000) za thamani ya shilingi tano (KShs 5/=) kila hisa hadi shilingi bilioni moja milioni mia tano (KShs 1,500,000,000/=) uliyogawanywa kwa hisa milioni mia tatu (300,000,000) za thamani ya shilingi tano (KShs 5/=) kila hisa kwa kubuni hisa za kawaida milioni mia mbili (200,000,000) za thamani ya shilingi tano za Kenya (KShs 5/=) kila moja kuambatana na hisa za kawaida zilizopo kwenye mtaji wa Kampuni.
  - (2) KWAMBA kulingana na kifungu 134 cha sheria za makampuni na kuambatana na mapendekezo ya wakurugenzi na pia na Halamashauri ya Masoko ya hisa inakubaliwa hapa na Halmashauri imeagizwa kufanya yafuatayo:
    - i. Kuwekeza mtaji wa kiasi cha KShs 905,645,500/= kikiwa jumla ya fedha zilizopo kwenye akaunti ya hisa yaani Share Premium Account (KShs 480,362,000/=) na akaunti ya mapato yaliyohifadhiwa yaani Revenue Reserves Account (KShs 425,283,500/=) na kiasi hicho kitolewe kugawanywa miongoni mwa wenyehisa wanaomiliki hisa za thamani ya shilingi 5/= kila moja katika mtaji wa kampuni kwa kiasi cha hisa mbili (2) za ziada kwa kila hisa moja (1) ya kawaida inayomilikiwa chini ya masharti kwamba kiasi hicho hakitalipwa kwa pesa taslimu lakini kitatolewa kulipia kikamilifu hisa za kawaida 181,129,100 za thamani ya shilingi 5/= kila moja katika mtaji wa kampuni ambao haujatolewa kwa wakati huu, kutolewa na kugawanywa kama hisa zilizolipiwa miongoni mwa wanachama kwa kiasi cha hisa mbili (2) mpya za kawaida za thamani ya shilingi 5/= kwa kila hisa moja (1) inayomilikiwa;

# Arifa ya Mkutano Mkuu wa Kila Mwaka

- ii. KWAMBA hisa hizo za ziada zitakazotolewa zitaambatana na kiasi cha hisa za kawaida kinachomilikiwa mradi tu hizo zinazotolewa zisihusishwe kwenye mgao wa faida unaotangazwa kwa mwaka uliomalizika tarehe 31 Disemba 2006 na kwamba mgawanyo hususan utatupiliwa mbali na wenyehisa za kawaida hawatapata vyeti vya ugawaji au malipo ya hisa hizo. Hisa hizo zitachukuliwa kuwa ongezeko la mtaji wa hisa wa mwenyehisa anayehusika;
- iii. KWAMBA iwapo hisa hizo za ziada hazitolewa kutokana na sababu za kutoweza kugawanywa wakurugenzi wanaweza kutoa na kugawa hisa hizo kwa watu hao kuambatana na masharti watakayoona yanafaa.
- (3) KWAMBA uamuzi wa Halmashauri wa kuidhinisha tarehe 30 Septemba 2005 (na wala sio 30 Juni 2005) kama tarehe ya mwisho ya kuhitimu kupewa hisa hizo za ziada iliyoidhinishwa na Kampuni katika mkutano mkuu usio wa kawaida wa tarehe 10 Agosti 2005 unathibitishwa na kuratibishwa.
- (4) KWAMBA Katibu aagizwe kuwasilisha kwa msajili wa kampuni stakabadhi zote zinazohusiana na shughuli zilizojadiliwa kwenye mkutano huu."

8. Shughuli nyingine yoyote ambayo ilani yake itakuwa imepokewa ipasavyo.

**Kwa amri ya Halmashauri**



Mary Wangari Wamae  
Katibu wa Kampuni  
NAIROBI  
12 Februari 2007

## **KUMBUKA:**

- 1) Mwenyehisa anayeruhusiwa kuhudhuria na kupiga kura kwenye mkutano na ambaye hana nafasi ya kuhudhuria anaweza kuteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake. Mwakilishi sio lazima awe mwanachama wa kampuni. Ili kukubaliwa, fomu ya uwakilishi inapaswa kujazwa ipasavyo na mwenyehisa na kupelekwa kwa katibu wa kampuni katika makao makuu ya kampuni yaliyoko katika **jumba la NHIF orofa ya 14** kabla ya saa nne asubuhi tarehe 28 Machi 2007, kinyume na hayo itakuwa sio halali. Kwa mashirika, barua ya uwakilishi sharti iwe na muhuri wa kampuni. Fomu ya mwakilishi imeambatanishwa na ripoti hii.
- 2) Ilikubaliwa na wenyehisa, Halmashauri ya wakurugenzi imeazimia kupendekeza kwa wanachama katika mkutano mkuu ujao mgao wa faida kwa mwaka wa 2006 wa shilingi 2 kwa kila hisa ukiwa thamani ya asilimia 40% kulipwa wenye hisa walio kwenye orodha ya usajili kufikia saa za kufunga shughuli tarehe 5 Aprili 2007. Mgao wa faida utalipwa kuanzia tarehe 20 mwezi Aprili 2007.
- 3) Tarehe ya kufungwa kwa usajili wa hisa za ziada itatangazwa baada ya idhini kutoka kwa Halmashauri ya masoko ya hisa (CMA) kutolewa.
- 4) Hisa za ziada zitakazotolewa hazitahitimu kupata mgao wa faida uliotangazwa kwa mwaka wa 2006.

# Chairman's Statement



Peter K. Munga - CHAIRMAN

## INTRODUCTION

It gives me great pleasure to present to you the Bank's annual report for the year ended 31st December 2006. I am particularly pleased to note that once again your Bank achieved a major milestone during the year by listing on the Nairobi Stock Exchange (NSE) in August 2006. It also gives me a lot of pride to inform you that the Bank has not only become one of the very few to cross the KShs 1 billion mark in terms of pre-tax profit, but is now home to over 1 million customers; making us the leading Bank in terms of customer numbers.

## OPERATING ENVIRONMENT

All indications are that the economy performed well in the just concluded financial year. Preliminary estimates by the Central Bank indicate that the annual growth rate is likely to be around 6%. The sectors that contributed to this growth include tourism, telecommunications, energy, construction and manufacturing. The average annual overall inflation rate increased to 14.5% during the year owing to increased food and fuel prices. The year saw a significant decline in interest rates with the benchmark 91 day treasury bill rate dropping from 8% to 5.7% as at December 2006. During the year, the shilling recorded mixed reactions against the major currencies; strengthening against the dollar and the yen while depreciating against the sterling pound and euro to close at KShs 69.63, KShs 59.47, KShs 136.79, and KShs 92.03 respectively. The year saw a lot of activity in the capital market driven by excitement created by initial public offers and excess liquidity in the market. The NSE 20-share index closed the year at 5646 points, up from 3973 as at December 2005, a 42% appreciation.

Given the favourable macroeconomic conditions, the banking sector remained stable with improvements noted in asset quality measured as a ratio of net non performing loans and advances to gross loans and advances which declined from 27.1% to 22.4% by the third quarter of 2006. Total assets grew by 18.4% from KShs 641.2 billion in 2005 to KShs 759.3 billion in 2006. Net loans and advances grew from KShs 329.9 billion to KShs 380.9 billion. There was a significant increase in lending to private households, transport and communications, building and construction and manufacturing sectors of the economy. Deposit liabilities including accrued interest grew by 24% from KShs 510.8 billion to close at KShs 620.3 billion driven by external donor flows, remittances by Kenyans living abroad and earnings from tourism and the agricultural sector. The industry maintained a liquidity ratio of 43.3% well above the statutory 20% ratio. The overall profitability of the sector improved during the year with the annualised return on assets improving from 2.4% in 2005 to 2.8% in 2006.

## PERFORMANCE OF THE BANK

It is within this environment that the results of the Bank upto December 2006 show continued growth in all parameters coupled with improved efficiency. Pre-tax profits increased from KShs 501 million to KShs 1.1 billion, an impressive growth of 120%. Our total assets grew by 75% from KShs 11.5 billion to KShs 20 billion. The results are a testament to the fact that the Bank's expansion strategy is bearing fruit and we can therefore expect more during the current financial year. I take this opportunity to congratulate the management and staff for a job well done and our customers for their continued support and advocacy.

## LISTING AT THE NSE

The Bank was listed at the Nairobi Stock Exchange (NSE) on 7th August, 2006. This was a momentous occasion as your Bank was the first microfinance bank to be listed on the stock exchange in both Kenya and the African continent. The Bank's shares continue to do well at the NSE closing at an average price of KShs 139 per share

*"It also gives me a lot of pride to inform you that the Bank has not only become one of the very few to cross the KShs 1 billion mark in terms of pre-tax profit, but is now home to over 1 million customers; making us the leading Bank in terms of customer numbers".*

and market capitalization of KShs 12.6 billion by the end of the year. We are confident that as our presence in the market continues to be felt the share price will reflect the true shareholder value.

## DIVIDEND AND BONUS ISSUE

The Board is recommending a dividend of KShs 2 per share for the year and the issue of a bonus of two shares for every one held subject to approval of the shareholders and the Capital Markets Authority. This we believe is consistent with the need to retain adequate capital to meet the Bank's expansion requirements as outlined in the Strategic Plan.

## GOVERNANCE AND SOCIAL RESPONSIBILITY

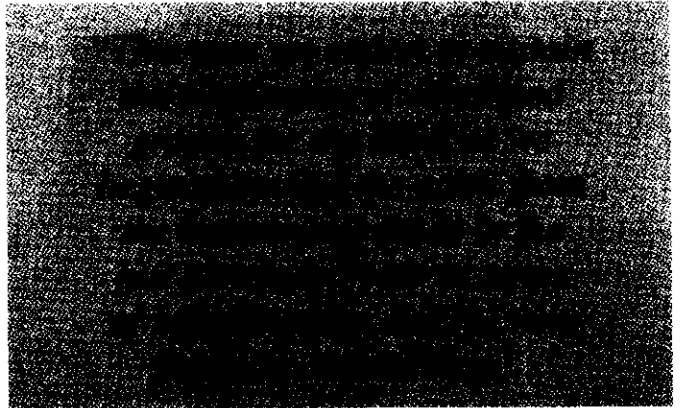
Separate statements on Corporate Governance and Social Responsibility are contained elsewhere in this report. I would however, like to bring to your attention some changes in the composition of the Board; Ms. Wanjiku Mugane ceased to be a director effective 14th July 2006, while Mr Peter Gachuba was re-elected as a director with Wagane Diouf as his alternate. Both Peter Gachuba and Wagane Diouf represent Africap in Eastern & Southern Africa. I wish to register the Board's appreciation of Ms. Wanjiku's contribution and to wish her well in her other endeavours.

As has been mentioned above, the past year has not only been one of rapid growth and many firsts for the Bank, but also challenges, and it is on that note that I wish to recognise my fellow Board members for their resourcefulness and dedication in steering the Bank forward.

On the social responsibility front, the Bank continued its commitment of ensuring that it contributes in a meaningful way to developments within the community. It is with this objective that the Bank continued with its support of the pre-university internship programme, lighting up Nairobi Streets in partnership with Adopt-a-Light, taking banking services to our people through the mobile vans and enhancing financial literacy in the rural areas. It is also worthy to note that your Bank was recognized as a good corporate citizen by the Kenya Revenue Authority (KRA) for being amongst the largest tax payers in the country.

## FUTURE OUTLOOK

The economic outlook for 2007 is promising despite the fact that this is an election year. Indications are that the existing macroeconomic conditions will continue to prevail and therefore inflationary pressures, interest rates and exchange rates will remain stable. This positive outlook assumes that the weather conditions will remain favourable in the year and that potentially high and volatile prices of crude oil will not significantly disrupt the economy.



As I mentioned last year, we have invested significantly in information communication technology platform and the implementation of related projects is nearing completion. As we speak, there are 109 ATMs already deployed around the country and more are expected. This initiative is one of many aimed at increasing access to financial services and responding to the changing customer needs. The development of what we are referring to as the "alternate delivery channels" is a stepping block in facilitating the roll out of new products and services. Already customers can sign up to SMS Banking, and Internet Banking which essentially is "banking on your finger tips". This year we expect to sustain the momentum of continued growth for the Bank as we begin to realise the gains from the investments made in the just concluded year in terms of infrastructure and the new products and services. We shall focus on delighting our customers with our quality of service and enhanced client relationship management. As always, we will endeavour to make banking services affordable and accessible to the vast majority of Kenyans.

## CONCLUSION

I now take this opportunity on behalf of the Board, to say THANK YOU to all our customers, staff and our development partners who contributed to making the year 2006 another successful year for the Bank. I also take this opportunity to recognize the contribution from the Government, and the Central Bank of Kenya in particular for creating an enabling environment. I trust that all of you will continue supporting our endeavour to achieving our vision of "being the preferred microfinance services provider". We invite you to continue sharing in our dream.

**P. K. Munga**  
Chairman



Peter K. Munga - MWENYEKITI

## UTANGULIZI

Nina furaha kuu kuwasilisha ripoti ya kila mwaka ya Benki kwa mwaka wa 2006. Ninafuraha haswa kusema kwamba kwa mara nyingine Benki yenu ilipiga hatua kubwa wakati wa kipindi cha mwaka huo kwa kuorodheshwa katika soko la uuzaji hisa la Nairobi mnamo mwezi Agosti mwaka wa 2006. Pia najivunia kuwafahamisha kwamba Benki hii sio tu mojawapo ya chache ambazo zimeafikia kiwango cha shilingi bilioni 1 katika faida kabla ya kutozwa ushuru, lakini pia ina wateja zaidi ya milioni moja; na kutufanya kuwa Benki inayoongoza kwa kuwa na idadi kubwa ya wateja.

## MAZINGIRA YA UENDESHAJI SHUGHULI

Ishara zote zinadhihirisha kwamba uchumi ulikuwa bora katika mwaka wa matumizi ya fedha uliomalizika hivi punde huku makadirio ya mwanzo ya Benki Kuu yakionyesha kwamba kiwango cha ukuaji kilikaribia aslimia 6%. Sekta ambazo zilichangia ukuaji huu ni pamoja na utalii, mawasiliano ya simu, kawi, ujenzi na utengenezaji bidhaa. Kiwango cha kadri cha ongezeko la gharama ya maisha kiliongezeka na kufikia aslimia 14.5% katika nusu ya pili ya mwaka kutokana na kuongezeka kwa bei za vyakula na kawi. Katika mwaka huo, viwango vya riba vilipungua huku viwango vya hati za dhamana za siku 91 vikipungua kutoka aslimia 8% hadi 5.7% kufikia mwezi Disemba 2006. Wakati wa mwaka huo, shilingi ya Kenya ilibadilishwa kwa viwango tofauti dhidi ya sarafu muhimu za kimataifa; ikiimarika dhidi ya dola na yen na kupungua thamani dhidi ya pauni na euro na kufikia KShs 69.63, KShs 59.47, KShs 139.79, na KShs 92.03 mtawalia. Mwaka huo ulikuwa na shughuli nyingi katika Halmashauri ya masoko ya hisa kutokana na hali ya msisimko uliotokana na kuuzwa kwa hisa kwa umma kwa mara ya kwanza na kampuni kadha wa kadha na kuwepo pesa taslimu za ziada katika soko. Kiwango cha hisa za kampuni 20 bora katika soko

la hisa la Nairobi kilifunga mwaka kwa alama 5646 ikilinganishwa na 3973 mnamo mwezi Disemba 2005 na kudhihirisha ongezeko la aslimia 42%. Kutokana na hali bora ya uchumi, sekta ya benki ilibakia thabiti huku ubora wa rasimali ukiimarika kwa kuzingatia ukadiriaji wa kiwango cha mikopo isiyokuwa na faida ikilinganishwa na jumla ya mikopo yote ambacho kilipungua kutoka aslimia 27.1% hadi 22.4% kufikia Disemba 2006. Jumla ya rasimali ilikua kwa aslimia 18.4% kutoka shilingi bilioni 641.2 mwaka wa 2005 hadi shilingi bilioni 759.3 mwaka wa 2006. Kiwango cha ukopeshaji kilikua kutoka shilingi bilioni 329.9 hadi bilioni 380.9. Kulikuwa na ongezeko la kiwango kikubwa katika ukopeshaji kwa wateja binafsi, sekta za uchukuzi na mawasiliano, ujenzi na utengenezaji bidhaa. Gharama ya akiba ikiwa ni pamoja na riba ilikua kwa aslimia 24% kutoka shilingi bilioni 510.8 na kufikia shilingi bilioni 620.3 kutokana na ufadhili kutoka nje, fedha zinazotolewa na Wakenya wanaoishi ng'ambo na mapato kutoka kwa sekta za utalii na kilimo. Sekta ya benki ilidumisha kiwango cha pesa taslimu cha aslimia 43% kikiwa cha juu kuliko kile kinachohitajika cha aslimia 20%. Jumla ya faida katika sekta hiyo iliimarika katika kipindi cha mwaka huo huku mapato ya rasimali ya mwaka yakiimarika kutoka aslimia 2.4% mwaka wa 2005 hadi aslimia 2.8% mwaka wa 2006.

