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1. LIST OF CONTACTS

ISSUER	
ISSUER : EQUITY BANK LIMITED	
Registered Head Office, NHIF Building 14th Floor, P.O. Box 75104-00200 NAIROBI	
Name / Title of Contact Persons	**Office Contact**
Mr. James Njuguna Mwangi Chief Executive & Managing Director	+254 20 2736617 (tel) +254 20 2737276 (fax) james.mwangi@ebsafrica.co.ke
Mrs. Mary Wangari Wamae Company Secretary and Registrar	+254 20 2736617 (tel) +254 20 2737276 (fax) mary.wangari@ebsafrica.co.ke

PROFESSIONAL ADVISORS FOR THE LISTING	
JOINT FINANCIAL ADVISORS AND SPONSORING STOCK BROKERS:	
1. SUNTRA INVESTMENT BANK LIMITED	
10th Floor, Nation Centre Kimathi Street P.O. Box 74016-00200 NAIROBI	
Name / Title of Contact Persons	**Office Contact**
Mr. James Murigu Managing Director	+254 20 247530 (tel) +254 20 224329 (fax) murigu@suntra.co.ke
2. DYER & BLAIR INVESTMENT BANK LIMITED	
10th Floor, Loita House Loita Street P.O. Box 45396-00100 NAIROBI	
Name / Title of Contact Persons	**Office Contact**
Mr. Mohammed Hassan Executive Director	+254 20 3240000 (tel) +254 20 218633 (fax) hassan@dyerandblair.com
REPORTING ACCOUNTANTS : ERNST & YOUNG	
Kenya Re Towers, Upper Hill Off Ragati Road P.O. Box 44286-00100 NAIROBI	
Name / Title of Contact Persons	**Office Contact**
Mr. Joseph Cheboror Partner	+254 20 2715300 (tel) +254 20 2716271 (fax) joseph.k.cheboror@ke.ey.com
LEGAL ADVISORS : WALKER KONTOS ADVOCATES	
Hakika House Bishops Road P.O. Box 60680-00200 NAIROBI	
Name / Title of Contact Persons	**Office Contact**
Mr. Peter Mwangi Partner	+254 20 2713023 (tel) +254 20 2718429 (fax) pmwangi@walkerkontos.com

2. PREFACE

A copy of this Information Memorandum having attached to it the document required by Section 43 of the Companies Act (Chapter 486 of the Laws of Kenya) has been delivered to the Registrar of Companies in Nairobi for registration.

This Information Memorandum includes particulars given in compliance with the Companies Act and with the requirements of the Capital Markets Authority (established under The Capital Markets Act, Chapter 485A of the Laws of Kenya) (the "CMA") and the rules and regulations of the Nairobi Stock Exchange Limited (the "NSE"). The directors of Equity Bank Limited, whose names appear on pages 38 and 39 of this Information Memorandum under the Chapter on Corporate Governance, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Equity Bank Limited (the **"Issuer","Equity", "Equity Bank"** or **"Bank"**), a public limited liability company incorporated in the Republic of Kenya with registration number C.4/2005, and having a share capital of KShs. 500,000,000 divided into 100,000,000 ordinary shares of KShs. 5 each and all ranking pari passu inter se intends to list (by way of introduction) all of its 90, 564,550 issued and fully paid ordinary shares (the "Shares") on the NSE on 7th August 2006 (the " Listing Date").

The Shares will be listed on the Main Investment Market Segment of the NSE but will not become available to the general public until after trading commences.

At the moment, the Shares will only be listed at the NSE. The Register will be maintained by the Registrar.

The CMA has approved the listing of the Shares on the NSE. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval of the listing by the CMA should not be taken as an indication of the merit of the Issuer or of the Shares.

The Shares are unencumbered and are freely transferable subject however to the rules of the NSE and subject also to the restrictions set out in the Banking Act (Chapter 488 of the Laws of Kenya) as well as in the Capital Markets Act (Chapter 485A of the Laws of Kenya) and the regulations made there under. There are currently no other restrictions on the sale or transfer of shares at the NSE under Kenyan law.

3. DISCLAIMER AND STATEMENTS

The Directors of the Issuer, having made all reasonable inquiries, confirm that this Information Memorandum contains all information with respect to the Issuer and the Shares to be listed by it which is material in the context of the Shares, that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Information Memorandum are honestly held and that there are no other facts the omission of which would make any of such information or the expression of any such opinions or intentions misleading. The Directors of the Issuer accept responsibility accordingly.

The professional advisers and other agents engaged by the Issuer to deal with the Listing have relied on information provided by the Issuer. None of the professional advisers has withdrawn their consent for any opinion given or statement made in this Information Memorandum. The professional advisers and other agents engaged by the Issuer have in each case consented to the inclusion in this Information Memorandum of their names and other details in the manner set out. The Audited Accounts for the Issuer as well as its predecessor, EBS, have been set out in this Information Memorandum for the years ended 31 December 2000, 2001, 2002, 2003, 2004 and 2005. Other details in respect of the Issuer and the Issuer's business are prepared on the basis of details known to the Management and the Issuer's Directors, statutory declarations, information provided to the NSE and particulars provided to the rating agencies.

Neither this Information Memorandum nor any other information supplied in connection with the Listing is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the professional advisers to the Listing that any recipient of this Information Memorandum or any other information supplied in connection with this Listing should purchase any Shares. Each investor contemplating purchasing Shares once they become available to the Public should make his own independent investigation of the financial condition and affairs, and his own appraisal of the creditworthiness of the Issuer.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Listing is correct as of any time subsequent to the date indicated in the document containing the same.

The Directors of the Issuer, whose names appear in this Information Memorandum (under the "Corporate Information" Section), accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or make any representation other than those contained in this Information Memorandum and if given or made, such information or representation should not be relied upon as having been authorised by or on behalf of the Issuer, the professional advisers or the other agents (if any) to the Listing.

The distribution of this Information Memorandum and the offer or sale of the Shares may be restricted by law to certain jurisdictions. Persons into whose possession this Information Memorandum or any Shares may come must first inform him or herself about and observe any such restrictions.

CAUTION: Please consult your bank manager, stockbroker, lawyer, accountant or other professional adviser on the meaning and impact of the contents of this Information Memorandum, in order to decide what action to take.

4. DEFINITIONS AND INTERPRETATIONS

In this Information Memorandum, unless there is anything in the subject or context inconsistent therewith, the following expressions shall have the following meanings:

"Assets"	the aggregate at such time of any assets of the Issuer which would, in accordance with accounting principles generally accepted in the Republic of Kenya and applied on a consistent basis, be classified as assets;
"Accountants Report"	the report of the Issuers Auditors Ernst & Young contained in this Information Memorandum;
"Audited Accounts"	the Audited Accounts of the Issuer referred to in the Accountants Report;
"Business Day"	a day (other than a Saturday or a Sunday or a day gazetted as a public holiday in Kenya) on which commercial banks are open for business in Nairobi, Kenya;
"CBK"	the Central Bank of Kenya, a statutory body incorporated under the Central Bank of Kenya Act, Chapter 491 of the Laws of Kenya and includes any body replacing it or any of its functions;
"CMA"	the Capital Markets Authority, a statutory body incorporated under section 5 of the Capital Markets Act, (Chapter 485A of the Laws of Kenya) and includes any body replacing it or any of its functions;
"Directors" or "Issuer's Directors"	the directors of the Issuer whose names are set out on pages 10, and 37-39 of this Information Memorandum;
"EBS"	Equity Building Society a building society incorporated under the Building Societies Act (Chapter 489 of the Laws of Kenya) Registration Number BS 27 and being the entity which was converted into Equity Bank Limited;
"Government"	the Government of the Republic of Kenya;
"Information Memorandum"	this Information Memorandum;
"Issuer" or "Equity Bank" or "Equity" or "the Bank" or "Company"	Equity Bank Limited a public limited liability company having its registered office at NHIF Building, 14th Floor, P.O. Box 75104 – 00200 City Square Nairobi;
"K.Shs" or "Kenya Shillings"	denotes the lawful currency of the Republic of Kenya;
"Legal Advisers"	Walker Kontos Advocates, Hakika House, Bishops Road, P.O. Box 60680-00200 Nairobi, Kenya;
"Listing"	the listing of the Shares at the Nairobi Stock Exchange as envisaged in this Information Memorandum;

"Financial Advisers"	1. Suntra Investment Bank Limited, a limited liability company having its registered offices at Nation Centre, 10th Floor, and of Post Office Box Number 74016-00200 City Square, Nairobi; and 2. Dyer & Blair Investment Bank Limited a limited liability company having its registered offices at 10th Floor, Loita Street and of Post Office Box Number 45396-00100 GPO Nairobi.
"MIMS"	the Main Investment Market Segment of the NSE;
"Register"	the Share register which the Issuer will procure to be maintained by the Registrar at a designated office;
"Registrar" and "Share Registrar"	the institution or person initially appointed as registrar by the Issuer in relation to the Shares and the term includes any successor to the office of Registrar. The first Registrar shall be Mrs. Mary Wangari Wamae of P.O. Box Number 75104-00200 City Square Nairobi CPS Number 1753;
"Reporting Accountants"	Ernst & Young, Certified Public Accountants (Kenya) having their registered offices at Kenya Re Towers, Upper Hill, 4th Floor, and of Post Office Box Number 44286-00100 GPO, Nairobi;
" NSE"	the Nairobi Stock Exchange Limited;
"Shares"	90,564,550 issued and fully paid ordinary shares of the Issuer all ranking pari passu inter se which are available for the Listing;
"Sponsoring Stockbrokers"	1. Suntra Investment Bank Limited, a limited liability company having its registered offices at Nation Centre, 10th Floor, and of Post Office Box Number 74016-00200 City Square, Nairobi; and 2. Dyer & Blair Investment Bank Limited a limited liability company having its registered offices at 10th Floor, Loita Street and of Post Office Box Number 45396-00100 GPO Nairobi; both being members of the NSE and duly licensed stockbrokers;
"The Banking Act"	the Banking Act, Chapter 488 of the Laws of Kenya and includes any Act replacing it;
"The Building Societies Act"	the Building Societies Act, Chapter 489 of the Laws of Kenya;
"The Capital Markets Act"	the Capital Markets Act, Chapter 485A of the Laws of Kenya and includes any Act replacing it;
"The Companies Act"	the Companies Act, Chapter 486 of the Laws of Kenya and includes any Act replacing it;

5. CHAIRMAN'S STATEMENT

The public listing of Equity Bank is one of the greatest milestones in the short history of the Bank. I believe it is also a landmark event in our Nation. Equity Building Society ("EBS"), the predecessor of Equity Bank, was one of several institutions that experienced financial difficulties after the financial crisis of 1986. In 1993, EBS was declared technically insolvent. Through the determination, and hard work by many people, EBS rose from the ashes of insolvency, to national and international acclaim. In the year 2004, EBS successfully transferred its business assets and liabilities to Equity Bank.

The vision of the founders of EBS was to create an institution that would serve the ordinary Kenyan citizen-the farmer, the entrepreneur, the ordinary worker. We believe that we have gone quite some way in realizing this vision. Currently, Equity Bank enjoys a customer base of over 500,000 accounts spread across the Country. We consider this as the most important accolade of our many achievements. To mention a few of our recent achievements:

- In the year 2004, we were delighted to be recognized by His Excellency the President of Kenya with a Head of State Commendation.
- We were also honoured with official visits by United Nations First Lady Nane Annan and Her Royal Highness Princess Maxima of the Netherlands.
- Our Chief Executive Officer had the honour of addressing the United Nation's General Assembly.
- Last year, we were invited to address the G8 Summit in Gleaneagles, Scotland. Indeed, EBS and now Equity Bank has been the subject of several case studies, including citation in the World Development Report 2005.

Allow me to highlight three values that I believe have enabled EBS and Equity Bank to make these achievements. The first is passion in what we do. We are passionate about it because we know that it makes a difference in the lives of people. Second is doing whatever we engage in very well. At Equity, we believe in market leadership and customer focus. To achieve this, we invest heavily in our people, reward them and care for them. The third is good corporate governance. This has earned us the confidence of our shareholders, and enabled us to attract support from strategic investors and development partners.

The listing of Equity Bank is a journey that we embarked on five years ago. By 1999, we felt that the turnaround strategy adopted in 1993 had achieved its objectives. We set for ourselves the goal of becoming a market leader. We also felt that it was right to reward our loyal depositors. We invited our depositors to become shareholders. We then embarked on getting a strategic investor. We were very fortunate to attract AfriCap Microfinance Fund, an investment fund established by international development finance institutions. In 2004, we decided to convert to a commercial bank, in order to provide our customers with a full range of banking services which we could not otherwise offer as a building society. To achieve this objective, it was necessary for us to raise more capital. This we did through a successful private placement of over KShs. 725 million. To date, Equity Bank has an issued share capital of 90,564,550 and over 2,400 shareholders. The proposed price per share is KShs. 70.

The primary purpose of our listing is to offer our shareholders the benefits of the stock market, liquidity and price discovery. The Listing will also provide an opportunity for our customers and other Kenyans to share in what we believe will continue to be a Kenyan success story.

On behalf of the board, the management and the staff, I wish to thank most sincerely all those people who have supported us on this journey. I would particularly like to acknowledge the support of our shareholders, our partners, the Government, and above all our depositors and customers. As always, we are banking on you as we embark on the next phase of our vision to become a market leader in Africa.

PETER KAHARA MUNGA
CHAIRMAN

3RD JULY 2006

6. TIMETABLE OF PRINCIPAL EVENTS

EVENT	DATE
Approval of Listing by the CMA	3rd July 2006
Announcement through press of the approval to List.	17th July 2006
Launch of the immobilisation campaign including holding meetings with Shareholders at various branches of the Bank to discuss requirements for trading	18th July 2006
Dispatch of Information Memorandum to shareholders of the Bank	24th July 2006
Listing of shares at the NSE and commencement of trading	7th August 2006
Immobilisation campaign continues	8th August 2006

Notes to the Timetable and the Process of Immobilization of Shares

- An announcement will be made via the media (radio and at least two daily newspapers) informing the shareholders of the approval of the Listing.

- Meetings will be convened at various branches to inform shareholders of the approval of the Listing and the legal requirements to commence for trading at the NSE. The meetings will commence from the second day after the approval of the Listing and will continue at different dates or concurrently in all the branches of the Bank until trading commences. The choice of branches as focal points for the meetings is aimed at reaching the widest network of shareholders as most of them are customers of the Bank.

- One of the matters to be discussed with shareholders at the meetings will be the need to open Central Depository System ("CDS") accounts and to immobilize their shares so as to enable shareholders who wish to trade at the NSE to do so.