## UTENDAJI WA BENKI

Ni katika mazingira haya ambapo matokeo ya Benki hadi Disemba 2006 yanaonyesha kuendelea kwa ukuaji katika nyanja zote ikiwa ni pamoja na kuimarika kwa utendaji kazi. Faida kabla ya kutozwa ushuru iliongezeka kutoka shilingi milioni 501 hadi shilingi bilioni 1.1, sawa na ukuaji wa juu wa aslimia 120%. Jumla ya rasimali zetu ilikua kwa aslimia 75% kutoka shilingi bilioni 11.5 na kufikia shilingi bilioni 20.0. Matokeo hayo ni ushahidi wa ukweli kwamba mpango wa upanuzi wa Benki hii unapata ufanisi na hivyo basi tunaweza kutarajia mafanikio zaidi wakati wa kipindi cha mwaka huu cha matumizi ya fedha. Ninachukua fursa hii kuwapongeza wasimamizi na wafanyakazi kwa kazi yao nzuri na wateja kwa kuendelea kutuunga mkono.

*Pia najivunia kuwafahamisha kwamba Benki hii sio tu mojawapo ya chache ambazo zimeafikia kiwango cha shilingi bilioni 1 katika faida kabla ya kutozwa ushuru, lakini pia ina wateja zaidi ya milioni moja; na kutufanya kuwa Benki inayoongoza kwa kuwa na idadi kubwa ya wateja.*



## KUORODHESHA KATIKA SOKO LA HISA

Benki iliorodheshwa katika soko la hisa la Nairobi tarehe 7 Mwezi Agosti 2006. Hili lilikuwa tukio muhimu kwa sababu benki yenu ilikuwa benki ya kwanza inayokopesha wafanyibiashara ndogondogo kuorodheshwa katika soko la hisa nchini Kenya na katika bara la Afrika. Hisa za benki ziliendelea kupata matokeo bora katika soko la hisa la Nairobi ambapo bei ya hisa ilifikia kiwango cha wastani cha shilingi 139 kwa kila hisa na mtaji wa soko kufikia shilingi bilioni 12.6. Tuna imani kwamba huku tukienenda kufanikiwa katika soko la hisa bei ya hisa itadhihirisha thamani halisi ya wenyehisa.

## MGAO WA FAIDA

Halmashauri imependekezwa mgao wa faida wa shilingi 2 kwa kila hisa kwa mwaka huo na kutolewa kwa hisa mbili kwa kila moja inayomilikiwa ikikubaliwa na wenyehisa na Halmashauri ya masoko ya hisa. Tunaamini kuwa hii inaambatana na haja ya kuhifadhi mtaji wa kutosha kutimiza mahitaji ya upanuzi ya Benki kama ilivyofafanuliwa katika mpango wa mikakati.

## USIMAMIZI NA JUKUMU KWA JAMII

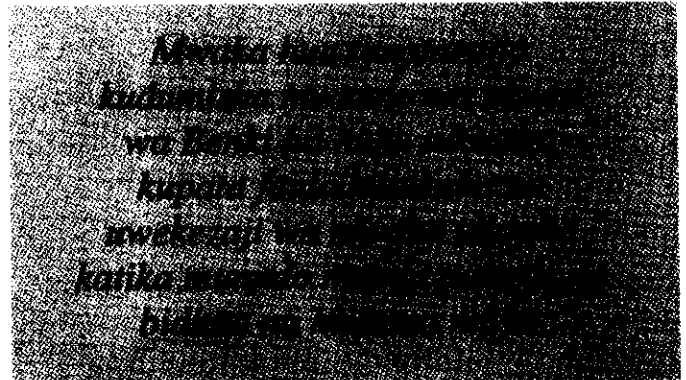
Taarifa tofauti kuhusu usimamizi na jukumu kwa jamii zimechapishwa kwingineko katika ripoti hii. Hata hivyo ningependa kuwafahamisha kuhusu mabadiliko kadhaa katika Halmashauri; Bi. Wanjiku Mugane alistaafu kuanzia tarehe 14 Julai 2006, ilhali Bw. Peter Gachuba alichaguliwa upya kama mkurugenzi naye Wagane Diouf kama mkurugenzi badalia. Peter Gachuba na Wagane Diouf wanawakilisha Africap katika eneo la Mashariki na Kusini kwa Afrika. Kwa niaba ya Halmashauri ya wakurugenzi ningependa kumshukuru Wanjiku kwa mchango wake na kumtakia kila la kheri katika lolote afanyalo.

Kama ilivyotajwa awali, mwaka uliopita haukuwa tu wenye ukuaji wa haraka na mambo mengi mapya kwa Benki lakini ulikuwa pia wenye changamoto na ni kwa sababu hiyo ambapo ningependa kushukuru wanachama wenzangu wa Halmashauri kwa kujitolea kwao kuifanikisha Benki hii.

Kwa upande wa jukumu kwa jamii Benki iliendelea kujitolea kuhakikisha kwamba inatoa mchango wenye maana kwa maendeleo katika jamii. Ni katika kutimiza lengo hili ambapo Benki iliendelea na mpango wake wa kutoa fursa kwa wanafunzi kujifunza kazi kabla ya kujiunga na vyuo vikuu. Ni vyema pia kujua kwamba benki yenu ilitambuliwa kama shirika bora na halmashauri ya ukusanyaji ushuru nchini (KRA) kwa kuwa miongoni mwa kampuni zinazotoa kiwango kikubwa cha ushuru.

## HALI YA SIKU ZIJAZO

Hali ya kiuchumi ya mwaka wa 2007 ina matumaini licha ya kwamba ni mwaka wa uchaguzi. Dalili zinaonyesha kwamba hali ya kiuchumi iliyoko ya mashirika makubwa itaendelea na hapo baadaye shinikizo za kupanda kwa gharama ya maisha, viwango



vya riba na viwango vya ubadilishanaji fedha vitakuwa thabiti. Hali hii ya matumaini inachukulia kwamba hali ya hewa itakuwa bora katika mwaka huu na bei zinazobadilika badilika za mafuta ambayo hayajasafishwa hazitaathiri uchumi kwa kiwango kikubwa.

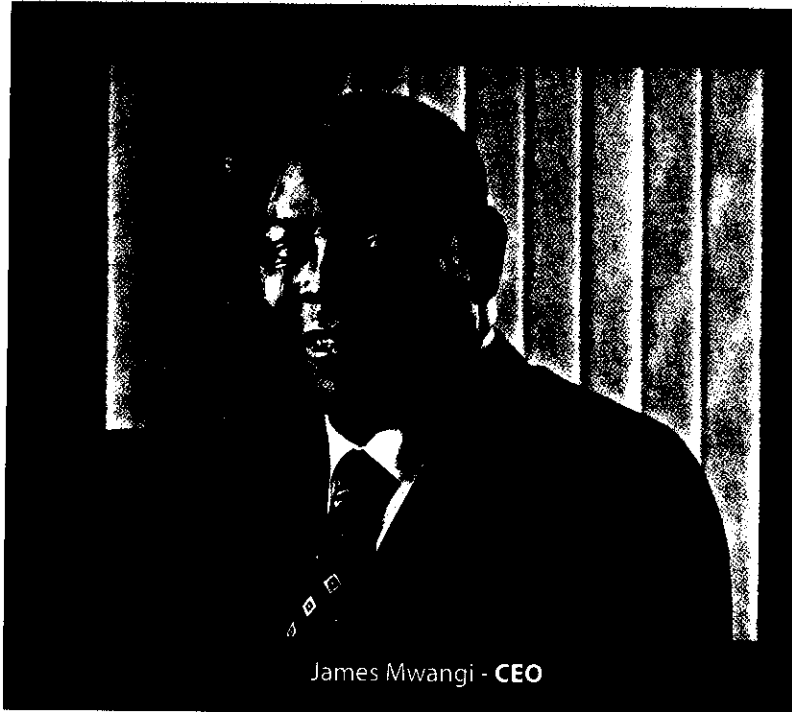
Kama nilivyosema mwaka jana, tumewekeza kiasi kikubwa katika tekinolojia ya habari na utekelezaji wa miradi inayohusiana unakaribia kukamilika. Tunapongea sasa kuna mitambo 109 ya ATM iliyowekwa sehemu mbalimbali nchini na mingine zaidi inatarajiwa. Mradi huu ni mojawapo ya mipango inayonuiwa kufanya huduma za kifedha kufikiwa kwa haraka na pia kutimiza mahitaji yanayobadilika ya wateja. Kustawishwa kwa kile tunachokiita njia badalia za kutoa huduma yaani, "alternate delivery channels" ni hatua ya kurahisisha kuanzishwa kwa bidhaa na huduma mpya. Tayari wateja wanaweza kujiandikisha kutumia huduma ya ujumbe mfupi SMS, na mtandao ambazo zinarahisisha kabisa shughuli ya benki. Mwaka huu tunatarajia kudumisha mwendo wa ukuaji wa Benki hii huku tukianza kupata faida kutokana na uwekezaji wa mwaka uliopita katika muundo msingi pamoja na bidhaa na huduma mpya. Kama ilivyo nyakati zote, tutazingatia kuwaridhisha wateja wetu kwa ubora wa huduma zetu na usimamizi bora zaidi wa uhusiano baina yetu na wateja wetu.

## HITIMISHO

Na sasa nachukua fursa hii kwa niaba ya Halmashauri ya wakurugenzi, KUWASHUKU wateja wetu wote, wafanyikazi na washirika wetu wa maendeleo ambao walichangia kuufanya mwaka wa 2006 kuwa mwaka mwingine wenye mafanikio kwa Benki. Kadhalika nachukua nafasi hii kutambua na kupongeza mchango kutoka kwa serikali, na haswa Benki kuu kwa kubuni mazingira bora. Pia ninaamini kwamba nyote mtaendelea kuunga mkono juhudi zetu za kuafikia lengo letu la kuwa "mtoaji huduma za kifedha anayependwa zaidi". Tunawaalika muendeleo kushirikiana nasi katika kutimiza ndoto yetu.

**P.K. Munga**  
Mwenyekiti

# CEO's Statement



James Mwangi - CEO

I am pleased to present to you the financial highlights of your Bank's performance for the year ended 31st December 2006, and the plans and expectations for the coming year.

## FINANCIAL REVIEW

The Bank posted a pre-tax profit of KShs 1.1 billion in 2006, representing 120% growth compared to KShs 501 million in 2005. This was achieved on the back of the growth in the economy, a growing and loyal customer base of over 1 million customers, increased transaction volumes, improvement in asset quality and an overall improvement in efficiency.

Total operating income grew by 87% to close at KShs 3.4 billion compared to KShs 1.8 billion in 2005. The increase in operating income was largely attributable to growth in non-interest income which almost doubled from KShs 937 million in 2005 to close at KShs 1.9 billion. The income received from commissions and fees contributed 55% of total operating income. Interest income also grew by 72% accounting for 45% of total operating income and was consistent with both an increase in loans and advances to customers, as well as increase in earnings from investments. Interest expense grew by 54% to close at KShs 127 million resulting in net interest income of KShs 1.5 billion.

To achieve the above results, the Bank's total overhead expenses increased by 74% from KShs 1.3 billion in 2005 to stand at KShs 2.3 billion. This increase was expected, and is in line with the expansion of the Bank's infrastructure and capacity that included the opening of 10 new branches and recruitment of 510 employees. Additionally, there was the impact of depreciation charge on the new core

banking software, hardware and ATMs acquired the previous year. However, despite the increase, the Bank's total cost-to-income ratio declined from 72% in 2005 to 67% in 2006 suggesting an improvement in efficiency.

The Bank closed the year with total assets of KShs 20 billion up from KShs 11.5 billion in 2005 representing a 75% growth. Gross loans and advances accounted for the biggest share closing at KShs 11.4 billion up from KShs 5.9 billion an increase of 93% driven by enhanced lending to the Micro, Small & Medium Enterprises (SME) and consumer sectors. Despite the significant growth, the quality of the loan book as represented by the ratio of non-performing loans and advances to gross loans and advances improved from 10% as at December 2005 to 5% as at December 2006. The investment in government securities accounted for 8% of the total assets closing at KShs 1.7 billion, while placements with other banking institutions closed at KShs 2 billion accounting for 10% of the total assets. The investment in fixed assets also grew on account of the continued investment in technology and bank infrastructure.

On the liabilities side, customer deposits (including accrued interest) increased by 81%, once again underlining the Bank's strength in deposit mobilization. Towards the end of the year, the Bank managed to secure a term loan of USD 7 million repayable in 3 years which is intended to diversify the funding structure of the Bank. Other liabilities including tax payable made up only 5% of total liabilities. Total shareholders funds increased by 38% to close at KShs 2.2 billion up from KShs 1.6 billion in 2005 and constituted 11% of total liabilities and shareholders' funds.

## OPERATIONS REVIEW

The past year was challenging in that we undertook the second phase of the implementation of the core banking system that included set-up and integration of the Finacle treasury module, the ATM switch and other related auxiliary systems. During the year, we also opened 10 new branches and commissioned 109 ATMs as part of the strategic expansion plan targeting regional expansion and roll-out of the alternate delivery channels. We also undertook a key project described as ABPR or "Application Business Process Re-engineering". It was aimed at reviewing and aligning the existing operational policies and procedures due to the inevitable change in

*"The Bank posted a pre-tax profit of KShs 1.1 billion in 2006, representing 120% growth compared to KShs 501 million in 2005."*

processes that arises from a change of the IT software. We were also able to deploy and launch the ATM services using both the ATM at branch and the unique "AutoBranch" concept. It is worthy to note that this new channel is now handling over 57% of the Banks cash transactions, with the volume expected to grow as more and more customers acquire their ATM cards. The impact of the existing IT infrastructure has made us a truly branchless Bank. It is also expected that this strategy will assist in promoting the Bank's high volume-low margins business model which has proved to be successful and drastically reduced congestion levels in the branches.

**BUSINESS DEVELOPMENT**

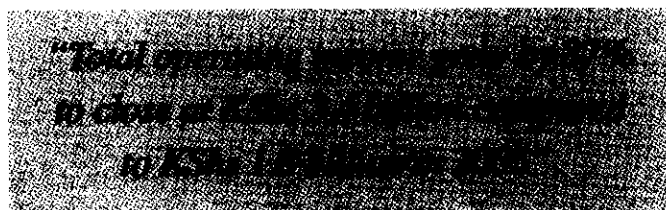
As highlighted by the Chairman, the listing of the Bank in the main investment market segment was a significant milestone in the development of our business. The share price has remained reasonably stable since commencement of trading closing at KShs 139 per share at the end of the year with a market capitalization of KShs 12.6 billion up from an introductory price and market capitalization of KShs 70 and KShs 6.3 billion respectively. The listing serves to open the various opportunities available in the capital market and we are confident that shareholders will be able to derive value from their investment.

The year was also significant in that it saw an increase in customer numbers with over 450,000 new customers joining the Bank to close with a total client base of 1,014,474 customers (32% of the total bank accounts in the market). I believe that this is testament of the fact that a huge number of customers place value on our services and we shall endeavour to ensure that we continue to deliver timely and quality service. In line with the growth of our branch network and customer base, our staff compliment increased from 884 at the beginning of the year to close at 1394. In recognition of the fact that customer service is increasingly becoming the key driver in the industry, the Bank did recruit among the new staff a team of relationship managers who are expected to foster closer relations with our customers, in addition to driving the acquisition of more business.

During the year, as part of our continuous effort to deliver innovative financial services to our customers, we launched some new products and services that included SMS & Internet banking and M-banking. It is our aim to ensure that these new products and services will go a long way in meeting the needs of our diversified client base, who have also become more discerning in what they expect from us. The Bank expects to also enhance the product and services offering through continuous research and innovation.

**HUMAN CAPITAL**

It is in our interest to continue investing in the development of our human capital as a prerequisite to meeting expectations of our employees and customers. Consequently, we continued to offer



various groups of our employees training opportunities to learn new skills and develop careers, locally and abroad. All employees also undergo an annual performance appraisal, which includes identification of training and development needs.

In addition, our commitment to provide them with competitive working conditions remained a cardinal tenet of our corporate policy. Apart from salary our employees enjoy medical care and membership to a pension scheme in addition to various other benefits, where applicable. The Bank has also established an Employee Share Ownership Programme (ESOP) through which employees are able to own shares in the Bank.

**FUTURE OUTLOOK**

Going forward, we intend to continue with the planned expansion strategy that should see an increase in out-reach nationwide; development and implementation of additional delivery channels and points of sale, in addition to creating an eco-system of inclusive financial services. To support the growth strategy, the Bank will continue to invest in technology optimization to meet the new market needs and challenges in addition to investing in the requisite internal capacity in terms of human resources, not only to deliver the products and services, but also to manage the Bank into posterity. Further, we will strive to ensure enhanced efficiency and effectiveness in our operations so as to maintain high quality customer service standards.

**CONCLUSION**

Last year was a year of remarkable achievements for the Bank, and I believe a significant stride was made towards fulfilling our African dream. I take this opportunity to thank the Board of Directors under the able leadership of the Chairman, our customers, staff, development partners and other stakeholders who contributed towards these great achievements. I am confident that your Bank is well positioned to continue performing well in what we believe will be an increasingly competitive market place.

**James Mwangi**  
CEO

# Taarifa ya Afisa Mkuu Mtendaji



James Mwangi - MKURUGENZI MKUU

Ninafuraha kuangazia utekelezaji wa kifedha wa benki yenu kwa mwaka wa 2006, na mipango na matarajio ya mwaka ujao.

## MAREJELEO YA KIFEDHA

Benki ilipata faida ya shilingi bilioni 1.1 kabla ya kutozwa ushuru mwaka wa 2006, ukuaji huo uliwakilisha aslimia 120 ikilinganishwa na shilingi milioni 501 mwaka wa 2005. Haya yaliafikiwa kutokana na ukuaji wa uchumi, ongezeko la idadi ya wateja waaminifu, kuongezeka kwa idadi ya biashara, kuimarika kwa ubora wa rasimali na kuimarika kwa utekelezaji kazi kwa ujumla.

Jumla ya mapato ya uendeshaji shughuli iliongezeka kwa aslimia 87 na kufikia shilingi bilioni 3.4 ikilinganishwa na shilingi bilioni 1.8 mnamo mwaka wa 2005. Ongezeko katika mapato ya uendeshaji shughuli ulitokana kwa kiasi kikubwa na ukuaji katika mapato yasiyokuwa na riba ambayo yaliongezeka mara dufu kutoka shilingi milioni 937 mwaka wa 2005 hadi kufikia shilingi bilioni 1.9. Mapato yaliyotokana na ada zinazotowza yalichangia aslimia 55 ya jumla ya mapato ya uendeshaji shughuli. Mapato ya riba pia yalikua kwa aslimia 72 na kuchangia aslimia 45 ya jumla ya mapato ya uendeshaji shughuli na hii iliambatana na ongezeko katika mikopo kwa wateja, na pia mapato kutokana na uwekezaji. Gharama ya riba ilikua kwa aslimia 54 na kufikia shilingi milioni 127 na kuleta mapato ya riba ya shilingi bilioni 1.5 baada ya gharama.

Ili kuafikia matokeo hayo, jumla ya gharama za matumizi ya benki ziliongezeka kwa aslimia 74 kutoka shilingi bilioni 1.3 mwaka wa 2005 na kufikia shilingi bilioni 2.3. Ongezeko hilo lilitarajiwa na linaambatana na upanuzi wa muundo msingi na uwezo wa benki hii ambao ulijumuisha kufunguliwa kwa matawi mapya kumi na kuajiriwa kwa wafanyakazi 510. Isitoshe, kulikuwa na athari ya malipo ya mitambo muhimu mipya ya benki, tarakilishi na mitambo ya ATM

iliyonunuliwa mwaka uliotangulia. Hata hivyo, licha ya ongezeko hilo, gharama ya jumla ya benki ikilinganishwa na mapato ilipungua kutoka aslimia 72 mwaka wa 2005 hadi aslimia 67 mwaka wa 2006 hii ikidhihirisha kuimarika kwa utendaji kazi.

Benki ilifunga mwaka ikiwa na rasimali za jumla ya shilingi bilioni 20 kutoka shilingi bilioni 11.5 mwaka wa 2005 na kuwakilisha ukuaji wa aslimia 75. Jumla ya mikopo ilichukua sehemu kubwa na kufikia shilingi bilioni 11.4 kutoka shilingi bilioni 5.9 hili likiwa ongezeko la aslimia 93 ambalo lilitokana na kuimarishwa kwa utoaji mikopo kwa biashara ndogo ndogo na za kadri na sekta ya watumizi binafsi. Uwekezaji katika dhamana za serikali ulikuwa aslimia 8 ya jumla ya rasimali na kufikia shilingi bilioni 1.7 na akiba katika kampuni za kifedha ilifikia shilingi bilioni 2 ambazo ni sawa na aslimia 10 ya jumla ya rasimali. Uwekezaji katika rasimali za kudumu ulikua kutokana na uwekezaji katika teknolojia na muundo msingi wa benki.

Katika upande wa gharama, akiba za wateja (ikiwa ni pamoja na faida) ziliongezeka kwa aslimia 81; na kwa mara nyingine kudhihirisha uwezo wa benki katika ukusanyaji akiba. Kufikia mwisho wa mwaka benki ilifanikiwa kupata mikopo wa dola milioni 7 za marekani (shilingi milioni 455) utakaolipwa katika kipindi cha miaka mitatu ambao unadhamiriwa kuimarisha mfumo wa utoaji fedha wa benki. Gharama nyingine ikiwa ni pamoja na ushuru unaopaswa kulipwa zilikuwa aslimia 5 ya jumla ya gharama. Jumla ya fedha za wanahisa ziliongezeka kwa aslimia 38 na kufikia shilingi bilioni 2.2 kutoka shilingi 1.6 mwaka wa 2005 na kujumuisha aslimia 11 ya jumla ya gharama na fedha za wanahisa.

## MAREJELEO YA UENDESHAJI SHUGHULI

Mwaka uliopita ulikuwa na changamoto nyingi kwa sababu tulitekeleza awamu ya pili ya mfumo muhimu wa shughuli za benki ambao ulijumuisha kuanzishwa kwa teknolojia mpya na mifumo mingine inayohusiana. Mnamo mwaka huo pia tulifungua matawi 10 mapya na kuanzisha matumizi ya mitambo 109 ya ATM kama sehemu ya mpango madhubuti wa upanuzi uliolenga upanuzi wa maeneo. Kadhalika tulitekeleza mradi muhimu ulioelezewa kama harakati za kuimarisha biashara "Application Business Process Re-engineering" (ABPR) ambao ulinuiwa kuchunguza upya na kusawazisha sera zilizopo za uendeshaji shughuli na taratibu kutokana na mabadiliko yasiyoweza kuepukika yanayotokana na kubadilisha mfumo wa teknolojia ya habari. Tulifanikiwa pia

*Benki ilipata faida ya shilingi bilioni 1.1 kabla ya kutozwa ushuru mwaka wa 2006, ukuaji huo uliwakilisha aslimia 120 ikilinganishwa na shilingi milioni 501 mwaka wa 2005.*

kuzindua huduma za mitambo ya ATM kwa kutumia mitambo katika tawi na pia dhana ya "Autobranch". Ni muhimu kufahamu kwamba mfumo huu mpya sasa unashughulikia zaidi ya aslimia 57 ya shughuli zote za pesa taslimu za benki, huku viwango hivyo vikitarajiwa kukua huku wateja zaidi wakiendelea kupata kadi zao za ATM. Muundo msingi wa teknolojia uliopo kwa wakati huu umetufanya kuwa benki isiyokuwa na vikwazo vya matawi. Kadhalika inatarajiwa kwamba mbinu hii itasaidia kuendeleza mfumo wa biashara ya kiasi kikubwa kwa riba ya chini ambao umedhihirika kuwa na ufanisi.

## MAENDELEO YA BIASHARA

Kama ilivyoangaziwa na Mwenyekiti, kuorodheshwa kwa benki hii katika soko la hisa kulikuwa hatua muhimu katika ustawishaji biashara yetu. Bei ya hisa iliendelea kuwa thabiti tangu kuanza kwa uuzaji na kuuzwa kwa shilingi 139 kwa kila hisa kufikia mwisho wa mwaka na mtaji wa soko wa shilingi bilioni 12.6 kutoka bei ya mwanzo ya shilingi 70 na mtaji wa soko wa shilingi bilioni 6.3. Kuorodheshwa kwa hisa kunafungua nafasi zilizoko katika soko la hisa. Tuna imani kwamba wenyehisa wataweza kufaidika kutokana na uwekezaji wao.

Mwaka huo ulikuwa muhimu pia kwa sababu ulidhihirisha ongezeko la idadi ya wateja huku zaidi ya wateja wapya 450,000 wakijiunga na benki hii na kuifanya idadi ya wateja kufikia 1,014,474 (aslimia 32 ya jumla ya akaunti za benki kwenye soko). Ninaamini kuwa huu ni ushahidi wa ukweli kwamba wateja wengi wanathamini huduma zetu na tutaendelea kujitahidi kuhakikisha kwamba tunaendelea kutoa huduma bora kwa wakati ufaao. Kulingana na ukuaji wa mtandao wa matawi yetu na idadi ya wateja, wafanyikazi wetu waliongezeka kutoka 884 mwanzoni mwa mwaka na kufikia 1394. Kutokana na kutambua jukumu linalotekelezwa na uhusiano bora na wateja katika sekta hii, miongoni mwa wengine, benki iliajiri kundi la mameneja wa uhusiano bora ambao wanatarajiwa kuimarisha uhusiano na wateja wetu mbali na kuimarisha upatikanaji wa biashara zaidi.

Katika kipindi cha mwaka huo, kama sehemu ya juhudi zetu za kutoa huduma za kisasa za kifedha kwa wateja wetu, tulianzisha baadhi ya bidhaa mpya na huduma ambazo ni pamoja na ujumbe mfupi yaani SMS na shughuli za benki kwa njia ya mtandao, huduma ya kuhamisha pesa yaani Equi-moneyline. Ni lengo letu kuhakikisha kuwa bidhaa hizi mpya na huduma zinaafikia mahitaji ya wateja wetu mbalimbali ambao wanatambua kile wanachokihitaji kutoka kwetu. Benki pia inatarajia kuimarisha bidhaa na huduma inazotoa kupitia kuendeleza utaratibu wa utafiti na uvumbuzi.

## MTAJI WA UTENDAJI KAZI

Ni dhamira yetu kuendelea kuwekeza katika ustawishaji utendaji kazi wetu kama njia muhimu ya kutimiza matarajio ya wafanyikazi na wateja wetu. Hivyo basi, tunaendelea kutoa nafasi za mafunzo kwa wafanyikazi wetu kujifunza maarifa mapya na kuendeleza

*"Jumla ya mapato ya wendeshaji shughuli iliongezeka kwa aslimia 87 na kufika shilingi bilioni 1.8 ikilinganishwa na shilingi bilioni 1.5 mwaka mpyaka wa 2006"*

taaluma zao hapa nchini na ng'ambo. Utendaji kazi wa wafanyikazi wote pia hukadiriwa kila mwaka ikiwa ni pamoja na kutambua mahitaji yao ya mafunzo na maendeleo.

Pia, kujitolea kwetu kutoa mazingira yenye ushindani ya kufanya kazi yaliendelea kuwa wajibu muhimu wa sera ya kampuni yetu. Zaidi na mshahara, wafanyikazi wanapata huduma za matibabu pamoja na kuwa wanachama wa mpango wa hazina ya malipo ya uzeeni pamoja na pia kupata marupurupu mengine inapohitajika. Benki imeanzisha mpango wa umiliki wa hisa wa wafanyikazi, Employee Share Ownership Programme (ESOP) ambapo wafanyikazi wanaweza kumiliki hisa za benki.

## MATARAJIO YA HALI YA BAADAYE

Tunapoendelea mbele, tunanuia kuendelea na mipango ya upanuzi ambayo inadhhamiriwa kuongeza huduma za benki kote nchini kuimarisha maendeleo na utekelezaji wa njia zaidi na vituo vya utoaji huduma pamoja na kubuni mifumo madhubuti ya utoaji huduma za kifedha. Ili kuunga mkono mpango wa ukuaji Benki itaendelea kuwekeza katika teknolojia ili kutimiza mahitaji mapya ya soko na kukabiliana na changamoto pamoja na kuwekeza katika uimarishaji wa uwezo wa kampuni kwa upande wa wafanyikazi ili kuweza kutoa bidhaa na huduma bora na kufanikisha shughuli za Benki. Isitoshe, tutajitahidi kuhakikisha tunadumisha utendakazi bora na wa hali ya juu katika shughuli zetu ili kudumisha viwango bora vya hali ya juu kwa wateja wetu.

## HITIMISHO

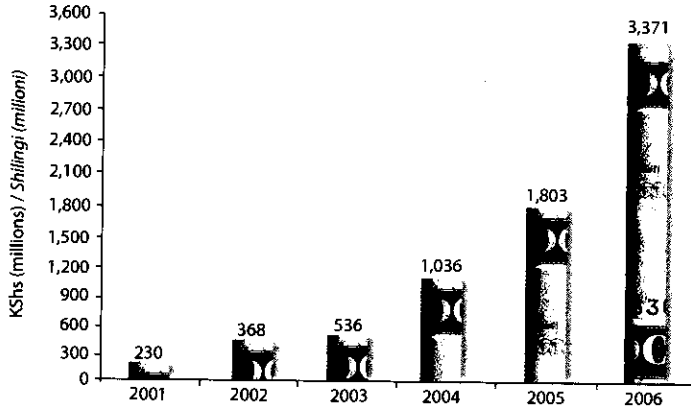
Mwaka uliopita ulikuwa mwaka wa ufanisi mkubwa kwa benki, na ninaamini ilikuwa hatua kubwa katika kutimiza ndoto yetu ya Afrika. Ningependa kuishukuru halmashauri ya wakurugenzi chini wa uongozi ya mwenyekiti, wateja wetu, wafanyikazi, washirika wa biashara, na washika dau wengine ambao walichangia ufanisi huu mkubwa. Nina imani kuwa benki yenu iko katika nafasi nzuri ya kuendelea kutenda vyema katika kile tunachoamini kitakuwa ushindani mkubwa katika soko.