- Immobilization of Equity Bank's shares is the process of holding of shares from the paper certificates into the electronic form. This is done through the CDS which facilitates holding of shares in electronic accounts and also facilitates faster and easier processing of transactions. The CDS accounts are opened through Central Depository Agents ("CDA")-who are the NSE's licensed stockbrokers- and custodian Banks.

- CDS account opening process requires the completion and signing of a Securities Opening & Maintenance form and the provision of two recent passport size photographs and a photocopy of the National Identity (ID) card or passport. Once the form is filled and the processing is done, you will receive a copy of the form for your records. Subsequently, you will fill the shares immobilization forms after which a shareholder will be required to surrender all the paper share certificates you hold since the shareholding will now be noted electronically. When purchasing shares you will only be required to place your order with your preferred broker after you have credited your account with the amount of money required for the purchase. Once the shares are bought, the CDS account is credited. The procedure for immobilisation is therefore as follows:-

    - Prepare two passport size photographs and your ID/ Passport;
    - Visit your nearest Central Depository Agent and apply for a CDS Account by filing in CDS Form No 1 (for your convenience a CDS Form No 1 is enclosed herewith);
    - Obtain your CDS account Number from the Central Depository agent and retain a copy for your records;
    - Release your Share Certificate to the Central Depository Agent.

7. EXECUTIVE SUMMARY

Equity Bank Limited is pleased to offer to its shareholders an opportunity to have their shares listed at the NSE and to all investors a chance to purchase its shares after they are listed and thereby be part of the Bank. The shares being listed are 90,564,550 ordinary and fully paid up shares all ranking pari passu inter se. The following constitutes some key considerations regarding the Bank and the Listing but is by no means exhaustive:

7.1 Incorporation and Status of the Issuer

Equity Bank, a public limited liability company, was incorporated on 21 December 2004, as a private limited liability company. Vide a resolution passed on 24th December 2004 the Company was converted to a public limited liability company. It is registered under the Companies Act (Chapter 486 of the Laws of Kenya), and is also subject to the provisions of the Banking Act (Chapter 488 of the Laws of Kenya). Its principal activity is provision of retail banking services and microfinance services.

7.2 Shareholding

The Bank has a nominal share capital of KShs. 500,000,000.00 divided into 100,000,000 ordinary shares of KShs. 5.00 each of which 90,564,550 are issued and fully paid. As at 31st December 2005 it had a total of 2,418 shareholders. Britak Investments Company Limited and AfriCap Microfinance Fund Limited are the largest institutional shareholders with 10.93% and 5.52% shareholding respectively. The staff of the Bank also hold 5.52% of the shareholding through the Employee Share Ownership Plan. The rest of the shareholding is widely held.

7.3 Details of the Principal Shareholders

As at the date of this Information Memorandum the following are the principal shareholders of the Issuer :-

Shareholders	Number of shares	Nominal value (Kshs.)	Percentage of shareholding
Britak Investments Company Limited	9,894,397	49,471,985	10.93%
Nelson Muguku Njoroge	7,462,685	37,313,425	8.34%
James Njuguna Mwangi	6,632,835	33,164,175	7.32%
John Kagema Mwangi	5,700,000	28,500,000	6.29%
Equity Bank Employees Share Ownership Plan	5,000,000	25,000,000	5.52%
AfriCap Microfinance Fund Limited	5,000,000	25,000,000	5.52%
Andrew Mwangi Kimani	3,772,680	18,863,400	4.17%
Fortress Highlands Limited	3,367,000	16,835,000	3.72%
Peter Kahara Munga	2,902,493	14,512,465	3.20%
Simon Kagwanja Thuo	2,171,965	10,859,825	2.40%
Others (2,408 Shareholders)	38,660,495	193,302,475	42.69%
TOTAL	**90,564,550**	**452,822,750**	**100.00%**

7.4.1 Shareholding by Directors and Senior Management

The details of the directors of the Issuer who have shares in the Issuer are as set out below:-

Name	Title	Number of Shares	Percentage
Peter Kahara Munga*	Chairman to the Board	2,902,493	3.20%
James Njuguna Mwangi	Chief Executive Officer	6,632,835	7.32%
Benson Irungu Wairegi*	Board Member	702,780	0.78%
Fredrick Muchoki Mwangi	Board Member	936,765	1.03%
Gitahi Linus Wang'ombe	Board Member	546,665	0.60%
Wanjiku Mugane	Board Member	92,770	0.10%
Beatrice Sabana	Board Member	36,765	0.04%
Julius Kipng'etich	Board Member	36,765	0.04%
Ernest Nzovu	Board Member	33,825	0.04%
TOTAL		**11,921,663**	**13.15%**

* By virtue of their shareholding interest in Britak Investments Company Limited ("Britak") which holds 10.93% of the issued shares of the Issuer, Peter Kahara Munga (who has 5% shareholding in Britak) holds an additional beneficial interest of 0.55% of the issued shares in the Issuer while Benson Irungu Wairegi (who has 3.30% shareholding in Britak) holds an additional beneficial interest of 0.36% in the issued shares of the Issuer.

The details of shareholding by senior management of the Issuer are as follows:-

Name	Title	Number of Shares	Percentage
James Njuguna Mwangi	Chief Executive Officer	6,632,835	7.32%
Mary Wangari Wamae	Company Secretary	1,742,375	1.92%
Winnie Kathurima Imanyara	General Manager - Business Growth	30,000	0.03%
Allan Kabiru Mwangi	Head of Finance	25,500	0.03%
Gerald Gachoka Warui	General Manager -Customer Service	1,642,534	1.81%
Kenneth Mbaabu Muchiri	Head of Credit	2,000	0.00%
Major Marcus Mutua	Head of Security	5,000	0.00%
Andrew Mwangi Kimani	General Manager – Information Technology Services	3,772,680	4.17%
Peter Lengewa	Head of Business Development	11,666	0.01%
John K. Thagana	Head of Treasury	750	0.00%
Hildah Wambui Mugo	Head of Compliance	7,000	0.00%
Alexander Peter Muhia	Personal Assistant to the CEO	20,000	0.02%
TOTAL		**13,892,340**	**15.31%**

Save as is disclosed above, no director or senior manager has any indirect shareholdings in the Company.

7.4.2 Shareholding by Employees generally

The Bank has established a trust to facilitate an employee's share ownership scheme ("ESOP") for the purpose of holding of shares in the Company. The shares are vested in the ESOP which contains the following provisions:

- Units are issued to eligible employees only
- Employees are not allowed to transfer or sell these units
- An employee is not allowed to mortgage , charge or otherwise encumber the units whether as a security for a loan for or otherwise
- Employees who leave the Bank's employment or who no longer wish to be shareholders have their units redeemed by the trust
- The trustees determine the date and income to be distributed to the members in accordance with the trust deed.
- The trustees keep a record of all the shareholding and the eligible members.

As soon as the Bank is listed at the NSE the necessary application will be made at the CMA for registration of the ESOP.

7.5. Conversion from Equity Building Society to Equity Bank Limited

The predecessor of Equity Bank was EBS, which was first established and registered on 10th October 1984 under the Building Societies Act (Chapter 489 of the Laws of Kenya). Effective 31st December 2004, following the enabling statutory changes made in the Building Societies Act, EBS transferred its business, assets and liabilities to Equity Bank Limited. The said transfer had been duly approved by the members of EBS through a special resolution passed on 11th December 2004. As well, in an extra ordinary meeting of the Shareholders' of EBS held on 24th December 2004, EBS's shareholders and creditors approved this transfer. Approval for the transfer was also obtained from the Minister for Finance.

7.6 Issue of shares by the Company in the 3 years preceding the date of this Information Memorandum

a) On 22nd April 2003 Equity Building Society the predecessor of Equity Bank Limited allotted 2,000,000 ordinary shares of KShs. 5.00 each to Africap Microfinance Fund Limited ("AfriCap" or "AfriCap Fund") at a price of KShs. 60.00 per share. The total consideration was KShs. 120,000,000.00.
b) On 21st December 2004 the Company allotted 5,411,886 new ordinary shares of KShs. 5.00 each of Equity Bank Limited to 31 founder shareholders details whereof are set out elsewhere in this Information Memorandum at the price of KShs. 134 per share. The total consideration was KShs. KShs. 725,192,500.00.
c) On 31st December 2004 the Company allotted 12, 701,024 ordinary shares of KShs. 5.00 each to all the existing shareholders of Equity Building Society in the ratio of 1 share for every share held. This was in consideration of the agreement to transfer all the business assets and liabilities of Equity Building Society to Equity Bank Limited.
d) On 10th August 2005 the Company allotted (72,451,640) ordinary shares of KShs. 5.00 each by way of a bonus issue to all shareholders in the ratio of 4 shares for every one held as at 30th June 2005.

7.7 Corporate Governance

7.7.1 The Board of Directors of Equity Bank consists of ten members, drawn from different professions and with diverse skills and experiences. Only one director is executive. The Board of Directors is responsible for fostering the long-term business of the Bank consistent with their fiduciary responsibilities to shareholders and depositors. The Board is committed to conducting the affairs of the Bank with openness, integrity and accountability and in accordance with the highest standards of corporate governance. Each of the directors has signed a code of corporate practice which sets out the duties and responsibilities of the directors and provides for the evaluation of the board members bi-annually.

7.7.2 There is no existing or proposed contract between any of the directors and the Company other than employment contracts for those directors who are employed in the ordinary course of business. Vide a resolution passed on 20th May 2005 the Board of Directors passed a resolution barring any directors or their associated companies from trading with the Bank.

7.7.3 No options to purchase any securities of the Company have been granted or exercised by any director of the Company.

7.7.4 None of the directors of the Bank has or has had any direct or indirect beneficial interest in any property acquired by the Company during the two years proceeding the date of this Information Memorandum.

7.7.5 As at the date of this Information Memorandum none of the advisers to the Company has any beneficial interest in the shares of the company.

7.7.6 As at the date of this Information Memorandum and for a period of at least two years prior to the date of this Information Memorandum, no director of the Company:

a) has or has had any petition under bankruptcy laws pending or threatened against him; or
b) has or has had any criminal proceedings in which he was convicted of fraud or any criminal offence, nor been named the subject of any pending criminal proceedings or any other offence or action either within or outside Kenya; or
c) is or has been the subject of any ruling of a court of competent jurisdiction or any governmental body, that permanently or temporarily prohibits such director from acting as an investment adviser or as a director or employee of a stockbroker, dealer or financial services institution or engaging in any type of business practice or activity.

7.7.7 On 21st July 2005, The Board of Equity Bank Limited passed a resolution barring non-executive directors from obtaining loans, guarantees and other credit facilities from the Bank during their tenure of office. As at 31st December 2005 no loan/credit facilities were outstanding from any non-executive director. As at 31st December 2005 the total loans granted and outstanding to senior managers of the Bank in the ordinary course of business was the sum of KShs. 97,306,000.00.

7.7.8 The Bank's Chief Executive Officer has signed a contract of employment with the issuer which is available for inspection at the Head Office of the Issuer. In addition to the salary payable to the Chief Executive as per his contract, a total of KShs. 11,594,000 in directors fees is estimated as being payable to the directors during the current financial year.

7.8 The Listing and Proposed Price

7.8.1 The Bank is listing at the NSE MIMS all its 90,564,550 issued and fully paid ordinary Shares. The Shares rank pari passu inter se and are freely transferable. The Listing is by way of an introduction and will be at the MIMS of the NSE. At the moment, the Bank will only be listed at the NSE. Listing and trading is expected to commence on 7th August 2006. No new shares are being offered but following the listing members of the public will be free to acquire shares on the NSE, subject to compliance with applicable laws, regulations and procedures in Kenya.

7.8.2 The fair market price for the listing was developed using the valuation metric set out in summary in the valuation report contained in part 17 of this Information Memorandum. It also took into consideration the following factors:

- The Bank's robust over the counter market price
- The earning potential of the Bank
- The country's Macro-economic outlook
- Capital market indicators in Kenya
- Market sentiments
- Earning multiples at which the shares of comparable banks listed at the Nairobi Stock Exchange were trading at prior to listing.

The anticipated fair market value per share price for the Bank should be KShs. 70

7.9 Reasons for Listing

The primary purpose of the Listing is to offer Equity's shareholders and the Bank the benefits of the stock market, liquidity and price discovery. The Listing will also provide:

- An opportunity for customers of the Bank, Kenyans and other investors generally, to share in what the Bank believes will continue to be a Kenyan success story.
- An objective valuation of the shares of the Bank and an enhancement of the Bank's price discovery mechanism.
- A mechanism of exchange of shares for the shareholders of the Bank.
- An opportunity for the Bank to enhance corporate governance structures, corporate image and disclosure standards.
- An avenue for the Bank to raise additional capital at a later stage.

7.10 Continuity

As a sign of commitment to the growth of the Bank and confidence, nine of the key shareholders (whose names appear in Clause 7.3 of this Information Memorandum) have indicated to the CMA that they will not offload their shareholding for the first twenty-four months after the Listing. In addition, no changes in the senior management (including the Chief executive Mr. James Mwangi) are planned or expected during the next two years.

7.11 No benefits, discounts, commissions and contracts paid.

a) Except as is disclosed in this Information Memorandum in the past two years, there has been no material reclassifications, mergers, consolidations of the share capital of the Issuer and there has been no acquisition or dispositions of any material amount of assets otherwise than in the ordinary course of business.

b) No amount or benefit has been paid or given within the two years preceding the date of this Information Memorandum or is intended to be paid or given to any promoter.

c) As disclosed in this Information Memorandum, no commissions, discounts, brokerages or other special terms have been granted by the Issuer, within the two years preceding the date of this Information Memorandum in connection with the issue or sale of any share or loan capital of the Issuer.

7.12 Subsidiaries

As at the date of this Information Memorandum, the Issuer had no subsidiaries.

7.13 Capital Gains

Any gains or losses which accrue on the disposal of shares will not constitute loss under the current Kenyan Law.

7.14 Stamp Duty

So long as the shares are listed on the Nairobi Stock Exchange, no stamp duty will be payable in Kenya in connection with the transfer of the shares in accordance with current legislation.

8. TRANSACTION OVERVIEW

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by the remainder of this Information Memorandum.