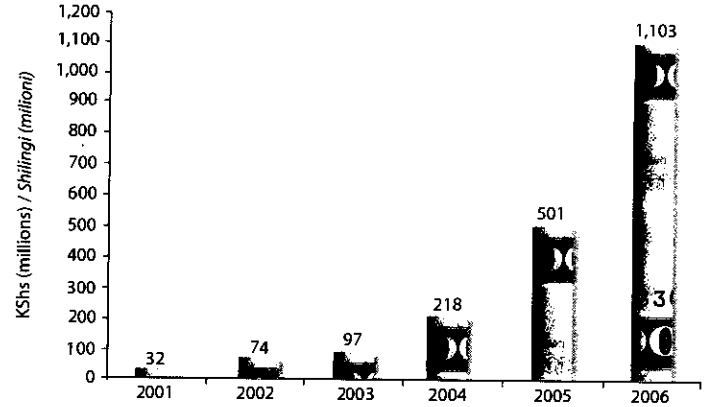
**James Mwangi**  
Afisa Mkuu Mtendaji

# Financial Highlights

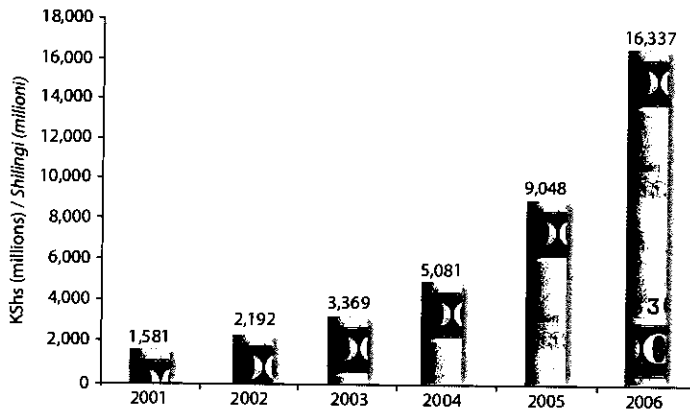
**GROWTH IN GROSS OPERATING INCOME**  
UKUAJI KATIKA FAIDA YA JUMLA YA UENDESHAJI SHUGHULI



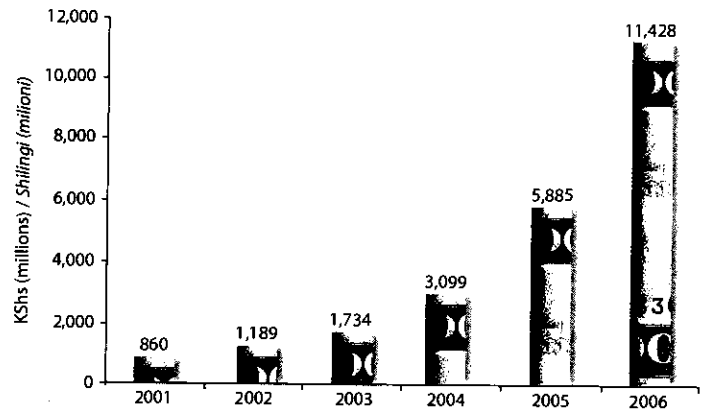
**GROWTH IN PRE-TAX PROFIT**  
UKUAJI KATIKA FAIDA KABLA YA KUTOZWA USHURU



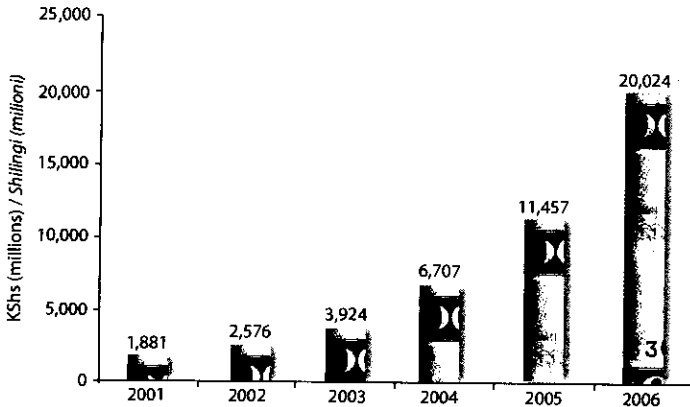
**GROWTH IN CUSTOMER DEPOSITS**  
UKUAJI KATIKA AKIBA ZA WATEJA



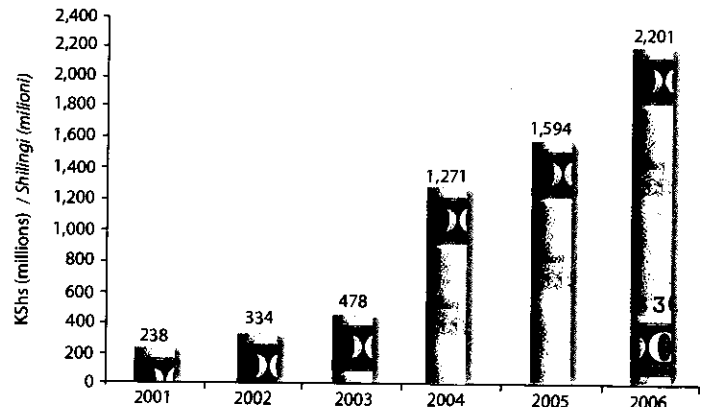
**GROWTH IN GROSS LOAN PORTFOLIO**  
UKUAJI KATIKA JUMLA YA MIKOMO



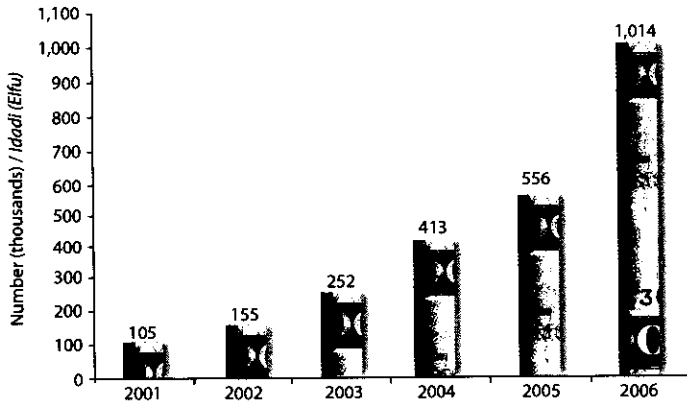
**GROWTH IN TOTAL ASSETS**  
UKUAJI KATIKA JUMLA YA RASIMALI



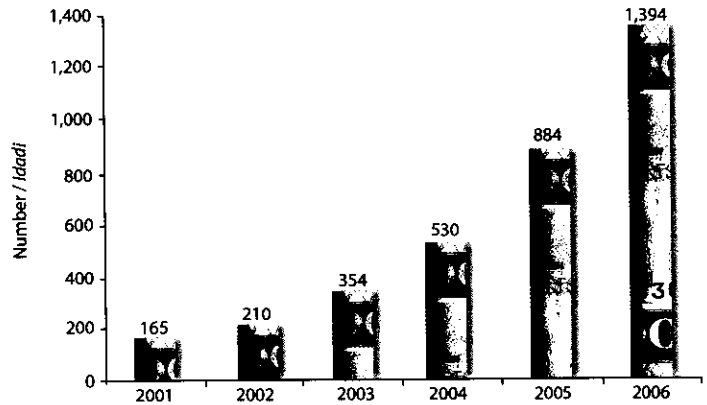
**GROWTH IN SHAREHOLDER'S FUNDS**  
UKUAJI KATIKA FEDHA ZA WENYEHISA



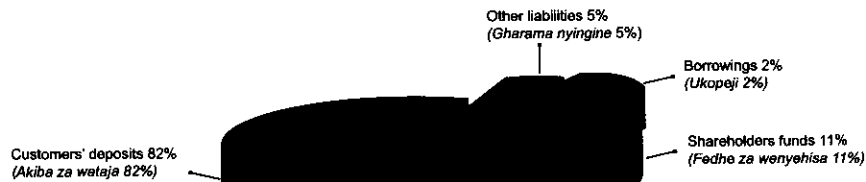
**GROWTH IN CUSTOMER NUMBERS**  
**UKUJI KATIKA IDADI YA WATEJA**



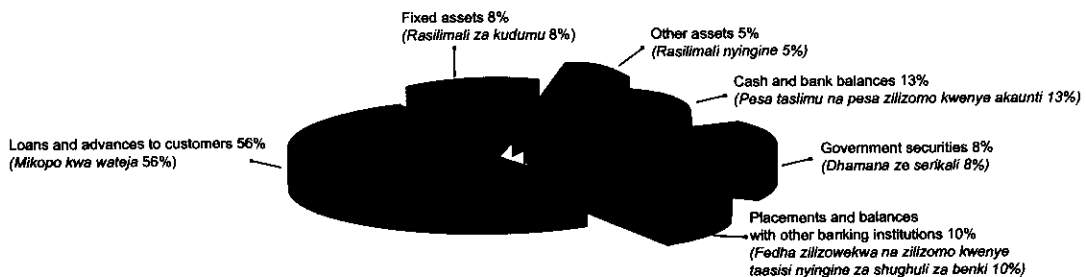
**GROWTH IN STAFF NUMBERS**  
**UKUJI KATIKA IDADI YA WAFANYIKAZI**



**DISTRIBUTION OF LIABILITIES**  
**UGAWAJI GHARAMA**



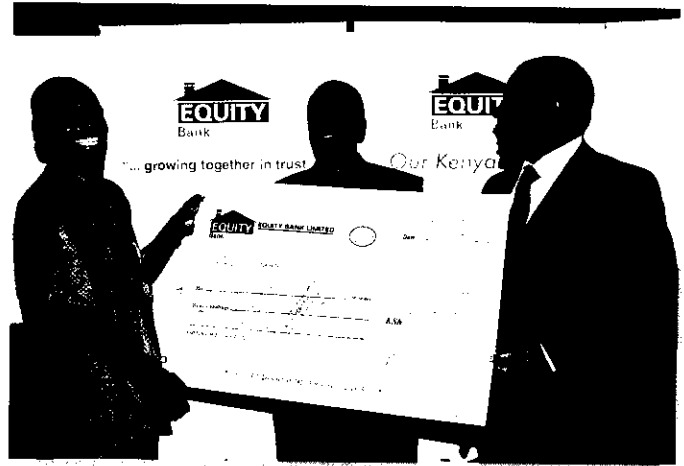
**DISTRIBUTION OF ASSETS**  
**UGAWAJI RASLIMALI**



# Key Achievements



**NSE listing:** The Chairman, Mr. P. K. Munga, rings the bell to commence the trading of Equity shares on the Nairobi Stock Exchange.



**One millionth customer:** The CEO (right) presents a token of KShs 100,000 to the one millionth customer. The joint account of Patrick Mutobera and Herbert Wanguba was opened at the Kisumu Branch on 19th December 2006.



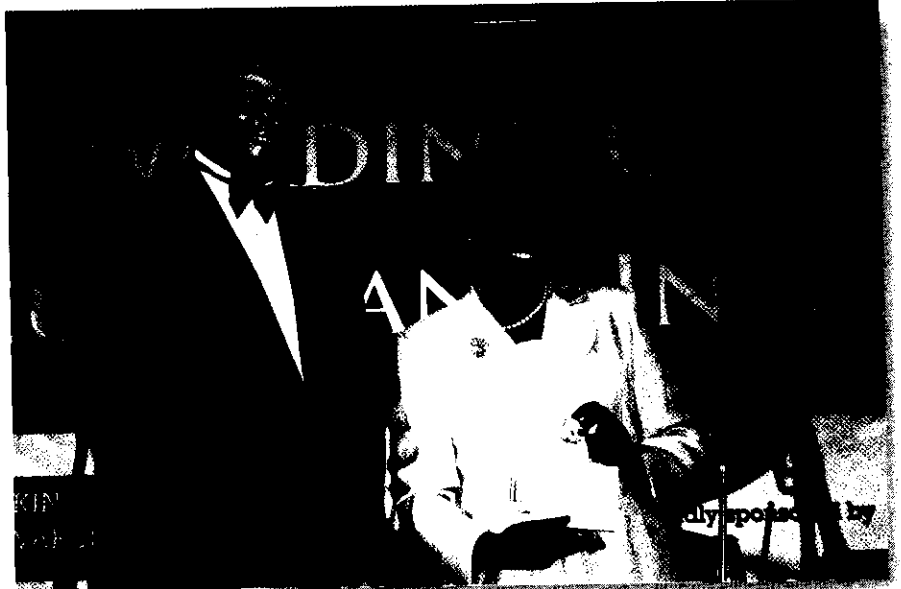
**Best Company in Corporate Planning Management:** Head of Finance, Allan Mwangi (right) and the Chief Accountant, James Njehuri (left) receive the COYA trophy for the best company in Corporate Planning Management from Mr. James Mageria (2nd left) a director of The Kenya Institute of Management.



# Key Achievements



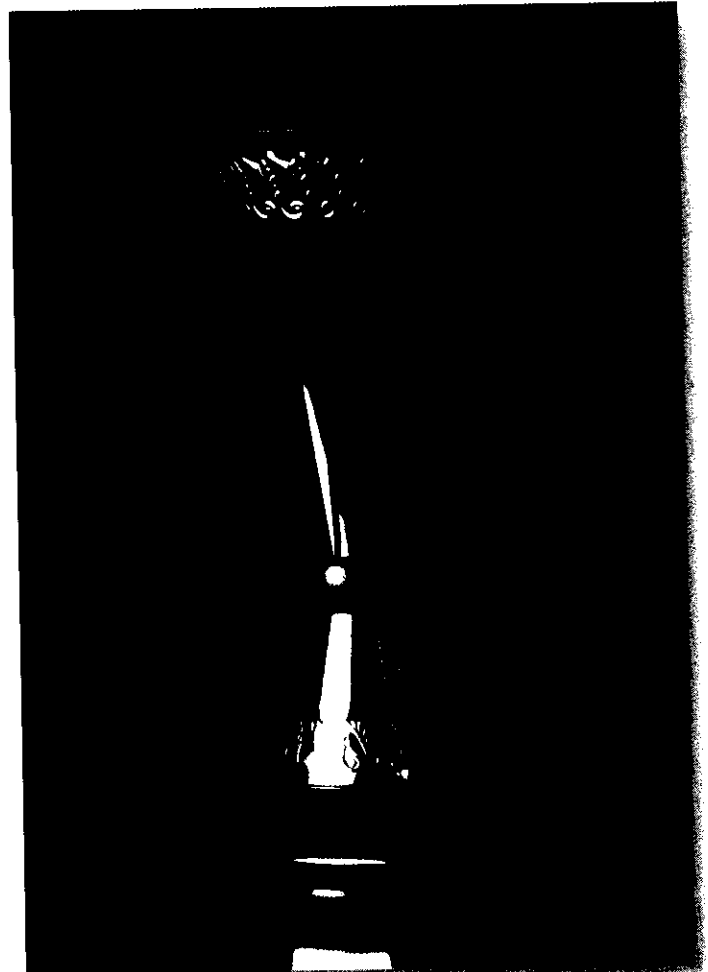
**3rd best bank in Kenya:** The CEO admires the Market Intelligence Survey (MI) trophy given to Equity for being the 3rd overall best bank in Kenya.



**Best bank in retail banking:** Winnie Imanyara, Corporate Affairs Director receives the MI award for the best bank in Retail Banking from the Group Managing Director of Pesa Point, Bernard Matthewman.



**Fastest growing bank:** The Minister of Finance, Hon. Amos Kimunya presents the MI award for the fastest growing bank to the Bank's Company Secretary, Mary Wamae.



**A top tax payer:** Kenya Revenue Authority (KRA) recognised Equity for being among the top 10 tax payers in the country.



**Supporting agriculture:** Equity Bank has been scooping top prizes at the Agricultural Society of Kenya (ASK) Shows.

# Statement on Corporate Social Responsibility (CSR)

## OUR SOCIAL ASPIRATION

The vision of our corporate social responsibility emanates from our desire to enrich the environment and community we operate in through active contribution to enrich the lives of our people and win with integrity.

As a bank, we are conscious of the needs of the society in which we operate, and consequently, we endeavour to contribute to initiatives that impact on improvement of their social wellbeing.

We devote considerable resources towards managing and balancing stakeholder relationships and interests so as to add social, environmental and economic value and to produce a positive sustainable impact for the business and society. This emanates from the realization that success in business depends largely on how a company interacts with all stakeholders within the environment in which it operates.

During the year we engaged in several initiatives to fulfill our commitment to good corporate citizenship.

## SUPPORTING EDUCATION

- In 2006 we continued to offer scholarships to the best male and female student in every district we operate in. The programme saw a total of 76 students who sat for their KSCE examination



*Hon. Dr. Wekesa (3rd left), acting Minister for Education poses for a photograph with the beneficiaries of the 2005 University Scholarship Programme during the official launch of the programme. With him are (L-R) Peter Muthathal (National Chairman Principals Association), James Mwangi (CEO and Managing Director, Equity Bank), Peter Munga (Chairman Board of Directors, Equity Bank), Prof. Godia (Education Secretary), and Francis Ng'ang'a (Secretary General KNUT).*

benefit both through the payment of university fees, accommodation and living costs. In September, we launched the Pre-University Scholarship Alumni Association. The Association's main objective is to create an organ for mentorship to influence the young people in universities and colleges towards positive thinking and hard work. We believe that the alumni of this programme will be mentors when they join the job market especially in terms of work ethics.

- In addition, we continued to support the education sector by sponsoring bright but needy children who sat for their Kenya Certificate of Primary Education (KCPE) in 2006 to join various secondary schools.
- We sponsored the schools' and colleges' drama and music festivals to the tune of over KShs 6.5 million.

## LIGHTING THE CITY

To enhance security among the communities we serve, the Bank financed the placing of 340 street light poles in Kangemi, Jogoo Road, Thika Road, Juja Road, Outering Road, Ngong Road and Gikomba Market. The aim of this activity is to light the city and its environs so that Kenyans can go about their business without feeling insecure.

## SUPPORTING AGRICULTURAL GROWTH

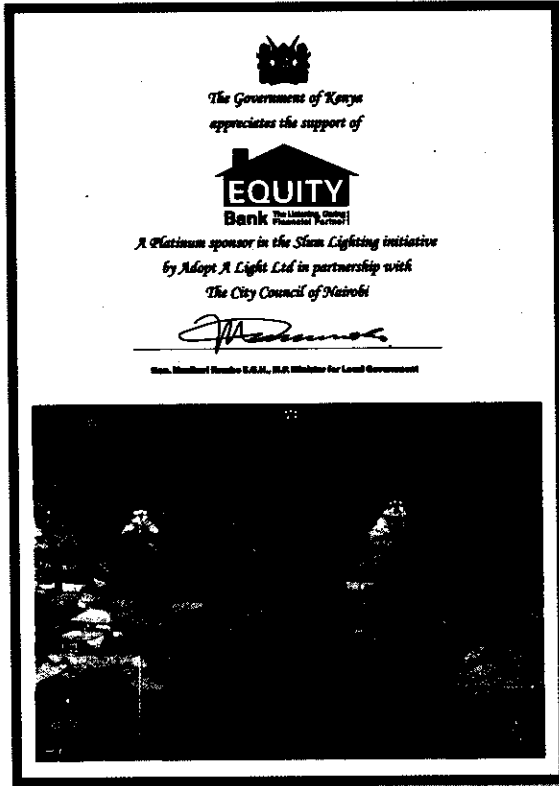
The Bank is committed to supporting agriculture, which is the backbone of the Kenyan economy. Equity does this through various initiatives like participating in the ASK shows and sponsoring the best crop husbandry awards scheme for farmers to encourage excellence in farming.

## OTHER INITIATIVES

- **Donations**  
The bank together with staff donated food stuff and personal effects to various children's homes within the country.
- **Financial Outreach**  
In 2006, the Bank organized Financial Literacy Days in many areas of our operation. During these literacy days, the public was educated on financial management and how to best maximize the income they have through solid investments and savings.
- **Clean-Up**  
Our staff joined communities in various clean-up exercises in our regions of operations.

# Statement on Corporate Social Responsibility (CSR)

continued



The government recognises Equity for sponsoring the slum lighting initiative.



Staff join members of the community in a clean-up exercise.



Equity supports the Society for the Physically Disabled Children.



Equity bank donates food stuff to a children's home.

# Board of Directors



**PETER MUNGA**  
**CHAIRMAN**

Mr. Munga is a Certified Public Secretary with vast experience in both public and private sector management. He holds a diploma in Human Resources and Financial Management. Mr. Munga is a retired Deputy Secretary. He is the Chairman of National Oil Corporation and a director in Micro-Enterprise Support Programme Trust (MESPT), British American Insurance Company, Rockefeller Foundation and Equatorial Nut Processors.



**JAMES MWANGI**  
**CEO AND MANAGING DIRECTOR**

Mr. Mwangi holds a Bachelor of Commerce (Accounting option) degree from University of Nairobi and is a Certified Public Accountant – CPA (K). He is also a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). He is an experienced career banker of over 17 years and was previously with Ernst & Young and Trade Bank Limited.



**BENSON WAIREGI**  
**VICE CHAIRMAN**

Mr. Wairegi holds a Master of Business Administration and Bachelor of Commerce (Accounting option) degrees from University of Nairobi and is a Certified Public Accountant – CPA (K). He is the Managing Director of British American Investments Company (Kenya) Ltd. and Group Managing Director British American Group in Kenya. He is also a Director of Agricultural Finance Corporation.



**JULIUS KIPNG'ETICH**

Mr. Kipng'etich holds a Master of Business Administration degree and a Bachelor of Commerce (Accounting option) degree from University of Nairobi. He is the Chief Executive Officer of Kenya Wildlife Service and was previously the Managing Director of Investment Promotion Centre.



**PETER GACHUBA**

Mr. Gachuba holds a Master of Science degree in International Business and a Bachelor of Science degree from University of Southern New Hampshire in the USA. He is an investment banker and is Africap's Partner responsible for East and South Africa.

# Board of Directors

## **WAGANE DIOUF**

**(ALTERNATE TO PETER GACHUBA)**

Mr. Diouf holds a Masters of Business Administration degree from Georgia Institute of Technology (Atlanta) and Bachelor of Science degrees in Computer Science and Finance from Ecole Superieure de Gestion (Paris). He is the Managing Partner of Africap, based in Dakar Senegal.



## **FREDRICK MUCHOKI**

Mr. Muchoki is a businessman with vast commercial experience. He is the Managing Director of Continental Business Systems and Presta Office Equipment Limited.



## **ERNEST NZOVU**

Mr. Nzovu holds a Bachelor of Arts degree in Economics from the University of Navarra, Spain and a Diploma in International Affairs from the University of Ife, Nigeria. He has for many years been a consultant in human resources and is a Director of Hawkins & Associates, Know How International Limited and KHI Training.



## **LINUS GITAHI**

Mr. Gitahi holds a Masters of Business Administration from The United States International University (USIU) and Bachelor of Commerce (Accounting option) degree from University of Nairobi. He also holds a diploma from the Kenya Institute of Management. He is the Chief Executive Officer of Nation Media Group and was previously the Managing Director, GlaxoSmithKline, West Africa.



## **MARY WAMAE**

**SECRETARY TO THE BOARD AND COMPANY SECRETARY**

Mrs. Wamae holds an LLB degree from the University of Nairobi, a Diploma in Law from the Kenya School of Law, a Certified Public Secretary - CPS (K) and has a Post Graduate Diploma in Gender and Development Studies. She is also a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). She is an Advocate of the High Court and has over 13 years of private practice experience.



## **BERNICE SARANA**

Mrs. Sarana holds a Masters of Business Administration from University of Leeds and a Bachelor of Education (Business Studies and Economics) degree from Kenyatta University. She has vast experience in the banking sector and is a former Chief Executive Officer of Association of Micro Finance Institutions (AMFI).

# Senior Management



**James Mwangi - Managing Director & Chief Executive Officer**

James holds a Bachelor of Commerce degree (Accounting option) from University of Nairobi and is a Certified Public Accountant CPA (K). He is also a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). He has wide experience in the banking industry spanning over 17 years and was previously with Ernst & Young and Trade Bank Limited.



**Gerald G. Warul - Director of Operations and Customer Service**

Warul is a Certified Public Accountant (Kenya). He is also a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). He has over 13 years experience in the banking sector having previously worked with Trade Bank and Fidelity Bank.



**Winnie Kathurima Imanyara - Corporate Affairs Director**

Winnie holds a Bachelor of Arts degree (Administration) and a Bachelor of Science degree in Industrial Psychology. She has over 18 years experience in management having worked with Reckit and Colman, SmithKline Beecham, Safaricom Kenya and Kenya Petroleum Refineries.



**Kariuki Nguru - Marketing Director**

Kariuki holds Master of Business Administration and Bachelor of Commerce (Marketing option) degrees from University of Nairobi. He is also a Certified Public Secretary (CPS-Kenya). He has over 20 years experience in marketing having worked for British American Tobacco in Kenya, Uganda, Rwanda, Burundi, Tanzania and the Horn of Africa, Kenya Breweries Limited, Procter & Gamble, Dinners Club International, Total Oil Products and Fox Theatres Ltd.



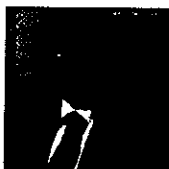
**Mary W. Wamae - Company Secretary & Head of Legal Services**

Mary holds a LLB degree from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya). She is also a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.



**Ben Nyutho - General Manager, Regional Expansion**

Ben is a qualified banker and a member of the Kenya Institute of Bankers. He previously worked for the Giant Muranga Cooperative Union and Continental Bank in senior positions.



**Allan M. Waititu - Head of Operations**

Allan is a Microsoft Certified Systems Engineer, a Novell Certified Network Engineer and is also a graduate of AMP-Strathmore, IESE Business School - Barcelona, Spain. He has over 16 years experience in the information technology industry having previously worked for Trade Bank, Daima Bank and Phoenix Assurance.

# Senior Management

**Niklaus Muehl - Head of Credit**

Niklaus holds a Master of Business Administration degree from University of Applied Sciences (HAW) in Switzerland. He is also a Certified Public Accountant (CPA) in Switzerland. He has over 15 years of experience in credit management having previously worked with Central Bank of Kenya and Euro-Credit Bank.



**Alan K. Mwangi - Head of Finance**

Alan holds a Bachelor of Commerce (Accounting option) from Moi University and is a Certified Public Accountant (CPA). He has 10 years of experience in audit and risk management having previously worked with ABN AMRO Bank, Lotoha Africa Plc and Deloitte & Touche.



**Peter L'parnoi Lengewa - Head of Human Resources and Organizational Development**

Peter holds a Master of Business Administration degree from University of Nairobi and a Bachelors of Arts (Economics & Business Studies) degree from Kenyatta University. He has over 12 years experience in human resource development, having previously worked for leading microfinance institutions in East Africa including the Swedish Cooperative Centre.



**Peter G. Gachau - Head of IT**

Peter holds a Bachelor of Education (Science) degree from Kenyatta University and a Post Graduate Diploma in Computer Science. He has over 13 years experience in IT having previously worked for African Banking Corporation Bank and ABN AMRO Bank.



**Bildard Fwamba - Head of Internal Audit**

Bildard holds a Bachelor of Commerce (Accounting option) degree from Kenyatta University and is a Certified Public Accountant (Keriba). He has over 9 years experience in audit having worked with Central Bank of Kenya and British American (K) Insurance Company.



**Major (Rtd) Marcus Mutua - Head of Security And Administration**

Major Mutua holds Advanced Diplomas and Certification in Security Intelligence from Israel, USA and UK. He has over 20 years experience in military intelligence and security management.



**Papius Muhindi - Head of Risk Management**

Papius holds a Bachelor of Commerce (Accounting option) degree from the University of Nairobi. He has over 30 years of banking experience having previously worked with Central Bank of Kenya.



**Samuel G. Kumbi - Head of Alternative Business Channels**

Samuel holds a Bachelor of Science (Hons) degree in Mathematics and Computer Science and Post Graduate Diploma in Computer Science from the University of Nairobi. He is a Certified Information Systems Auditor (CISA) and has over 15 years experience in the information technology field and 30 years experience in banking and operations having worked with Kenyan Airways, Central Bank of Kenya and Standard Chartered Bank Kenya Branch.



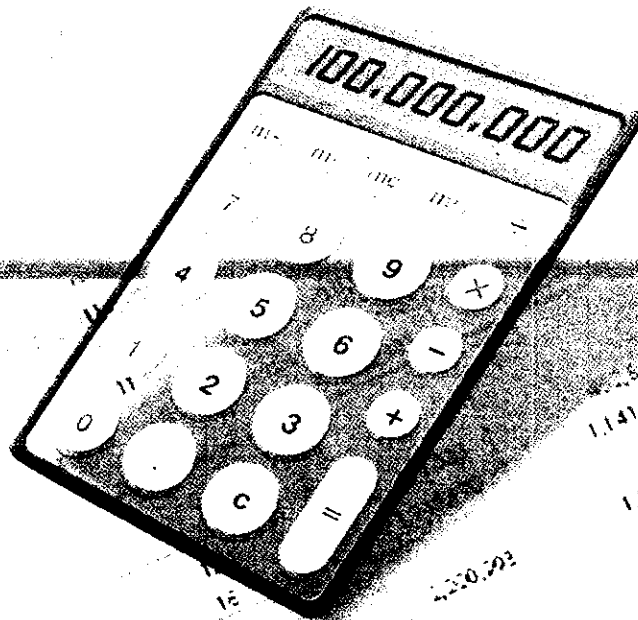
Equity Bank

2005  
1,512,000  
1,05,922

and bank balances  
investment securities  
loans and advances  
premises and equipment  
intangible property



*Report and  
Financial Statements  
31 December 2006*



1,141,170  
1,592,922  
11,456,543  
25,024,464

**ERNST & YOUNG**

and signed on its behalf by...



Bank Information	26
Report of the Directors	27
<i>Taarifa ya Wakurugenzi</i>	28
Statement on Corporate Governance	29 - 31
Statement of Directors' Responsibilities	32
Report of the Independent Auditors	33
<b>Financial Statements:-</b>	
Balance Sheet	34
Income Statement	35
Statement of Changes in Equity	36
Cashflow Statement	37
Notes to the Financial Statements	38 - 57
Proxy Form	59
<i>Fomu ya Uwakilishi</i>	60

# Bank Information

## **PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE**

NHIF Building, 14th Floor  
P.O. Box 75104-00200  
NAIROBI  
Pilot Lines: +254-20-2736617/20  
Mobile: +254-722 209 591, 0733 602 500  
Fax: +254-20-2737276  
Email: [info@ebsafrica.co.ke](mailto:info@ebsafrica.co.ke)  
Website: [www.equitybank.co.ke](http://www.equitybank.co.ke)

## **LAWYERS**

Walker Kontos Advocates  
Hakika House  
Bishops Road  
P.O. Box 60680-00200  
NAIROBI

## **BANKERS**

Central Bank of Kenya  
P O Box 60000  
NAIROBI

## **AUDITORS**

Ernst & Young  
Kenya-Re Towers, Upperhill  
Off Ragati Road  
P.O. Box 44286 - 00100  
NAIROBI

## **SECRETARY**

Mary Wangari Wamae  
14th Floor, NHIF Building  
P.O. Box 75104-00200  
NAIROBI

# Report of the Directors

For the year ended 31st December 2006

The directors submit their report and the audited financial statements for the year ended 31 December 2006, which show the state of the Bank's affairs.

## 1. PRINCIPAL ACTIVITY

The principal activity of the Bank is to offer retail banking and microfinance services.

## 2. RESULTS

The results for the year are set out on page 35.

## 3. DIVIDEND

The directors have recommended a first and final dividend for the year 2006 of Kshs 2/= per share subject to the approval of shareholders at the Annual General Meeting. Details hereof are contained in the Notice of Annual General Meeting contained in this report.

## 4. BONUS ISSUE

The directors have recommended the issue of a bonus of two shares for every one held subject to approval of the shareholders and the Capital Markets Authority. Details hereof are contained in the Notice of Annual General Meeting contained in this report.

## 5. RESERVES

The reserves of the Bank are set out on page 50, note 16 of this report.

## 6. DIRECTORS

The directors who served during the year and to the date of this report were:-

Peter Kahara Munga	- Chairman
James Njuguna Mwangi	- Chief Executive/ Managing Director
Benson Irungu Wairegi	- Vice-chairman
Julius Kangogo Kipng'etich **	
Fredrick Mwangi Muchoki	
Peter Gachuba **	
Wagane Diouf *	- (Alternate to Peter Gachuba)
Beatrice Makanga Sabana **	
Linus Wang'ombe Gitahi **	
Ernest Mattho Nzovu	

\* Senegalese

\*\* Retired by rotation on 21st April 2006 and were re-elected.

Wanjiku Mugane - Ceased to be a director on 14th July 2006

Article 100 of the Articles of Association of the Bank provides for retirement of directors by rotation.

## 7. LISTING ON THE NAIROBI STOCK EXCHANGE

All the 90,564,550 issued shares of the Company were listed on the Main Investment Market Segment (MIMS) of the Nairobi Stock Exchange on 7th August 2006.

## 8. AUDITORS

Ernst & Young have expressed their willingness to continue in office in accordance with the provisions of Section 159(2) of the Kenyan Companies Act (Cap 486) and Section 24(1) of the Banking Act (Cap 488).

### By Order of the Board



MARY WANGARI WAMAE  
Company Secretary  
12th February 2007

# Ripoti ya Wakurugenzi

Kwa mwaka uliomalizika tarehr 31 Disemba 2006

Wakurugenzi wanatoa ripoti yao na taarifa za kifedha zilizokaguliwa kwa mwaka uliomalizika tarehe 31 Disemba 2006, ambazo zinaonyesha hali ya shughuli za benki.

## 1. SHUGHULI MUHIMU

Shughuli muhimu ya Benki ni kutoa huduma kwa wateja binafsi pamoja na huduma za taasisi ndogo za kifedha.

## 2. MATOKEO

Matokeo ya mwaka yameangaziwa katika ukurasa wa 35.

## 3. MGAO WA FAIDA

Halmashauri imependekeza mgao wa faida wa shilingi 2 kwa kila hisa kutegemea idhini ya wenye hisa katika mkutano mkuu wa kila mwaka. Maelezo zaidi yamo kwenye Arifa ya Mkutano Mkuu katika ripoti hii.