Issuer	Equity Bank Limited.
Financial Advisors	Suntra Investment Bank Limited and Dyer & Blair Investment Bank Limited.
Compliance	The listing of the Shares will comply with the Memorandum and Articles of Association of the Issuer, applicable laws, guidelines, CMA and NSE's Rules and Regulations.
Sponsoring Stockbrokers	Suntra Investment Bank Limited and Dyer & Blair Investment Bank Limited
Listing and Trading	Permission has been granted by the CMA to offer the Shares to the public and to list the Shares on the MIMS of the NSE.
Status of Shares	The Shares are freely transferable ordinary shares that rank pari passu inter se and which are freely transferable and available for listing.
Governing Law	The listing of the Shares will be construed in accordance with, and governed by Kenyan law.
Cost of Listing	The cost of the Listing will be borne by the Issuer. The key components of the cost of the Listing are as follows:

Financial Advisors and Sponsoring Stockbrokers	KShs.	11,000,000.00
Reporting Accountants	KShs.	1,400,000.00
Legal Advisors	KShs.	500,000.00
CMA Approval Fees	KShs.	8,118,704.00
NSE Listing Fees	KShs.	1,500,000.00
Printing Costs & Postage	KShs.	1,500,000.00
Advertising	KShs.	3,000,000.00
Miscellaneous Costs	KShs.	1,000,000.00
TOTAL	**KShs.**	**28,018,704.00**

Based on the issued shares of 90,564,550 the cost of the Listing per share will be Kshs. 3.20/=

9. KEY INVESTMENT CONSIDERATIONS

Key investment considerations include the following:

9.1 Proven Track Record

Equity has in the past achieved positive results in its key performance indicators. In the period 2000 – 2005 information on some selected parameters is as follows:

Parameter	**2000 (in KShs.)**	**2005 (in KShs.)**	**Average compounded growth rate (% per annum)**
Total operating income	141,000,000	1,803,000,000	53
Pre-tax profits	33,000,000	501,000,000	57
Total assets	1,260,000,000	11,457,000,000	44
Customer deposits	977,000,000	9,048,000,000	45
Loan and advances	502,000,000	5,885,000,000	35

9.2 Growth in Niche Market

Equity has focused on customizing the traditional banking model of intermediation to make it relevant to micro, small and medium market segment of the Kenyan population. Through research and product innovation, Equity has developed products and services that identify the needs cycle and financial resources of this market segment thus carving out a niche market.

The Bank's target market which includes individuals, micro, small and medium enterprises is largely un-banked. The Bank's planned expansion targets this unexploited market. It is expected that providing financial services to this target market will result in continued growth in terms of business volumes and profitability.

9.3 Board of Directors and Management Team

Equity's Board of Directors is drawn from different professions and with a diverse set of skills and experiences that have and will continue to contribute to the growth and development of the Bank. The Bank's senior management team has extensive experience and proven track record within the public and private sectors. To ensure that the Bank continues to be governed properly, it has put in place very stringent corporate governance structures.

9.4 Risk Management Strategies

The Bank has established a comprehensive risk management framework. It has 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. 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 Bank's Risk Management Department. The Bank's risk limits are assessed regularly to ensure their appropriateness in line with the Bank's objectives and strategies and current market conditions.

9.5 Credit Ratings

The Bank was recently rated by two international rating agencies, MicroRate of United States of America and Global Credit Ratings of South Africa. Based on the Bank's solid performance and credit portfolio ratios, Global Credit Ratings of South Africa awarded short-term and long-term ratings of A1 and A respectively. MicroRate of United States of America awarded the Bank *a++* rating which indicate consistently exhibiting a clear, rational and balanced relationship among financial, operational and strategic considerations of sound microfinance practice as compared to an international set of similar companies. In 2001, Planet Finance of France had ranked EBS as a "high global performer, professionally advanced, technically self sufficient and a low risk investment".

9.6 Infrastructure

In 2005, Equity invested over KShs. 565 million on Information Technology infrastructure with Infosys, the world's leading core banking solution, which will support the Bank's expansion strategy. The Information Technology infrastructure includes a new generation core banking system, state of the art data centre and an enhanced Automated Teller Machines network. In 2006, Equity plans to commission 50 Automated Teller Machines, point of sales terminals, mobile banking and short message service alerts across its existing and future branch network. The amount expended for the expansion exercise and the infrastructure is from the Bank's own funds. A detailed breakdown of the infrastructure is in the general information section of this Information Memorandum.

9.7 Branch Network

In keeping with the Bank's commitment to offer its services to its customers countrywide, the Bank plans to increase its branch network, from 31 branches in 2005 to about 60 in 2009. The new branches will be spread across the country but clustered in various regions. The new branches are on leased premises and are financed from own funds. Details of the leases are available for inspection at the Head Office of the Bank.

9.8 Continuity

Although the Bank's shares will be listed at the NSE and will be freely transferable, nine of the key shareholders listed in 7.3 above namely Britak Investment Company Limited, AfriCap Microfinance Fund Limited, James Njuguna Mwangi, Nelson Muguku Njoroge, Peter Kahara Munga, Andrew Mwangi Kimani, Fortress Highlands Limited Simon Kagwanja Thuo and John Kagema Mwangi have given an undertaking to the CMA that they shall not dispose of their shares in the Bank for a period of twenty-four months from the date of Listing. In addition the shares held by Equity Bank Employees Share Ownership Plan are not immediately available for trading.

9.9 Dividend Policy

Equity has had a consistent dividend policy of up to 40% of par-value. The Bank's Board of Directors intend to maintain a consistent annual dividend policy to the shareholders of an amount that can be sustained taking into account the variations in earnings and which is commensurate with the capital expenditure of the Bank.

9.10 Growth Potential

Kenya's active labour force is estimated at 15 million people spread as follows: close to half (48% percent) are engaged in smallholder agriculture and pastoralism; another 40 percent are engaged in the informal sector, and; 12 percent are in formal sector wage employment . The Bank's primary target market is microfinance customers. Microfinance customers comprise of formal wage earners employed in the lower income brackets, and entrepreneurs and workers in the mostly informal small and microenterprises (MSEs) and smallholder farmers. This market offers very significant scope for growth. The penetration of banking services in this market is very low. The total number of bank accounts held in Kenya is presently less than 3 million, which is quite low relative to the labour force as set out above. In effect, the majority of the Kenyan population is "unbanked". The Bank's planned expansion targets this unexploited market.

[1] *CGAP "Case Study No 4 on Agricultural Microfinance" Planet Finance of France, June 2001*

9.11 Increased Demand for Bank's Products and Services

With the current growth in population, Gross Domestic Product ("GDP") and increased sensitisation of the benefits of banking services, there is an ever increasing demand for the Bank's products. The Bank is continuously developing new products which are customer driven. The ability of the Bank to identify and satisfy this demand will drive its continued growth and profitability.

9.12 Equity Bank Valuation

Equity Bank has been valued by independent valuers' and their report is contained in Chapter 17 of this Information Memorandum. The approach taken in valuing Equity Bank applied four models, namely, Dividend Discount model, Discounted Cash flow, Price-Earnings approach, and Price-to-Book Value approach. The basic application in the use of these methods is to assess the implied value for the Equity Bank with regard to the prevailing fundamentals and market sentiments. The approaches are what the valuers' believe are the most reliable in estimating the Bank's value given the firm's historical performance and future prospects.

Valuation Method	Value (Kshs. M)	Value Per Share (Kshs. M)
1. Discounted FCF method	6,440	67.80
2. PBV -Average Approach	5,524	61.00
PBV -Regression Approach	5,796	64.00
3. PE Ratio	5,742	63.40
4. DDM method	8,278	91.40
Valuation Average Price	**6,3399**	**Kshs 70.00**
DLOM Value		**Kshs 59.50**
OTC Market Value & Price (Mar-06)	**5,977**	**66.00**

Based on the average valuation of the four approaches, which ranges between Kshs 5.5 and 8.4 Billion, Equity Bank is valued at Kshs. 6.3 Billion, placing it at a price of Kshs 70. The valuers applied a 15% Discounting Lack of Marketability value (DLOM) based on the fact that Equity Bank has a robust Over-the-Counter market. In the past one year and two months date, the Bank moved 7.6 million shares. Therefore, at a DLOM of 15%, the anticipated fair market value per share price for Equity Bank should be Kshs. 59.50. However, it is important to note that a fair market valuation such as this may change in time contingent upon various factors. Above all, every shareholder and or investor is requested to take note of the provisions of Chapter 3 above on disclaimers and to consult their professional advisers for any investment advice regarding their Shares or otherwise howsoever.

9.13 Taxation

Investors and shareholders attention is drawn to the provisions of the Income Tax Act (Chapter 470 of the Laws of Kenya) with regard to Withholding Tax on dividends payable to both local and foreign shareholders. Equity is a liaison of the Kenya Revenue Authority with regard to Withholding Tax and shall deduct the applicable tax (currently at the rate of 5% on residents and 10% on non-residents) whenever applicable. Non –residents may be entitled to a tax credit in their country of residence where their country has entered into a double taxation treaty with Kenya. Non-residents are advised to obtain tax advice on this issue.

9.14 Foreign Investors

For the purposes of the Capital Markets (Foreign Investors) Regulations 2002 ("the Regulations") a foreign investor means any person who is not a local investor or an East African investor (as more particularly defined in the Regulations). The attention of foreign investors is drawn to the Regulations in so far as they apply to holding of shares in a listed company.

[2]Estimates are calculated from Central Bureau of Statistics sources (National Labour Force Survey 1998/99 and Economic Survey 2005)

10. PROFILE OF THE ISSUER

10.1 Status of Issuer

Equity Bank Limited is a public limited liability company duly incorporated in Kenya under the Companies Act under Certificate of Incorporation Number C. 4/2005. The Company was granted a banking licence on 28th December 2004 (Licence Number BK/80). This enables the Company to carry out banking business in Kenya in accordance with the Banking Act (Chapter 488 of the Laws of Kenya). Municipal Council licences are also issued to each of the branches in accordance with applicable laws and regulations.

10.2 Registered Office

The registered office of the Issuer is at Land Reference Number 209/11248, NHIF Building, Haile Selassie Avenue, 14th Floor, P.O. Box Number 75104-00200 Nairobi, Kenya.

10.3 Company Secretary

The Company Secretary of the Issuer is Mrs. Mary Wangari Wamae of P.O. Box Number 75104-00200 City Square Nairobi and a Certified Company Secretary duly registered as Number 1753.

10.4 Auditors

The Auditors of the Issuer are Ernst & Young, Kenya Re Towers, Upper Hill, Off Ragati Road, P.O. Box 44286 – 00100 GPO Nairobi since 2004. M/S Mungai & Associates were the auditors of Equity Building Society upto and including 2003 before the conversion to a commercial bank.

Messrs. Mungai and Associates were the auditors of Equity Building Society for the period up to 31st December 2003. Following the conversion from a Building Society to a Commercial Bank Messrs. Ernst & Young of P. O Box 44286 – 00100 were appointed as auditors of the company for the year ended 31st December 2004. Central Bank of Kenya duly approved the said appointment as required under section 24 (i) of the Banking Act.

10.5 Share Registrar

The first Share Registrar shall be Mrs. Mary Wangari Wamae of P.O. Box Number 75104-00200 GPO Nairobi. Should need arise the Bank may outsource this service after the Listing.

10.6 Lawyers

The Lawyers of the Issuer are various. A complete list of the Lawyers on the Issuer's panel is available at the registered office of the Bank but they include the following:

a. Walker Kontos Advocates
b. Hamilton Harrison & Mathews Advocates.
c. Kimani & Michuki Advocates.
d. Muriu Mungai & Co. Advocates.
e. Waweru Gatonye & Company Advocates.

10.7 Principal Objective

Equity's principal objective is to carry on the business of banking and micro finance. It has been issued with a banking licence (Number BK/80) to carry on banking business in Kenya.

10.8 Vision

The Issuer's Vision is:
"To be the preferred microfinance service provider contributing to the economic prosperity of Africa"

10.9 Mission

The Issuer's Mission is:
"We mobilize resources and offer credit to maximize value and economically empower the microfinance clients and other stakeholders by offering customer–focused quality financial services".

10.10 Core Values

The Issuer's core values are "professionalism, integrity, creativity and innovation, teamwork, unity of purpose, respect and dedication to customer care and effective corporate governance."

10.11 Network Associations and Development Partners

Equity is member to an array of network associations and has partnered with several development organisations which include:

Organisation	Nature of Association with Issuer
• Association of Micro Finance Institutions (AMFI)	• Equity Bank is a member and contributes as a Microfinance service provider by offering services/advise to the small, medium and micro entrepreneurs in Kenya.
• Kenya Bankers Association (KBA)	• Equity Bank is a member of the association by virtue of its status as a commercial bank. KBA provides updates on the banking/financial industry and monitors compliance by its members with the Banking Act.
• Africa Rural Agricultural Credit Association (AFRACA)	• Equity participates by promoting rural credit financing in Kenya.
• Women's World Banking (WWB)	• The association is based in the United States of America and its role in Kenya (and the basis of Equity's association with it) is in the contribution it makes to the microfinance sector in Kenya. They provide information on trends and the growth of the microfinance service providers in this part of Africa.
• Global Network for Banking Innovation (GNBI)	• The organisation aims at networking member banks (including Equity) in Information Technology and innovations.
• Microfinance Network	• The organisation aims at sharing transparent and reliable information about Microfinance institution members (including Equity) operations and financial standards.
• French Development Agency(AFD)	• Line of credit on SME
• International Finance Corporation (IFC)	• Line of credit on solar energy. IFC is one of the investors in AfriCap, a shareholder in Equity.
• German Development Bank (KfW)	• Line of credit – Irrigation - small scale.
• Financial Services Deepening Fund (FSD)	• Institutional Development
• Micro Save Africa	• An organisation involved in Market Research, Product Development, Product Refinement and Costing which it shares with Equity
• Swiss Foundation for Technical Cooperation (SwissContact)	• The organisation promotes Total Quality Management, Systems, Processes Mapping and Procedures and Policy Manuals. All these areas are of interest to Equity.

10.12 Shareholding

The Bank's shareholding is as follows:

Shareholder name	Number of Shares	Nominal Value (Kshs.)	Percentage of shareholding
Britak Investments Company Limited	9,894,397	49,471,985	10.93%
Nelson Muguku Njoroge	7,462,685	37,313,425	8.34%
James Njuguna Mwangi	6,632,835	33,164,175	7.32%
John Kagema Mwangi	5,700,000	28,500,000	6.29%
Equity Bank Employees Share Ownership Plan	5,000,000	25,000,000	5.52%
Africap Microfinance Fund Limited	5,000,000	25,000,000	5.52%
Andrew Mwangi Kimani	3,772,680	18,863,400	4.17%
Fortress Highlands Limited	3,367,000	16,835,000	3.72%
Peter Kahara Munga	2,902,493	14,512,465	3.20%
Simon Kagwanja Thuo	2,171,965	10,859,825	2.40%
Others (2,408 Shareholders)	38,660,495	193,302,475	42.69%
TOTAL	**90,564,550**	**452,822,750**	**100.00%**

There are no formal or informal agreements between the shareholders and the directors or senior management to act in concert with regard to their shares.