## 4. HISA ZA ZIADA

Wakurugenzi wamependekeza kutolewa kwa hisa mbili za ziada kwa kila hisa moja inayomilikiwa kutegemea idhini ya wenyehisa na Halmashauri ya Masoko ya hisa. Maelezo zaidi yamo katika Arifa ya Mkutano mkuu kwenye ripoti hii.

## 5. HIFADHI

Hifadhi za benki zimeangaziwa katika ukurasa wa 50, kumbukumbu ya 16 ya ripoti hii.

## 6. WAKURUGENZI

Wakurugenzi ambao walihudumu katika kipindi cha mwaka huo na kufikia sasa walikuwa:-

Peter Kahara Munga	- Mwenyekiti
James Njuguna Mwangi	- Afisa mkuu msimamizi/Mkurugenzi mkuu
Benson Irungu Wairegi	- Naibu mwenyekiti
Julius Kangogo Kipng'etich **	
Fredrick Mwangi Muchoki	
Peter Gachuba **	
Wagane Diouf *	- (Anayebadilishana na Peter Gachuba)
Beatrice Makanga Sabana **	
Linus Wang'ombe Gitahi **	
Ernest Mattho Nzovu	

\* Raia wa Senegal

\*\* Waliostaafu kwa zamu tarehe 21 Aprili 2006 na kuchaguliwa tena.

Wanjiku Mugane - Alikoma kuwa mkurugenzi na tarehe 14 July 2006

Kifungu 100 cha sheria za benki kinatoa nafasi ya kustaafu kwa wakurugenzi kwa zamu.

## 7. KUORODHESHA KATIKA SOKO LA HISA LA NAIROBI

Hisa zote 90,564,550 za Kampuni ziliorodheshwa katika soko kuu la uwekezaji hisa (MIMS) la soko la Nairobi tarehe 7 mwezi Agosti 2006.

## 8. WAKAGUZI WA HESABU ZA FEDHA

Ernst & Young wameelezea nia yao ya kuendelea kuhudumu kuambatana na kifungu cha sheria nambari 159 (2) ya sheria za makampuni za Kenya (Cap 486) and kifungu 24(1) cha sheria za benki (Cap 488).

Kwa amri ya Halmashauri

MARY WANGARI WAMAE

Katibu wa Kampuni

12 Februari 2007

# Statement on Corporate Governance

For the year ended 31st December 2006

## 1. LISTING ON THE NAIROBI STOCK EXCHANGE

7th August 2006 was a memorable day for the shareholders and other stakeholders of the Bank. Equity became the first microfinance institution in Africa to List on the Stock Exchange. The primary reason for listing was to offer the shareholders and the Bank the benefits of the stock market, liquidity and price discovery. It also afforded all Kenyans an opportunity to share in the success of the Bank. The listing on the Stock Exchange also gave the Bank an opportunity to enhance the governance structures, corporate image and disclosure standards.

## 2. BOARD OF DIRECTORS

The role of the Board of Directors is to foster Long Term Business of the Bank consistent with fiduciary responsibilities to shareholders, customers and other stakeholders.

The Board of Directors of Equity Bank are committed to conduct the affairs of the Bank with openness, integrity and accountability and in accordance to the highest standards of governance practices. The Board consists of nine directors, eight of whom are non-executive and who have a good mix of skills, experience and competencies in various relevant fields of expertise. The selection of directors is on the basis of the skills and expertise and not on shareholding. During the year the Board held six meetings. Details of directors' attendance at meetings are as follows:

Name of Director	Number of Meetings Attended
Peter Kahara Munga	6
James Njuguna Mwangi	6
Benson Irungu Wairegi	6
Fredrick Mwangi Muchoki	6
Julius Kangogo Kipng'etich	6
Peter Gachuba	5
Linus Wang'ombe Gitahi	3
Ernest Mattho Nzovu	6
Beatrice Makanga Sabana	3

The Board has constituted seven Committees i.e: Audit, Risk Management, Credit, Systems and Processes, Strategy and Investment, Governance, Board Nomination and Staff Remuneration, and Tendering and Procurement.

Each of the committees is governed by a charter that sets out its mandate, functions and composition among other things. The committees provide overall strategic direction, review performance, take material policy decisions and ensure that the Bank meets its responsibilities to its shareholders and other stakeholders and that the control environment adequately protects the company assets against major risks. Though the day to day running of the bank is delegated to management, the Board retains overall responsibility.

Each of the directors has subscribed to a Code of Corporate Practices which sets out the duties and responsibilities of the directors. The Code provides for the evaluation of board members' performance. A systematic board self evaluation process is being developed for commencement in the current year, in keeping with the highest international standards. The Board of Equity Bank passed a resolution barring non-executive directors from obtaining loans, guarantees and other credit facilities from the Bank. On 10th August 2005 the shareholders of the bank passed a resolution amending the Articles of Association of the Company that barred directors from trading with the Bank during their tenure in office.

# Statement on Corporate Governance continued

For the year ended 31st December 2006

## 2. High Global and Local Ratings

In 2005 the Bank was rated by Microrate of United States of America and awarded an  $\alpha$ - (alpha minus) rating indicating good efficiency and effectiveness, good governance and strategic positioning. The credit portfolio was in the same year rated by Global Credit Rating of South Africa and awarded a short term A1- and long term A. The interpretation of this was that in the short term, there was high certainty of timely repayment with liquidity factors that are strong and supported by good fundamental protection factors, while risk factors were small. Over the long term, credit quality was assessed high with good protection factors.

In 2006, Market Intelligence Banking Survey awarded the Bank the following:

- 3rd Best Overall Bank in Kenya
- Best in Retail Banking in Kenya
- Fastest Growing Bank in Kenya

## 4. RISK MANAGEMENT AND INTERNAL CONTROLS

The Bank reviews its policies, processes and procedures on a continuing basis, with a view to ensuring the best performance of the Board and overall management of the business. The Internal Audit Department, reporting to the Audit Committee of the Board, ensures that adequate internal controls are in place and that they are strictly adhered to.

In line with the New Capital Accord (Basel II) which is expected to be enforced in the near future, the Bank has established a comprehensive framework for risk management. The Bank's business units have identified a range of possible risks which have been mapped indicating risk drivers, frequency, impact, risk levels, trends, risk owners and the respective mitigating strategies. The Risk Management Department ensures compliance with the Bank's risk limits. All risks associated with banking institutions and those that are specific to Equity Bank, are actively managed by the respective business units and monitored by the Risk Management Department. The Bank's risk limits are assessed regularly to ensure the appropriateness in line with the Bank's objectives, strategies and current market conditions. The Head of Risk Management reports to the Board's Risk Management Committee. In 2006 the Bank undertook Application of Business Process Re-engineering (ABPR) to enhance and align the Processes and Procedures with the New Core Banking Software.

## 5. PERFORMANCE REPORTING & COMPLIANCE

In accordance with the Banking Act and the CBK Prudential Guidelines, the Bank is committed to ensuring that shareholders and other stakeholders are provided with full and timely information about its performance. The performance of the Bank is regularly reported to the Board. Financial statements are prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimate in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The Bank also complies with reporting requirements under the Capital Markets Authority Act and other relevant rules and regulations.

## 6. ETHICS AND VALUES

In keeping with the Bank's code of ethics, all employees are expected to avoid activities and financial interests, which could conflict with their responsibilities to the company. The welfare of staff and clients is an essential principle of the Bank, which strives to provide all employees and clients with safe working conditions and/or environment. The Bank maintains a policy of equal opportunity of employment for all qualified persons and strives to provide all employees with fair terms of employment.

It is part of the overall mission of Equity Bank to set standards in the financial sector in which we operate. We want to make a difference not only in terms of the target groups we serve and the quality of the financial services we provide, but also with regard to business ethics. Our strong corporate values play a key role in this respect.

Seven essential principles have been defined which guide the operations of our Bank:

- Professionalism: Attitude appropriate to the professional conduct expected of bankers.
- Integrity: Adherence to moral and ethical principles.
- Creativity and Innovation: Originality of thought, expression and productivity.
- Team Work: Coordinated efforts by a group of persons for a common objective.
- Unity of Purpose: Coming together from diverse backgrounds for a common goal.
- Respect and Dedication to Customer Delight: Committed to offer world class quality service to our customers.
- Effective Corporate Governance: Good leadership and management of the Bank in full compliance with internal policies and procedures, rules and regulations.

## 7. DISTINGUISHED TAX PAYER

In compliance with applicable tax laws and regulations and pursuant to its standing as a good corporate citizen, the Bank continued to honour its obligations to remit taxes as per the law.

The Bank was awarded a certificate of a distinguished tax payer by H.E. President Mwai Kibaki.

## 8. DEVELOPMENT PARTNERS AND NETWORK ASSOCIATIONS

Over the years, Equity Bank has established partnerships with various organizations and network associations in its quest for highest standards of corporate governance and accountability. The following are some of the institutions that Equity Bank has had close collaboration:

- Department for International Development (DFID) through Financial Services Deepening Fund (FSD)
- Microsave
- Swiss Foundation for Technical Collaboration (SwissContact)
- AfriCap Microfinance Fund
- Consultative Group to Assist the Poor (CGAP)

Equity Bank recognizes and acknowledges their immense contribution in areas among others; Credit Policies and Methodologies Review, Institutional and Organizational Development, Market Research, Branding and Product Development, Refinement and Costing. The Bank, through the Development Partners has also benefited in capacity building through trainings in Total Quality Management, Change and Risk Management, Systems, Process Mapping, Procedures and Policy Manuals.

Equity is also a member of the following network associations:

- Association of Micro Finance Institutions (AMFI)
- Kenya Bankers Association (KBA)
- Africa Rural Agricultural Credit Association (AFRACA)
- Women's World Banking (WWB)
- Global Network for Banking Innovation (GNBI)
- Microfinance Network (MFN)

CMA-LIBRARY

# Statement of Directors' Responsibilities

For the year ended 31st December 2006

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the Bank keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.



Director



Director

12th February 2007



# Report of the Independent Auditors to the Members of Equity Bank Ltd. For the year ended 31st December 2006

We have audited the financial statements on pages 34 to 57 for the year ended 31 December 2006, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. The financial statements are in agreement with the books of account.

## RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE INDEPENDENT AUDITORS

As stated on page 32, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Bank and of its operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

## BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

In our opinion, proper books of account have been kept by the Bank, and the financial statements give a true and fair view of the state of the financial affairs of the Bank at 31 December 2006 and its profit and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.



**ERNST & YOUNG**

Nairobi

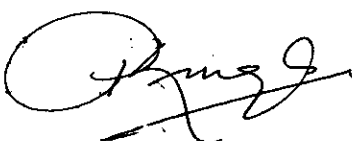
12th February 2007

# Balance Sheet

As at 31st December 2006

<b>ASSETS</b>	<b>Note</b>	<b>2006</b> <b>KShs'000</b>	<b>2005</b> <b>KShs'000</b>
Cash and bank balances	3	2,690,856	1,305,979
Government securities	4	1,650,653	1,254,415
Placements and balances with other banking institutions	5	2,022,784	2,094,320
Loans and advances to customers	6	10,929,581	5,524,360
Property, equipment and leasehold land	7	1,469,462	1,045,222
Investment property	8	11,269	11,269
Intangible assets	9	161,153	89,477
Other assets	10	1,088,726	126,910
Deferred tax	11	-	4,591
<b>TOTAL ASSETS</b>		<b>20,024,484</b>	<b>11,456,543</b>
<b>LIABILITIES</b>			
Customers' deposits	12	16,336,729	9,047,765
Other liabilities	13	843,364	646,556
Tax payable	11	147,031	168,229
Borrowings	14	485,450	-
Deferred tax	11	10,917	-
<b>TOTAL LIABILITIES</b>		<b>17,823,491</b>	<b>9,862,550</b>
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	15	452,823	452,823
Reserves	16	1,748,170	1,141,170
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>2,200,993</b>	<b>1,593,993</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>20,024,484</b>	<b>11,456,543</b>

The financial statements were approved by the Board of Directors on 12th February 2007 and signed on its behalf by:-



Director



Director



Secretary

# Income Statement

For the year ended 31st December 2006

	Note	2006 KShs'000	2005 KShs'000
<b>INCOME</b>			
Interest income	17	1,634,486	947,830
Interest expense	18	(126,647)	(82,327)
Net interest income		1,507,839	865,503
Commission and other income	19	1,863,585	937,237
<b>TOTAL OPERATING INCOME</b>		<b>3,371,424</b>	<b>1,802,740</b>
<b>EXPENSES</b>			
Management expenses	20	1,855,542	1,040,274
Depreciation and amortization	21	279,875	137,658
Provision for bad and doubtful debts	6(d)	133,134	124,276
		2,268,551	1,302,208
<b>PROFIT BEFORE TAXATION</b>	22	<b>1,102,873</b>	<b>500,532</b>
<b>TAXATION</b>	11	<b>(349,507)</b>	<b>(155,934)</b>
<b>PROFIT AFTER TAXATION</b>		<b>753,366</b>	<b>344,598</b>
<b>DILUTED AND BASIC EARNINGS PER SHARE</b>	23	<b>KShs 8.32</b>	<b>KShs 3.80</b>

# Statement of Changes in Equity

For the year ended 31st December 2006

	Share capital KShs'000	Share premium KShs'000	Capital reserve KShs'000	Revenue reserves KShs'000	Other reserves KShs'000	Proposed dividend KShs'000	Total KShs'000
Year ended 31 December 2005							
At 1 January 2005	90,565	842,620	50,694	299,075	(11,699)	-	1,271,255
Armortisation of grant funds	-	-	(50,694)	50,694	-	-	-
Profit for the year	-	-	-	344,598	-	-	344,598
Capitalisation of share premium	362,258	(362,258)	-	-	-	-	-
Revaluation of treasury bonds	-	-	-	-	(21,860)	-	(21,860)
Proposed dividends	-	-	-	(181,129)	-	181,129	-
<b>At 31 December 2005</b>	<b>452,823</b>	<b>480,362</b>	<b>-</b>	<b>513,238</b>	<b>(33,559)</b>	<b>181,129</b>	<b>1,593,993</b>
Year ended 31 December 2006							
At 1 January 2006	452,823	480,362	-	513,238	(33,559)	181,129	1,593,993
Profit for the year	-	-	-	753,366	-	-	753,366
Revaluation of treasury bonds	-	-	-	-	34,763	-	34,763
Dividends:							
Final for 2005 paid	-	-	-	-	-	(181,129)	(181,129)
Proposed for 2006	-	-	-	(181,129)	-	181,129	-
<b>At 31 December 2006</b>	<b>452,823</b>	<b>480,362</b>	<b>-</b>	<b>1,085,475</b>	<b>1,204</b>	<b>181,129</b>	<b>2,200,993</b>

# Cashflow Statement

For the year ended 31st December 2006

	2006 KShs'000	2005 KShs'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	1,102,873	500,532
Adjustments for:-		
Depreciation	241,736	112,705
Amortisation of leasehold land	47	47
Amortisation of intangible assets	37,573	24,906
Profit on disposal of village cell banking vans	(2,100)	(1,213)
Write off of computer software	-	9,305
Operating profit before working capital changes	1,380,129	646,282
Other assets	(1,551,880)	(317,653)
Loans and advances to customers	(5,405,221)	(2,650,662)
Customers' deposits	7,288,965	3,966,309
Other liabilities	202,302	312,384
Cash generated from operations	1,914,295	1,956,660
Income taxes paid	(355,197)	(12,833)
Net cash from operating activities	1,559,098	1,943,827
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(667,273)	(747,142)
Purchase of intangible assets	(109,249)	(115,285)
Proceeds from sale of property and equipment	2,100	2,650
Sale of treasury bills and bonds	(306,946)	(174,999)
Placements with other banking institutions	71,536	(180,242)
Net cash flow from investing activities	(1,009,832)	(1,215,018)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term borrowing	485,450	-
Dividend paid	(181,129)	-
Net cash flow from financing activities	304,321	-
Net increase in cash and cash equivalents	853,587	728,809
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,518,487	789,678
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 24)	2,372,074	1,518,487

# Notes to the Financial Statements

For the year ended 31st December 2006

## 1. GENERAL INFORMATION

Equity Bank Limited provides retail banking and microfinance services in various parts of the country. The Bank has a total branch network of 42 branches and employs 1,394 people.