10.13 Board of Directors

The Board of Directors of Equity Bank Limited consists of ten members, drawn from different professions and with diverse skills and experiences. Only one Director is executive. The Directors are elected by the shareholders upon recommendation by the Board. The candidates are identified and short listed by the Board Nominations, Governance and Staff Remuneration Committee prior to presentation to the Board. The Board of Directors is expected to assume a primary duty of fostering the long-term business of the Bank consistent with their fiduciary responsibilities to shareholders and depositors. The Board is committed to conducting the affairs of the Bank with openness, integrity and accountability and in accordance with the highest standards of corporate governance. Each of the Directors has signed the code of corporate practice which sets out the duties and responsibilities of the Directors and provides for the evaluation of the Board members bi-annually.

10.14 Material Contracts

The following contracts have been entered into by the Company otherwise than in the ordinary course of business during the two years prior to the date of this Information Memorandum:

a) Agreement dated 9th April 2003 between Africap Microfinance Fund Limited of L & P. Financial services T. M Building 5th Floor, Pope Hennessy Street, Port Louis Mauritius and EBS the predecessor of Equity Bank Limited for the subscription and sale of 2,000,000 ordinary shares of KShs. 5 each for a consideration of KShs. 120,000,000. The subscription price for each share was KShs. 60.

b) Agreement dated 17th February 2005 between Britak Investments Company Limited of P.O Box 30375 Nairobi and EBS the predecessor of Equity Bank Limited for the subscription of 1,492,537 ordinary shares of KShs. 5.00 each of Equity Bank Limited at a consideration of KShs. 199,999,958. The cost per share was KShs. 134.

c) Agreement dated 28th December 2004 between Equity Building Society (EBS) and the Bank both of P.O Box 75104 – 00200 Nairobi for the sale and transfer of the business, assets and liabilities of EBS to EBL. Consequent to this Agreement EBL took over the liabilities and obligations of EBS in respect of the business, the assets the loan accounts, credit accounts, the contracts and the leases. The Agreement also bound EBL to issue to each investing member of EBS shares equivalent to the number held in EBS. In accordance to this Agreement, EBL was also to offer employment to all employees of EBS and was liable to pay all salary, wages accrued leave severance pay and other terminal benefits accrued in respect of such employees. The take over date of this Agreement was 31st December 2004.

d) Deed of Assignment and Transfer dated 31st December 2004 between Equity Building Society (EBS) (assignor) and Equity Bank Limited as assignee pursuant to which Agreement EBS assigned absolutely EBS's business, assets, loan accounts and securities in respect thereof, credit accounts, contracts and leases as defined in the Agreement for sale mentioned in (c) above and all claims of the assignor against third parties.

e) Agreement for Sale and Assignment of Debts and Securities dated 18th March 2005 between Industrial Development Bank (IDB) and Equity Bank Limited for:-
   i. The sale of IDB's short-term loans, overdraft facilities, portfolio and the securities relating thereto for a consideration of KShs. 43,002,792.35.
   ii. Sale of IDB's furniture, fixtures and equipment from its commercial Banking operations at Bima House on L.R Number 209/6517 Nairobi at a consideration of KShs. 2,255,950.
   iii. Assignment of IDB interest in the lease at Bima House L.R Number 209/6517 Nairobi.
   iv. Transfer and or rehiring of IDB's 10 employees at Bima House Branch at such terms as Equity Bank and the said employees would agree.

f) Supplemental Agreement for Sale and Assignment of Debts and Securities dated 22nd April 2005 between IDB and Equity Bank Limited supplemental to the Agreement for the sale and assignment to debt and securities dated 18th March 2005 above for the sale and assignment of additional short-term loans, overdraft facilities portfolio and the securities relating thereto for a consideration of KShs. 12,063,393.93.

g) Assignment of Lease dated 18th March 2005 between IDB and Equity Bank Limited whereby IDB agreed to assign, transfer and deliver all its rights under a lease Agreement dated 23rd June 1998 made between IDB and the Official Receivers of Kenya National Assurance Company Limited (In Receivership) over the premises situated on the ground and mezzanine floors of L.R 209/6517 (Bima House) Nairobi. The date of delivery of possession of the premises to the assignor was 14th March 2005. The Ministry of Finance duly granted consent to the said assignment.

h) A User Agreement executed on 1st March 2005 signed between the Bank and Kenya Commerce Exchange Service Bureau Limited of P.O Box 44812, 4th Floor Tausi Court off Muthithi Road Westlands Nairobi for the utilization of swift services at a cost of US Dollars 5,900 exclusive of VAT.

i) An Agreement dated 19th May 2005 made between Infosys Technologies Limited of Electronics city Hosur Road Bangalore 560100 INDIA and Equity Bank Limited for the licensing of Finacle banking software as per the specifications contained in the annexure to the said Agreement for a license fee of US Dollars 1,125,000. The contract includes a term for annual maintenance and technical support for annual fee of US Dollars 168,750 exclusive of taxes. The Agreement contains a warranty that for a period of 90 days from the date of Finacle Go live that the software shall function in accordance with the function list contained in the Agreement. The Agreement also contains provision for technical support required by the Bank in respect to the use of the software and also upgrades and maintenance releases of the software.

j) Agreement made on 5th July 2005 between Equity Bank Limited and Computech Limited of P.O Box 59789 – 00200 Nairobi for the supply of Data Centre Enterprise wide systems and storage and related software at a consideration of US Dollars 2,195,982 exclusive of VAT. The contract contains a warranty that all the articles delivered shall be free from defect of materials or workmanship as per the manufacture warranty statement specified in the schedules to the agreement.

k) Agreement dated 27th July 2004 between General Motors East Africa Limited and Equity Building Society for financing of vehicles.

l) An Agreement made between PesaPoint Limited of P.O. Box 2694-00100 Nairobi and Equity Bank and executed in December 2005 to allow customers of the Bank to use PesaPoint ATMs network on terms and conditions set out in the said agreement.

m) Agreement to provide Agency Services in the Clearing House between Credit Bank Limited and Equity Bank; The Bank was admitted to Clearing House in December 2005 hence the agreement is no longer in force.

All the agreements referred to herein are available for inspection at the registered office of the Company. The Software Contracts are non-exclusive and the Vendors are not precluded from carrying on business in competition with the Bank. There are however appropriate confidentiality clauses in the usual format of such documents.

11. BRIEF HISTORY OF THE ISSUER

11.1 Background

1984 to 1993 - Genesis Period

EBS was registered on 10th October 1984 under the Building Societies Act (Chapter 489 of the Laws of Kenya). The original founders of EBS were inspired by the desire to create a financial service provider which would reach the majority of the Kenyan population. This desire was out of the realisation that the low and medium income earners had no access to formal banking and neither could they afford banking services (the "un-banked" population). Due to the high share capital requirements and legal framework under the Banking Act, EBS was registered under the Building Societies Act to provide mortgage financing to its members.

Between 1984 and 1993, the banking sector underwent a turbulent period resulting in a crisis in banking sector. The result was a lack of public confidence in the banking sector and closure of indigenous banks with most of them being placed under statutory management. Due to its small size and rural outlook, EBS's deposits book and loan base remained stagnant and thus continued to post losses during this period. In 1993, the Central Bank of Kenya declared EBS technically insolvent: management was rated poor, with liquidity ratios of 5.8% compared to the minimum legal requirement of 20%. The board of directors presented to the Central of Bank of Kenya, a turnaround strategy that involved capital injection by shareholders, change of business strategy and the strengthening of management to help revive the institution.

1994 to 1999 - Turnaround Period

This period provided a foundation for future growth. EBS shifted its focus from a mortgage provider to deposit mobilisation and efficient provision of loan facilities to the micro finance sector. In essence, the turnaround phase entailed a complete re-positioning of the institution and a change of strategy which is what is today celebrated as "The rebirth of EBS". With lessons learned from the emerging microfinance sector, EBS embarked to customise the traditional banking model making it relevant to the micro, small and medium income earners and the un-banked population. Through extensive research, EBS was able to develop products and services that addressed the financial needs and seasonality patterns of this market segment.

This turnaround period coincided with the liberalisation of the financial sector. Several large banks shifted focus from the retail to corporate market segment, creating a gap in the retail sector. At the same time, a number of banks were closing their rural branches and rationalising the urban branches. This created a steady flow of new deposits to the EBS. EBS continued to grow, a fruition of its commitment to relationship banking and improved customer service.

EBS management and Board of Directors made a concerted effort to develop a strategic plan that created a strong foundation for further growth and development. The then shareholders, customers and strategic partners were invited to subscribe for shares resulting in a fresh injection of capital amounting to KShs. 150 million. Strategic institutional partners were also appointed to the Board of Directors. It is also the same period that a credit rating was carried out on the EBS by Planet Finance of France with favourable comments.

2000 to 2004 – Takeoff Period

This period was marked with rapid growth in all its parameters of performance. EBS experienced an average annual growth rate of 65.0% from 2000 to 2004. Total operating income stood at KShs. 1.03 billion up from KShs. 141.9 million in 2000. Similarly pre-tax profits also grew from KShs. 33.6 million in 2000 to KShs. 218.2 million in 2004. Total assets grew five fold to stand at KShs. 6.7 billion up from KShs. 1.26 billion. Deposits from customers rose from KShs. 977.8 million to 5.1 billion during the same period with gross loans and advances growing six-fold from KShs. 502 million to KShs. 3.1 billion in 2004.

In 2004, EBS was recognised by the World Bank as a model institution for the impact its products and services made on reaching the un-banked population and success in poverty reduction .

Over the years, EBS partnered with networks associations and development partners such as MicroSave, United Nations Development Programme ("UNDP"), Financial Sector Deepening (FSD), The Consultative Group to Assist the Poor ("CGAP"), World Bank, International Finance Corporation (IFC), SwissContact, German Development Bank, Department for International Development ("DFID"), AfriCap Microfinance Fund Limited ("Africap") and the European Union in areas of technical expertise, product and market research, policies and procedures, change management, branding and corporate identity, mobile banking systems development, credit management, operations development, product cost and pricing as well as management information system.

In 2001, Planet Finance ranked EBS as a "high global performer, professionally advanced, technically self sufficient and a low risk investment". These ratings encouraged AfriCap, a microfinance investment fund to choose EBS as its first investment with an injection of KShs. 120 million, making it at the time the single largest shareholder in EBS at 16% shareholding.

With such rapid growth, certain limitations of being a building society started to emerge. As the institution continued to gain nationwide acceptance, its customers began demanding for additional products like trade finance, foreign exchange, cheques, and overdrafts. To address these needs EBS begun to prepare for conversion to a commercial bank. After three years of intensive preparation, EBS completed its strategic planning and institutional change management process. It identified and focused its efforts on eight critical success factors and also engaged in an institutional and operational risk analysis in preparation for transformation to a commercial bank.

11.2 Transformation of Equity Building Society to Equity Bank Limited

The Building Societies Act provided a legal framework for a building society to transform itself into a commercial bank. The legal process entailed creating a new legal entity (a limited liability company licensed to carry on the business of an institution) and transferring the business, assets and liabilities of the building society to the new entity. Prior to such a transfer, the law required that the approvals and consents of the regulatory authorities as well as the shareholders and creditors of the building society be obtained.

Accordingly, the transformation of EBS to Equity Bank was regulated by the provisions of The Building Societies Act. The salient features of this transformation were as follows:

11.2.1 On 21st December 2004, Equity Bank Limited was incorporated as a private company and issued with Certificate of Registration Number C. 114060. Equity Bank was formed to be the vehicle through which EBS would transform itself into a commercial bank as provided by the law. The promoters of Equity Bank Limited were customers and members of EBS. Details of the shareholding and the relevant changes are set out below.

11.2.2 On 28th December 2004, Equity Bank was issued with a banking licence. The share capital of Equity Building Society was raised by private placement of shares through an appeal to existing shareholders and customers of EBS, raising a total of KShs. 725,192,500.00 within two weeks.

11.2.3 On 11th December 2004, members and depositors of EBS through a special resolution approved the transfer of the business, assets and liabilities of EBS to Equity Bank Limited (in formation), with effect from 31st December 2004. The shareholders of Equity Bank Limited approved the transfer pursuant to a special resolution dated 24th December 2004. Approval for the transfer was also obtained from the Minister for Finance.

[3] *Source: Case Study Summaries: Scaling Up Poverty Reduction, In a paper by Tamara Cook sponsored by the World Bank Institute to be found at WWW.REDUCINGPOVERTY .ORG*

11.2.4 On 31st December 2004 the business assets and liabilities of EBS were successfully transferred to Equity Bank Limited. Pursuant to this transfer investing members of EBS became ordinary shareholders of Equity Bank Limited, each holding the same number of shares they held in EBS. At the same time, all account holders of EBS became the account holders in Equity Bank.

The conversion to a commercial bank yielded important benefits of providing a diversified product and service offering, access to the clearing house, foreign exchange dealing and trade finance.

11.3 Private Placement and Founder Members of Equity Bank

As indicated above, as part of the process of conversion from a Building Society to a commercial bank, Equity Bank Limited was incorporated on 21st December 2004. . The initial authorised share capital of Equity Bank was KShs. 250,000,000 divided into 50,000,000 ordinary shares of KShs.5 each. The capital of Equity Bank was raised through a private placement that attracted a total of 31 investors who took up shares as follows:

	Name	No. of Shares	Percentage
1.	Nelson Muguku Njoroge	1,492,537	27.58%
2.	Britak Investment Company Limited.	1,492,537	27.58%
3.	Prof. Isaac Muthure Macharia	74,627	1.38%
4.	Michael Mwangi Muthee	149,254	2.76%
5.	David Muthami Muthee	74,627	1.38%
6.	Peter Kahara Munga	746,269	13.79%
7.	James Njuguna Mwangi	186,567	3.45%
8.	Jane Wanjiru Michuki	74,627	1.38%
9.	Linus Wangome Gitahi	74,627	1.38%
10.	Donald Kamuru Kibira	74,627	1.38%
11.	Samuel Warugu Kimotho	37,313	0.69%
12.	Joseph Muya Njuru	37,313	0.69%
13.	Benson Irungu Wairegi	74,627	1.38%
14.	Andrew Mwangi Kimani	37,313	0.69%
15.	Simon Kagwanja Thuo	74,627	1.38%
16.	Lizzie Muthoni Wanyoike	74,627	1.38%
17.	Winifred Nyawira Maina	37,313	0.69%
18.	Jimnah Mbaru	75,224	1.39%
19.	Winfred Kaburu Kinyua	37,313	0.69%
20.	Martin Mamicha Mugi	37,313	0.69%
21.	Ernest Kahiro Kimani	37,313	0.69%
22.	Edward Muriu Kamau	37,313	0.69%
23.	John Muya	37,313,	0.69%
24.	Wanjiku Mugane & Michael Warui Kibinge	14,925	0.28%
25.	Sammy Ng'ang'a George	74,627	1.38%
26.	Trans-Century Limited	74,627	1.38%
27.	Zephania Gitau Mbugua	5,037	0.09%
28.	Jimana Limited	74,627	1.38%
29.	Njeru Kirira	7,649	0.14%
30.	Prof. Karega Mutahi	7,556	0.14%
31.	Juanco Investments Limited	77,612	1.43%

At the time, the price of a share in Equity Bank limited was KShs. 134 and the private placement exercise raised the sum of Kshs. 725,192,500.00 as capital of the new company. Other than being shareholders of the new company, the subscribers and /or promoters were not paid any moneys for this exercise and the Bank is not contractually bound to them in any other special manner.