The Bank is incorporated in Kenya under the Kenyan Companies Act. The address of its registered office is as follows:

14th Floor, NHIF Building  
P.O. Box 75104-00200  
NAIROBI

The shares of the Bank are listed at the Nairobi Stock Exchange.

These financial statements were approved for issue by the Board of Directors on 12th February 2007.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

### a) Basis of preparation

The financial statements of Equity Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRS.)

The financial statements of the Bank have been presented in the functional currency, Kenya Shillings (KShs) and rounded to the nearest thousand and prepared under the historical cost basis of accounting, except for the measurement at fair value of derivative financial instruments and available for sale financial assets.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from these estimates.

### b) Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Employee entitlements to annual leave and long service awards are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service awards as a result of services rendered by the employees up to the balance sheet date.

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### c) Income recognition

#### i) Interest income and expense

Interest income and expense are recognized in the income statement for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset.

#### ii) Fees and commission income

Fees and commission income is generally recognized on an accrual basis.

### d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash balances on hand and amounts due from other banks.

### e) Property, equipment, leases and depreciation.

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on the straight-line basis, at annual rates estimated to write off carrying values of the assets over their estimated useful lives.

The annual rates of depreciation in use are:-

Freehold land	Nil
Buildings	2.5%
Motor vehicles	25%
Office equipment, furniture and fittings	12.5%
Computer equipment	33.3%
ATM machines, core banking software and hardware	20%
Village cell banking vans	25%

Property and equipment are periodically reviewed for impairment. When the carrying amount of the asset is greater than its estimated recoverable amount, it is written down immediately to its estimated recoverable amount.

Leasehold improvements are written off over their estimated useful life or the lease period, whichever is less.

### f) Computer software development costs

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over a period of five years.

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Employment benefits

#### *Pension obligations*

The Bank contributes to a defined contribution pension scheme for its management staff. The assets of the scheme are held in a separate trustee administered fund that is funded by both the Bank and employees.

#### *Statutory pension obligations*

The Bank also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are defined by local statute and are currently limited to KShs 200 per employee per month.

The Bank's contributions to the above schemes are charged to the income statement in the year to which they relate.

### h) Originating loans and provisions for loan impairment

Loans originated by the Bank by providing money directly to the borrower are categorized as loans originated by the Bank and are carried at amortized cost. All loans and advances are recognized when cash is advanced to borrowers.

Specific provision is made against loans and advances considered to be doubtful of recovery. The amount of provisions is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the effective interest rate of loans.

A general provision is maintained based on an evaluation of the portfolio of loans and advances in respect of losses, which, although not specifically identified, are known from experience to be present in any such portfolio. This provision is based on the directors' assessment of the risk of non-recovery known to be present in the portfolio of the Bank advances viz-a- viz the CBK prudential guidelines.

Where a loan or an advance is deemed irrecoverable, it is written off against the related provision for impairments. Subsequent recoveries of amounts previously written off are credited to the income statement in the year of recovery.

Loans and advances are stated after deduction of specific and general provisions.

### i) Taxation

Current taxation is provided for on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilized.

### j) Guarantees, acceptances and letters of credit

Guarantees, acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent



# Notes to the Financial Statements *continued*

For the year ended 31st December 2006

liabilities.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### k) Investments

#### i) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in the income statement. Interest earned whilst holding trading securities is reported as interest income.

#### ii) Held to maturity investments

Investment securities with fixed maturity, where management has both the intent and the ability to hold to maturity are classified as held to maturity, and are carried at amortised costs using the effective yield method, less any provision for impairment.

#### iii) Available for sale investments

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices are classified as available for sale and are initially recognised at cost. Available for sale investments are subsequently re-measured at fair value, based on quoted bid prices or amount derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised directly in equity until the asset is derecognised, at which time the cumulative gains or losses previously recognised in equity shall be recognised in the income statement.

### l) Foreign currencies

Assets and liabilities in foreign currencies have been translated at rates approximating the mean rates of exchange ruling at the balance sheet date. Transactions during the year are converted at the rates ruling at the dates of the transactions. Gains and losses on conversion and translation are either included in the income statement or, where appropriate, recharged to the relevant third party.

### m) Dividends

Dividends on ordinary shares are charged to equity in the year in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

### n) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

### o) Impairment of assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. If such indication exists, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### p) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## 3. CASH AND BANK BALANCES

	2006 KShs'000	2005 KShs'000
Cash in hand	1,545,393	489,074
Cash reserve ratio	900,531	506,438
Bank balances	244,932	310,467
	2,690,856	1,305,979

The cash reserve ratio is non interest bearing and is based on the value of customer deposits as adjusted in accordance with Central Bank of Kenya requirements. As at 31 December 2006, the cash reserve ratio requirements was 6% (2005: 6%) of customer deposits. The funds are not available to finance the Bank's day to day operations.

## 4. GOVERNMENT SECURITIES

	2006 KShs'000	2005 KShs'000
(i) Treasury bills - held to maturity	607,149	372,974
(ii) Treasury bonds Available for sale	1,043,504	881,441
Comprising:		
Maturing within 91 days of the date of acquisition	581,750	522,974
Maturing after 91 days of the date of acquisition	1,067,699	765,000
Appreciation / (impairment)	1,204	(33,559)
	1,650,653	1,254,415

The weighted average effective interest rate on the Government Securities as at 31 December 2006 was 7.1% (2005: 8.3%)

## 5. PLACEMENTS AND BALANCES WITH OTHER BANKING INSTITUTIONS

	2006 KShs'000	2005 KShs'000
Balances with banking institutions in Kenya	1,126,000	406,904
Balances with banking institutions outside Kenya	382,570	48,507
Term deposits with banking institutions in Kenya	514,214	1,638,909
	2,022,784	2,094,320

# Notes to the Financial Statements continued

For the year ended 31st December 2006

6. LOANS AND ADVANCES TO CUSTOMERS	2006 KShs'000	2005 KShs'000
a) Loans and advances (gross)	9,674,042	5,354,686
Commercial loans	1,577,889	530,600
Overdrafts	176,742	-
Bills discounted	-	-
Less:	11,428,673	5,885,286
Provisions for impairment	(499,092)	(360,926)
Net loans and advances	10,929,581	5,524,360
b) Non -performing loans and advances	567,782	519,377
Provision for impairment losses	(154,661)	(219,068)
	413,121	300,309
c) Maturity analysis: -		
Maturing within 30 days	2,290,701	530,600
Maturing after 30 days but before 3 months	2,229,818	728,865
Maturing after 3 months but before 1 year	4,190,343	2,293,452
Maturing after 1 year but before 5 years	2,580,580	2,332,369
Maturing after 5 years	137,231	-
	11,428,673	5,885,286
d) Provisions and interest suspended:		
Balance held as at 1 January	360,926	225,758
Specific provisions made during the year	66,862	104,273
Interest suspended during the year	102,273	65,294
General provisions made during the year	66,272	20,003
Write-off during the year	(97,241)	(54,402)
	499,092	360,926

The Bank uses a grading system that classifies advances into grades 1 to 5 and recognizes grades 3, 4 and 5 as non-performing, in compliance with the Central Bank of Kenya guidelines.

Loans and advances have been written down to their recoverable amount. Non-performing loans and advances on which provision for impairment have been recognized amount to KShs 567,782 (2005: - KShs 519,377). These are included in the balance sheet net of provision at KShs 413,121 (2005: - KShs 300,309). In the opinion of the directors, sufficient securities are held to cover the exposure on such loans and advances. Interest income amounting to KShs 102,273 (2005: - KShs 65,294) on impaired loans and advances has not been recognized in the income statement since, in the opinion of the directors, no economic benefit on such interest will flow to the Bank.

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 6 LOANS AND ADVANCES TO CUSTOMERS (Continued)

### e) Concentration

Economic sector risk concentration within the loans and advances portfolio were as follows:

	2006 KShs'000	2005 KShs'000
Agriculture	499,271	206,430
Consumer	2,098,183	1,528,542
Micro Enterprise	2,476,035	510,635
SME's	2,335,462	529,522
Corporate	4,019,722	3,110,157
	11,428,673	5,885,286

The weighted average effective interest rate on loans and advances to customers at 31 December 2006 was 16.6% (2005: 15.4%).

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 7. PROPERTY, EQUIPMENT AND LEASEHOLD LAND

### i) Property and equipment - 2006

	Freehold land & buildings KShs'000	Leasehold improvements KShs'000	Motor Vehicles KShs'000	Office Equipment, furniture & fittings KShs'000	Work-in-progress KShs'000	Computers KShs'000	Village cell banking vans KShs'000	Total KShs'000
COST								
At 1 January 2006	40,340	256,274	55,304	322,188	402,446	265,235	20,362	1,362,149
Additions	-	246,821	2,280	130,682	-	295,835	10,253	685,871
Transfer from work-in-progress	-	-	-	-	(402,446)	383,848	-	(402,446)
Capitalisation of work-in-progress	-	-	(6,624)	(60)	-	(2,589)	-	383,848
Disposals	-	-	-	-	-	942,329	30,615	(9,273)
At 31 December 2006	40,340	503,095	50,960	452,810	-	-	-	2,020,149
DEPRECIATION								
At 1 January 2006	5,488	44,064	26,476	95,559	-	135,119	14,429	321,135
Charge for the year	936	34,148	9,654	43,157	-	147,858	5,983	241,736
Release on disposal	-	-	(6,624)	-	-	(1,399)	-	(8,023)
At 31 December 2006	6,424	78,212	29,506	138,716	-	281,578	20,412	554,848
NET BOOK VALUE								
At 31 December 2006	33,916	424,883	21,454	314,094	-	660,751	10,203	1,465,301

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 7. PROPERTY, EQUIPMENT AND LEASEHOLD LAND (continued)

i) Property and equipment (continued) - 2005

COST	Freehold land & buildings		Leasehold improvements		Motor Vehicles		Office Equipment, furniture & fittings		Work-in-progress		Computers		Village cell banking vans		Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	
At 1 January 2005	40,340	40,340	99,618	99,618	44,708	44,708	221,049	221,049	-	-	188,930	188,930	24,479	24,479	619,124
Additions	-	-	156,656	156,656	10,596	10,596	101,139	101,139	402,446	402,446	76,305	76,305	-	-	747,142
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	(4,117)	(4,117)	(4,117)
At 31 December 2005	40,340	40,340	256,274	256,274	55,304	55,304	322,188	322,188	402,446	402,446	265,235	265,235	20,362	20,362	1,362,149
<b>DEPRECIATION</b>															
At 1 January 2005	4,552	4,552	27,248	27,248	17,447	17,447	63,740	63,740	-	-	87,134	87,134	10,989	10,989	211,110
Charge for the year	936	936	16,816	16,816	9,029	9,029	31,819	31,819	-	-	47,985	47,985	6,120	6,120	112,705
Release on disposal	-	-	-	-	-	-	-	-	-	-	-	-	(2,680)	(2,680)	(2,680)
At 31 December 2005	5,488	5,488	44,064	44,064	26,476	26,476	95,559	95,559	-	-	135,119	135,119	14,429	14,429	321,135
<b>NET BOOK VALUE</b>															
At 31 December 2005	34,852	34,852	212,210	212,210	28,828	28,828	226,629	226,629	402,446	402,446	130,116	130,116	5,933	5,933	1,041,014

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 7. PROPERTY, EQUIPMENT AND LEASE HOLD LAND (Continued)

- (ii) Prepaid operating leases rentals  
Amounts paid on acquisition of leasehold land are classified under prepaid operating lease rentals and carried at cost less amortization over the lease period. The movement in prepaid operating lease rentals during the year was as follows:

	2006 KShs'000	2005 KShs'000
<b>COST</b>		
At 1 January and 31 December	4,588	4,588
<b>ACCUMULATED AMORTISATION</b>		
At 1 January	380	333
Charge for the year	47	47
At 31 December	427	380
<b>NET BOOK VALUE</b>		
At 31 December	4,161	4,208
<b>TOTAL PROPERTY, EQUIPMENT AND LEASE HOLD LAND</b>		
Property and equipment	1,465,301	1,041,014
Prepaid operating leases rentals	4,161	4,208
	1,469,462	1,045,222
	11,269	11,269

## 8. INVESTMENT PROPERTY

This relates to land bought by Equity Building Society, before the society's assets were taken over by the Bank, for resale to its members. In the view of the directors, if this property is sold in the open market, it would fetch at least the amount shown in the balance sheet.

## 9. INTANGIBLE ASSETS

	2006 KShs'000	2005 KShs'000
<b>COST</b>		
At 1 January	127,084	25,063
Additions	90,651	115,285
Transfer from work-in-progress	18,598	-
Write off	-	(13,264)
At 31 December	236,333	127,084
<b>AMORTISATION</b>		
At 1 January	37,607	16,660
Charge for the year	37,573	24,906
Eliminated on write off	-	(3,959)
At 31 December	75,180	37,607
<b>NET BOOK VALUE</b>		
At 31 December	161,153	89,477

The intangible assets are in respect to computer application software.

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 10. OTHER ASSETS

	2006 KShs'000	2005 KShs'000
Interest receivable on placements	8,103	47,981
Interest receivable on treasury bonds	30,549	13,047
Funds in clearing	805,868	-
Other receivables and prepayments	244,206	65,882
	1,088,726	126,910
<b>11. TAXATION</b>		
Balance Sheet:-		
Tax payable:		
Balance brought forward	168,229	11,994
Charge for the year	333,999	169,068
Payments during the year	(355,197)	(12,833)
	147,031	168,229
Income Statement:-		
Charge for the year	333,999	169,068
Deferred tax charge	15,508	(13,134)
	349,507	155,934
Reconciliation of taxation expense based on accounting profit:-		
Accounting profit before taxation	1,102,873	500,532
Tax applicable rate of 30% (2005 - 30%)	330,861	150,160
Tax effects on items not deducted for tax	3,138	18,908
Originating and reversing temporary differences	15,508	(13,134)
	349,507	155,934

### DEFERRED TAX:-

Deferred income tax is calculated in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2005: 30%). Movement in deferred tax account is as follows:

	2006 KShs'000	2005 KShs'000
At 1 January		
Charge /(credit) to income statement	(4,591)	8,543
	15,508	(13,134)
At 31 December	10,917	(4,591)
The net deferred tax asset is attributable to the following:		
Excess of depreciation over tax allowances	41,357	15,327
Other timing differences	(30,440)	(19,918)
	10,917	(4,591)



# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 12. CUSTOMERS' DEPOSITS

	2006 KShs'000	2005 KShs'000
Savings deposits	11,676,476	7,018,195
Current deposits	2,778,949	823,837
Fixed deposits	1,850,840	1,161,251
Interest payable	30,464	44,482
	16,336,729	9,047,765

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2006 was 1% (2005 1.2%).

	2006 KShs'000	2005 KShs'000
Analysis of customer deposits by maturity:		
Payable within 90 days	516,971	1,579,401
Payable after 90 days and within one year	1,064,322	306,800
Payable after one year	14,755,436	7,161,564
	16,336,729	9,047,765
Concentration		
The economic sector concentration within the customer deposits portfolio was as follows:		
Private enterprises	2,359,566	1,851,081
Not for profit and individuals	13,890,294	7,196,684
Deposits in foreign currency	86,869	-
	16,336,729	9,047,765
<b>13. OTHER LIABILITIES</b>		
Unearned income	119,507	335,005
Other creditors and accruals	723,973	311,551
	843,480	646,556
<b>14. BORROWINGS</b>		
Term loan	485,450	-

During the year, the Bank obtained a medium term loan of US\$ 7,000,000 from Dexia Micro-Credit Fund, a company incorporated in Luxembourg. The loan, which is secured by directors' guarantee, accrues interest at the rate of 8% p.a. and will mature on 11th December 2009. The effective interest rate is 9.2% p.a.

**CMA-LIBRARY**

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 15. SHARE CAPITAL

	2006 KShs'000	2005 KShs'000
Authorised: 100,000,000 ordinary shares of KShs 5 each	500,000	500,000
Issued and fully paid:		
90,564,550 ordinary shares of KShs 5 each	452,823	452,823

## 16. RESERVES

Share premium	480,362	480,362
Accumulated profits	1,085,475	513,238
Other reserves	1,204	(33,559)
Proposed dividends	181,129	181,129
	1,748,170	1,141,170
Other reserves relates to appreciation in value of treasury bonds.		

## 17. INTEREST INCOME

Loans and advances	1,453,666	692,600
Government Securities	103,075	76,581
Placements	95,745	178,649
	1,634,486	947,830

## 18. INTEREST EXPENSE

Savings accounts	48,182	68,510
Fixed deposit accounts	78,465	13,817
	126,647	82,327

## 19. COMMISSION AND OTHER INCOME

Commission income	1,751,046	895,230
Gain on disposal of village cell banking vans	2,100	-
Other income	110,439	42,007
	1,863,585	937,237

## 20. MANAGEMENT EXPENSES

Salaries and staff expenses	958,653	531,505
Establishment expenses	428,286	172,943
Other administrative expenses	468,603	338,826
	1,855,542	1,040,274

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 21. DEPRECIATION AND AMORTISATION

	2006 KShs'000	2005 KShs'000
Depreciation	242,255	112,705
Amortisation	37,620	24,953
	279,875	137,658

## 22. PROFIT BEFORE TAXATION

The profit before tax is stated after charging:-

	958,653	531,505
Staff costs (note 26)	242,255	112,705
Depreciation of property and equipment	37,573	24,906
Amortisation of intangible assets	47	47
Amortisation of prepaid lease	1,800	1,200
Auditors' remuneration	-	9,305
Write off of computer software	10,602	6,590
Contribution to Deposit Protection Fund	99,445	63,722
Operating lease rentals	25,200	22,500
Directors' emoluments - As executives	15,695	11,954
- As directors		
Pension scheme contributions:-	9,168	5,503
Defined contribution pension scheme	2,682	1,601
National Social Security Fund		

## 23. EARNINGS PER SHARE

Earnings per share is calculated on the profit after tax for the year of KShs 753,366 (2005: KShs 344,598) and on the number of ordinary shares in issue at the respective balance sheet date of 90,564,550 (2005: 90,564,550). There were no potentially dilutive shares outstanding at the respective balance sheet dates. Diluted earnings per share is therefore the same as basic earnings per share.

## 24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2006 KShs'000	2005 KShs'000
Cash in hand	1,545,392	489,074
Bank balances	244,932	506,438
Government securities- maturing within three months	581,750	522,975
	2,372,074	1,518,487

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 25. FOREIGN CURRENCY EXPOSURE

Currency risk is the risk that the value of a financial instruments will fluctuate due to changes in foreign exchange rates. The Board of directors has set limits on foreign currency positions. The foreign currency positions are monitored on a daily basis and hedging strategies used to ensure that positions are maintained within the established limits. The amounts below summarize the foreign currency exposure position as at 31 December 2006.

	2006 KShs'000	2005 KShs'000
Assets in foreign currency		
Balance sheet items	658,944	235,684
Off balance sheet items	547,082	228,856
	1,206,026	464,540
Liabilities in foreign currency		
Balance sheet items	539,819	231,521
Off balance sheet items	590,220	155,542
	1,130,039	387,063
Net foreign currency exposure as at 31 December	75,987	77,477
<b>26. STAFF COSTS</b>		
Salaries	865,116	487,213
Pension contributions	11,850	7,103
Other staff costs	81,687	37,189
	958,653	531,505

The number of staff employed by the Bank at year end was 1,394 (2005: 884).

## 27. RETIREMENT BENEFITS OBLIGATIONS

### a) Equity Pension Scheme

The Bank operates a defined contribution pension scheme for its management staff. The scheme is independently managed by British American Insurance Company Limited.

### b) National Social Security Fund (NSSF)

This is a statutory defined contribution pension scheme in which both the employer and employees contribute equal amounts.

The amounts recognized in the income statement for the year are as follows:

	2006 KShs'000	2005 KShs'000
Pension scheme	9,168	5,503
National Social Security Fund	2,682	1,601
Current contribution costs	11,850	7,104

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 28. RELATED PARTY TRANSACTIONS

Included in loans and advances are amounts advanced to certain directors and companies in which directors are involved, either as shareholders or directors.

The following transactions were carried out with related parties:

- a) Outstanding loans and advances to related parties as at 31 December included:

	2006 KShs'000	2005 KShs'000
Employees	242,618	182,596
Shareholders	183,633	196,988
	426,251	379,584

The total amount of loans and advances granted was in the ordinary course of business and were advanced on commercial terms and at market rates. The loans are performing and no provision for bad debts has been recognized in respect of these loans.

- b) Purchase of goods and services

The Bank procured insurance services and Automated Teller Machine (ATM) cards personalization services amounting to KShs 37,171,000 from other companies related through common directorship, shareholding and employment. The purchase of goods and services were made at terms and conditions similar to those competitively offered to other major suppliers and properly sanctioned by the board.

- c) Directors emoluments

	2006 KShs'000	2005 KShs'000
Directors' emoluments	15,695	11,954
As directors	25,200	22,500
As executives	40,895	34,454

- d) Key executive management personnel compensation

Salaries and short-term employee benefits	131,552	86,607
Post employment benefits	18,700	-
	150,252	86,607

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 29. INTEREST RATE RISK

Structural interest rate risk arises when assets and liabilities in the Bank activities have different maturity profiles or repricing dates. The primary source of interest rate risk originating in other banking activities arises from the employment of non-interest bearing liabilities such as shareholders' funds and some current financial instruments. When assets reprice more or in greater proportion than liabilities during a given year, a positive interest rate sensitivity gap results and this tends to benefit net interest income in a rising interest rate environment. Conversely, when liabilities reprice more or in greater proportion than assets during a given year, a negative interest rate sensitivity gap results and this tends to benefit net interest income in a declining interest rate scenario. The Bank monitors net interest income and market value effects of interest rate positions and in different interest rate scenarios with a view to limiting potential adverse effects on net interest income. The table below shows interest rate sensitivity gap for the Bank at 31 December 2006 based on the earlier of maturity or repricing dates. This is not necessarily indicative of the position at other times. Off balance sheet items do not pose any significant interest rate risk to the Bank.

ASSETS	Up to					Non-interest bearing KShs'000	Total KShs'000
	1 month KShs'000	1-3 months KShs'000	3-12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000		
Cash and bank balances						2,690,856	2,690,856
Government securities	299,549	276,750	32,054	647,300	395,000	-	1,650,653
Placements and balances with other banking institutions	1,829,401	193,383	-	-	-	-	2,022,784
Loans and advances to customers	1,885,475	2,206,913	4,145,890	2,554,072	137,231	-	10,929,581
Property, equipment and lease hold land	-	-	-	-	-	1,469,463	1,469,463
Investment property	-	-	-	-	-	11,269	11,269
Intangible assets	-	-	-	-	-	161,153	161,153
Other assets	-	-	-	-	-	1,088,725	1,088,725
<b>Total assets</b>	<b>4,014,425</b>	<b>2,677,046</b>	<b>4,177,944</b>	<b>3,201,372</b>	<b>532,231</b>	<b>5,421,466</b>	<b>20,024,484</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>							
Customer deposits							
Other liabilities	62,830	454,141	1,064,322	296,247	11,680,241	2,778,948	16,336,729
Tax payable	-	-	-	-	-	843,364	843,364
Deferred tax	-	-	-	-	-	147,031	147,031
Borrowings	-	-	-	-	-	10,917	10,917
Share capital & reserves	-	-	-	485,450	-	-	485,450
<b>Total liabilities and shareholders' funds</b>	<b>62,830</b>	<b>454,141</b>	<b>1,064,322</b>	<b>781,697</b>	<b>11,680,241</b>	<b>2,200,993</b>	<b>2,200,993</b>
<b>INTEREST RATE SENSITIVITY GAP AT 31.12.06</b>	<b>3,951,595</b>	<b>2,222,905</b>	<b>3,113,622</b>	<b>2,419,675</b>	<b>(11,148,010)</b>	<b>5,981,253</b>	<b>20,024,484</b>
<b>INTEREST RATE SENSITIVITY GAP AT 31.12.05</b>	<b>749,896</b>	<b>2,230,467</b>	<b>2,602,301</b>	<b>2,531,078</b>	<b>(6,977,842)</b>	<b>(559,787)</b>	<b>(1,135,900)</b>

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 30. LIQUIDITY RISK MANAGEMENT

The Bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, management ensures that the mismatch is controlled in line with allowable risk levels. Liquidity is managed on a daily basis and incorporates known and unanticipated cash needs.

The table below analyses maturity profiles of assets and liabilities of the Bank based on the remaining period from 31 December 2006 to the contractual maturity date.

	Up to 1 month KShs'000	1-3 months KShs'000	3-12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Total KShs'000
<b>ASSETS</b>						
Cash and bank balances	2,690,856	-	-	-	-	2,690,856
Placements and balances with other banking institutions	1,829,401	193,383	-	-	-	2,022,784
Treasury bills and bonds	299,549	276,750	32,054	647,300	395,000	1,650,653
Loans and advances to customers	1,885,475	2,206,913	4,145,890	2,554,072	137,231	10,929,581
Property, equipment and lease hold land	-	-	-	692,408	11,269	1,469,462
Investment property	-	-	-	161,153	-	161,153
Intangible assets	805,869	-	282,857	-	-	1,088,726
Other assets	7,511,150	2,677,046	4,460,801	4,054,933	1,320,554	20,024,484
<b>Total assets</b>						
	2,841,779	454,141	1,064,322	296,247	11,680,240	16,336,729
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>						
Customer deposits	504,734	143,558	195,072	-	-	843,364
Other liabilities	-	-	147,031	-	-	147,031
Tax payable	-	-	-	10,917	-	10,917
Deferred tax	-	-	-	-	2,200,993	2,200,993
Share capital and reserves	-	-	-	485,450	-	485,450
Borrowing	3,346,513	597,699	1,406,425	792,614	13,881,233	20,024,484
<b>Share capital &amp; reserves</b>						
	4,164,637	2,079,347	3,054,376	3,262,319	(12,560,679)	-
<b>Total liabilities and shareholders' funds</b>						
	361,311	1,830,269	2,521,980	2,531,078	(7,244,638)	-
<b>NET LIQUIDITY GAP AT 31.12.2006</b>						
<b>NET LIQUIDITY GAP AT 31.12.2005</b>						

# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 31. COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognized in the financial statement is as follows:

	2006 KShs'000	2005 KShs'000
Contracted for advances not yet disbursed	225,893	229,917
Capital commitment contracted for at year end	326,436	32,850
	582,329	262,767

Contracted for advances not yet disbursed are agreements to lend to customers in future subject to certain conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the un drawn period of agreed facilities by giving reasonable notice to the customer.

The directors are of the view that future net revenues will be sufficient to cover these commitments.

## 32. OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS

In common with banking business, the Bank conducts business involving acceptances, guarantees, performance bonds and letters of guarantees. Majority of these facilities are offset by corresponding obligations from third parties.

	2006 KShs'000	2005 KShs'000
Acceptances and letters of credit	818,430	63,660
Letters of guarantees	1,017,147	104,453
Litigation	9,741	9,741
	1,845,318	177,854

An acceptance is an undertaking by the Bank to pay a bill of exchange on a specified due date. The bank expects most acceptances to be presented and reimbursement by the customer is normally immediate.

Letters of credit commit the Bank to make payments to third parties on production of credit compliant documents which are subsequently reimbursed by customers.

Guarantee are generally written by the Bank to support the performance of a customer to third parties. The Bank will only be required to meet these obligations in the event of customer's default.

Based on the estimate of the financial effect of these contingencies and corresponding obligations from third parties, no loss is anticipated.

Litigation amounts included above are in respect of pending court cases against the Bank. No provision has been made in the financial statements as the directors are of the view that the cases are unlikely to succeed.

### Contingent tax liabilities

The Bank is currently discussing with Kenya Revenue Authority on some open tax items/issues. On the basis of appropriate professional advice, the directors are of the opinion that no loss will crystallise and therefore no provision has been made in these financial statements.



# Notes to the Financial Statements continued

For the year ended 31st December 2006

## 33. BUSINESS SEGMENTS

The major part of the business of the Bank falls under the category of banking with other income comprising less than 1%. Segmental reporting is therefore not considered of any useful value. The Bank conducts banking services in Kenya.

## 34. CURRENCY

The financial statements are presented in Kenya Shillings (KShs).

# Notes / Maelezo



Lined area for notes, consisting of approximately 25 horizontal lines.



# Proxy Form



The Company Secretary  
Equity Bank Limited  
NHIF Building, 14th Floor  
P.O. Box 75104-00200  
NAIROBI

## PROXY FORM

(PLEASE COMPLETE IN BLOCK LETTERS)

I/WE \_\_\_\_\_

of P.O. Box \_\_\_\_\_ TELEPHONE NUMBER \_\_\_\_\_

being a shareholder of Equity Bank Limited, hereby appoint \_\_\_\_\_

\_\_\_\_\_ of P.O. Box \_\_\_\_\_

and failing him \_\_\_\_\_ of P.O. Box \_\_\_\_\_

and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 30th day of March, 2007 at Kenyatta International Conference Centre (K.I.C.C) at 10.00 a.m and at any adjournment thereof. This form is to be used to vote in favour of/against\* the resolution. Unless otherwise instructed the proxy will vote as he/she deems fit.

As witnessed by my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2007

NUMBER OF SHARES HELD \_\_\_\_\_

SHARES ACCOUNT NUMBER \_\_\_\_\_

SIGNATURE \_\_\_\_\_

\*Delete whichever is not applicable

### NOTES:

1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf.
2. A proxy need not be a member of the Company.
3. To be valid, this proxy form must be duly completed by the member and lodged with the Company Secretary at the Company's Registered Office situate in NHIF BUILDING 14TH FLOOR, NAIROBI not later than 10.00 a.m. on 28th March, 2007 failing which it will be invalid.
4. In case of a member being a corporate body, this form of proxy must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
5. In case of joint holders, the signature of any of them will suffice but the names of all joint holders must be stated.



# Fomu ya Uwakilishi



Katibu wa Kampuni  
Kampuni ya Benki ya Equity  
Jumba la NHIF, Orofa ya 14  
S.L.P. 75104 - 00200  
NAIROBI

## FOMU YA UWAKILISHI

(TAFADHALI JAZA KWA HERUFI KUBWA)

MIMI/SISI \_\_\_\_\_

wa S.L.P. \_\_\_\_\_ SIMU NAMBARI \_\_\_\_\_

Mwenyehisa wa Kampuni ya benki ya Equity, namteua \_\_\_\_\_  
wa S.L.P. \_\_\_\_\_

na akikosa kufika \_\_\_\_\_ wa S.L.P. \_\_\_\_\_

na akikosa kufika, mwenyekiti wa mkutano kama mwakilishi wangu/wetu kunipigia mimi/sisi kura kwa niaba yangu/yetu katika mkutano mkuu wa kila mwaka wa kampuni utakaofanyika tarehe 30 mwezi machi 2007 katika jumba la mikutano la Kenyatta International Conference Centre ( K.I.C.C) saa nne asubuhi na kuambatana na uahirishaji wowote unaoweza kutokea. Fomu hii inapaswa kutumiwa kupiga kura kuunga au kupinga azimio\*. Isipokuwa maagizo mengine yatolewe mwakilishi atapiga kura jinsi atakavyoonelea inafaa.

Kama shahidi kwa sahihi yangu/yetu siku hii \_\_\_\_\_ ya tarehe \_\_\_\_\_ 2007

IDADI YA HISA ZINAZOMILIKIWA \_\_\_\_\_

NAMBARI YA AKAUNTI YA HISA \_\_\_\_\_

SAHIHI \_\_\_\_\_

\*Futa isiyohitajika

### KUMBUKA:

1. Mwenyehisa aliyehitimu kuhudhuria na kupiga kura katika mkutano na ambaye hawezi kufika anaweza kumteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake.
2. Mwakilishi sio lazina awe mwanachama wa Kampuni.
3. Ili iwe halali, fomu ya uwakilishi inapaswa kujazwa ipasavyo na mwanachama na kupelekwa kwa Katibu wa Kampuni katika afisi ya kampuni iliyosajiliwa ambayo iko kwenye jumba la NHIF BUILDING Orofa ya 14, NAIROBI kabla ya saa nne asubuhi tarehe 28 mwezi Machi, 2007 la siyvo haitakuwa halali.
4. Iwapo mwanachama ni shirika, fomu ya uwakilishi inapaswa kujazwa na kuwekwa muhuri wa shirika au kutiwa saina na afisa au wakili ambaye aneendabirwa kutitia barua.
5. Iwapo wanaachama wapamiliki hisa kwa pamoja, sahihi ya mmoja wao itatosha lakini lazima majina ya wanaomiliki hisa hizo kwa pamoja yatajwe.