11.4 Effect of the Transfer of business, assets and liabilities of EBS to Equity Bank Limited

11.4.1 As at 31st December 2004, the Share Capital of EBS was KShs.63,505,120 divided into 12,701,024 shares of KShs. 5 each. As of the said date the directors and principal shareholders of EBS were as follows:

11.4.1.1 Board of Directors of EBS as at 31st December 2004 before the transfer of the business to the Bank:

Peter Kahara Munga	Chairman
James Njuguna Mwangi	Managing Director/ Chief Executive
Benson Wairegi	Member
Fredrick Muchoki	Member
Stefan Harpe	Member (appointed by AfriCap)

11.4.1.2 Shareholders of EBS as at 31st December, 2004 before transfer of business to the Bank

Name	No. of Shares	%
AfriCap Ltd	2,000,000	15.75%
James Njuguna Mwangi	1,406,666	11.08%
John K Mwangi	1,395,254	10.99%
Peter Kahara Munga	767,236	6.04%
Kimani Mwangi Andrew	578,473	4.55%
Others (Each Holding Below 3%)	6,553,395	51.60%
Total	**12,701,024**	**100%**

11.4.2 Following the transfer of the business, assets and liabilities of EBS to Equity Bank Limited on the take over date which was 31st December 2004, all the shareholders of EBS were allotted shares in the Bank equivalent to the number held in EBS. Consequently the shareholding structure changed as follows:-

Shareholders of Equity Bank Limited as at 31st December, 2004 after the transfer of business of Equity Building Society to Equity Bank Limited

Name	No. of Shares	%
AfriCap Ltd	2,000,000	11.04%
James Njuguna Mwangi	1,593,233	8.80%
Peter Kahara Munga	1,513,505	8.36%
Nelson Muguku Njoroge	1,492,537	8.24%
Britak Investment Company Limited	1,492,537	8.24%
John K Mwangi	1,395,254	7.70%
Kimani Mwangi Andrew	615,786	3.40%
Others (Each Holding Below 3%)	8,010,058	44.22%
Total	**18,112,910**	**100%**

11.4.3 The following table shows the changes in the share capital as a result of the conversion:

Name of Entity	No. of Shares	Nominal Amount (KShs.)
Equity Building Society (before transfer of assets & liabilities of Equity Building Society to Equity Bank Limited)	12,701,024	63,505,120
Equity Bank Limited (before transfer of assets & liabilities of Equity Building Society to Equity Bank Limited)	5,411,886	27,059,430
Equity Bank Limited (after transfer of assets & liabilities of Equity Building Society to Equity Bank Limited)	18,112,910	90,564,550

11.4.4 As a result of the changes in the shareholding as outlined above, the shareholding of Africap Limited reduced from slightly below 16% to 11.04%. Africap Limited later agreed to sell 50% of its shares to the staff of Equity Bank Limited. The staff shares are held by a trust registered as Equity Bank Employee Share Ownership Plan. The shareholding of Africap currently stands at 5.52% and Equity Bank Employee Share Ownership Plan holds 5.52% of the shares of the bank. It is proposed that after the Listing, Equity Bank Employees Share Ownership Plan will seek the necessary registration as per the law.

11.4.5 The Board of Directors of the Bank was also expanded from five to ten members and the following additional directors appointed:-

1) Linus Wang'ombe Gitahi
2) Julius Kangogo Kipng'etich
3) Beatrice Sabana
4) Wanjiku Mugane
5) Ernest Nzovu

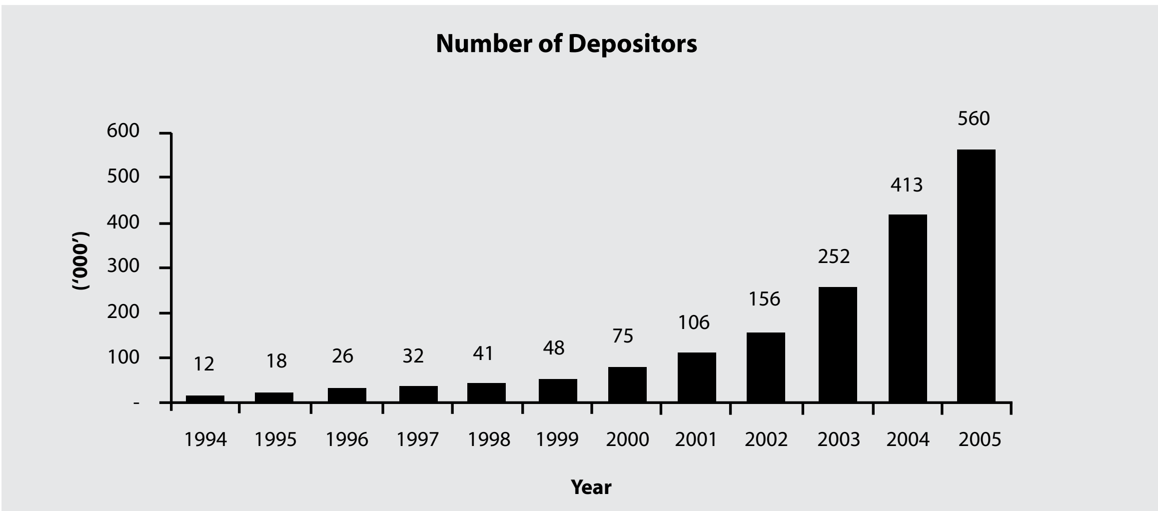
The complete profiles of the directors are given in Chapter 14 of this Information Memorandum under the section on Corporate Information. On 31st May 2005 Mr Stefan Harpe retired as a director and was replaced by Mr Wagane Diouf with Peter Gachuba as his alternate. On 11th February 2006 the roles of the last two were reversed. Mr. Wagane Diof retired and Peter Gachuba became a director with Mr. Wagane Diouf acting as his alternate.

11.5 Historical performance review

EBS grew steadily since its strategic re-orientation from mortgage finance to microfinance in 1994. The society turned a profit of KShs. 7 million in 1994 and subsequently registered an increase in profitability every year, with the exception of 1997, when profit dipped from KShs. 12 million to KShs. 11 million. Profitability increased 20-fold in ten years, to KShs. 143 million in 2003. In 2005 the Bank posted a profit of KShs. 501 million, more than double the KShs. 218 million posted 2004, its last year of operation as a building society. In terms of size, the Bank grew tenfold in the decade, from 35 employees in 1994, to 884 employees in 2005. Over the same period shareholders funds increased from a negative position of KShs. 19 million to stand at KShs. 1,594 million. The historical performance from 1994 to 2005 is summarized graphically below.

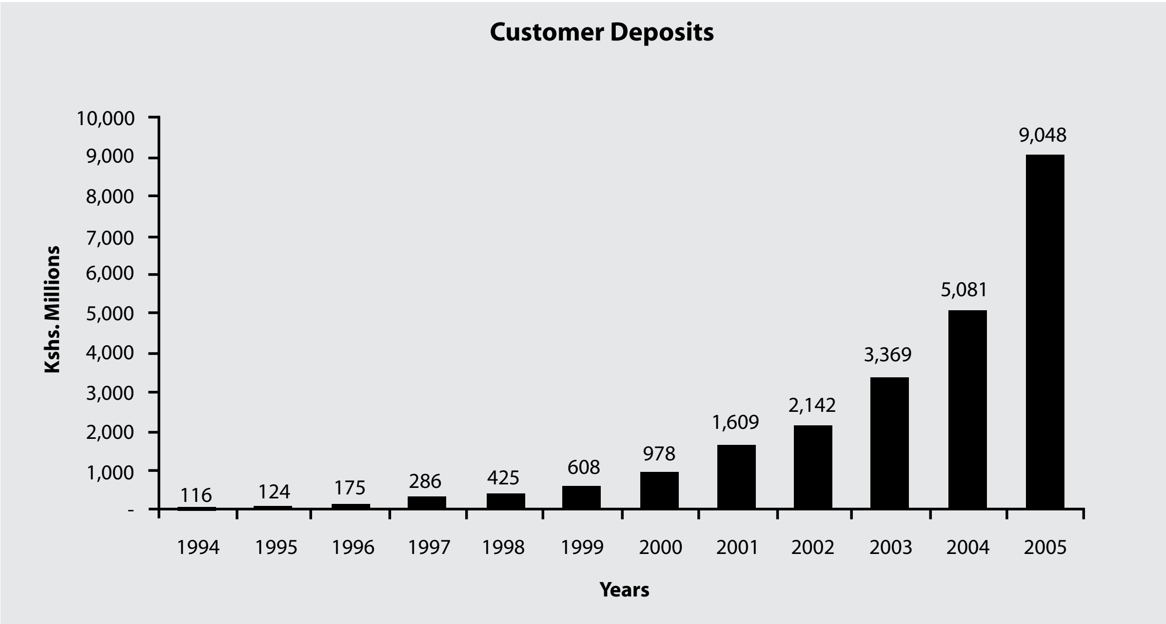
11.5.1 Number of Depositors

The Bank's customer base grew exponentially from 12,000 in 1994 to 560,000 account holders in 2005. The growth was driven by the Bank's market led and customer focused approach in serving the needs and wants of the micro, small and medium sized enterprises.



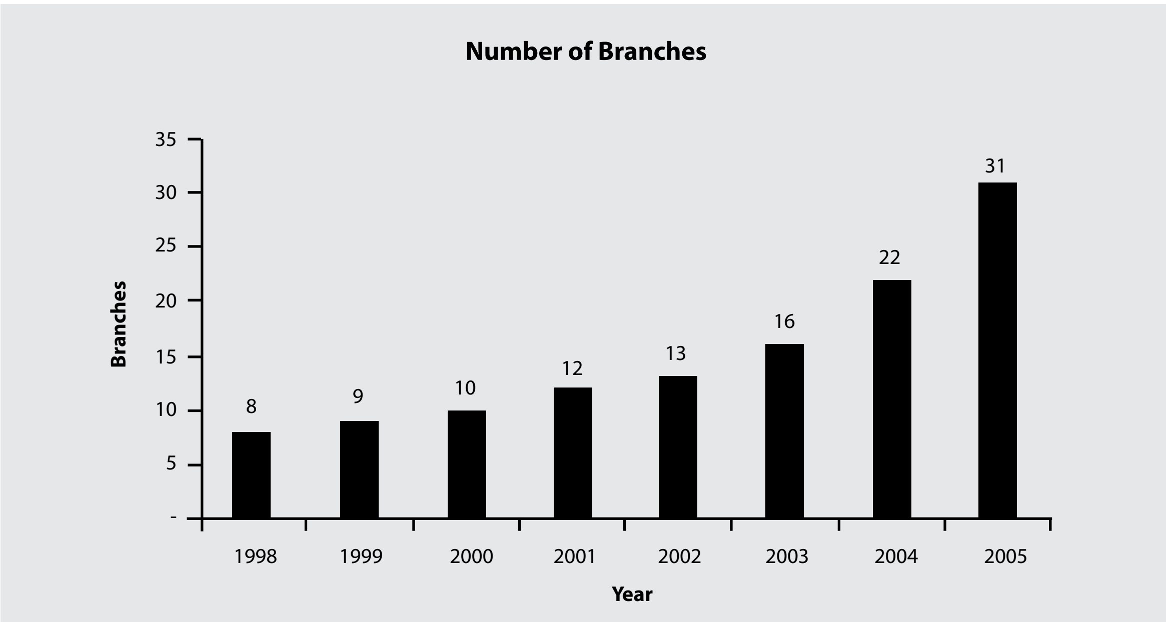
11.5.2 Total Customer Deposits

Growth in customer's deposits also increased from Kshs. 116 million in 1994 to Kshs. 9,048 million in 2005 which was attributable to an increased number of accountholders, loans and savings products, branches and mobile units.



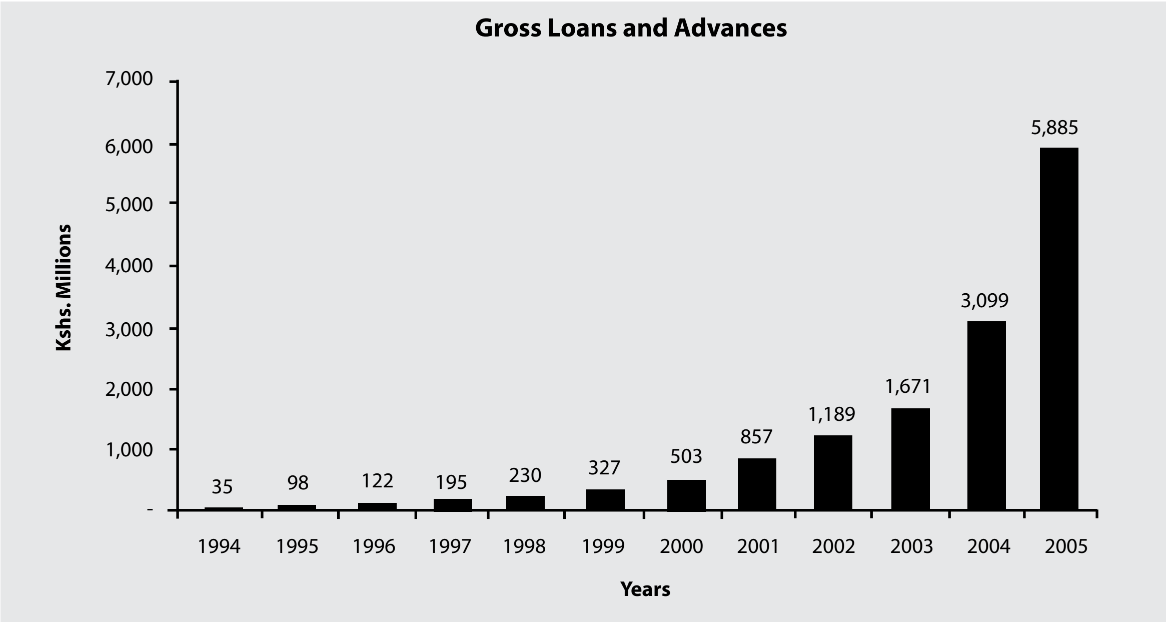
11.5.3 Numbers of Branches

The Bank also grew its branch network ten-fold from 8 in 1998 to 31 branches in 2005, which are located in Eastern, Central, Nairobi, Rift Valley, Nyanza and Coastal provinces of Kenya.



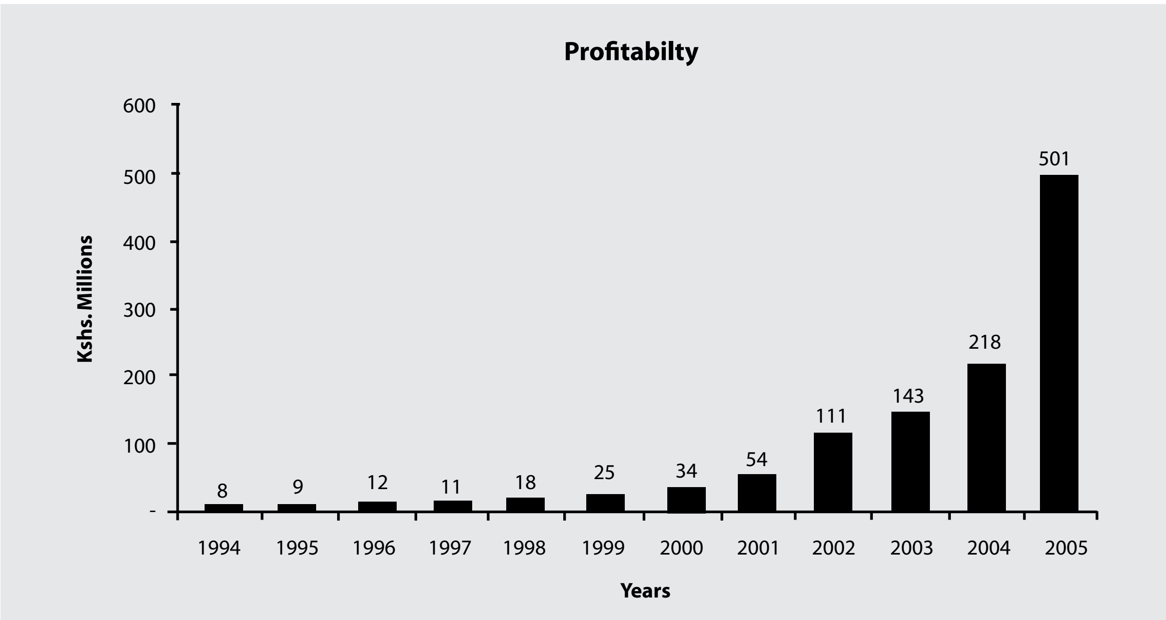
11.5.4 Gross Loans and Advances

The Bank's gross loan and advances book also grew steadily over the ten-year period from Kshs. 35 million in 1994 to Kshs. 3,099 million in 2004. In 2005, the Bank gross loan and advances book grew by 90% to Kshs. 5,885 million which was attributable to an increased number of loan product offerings to the micro, small and medium enterprises.



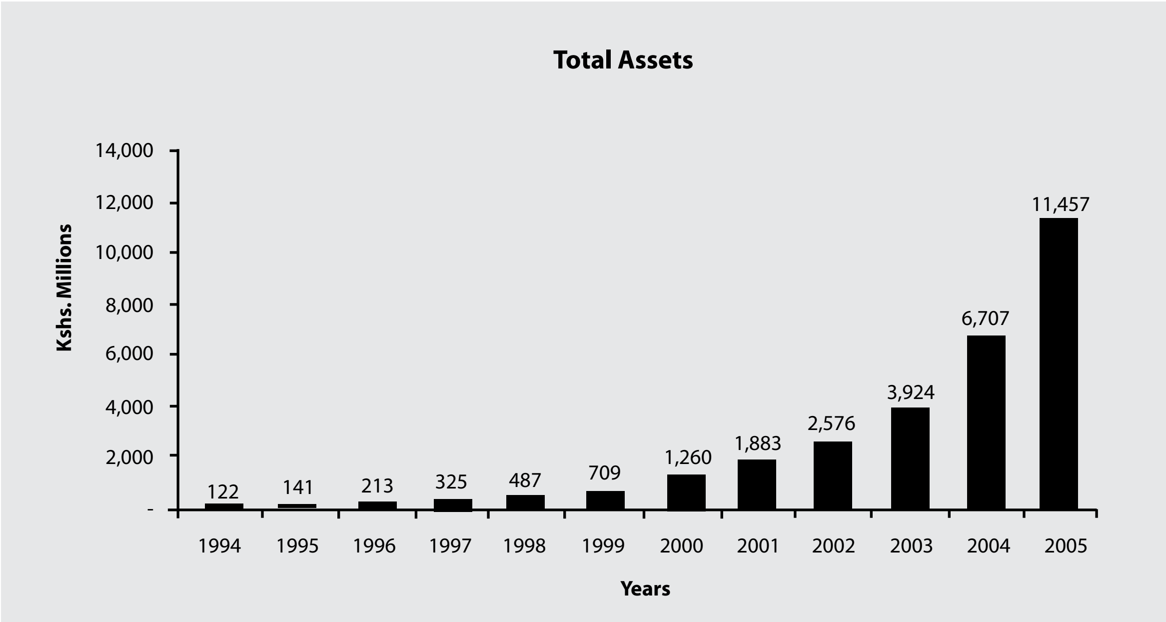
11.5.5 Profitability

From 1994 EBS registered increased profitability every year except 1997 when profit dipped to KShs. 11 million down from KShs.12 million realised in 1996. Profitability thereafter increased 20-fold in ten years, to Kshs. 143 million in 2003. In 2005 the Bank posted Kshs. 501 million profit, more than double the Kshs. 218 million posted in 2004, in its last year of operation as a Building Society.



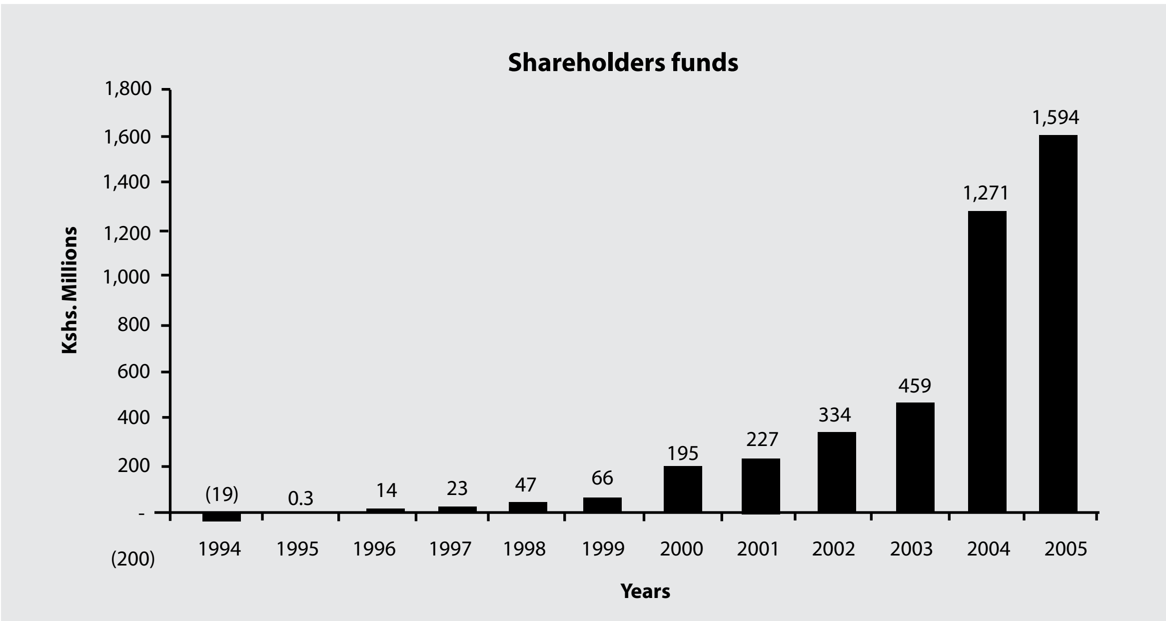
11.5.6 Total Assets

Growth in the Bank's loan and advances book and branch network increased the Bank's total asset portfolio steadily from Kshs. 122 million in 1994 to Kshs. 6,707 million in 2004. The Bank recorded a 71% growth in total assets to Kshs. 11,457 million in 2005 as a result of its planned expansion initiatives and implementation of its information technology infrastructure.



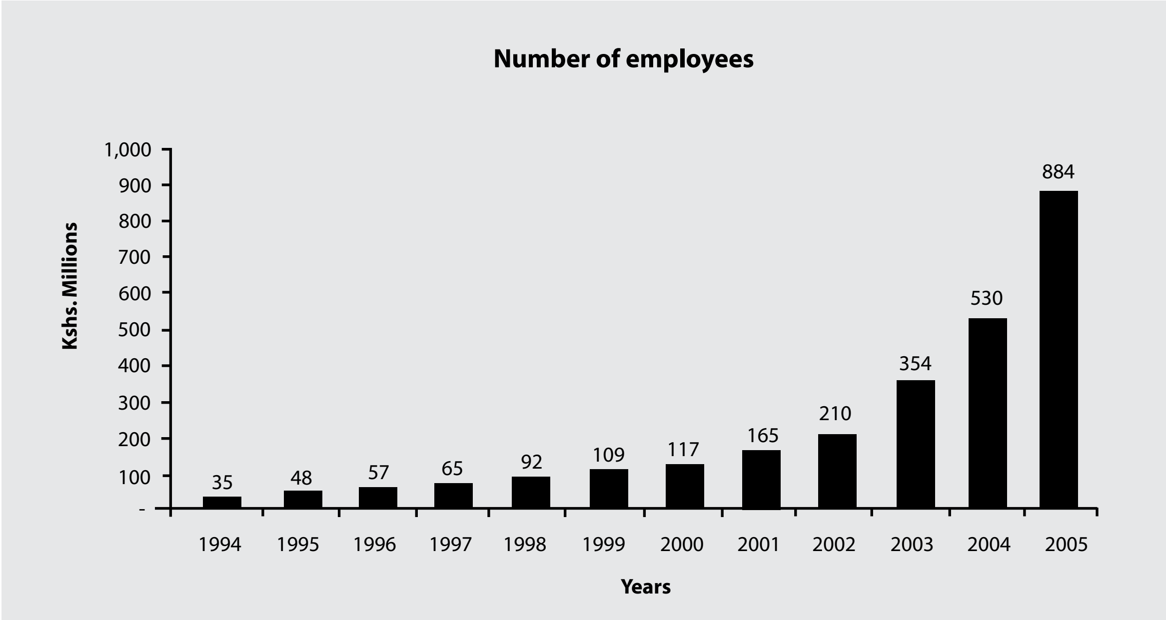
11.5.7 Shareholders Funds

The Bank's shareholders increased steadily from negative Kshs. 19 million (-19m) in 1994 to Kshs. 459 million in 2003. In December 2004, the Bank raised Kshs. 725 million through private placement initiative during the transformation of Equity Building Society to Equity Bank Limited. The Bank's shareholders base increased by 25% in 2005, as result of increased profitability.



11.5.8 Number of Employees

The number of employees grew tenfold from 35 in 1994 to 884 in 2005, as a result of its planned expansion initiatives into the Coastal, Nyanza and Rift Valley provinces of Kenya and its increased product offerings.



11.6 Products and Services offered by the Issuer

11.6.1 The Issuer provides a comprehensive range of products and services to existing and potential clients which include:

Deposit Products

Personal Current Accounts	Savings Account
Super Junior Accounts	Jijenge Account
Call and Fixed Accounts	Business Current Account

Services

Asset Financing	Trade Finance
Foreign Exchange	SWIFT
Bank opinion	Safe Custody Services
Standing Orders	Bid and Performance Bond
Bank Guarantees	Telegraphic Transfers
Treasury Bills	Salary Remittances
Electronic Funds Transfer	Bankers Cheques
Automated Teller Machines	

Loan Products

Medical Loans	Education Loans
Salary Advance	Farm Input Loans
Business Loans	Development Loans
Equiloans	SAKO plus

11.6.2 The above loan products were developed by the bank staff and target to benefit the bank customers. The development of the products was in line with the bank's objective of always adding value to the customer by consciously seeking to improve the value, and diversity of the products available to its customers.

12. THE KENYAN ECONOMY : AN OVERVIEW

12.1 Overview

Kenya's economy has registered a robust recovery over the last two years, after close to a decade of declining growth. Growth accelerated from 0.4 percent in 2002, to 2.8 percent in 2003, and further to 4.3 percent in 2004. Although it is quite broad based, exports and tourism are leading the recovery. Export, in volume terms, increased by 20 percent in 2004, up from 6.6 percent in 2003. Horticultural exports performed particularly well, increasing by 25 percent, up from 10 percent in 2003. Economic activity has also been boosted by credit expansion, as a result of favourable monetary and fiscal policies. Bank lending to the private sector increased by KShs. 66.0 billion in 2004 a growth of 22 percent, up from 4.7 percent in 2003. This is partly as a result of lower interest rates, which in turn, reflected the reduction of cash ratio from 8 percent to 6 percent in June 2003 and reduced demand for credit by the Government. Other factors are policy interventions in public transport ("matatu"), dairy and sugar industries, as well as rapidly growing cellular phone industry. Farmers and entrepreneurs constitute the bulk of the Bank's customers, and between them, they employ over 70 percent of Kenya's labour force. The performance of agriculture and micro and small enterprises (MSEs) is of particular interest for the Bank.

12.1.1 Agriculture

Agricultural sector growth is estimated to have slackened from 2.4 percent in 2003, to 1.4 percent in 2004. This is attributed to poor weather, which affected maize output very significantly, and poor performance of the coffee industry. The two commodities account for over 10 percent of the gross value of agricultural output. Although the agricultural sector has been slow to recover, current trends and reforms that are underway show better prospects. Kenya's principal exports, tea and horticulture, continue to perform well, and other commodities which have been in crisis for years, notably sugar and dairy industries, are showing strong response to reforms. The increase in producer prices following the revival of Kenya Co-operative Creameries has seen milk output increase 15 percent and 35 percent in 2003 and 2004 respectively. The Government's efforts to control of dumping of sugar and governance interventions have seen the turn around of loss making sugar companies.

Recovery of the coffee industry presents one of the areas with the greatest potential in agriculture. The industry has suffered from policy failure, debt, poor governance in the cooperatives sector and weak international prices, which saw Kenya's coffee output, plummet from a peak of 120,000 tons in 1989 to 50,000 tons in 2004. World prices are recovering as the stockpile that has dogged the industry following the collapse of the International Coffee Agreement ("ICA") has been depleted. Domestic reforms have been initiated to resolve the domestic crisis, including writing off the debts of cooperative societies, cooperative sector governance reforms and deregulation of marketing to allow for sale of coffee outside the central auction. At current world prices, a return to peak production could see the industry reclaim its place as Kenya's leading export

[4]Unless otherwise specified, the economic and industry data in this report are obtained from the following Government of Kenya sources; Economic Survey 1995 published by the Central Bureau of Statistics, Central Bank of Kenya Monthly Economic Review (various issues) and Central Bank of Kenya Annual Bank Supervision Report (various issues).

12.1.2 Micro and Small Enterprises ("MSEs")

Liberalization of the economy in the early 90s saw an explosion of micro and small, mostly informal enterprises, a phenomenon that has been observed in most developing countries following liberalization. The informal sector is estimated to employ close to 6 million people in 2004, accounting for 77 percent of people employed outside small-scale agriculture and pastoralism. Over the last five years informal sector employment has grown at an average rate of 9 percent per year, as compared to under 1 percent growth of formal employment. There are indications that the rapid expansion of the sector is slowing down as the economy recovers. That said, the sector will continue to be a dominant source of employment and incomes for the foreseeable future.

12.1.3 Prospects

Sustaining the economic recovery is contingent on performance of Government on several fronts. Peace and political stability are of utmost importance, as is macroeconomic stability. Equally important are enabling and predictable economic policies, public investment in physical infrastructure, and improved service delivery by Government, in particular security, and the efficiency of institutions that deliver services to business.

12.2 Political-economic environment

The 1990s was a decade of political and economic transition of Kenya, from a one party state to multiparty democracy, and from a state led economy to a more market oriented one. This decade was characterized by political and economic upheaval, notably, electoral violence, politically motivated ethnic clashes, an episode of severe macroeconomic instability in the aftermath of the first multiparty elections in 1992, and a severe recession from 1997 to 2002, the longest episode of declining growth since independence. Following the peaceful general elections in 2002, which saw the first transfer of executive power in independent Kenya through elections, the political polarisation and uncertainty that pervaded the country has, by and large, dissipated. This was evident immediately after the elections in the stock market and the exchange rate. The NSE 20 share index soared, and the shilling appreciated sharply. The main outstanding political issue is that of the constitution. After the recent referendum, the Government has indicated that an all inclusive team will in due course be set up to come up with a timetable for the enactment of a new constitution before 2007. It is anticipated that this milestone will further consolidate peace and political stability in the country. The historic peace agreement for Southern Sudan and the tentative steps towards reestablishment of government in Somalia are also cause for optimism and business confidence in the region.

12.3 Economic Policy

With regard to economic policies, the last two years have been characterised by considerable volatility of the key macroeconomic prices, namely inflation, exchange rates and interest rates. Average annual inflation rose from 2 percent in 2002, to 10 percent in 2003, further to 12 percent in 2004, and was running at close to 15 percent in May 2005. Loosening of monetary policy and reduced demand for credit by Government combined to drive interest rates down sharply in 2004. Treasury bill rates rose sharply in the last quarter of 2004, but have since more or less stabilised. These fluctuations we believe are transitional. The Government budget has improved considerably. Government revenue topped KShs. 270 billion in fiscal year 2004/5, from KShs. 200 billion in fiscal year 2001/2. As a result, the provisional budget outturn for the 2004/5 fiscal year shows a modest budget surplus. A healthy government budget will augur well for macroeconomic

KShs. 200 billion in fiscal year 2001/2. As a result, the provisional budget outturn for the 2004/5 fiscal year shows a modest budget surplus. A healthy government budget will augur well for macroeconomic stability, as budget deficits are the primary source of macroeconomic instability. The Government is also making significant progress on service delivery. In the medium term expenditure framework, which will underpin the budget to the year 2007, the Government has committed substantial resources for security and economic services, in particular infrastructure and the agricultural sector. Rehabilitation and reinforcement of electricity distribution has commenced, restructuring and commercialisation of water services as stipulated by the Water Act (2001) has been completed and the process of concessioning of Kenya Railways, whose poor performance is a major bottleneck on commercial transport, is underway. The adoption of performance contracts in the public sector is expected to improve corporate governance, efficiency and service delivery.

12.4 Outlook

The Central Bank had forecast that the economy would grow by 5 percent in the year 2005, a forecast supported by key trends during the first half of the year. Credit to the private sector expanded by 23 percent in the year to May 2005 as compared to 12 percent in the year to May 2004. Merchandise export earnings in the year to April 2005 rose 20 percent to US$ 2.94 billion, from US$ 2.45 billion in the year to April 2004. In Tourism, international arrivals in the first four months of 2005 were 30 percent higher than the same period in 2004 and tourism earnings rose by 35 percent, from US$ 370 million to US$ 500 million. The realization of 5 percent growth will be a significant milestone in Kenya's recent economic performance, as the economy last achieved this level of growth in the late 80s, and it will be the first time that growth has accelerated for three consecutive years since the 1960s. There is reason for optimism that the economic recovery currently underway will be sustained into the medium term. There are some risks nonetheless. The accelerating inflation rate is cause for concern, as this may necessitate tightening of monetary policy, which could in turn dampen economic activity. Moreover, the Kenyan economy remains vulnerable to unpredictable adverse shocks, in particular drought and volatile international commodity price movements. That said, the Bank has weathered the economic turmoil of the past decade remarkably well. We are confident that it will continue to do so.

13. AN OVERVIEW OF THE BANKING SECTOR IN KENYA

13.1 Structure of the Financial Sector

Kenya's financial sector is large, diversified and dynamic relative to her level of economic development. The intermediation industry can be characterized broadly into "mainstream" and "alternative" intermediation. The former, which are primarily institutions regulated by the Central Bank of Kenya, comprises of 44 commercial banks with over 530 branches, 13 Non-Bank Financial Institutions ("NBFIs") (including development finance, building societies and mortgage finance institutions), and a Post Office Savings Bank . The "alternative" intermediaries include over 2500 savings and credit societies ("SACCOs") and over 80 microfinance institutions. The capital market segment includes the Nairobi Stock Exchange, which, at 51, is one of the oldest in Africa as well 10 stockbrokers, 11 investment banks 15 fund management companies, 15 investment advisers and 6 authorized depositories.

Commercial banks remain the dominant players. The 44 commercial banks had at the end of 2005, assets worth 623 billion. SACCOs come second to commercial banks, with an estimated KShs. 100 billion in assets. However, in terms of reach, SACCOs have a much larger customer base, estimated at 5,000,000 members, as compared to less than 2.5 million accounts in the banking sector. The sector is also evolving very rapidly, from one where commercial banks dominate, to a situation where commercial banks, SACCOs and microfinance institutions, are increasingly competing in one segment of the market or another.

13.2 Performance of the Banking Industry

Like the rest of the economy, the banking industry is recovering from a long period of poor performance. The industry had benefited from the general improvement of business confidence, as well as specific policy measures, notably, the reduction of the cash ratio requirement from 8% to 6% in June 2003. Pre-tax profits of the banking industry surged form KShs. 6 billion in 2002, to KShs. 14.1 billion in 2003, and further to KShs. 15.1 and 19.6 billion in 2004 and 2005 respectively. This reflects both growth and improvement in asset quality. Loans and advances increased by KShs. 173 billion from December 2002 to December 2005, a growth of 76%. Over the same period gross value of non-performing loans declined by 35% from KShs. 119 billion to KShs. 77 billion.

Performance indicators in the banking sector

(Amounts in KShs. Billions)	**Dec 2002**	**Dec 2003**	**Dec 2004**	**Dec 2005**
Total Net Assets	466	516	578	623
Loans and Advances	226	241	302	399
Deposits	370	416	466	495
Shareholders' Funds	54	61	69	79
Total Income	64	62	62	75
Total Expenses	58	49	48	55
Profit Before Tax	6	14	15	20
Return on Assets	1.00%	2.3%	2.1%	2.4%
Return on Shareholders' Funds	11.1%	23.1%	9.0%	24.8%

SOURCE: - BANK SUPERVISION ANNUAL REPORTS, CENTRAL BANK OF KENYA. THE 2005 BALANCES ARE BASED ON UNAUDITED FIGURES PROVIDED BY CBK

[5] Unless otherwise specified, the economic and industry data in this report are obtained from the following Government of Kenya sources; Economic Survey 1995 published by the Central Bureau of Statistics, Central Bank of Kenya Monthly Economic Review (various issues) and Central Bank of Kenya Annual Bank Supervision Report (various issues).

13.3 Outlook

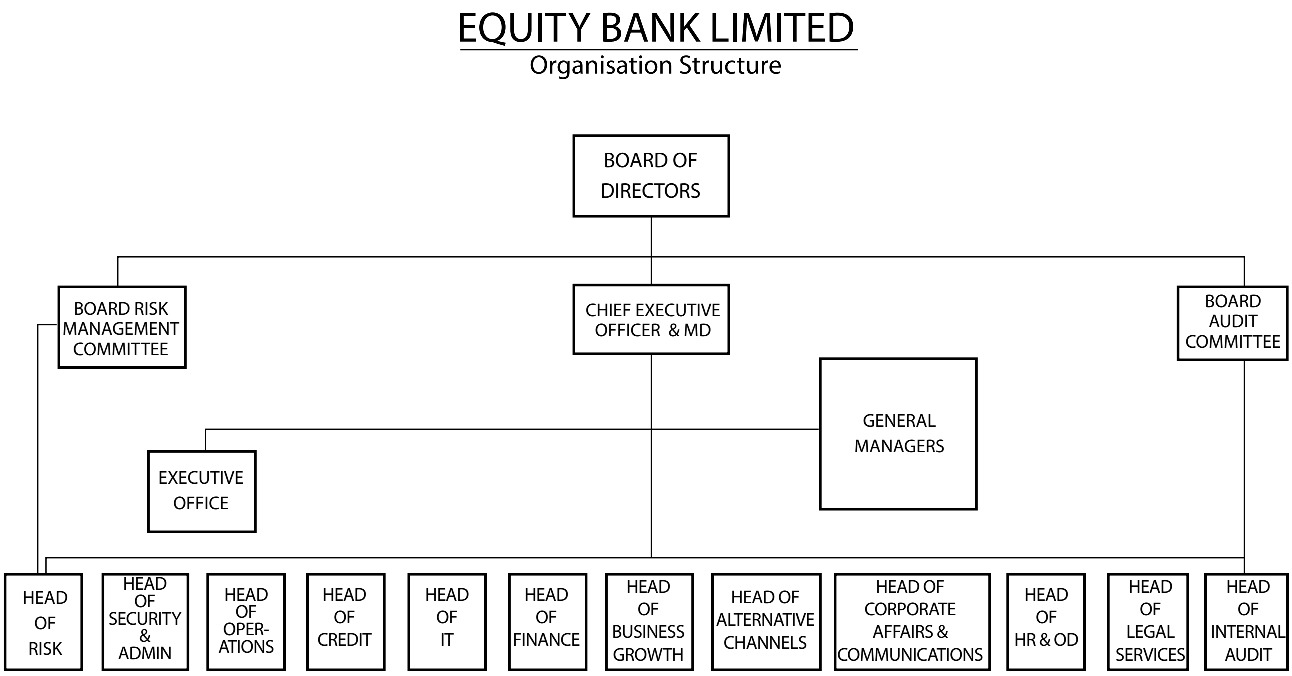
Although the rapid growth registered in 2004 had slowed down, the favourable outlook for the economy, which was expected to grow by 5% in 2005, suggested that demand for credit would remain strong. Continued improvement in the quality of portfolio is also being expected. The robust recovery of the industry is therefore likely to be sustained.

One of the most significant developments likely to occur in the industry is the enactment of the Microfinance Bill, 2005. The bill is proposing to transform deposit taking microfinance institutions ("MFI's") into a "second tier" banking sector, regulated by the Central Bank of Kenya. Presently, MFI's are self-regulating under an umbrella body, the Association of Microfinance Institutions that could be eligible for licensing as microfinance institutions. Some of the larger SACCOs may also choose to spin off their front office operations (FOSAs) into microfinance institutions.

14. CORPORATE INFORMATION

14.1 Equity Bank Organisation Structure

The Bank's organisation structure is as represented below:



14.2. The Board of Directors

Board members together with their respective brief resume are as follows:

14.2.1 Peter Kahara Munga – Non–Executive Chairman

Mr. Munga is a Certified Public Secretary with vast experience in both private and public sector management. He holds a diploma in Human Resources and Financial Management. He holds directorships in several organisations including Micro-Enterprise Support Programme Trust (MESPT), British American (K) Insurance Company and Equatorial Nut Processors Limited. Mr. Munga, 62, a Kenyan national, was appointed to the Board in 1984. His business address is P.O. Box 65082 – 00608 Nairobi, Kenya.

14.2.2 James Njuguna Mwangi – Managing Director and Chief Executive Officer

Mr. Mwangi holds a Bachelor of Commerce degree (Accounting Option) from University of Nairobi and is a Certified Public Accountant (CPA (K)). He has wide experience in the banking industry spanning over 16 years. Mr. Mwangi, 43, a Kenyan national, was appointed to the Board in 2000. His business address is P.O. Box 75104 - 00200 Nairobi, Kenya.

14.2.3 Benson Irungu Wairegi – Non-Executive Vice-Chairman

Mr. Wairegi holds Masters of Business Administration and Bachelor of Commerce (Accounting Option) degrees from the University of Nairobi and is a Certified Public Accountant (CPA (K)). He is the Managing Director of British American (K) Insurance Company Limited. Mr. Wairegi, 52, a Kenyan national, was appointed to the Board in 2000. His business address is P.O. Box 30375 – 00100, Nairobi, Kenya.

14.2.4 Frederick Mwangi Muchoki – Non-Executive Director

Mr. Muchoki is a businessman with vast commercial experience. He holds directorships in several companies including Presta Limited and Continental Business Systems Limited. Mr. Muchoki, 53, a Kenyan national, was appointed to the Board in 2000. His business address is P.O. Box 73475 - 00200 Nairobi, Kenya.

14.2.5 Wanjiku Mugane - Non-Executive Director

Ms. Mugane is an Advocate of the High Court of Kenya and holds a Masters of Law degree from Georgetown University, Washington DC and a Bachelor of Laws degree from the University of Nairobi. She is a Director of East African Breweries Limited and the Managing Director of First Africa EA Limited. Ms. Mugane, 41, a Kenyan national, was appointed to the Board in 2004. Her business address is P.O. Box 56179 - 00200 Nairobi, Kenya.

14.2.6 Beatrice Makanga Sabana - Non-Executive Director

Ms. Sabana 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 the former Chief Executive Officer of the Association of Micro Finance Institutions (AMFI). Ms. Sabana, 48, a Kenyan national, was appointed to the Board in 2004. Her business address is P.O. Box 10701– 00100 Nairobi, Kenya.

14.2.7 Julius Kangogo Kipng'etich - Non-Executive Director

Mr. Julius Kipng'etich holds Masters of Business Administration and Bachelor of Commerce (Accounting Option) degrees from the University of Nairobi. He is the Chief Executive Officer of the Kenya Wildlife Service and was previously the Managing Director of the Investment Promotion Centre. Mr. Kipng'etich, 39, a Kenyan national, was appointed to the Board in 2004. His business address is P.O. Box 40241 - 0100 Nairobi, Kenya

14.2.8 Ernest Mattho Nzovu- Non-Executive Director

Mr. Nzovu holds a Bachelor of Arts (Economics) degree from the University of Navarra, Spain and a Diploma in International Affairs from the University of Ife, Ibadan, Nigeria. Mr. Nzovu has for many years been a consultant in human resources and is a director of Hawkins and Associates, KHI Limited and KHI Training. Mr. Nzovu, 62, a Kenyan national, joined the Board in 2005. His business address is P.O .Box 45543 - 00100, Nairobi, Kenya.

14.2.9 Linus Wang'ombe Gitahi- Non-Executive Director

Mr. Gitahi holds a Masters of Business Administration degree from the United States International University of Africa and a Bachelor of Commerce (Accounting Option) degree from the University of Nairobi. He also holds a diploma from the Kenya Institute of Management. Mr. Gitahi is the Managing Director of Glaxo Smithkline, Nigeria prior to which he was the General Manager of Glaxo Smithkline, Kenya. Mr. Gitahi, 43, a Kenyan national, was appointed to the Board in 2004. His business address is P.O. Box 14796 - 00100, Nairobi, Kenya.

14.2.10 Peter Gachuba - Non-Executive Director

Mr. Gachuba, holds a Master of Science degree in International Business from University of Southern New Hampshire and a Bachelor of Science degree from University of Southern New Hampshire in United States of America. He is an Investment Banker and is AfriCap's Partner responsible for East and Southern Africa Region. Mr. Gachuba, 41, a Kenyan national was appointed to the Board in 2006. His business address is P.O. Box 2219 - 00100, Nairobi, Kenya.

14.2.11 Wagane Diouf - Non-Executive Director (Alternate to Mr. Peter Gachuba)

Mr. Diouf holds a Masters of Business Administration degree from the Georgia Institute of Technology (Atlanta), 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. Mr. Diouf, 42, a Senegalese national, was appointed to the Board in 2005. In February, 2006 however he changed roles and became alternate to Peter Gachuba who himself became a director. His business address is AfriCap Microfinance Fund Immeuble CRDI, Point E, BP 5909 Dakar-Fann, Senegal.

14.2.12 Mary Wangari Wamae – Secretary to the Board

Mrs. Wamae holds an LLB degree from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience. Ms. Wamae, 37, a Kenyan National, joined the Bank in 2004. Her address is P.O. Box 75104-00200 Nairobi, Kenya.

14.3 Board Committees

The Board has established seven committees with specific delegated mandates. The Chairman of the Company is an ex-officio member of all the committees. The committees are as follows:

Committee	Functions	Board Committee Members
Audit Committee	• Overseeing the adequacy of the Bank's system of internal control; • Monitoring the effectiveness of the Internal Audit activities; • Monitoring the accuracy and/or integrity of the financial information used in the management of the Bank and distributed outside the Bank; • Reviewing the results of examinations conducted by independent or external auditors, rating agencies and regulatory agencies, and communicating this information and the Committee's recommendations to the full Board.	• Benson Wairegi - Chairman • Julius Kipng'etich • Beatrice Sabana
Strategy & Investment Committee	Jointly with Management, the Corporate Strategy & Investments Committee considers the various strategic options available to the Issuer and makes recommendations to the Board regarding the development and implementation of the Issuer's long-range strategic plans. Further, the Committee considers the proposed strategic investments and makes recommendations to the Board. The Committee will facilitate deliberations of the Board by enabling additional focus on strategic and investment matters proposed by Management, so as to provide more informed, objective input to Board discussions on these issues.	• Julius Kipng'etich - Chairman • Linus Gitahi
Governance, Board Nominations & Staff Remuneration Committee	• Oversee an organization culture that values people and supports business by proactively reviewing and approving management proposals on HR best practices; • Optimize staff capacity in the Bank by ensuring that the overall employment policy supports the strategic business plan; • Review and approve corporate organization development programs aimed at enhancing the learning culture of the organization; • Review and approve management recommendations on HR annual budgets; • Ensure that the staff terms and conditions of service in the Bank match with the industry standards, thereby motivating and retaining competent and qualified staff; • Provide constant industry benchmark that places staff guidelines within the market demand.	• Ernest Nzovu - Chairman • Peter Gachuba

Committee	Functions	Board Committee Members
Risk Management Committee	• To ensure the optimization of the Bank's assets and liabilities, particularly in terms of funding mix, capital adequacy and risk management; • To ensure compliance with financial services authority's (CBK, CMA, NSE, etc) statutory and legal requirements; • To ensure that treasury activities are within the policy guidelines approved by the Board/ALCO; • To have and exercise such powers and authority as the Board may from time to time delegate to it.	• Wanjiku Mugane - Chairman • Benson Wairegi
Credit Committee	• Ensure that the evaluation and approval of credit applications is within the set approval limits; • Ensure that the loans approved by the Committee continue to perform within the agreed upon terms and conditions. In the event that they are not performing ensure that the necessary recovery measures are put in-place; • Ensure that credit policies and procedures are adequate and support the business; otherwise review and recommend to the Board of Directors new credit policies, or amendments to existing ones where necessary; • Ensure that the institution is kept informed on industry trends, norms etc and where necessary make recommendations; • Ensure that there is continuous training for both senior and middle-level officers through involvement in the credit committees; • Monitoring and reviewing of the credit review process.	• Beatrice Sabana - Chairman • Fredrick Muchoki
Tendering & Procurement Committee	• To oversee and keep the Board informed on issues pertaining to tendering and procurement of goods and services. More specifically the Tendering & Procurement Committee will be involved in; reviewing from time to time the tendering and procurement procedures and evaluating requests for unbudgeted capital expenditure and/or capital expenditure as per the authorisation limits recommended by the Board.	• Fredrick Muchoki - Chairman • Ernest Nzovu
Systems and Processes Committee	• Report to the Board from time to time and make recommendations to the Board as to scope, direction, quality, investment levels and execution of the organization's technology strategies and processes; • Advise and assist management in the formulation and implementation of operating and strategic plans designed to take full advantage of existing and emerging technology; • Provide guidance on the execution of technology strategies and processes formulated by the management; • Receive periodic reports and review proposals for uses of and investments in technology; • Monitor the performance of technology and processes throughout Equity Bank and contribution towards the organization's business and strategic objectives.	• Linus Gitahi - Chairman • Peter Gachuba • Julius Kipng'etich

14.4 Senior Management Team

From the year 2002, Equity engaged in an aggressive recruitment programme of quality personnel with requisite banking knowledge and experience to help steer the business forward as we as rollout new financial products and services.

The Bank's senior management team includes and is not limited to:

14.4.1 James Njuguna Mwangi – Managing Director and Chief Executive Officer

Mr. Mwangi holds a Bachelor of Commerce degree (Accounting Option) from the University of Nairobi and is a Certified Public Accountant (CPA (K). He has wide experience in the banking industry spanning over 16 years. Mr. Mwangi, 43, a Kenyan national, joined the Bank in 1994. His address is P.O. Box 75104 - 00200 Nairobi, Kenya.

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14.4.2 Winnie G. Imanyara – General Manager Business Growth & Development

Ms. Imanyara 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. Ms Imanyara, 44, a Kenyan national, joined the Bank in 2003. Her address is P. O. BOX 412 - 00608 Ruaraka, Kenya.

14.4.3 Allan Kabiru Mwangi – Head of Finance

Mr. Mwangi holds a Bachelor of Commerce (Accounting Option) from the University of Nairobi and is a Certified Public Accountant (CPA (K)). He has wide experience in Audit and Risk Management having previously worked with ABN AMRO Bank, Lonrho Africa Plc and Deloitte & Touché. Mr. Mwangi, 33, is a Kenyan National and joined the Bank in 2003. His address is PO Box 655 - 00100 Nairobi, Kenya.

14.4.4 Gerald Gachoka Warui – General Manager -Customer Service

Mr. Warui is a Certified Public Accountant (Kenya). He has over 15 years experience in the banking sector having previously worked with Trade Bank and Fidelity Bank. Mr. Warui, 38, a Kenyan national, joined the Bank in 1995. His address is P.O Box 67697 - 00200 Nairobi, Kenya.

14.4.5 Andrew Mwangi Kimani – General Manager Information Technology Services

Mr. Kimani holds a Bachelor of Science. (Hons) in Electrical Engineering from Jomo Kenyatta University of Technology. He is an Accredited Engineer with the Institute of Electrical and Electronics Engineers (I.E.E.E) and worked previously as a consultant with ICT and a Communications Engineer with Reuters in South Africa. Mr. Kimani, 33, a Kenyan National, joined the Bank in 2000. His address is P.O. Box 75104 - 00200, Nairobi, Kenya.

14.4.6 Mary Wangari Wamae - Head of Legal Services and Company Secretary

Mrs. Wamae holds an LLB degree from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). 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. Ms. Wamae, 37, a Kenyan National, joined the Bank in 2004. Her address is P.O. Box 75104-00200 Nairobi, Kenya.

14.4.7 Papius Muhindi – Head of Risk Management

Mr. Muhindi holds a Bachelor of Commerce (Accounting Option) degree from the University of Nairobi, Kenya. He has over 30 years of banking experience having previously worked with Central Bank of Kenya as a regulator of banks, financial institutions and building societies. Mr. Muhindi, 55, a Kenyan national, joined the Bank in 2005. His address is P.O. Box 54782 - 00200 Nairobi, Kenya.

14.4.8 (Rtd) Major Marcus Mutua - Head of Security and Administration

Major Mutua holds Advanced Diplomas and Certifications in Security Intelligence from Israel, U.S.A. and UK. Major Marcus Mutua has over 20 years experience in military intelligence and security management. Major Mutua, 46, a Kenyan national, joined the Bank in 2004. His address is P.O. Box 57627 – 00200 Nairobi, Kenya.

14.4.9 Kenneth Mbaabu Muchiri - Head of Credit

Mr. Mbaabu holds a Masters in Business Administration (MBA) from the University of Nairobi, Kenya, a Bachelor of Education Degree and is a Certified Public Accountant (Kenya) and a Certified Public Secretary (Kenya) and Certified Information Systems Auditor. He has over 10 years of management experience having previously worked with the Central Bank of Kenya and Coca-Cola Africa. Mr. Muchiri, 39, a Kenyan national, joined the Bank in 2004. His address is P.O Box 64036 - 00620 Nairobi, Kenya.

14.4.10 Dr. David Ndii - Chief Economist

Dr. Ndii holds economics degrees from the University of Oxford, UK (PhD, M.Sc) and the University of Nairobi (M.A., B.A). He has worked as an economist for the World Bank, consulted in economic policy for the Government of Kenya and several international organizations, and taught postgraduate macroeconomics and financial economics. Dr. Ndii, 39, a Kenyan national joined the Bank in 2005. His address is P.O. Box 48825-00100 Nairobi, Kenya.

14.4.11 Sam Kamiti – Head of Alternate Business Channels

Mr. Kamiti 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 Security Manager (CISM) and Certified Information Systems Auditor (CISA). He has 26 years experience in the Information and Communication Technology field and 19 years experience in Banking IT and Operations having worked with CRDB Bank in Tanzania, the Central Bank of Kenya and the Standard Chartered Bank Kenya Limited. Mr. Kamiti 49, a Kenyan national joined the Bank in 2006. His address is P.O. Box 75104-00200 Nairobi, Kenya.

14.4.12 Bildard Fwamba - Head of Internal Audit

Mr. Fwamba holds a Bachelor of Commerce (Accounting Option) degree from the University of Nairobi and is a Certified Public Accountant (Kenya). He held senior positions with the Central Bank of Kenya and British American (K) Insurance Company. Mr. Fwamba, 32, a Kenyan national, joined the Bank in 2004. His address is P.O. Box 55135 – 00200 Nairobi, Kenya.

14.4.13 John Thagana – Treasury Manager

Mr.Thagana holds Bachelor of Arts (Business Studies and Economics) and Master of Business Administration (Finance) degrees from the Kenyatta University and University of Nairobi respectively. He also holds an ACI certification in Dealing. He has over 13 years experience in treasury having previously worked with Barclays Bank of Kenya and First American Bank. Mr. Thagana, 37, a Kenya national, joined the Bank in 2005. His address is P.O Box 14643-00800, Nairobi, Kenya.

14.4.14 Joseph Muiruri – Trade Finance Manager

Mr. Muiruri is an Associate member of the Kenya Institute of Bankers (AKIB). He has over 13 years experience in Trade Finance with Kenya Commercial Bank. Mr. Muiruri, 42, joined the Bank in 2005. His postal address is P.O. Box 544, Karuri, Kenya.

14.4.15 Peter Lengewa - Organisational Development Manager

Mr. Lengewa holds a Master of Business Administration degree from United States International University and a Bachelors of Arts (Economics & Business Studies) degree from Kenyatta University. He has over 12 years experience in human resource development and having previously worked for leading microfinance institutions in East Africa including the Swedish Corporative Centre. Mr. Lengewa, 35, a Kenyan national, joined the bank in 2005. His address is P.O. Box 5937- 00100 Nairobi, Kenya.

14.4.16 David Kiongo – Human Resource Manager

Mr. Kiongo holds a Bachelor of Arts degree, a Higher Diploma in Human Resource Management and Post Graduate Diploma in Business Management. He has over 10 years experience in Human Resource Management. Mr. Kiongo, 34, a Kenyan national, joined the Bank in 2004. His postal address is P.O. Box 60500 - 00200, Nairobi, Kenya.

14.4.17 Hilda Wambui Mugo – Compliance Manager

Ms. Mugo holds a Diploma in Banking and is a Certified Public Accountant (CPA (K)) and Certified Public Secretary (CPS (K)). She is a career banker with over 10 years experience with Barclays Bank of Kenya. Ms. Mugo, 34, a Kenyan national, joined the Bank in 2004. Her postal address is P.O. Box 2572 -60100, Nairobi, Kenya.

14.4.18 Peter Gachuki Gachau – Head of Information Technology

Mr. Gachau holds a Bachelors of Education (Science) degree from Kenyatta University and a Post Graduate Diploma in Computer Science. He has over 13 years experience in IT has previously worked for ABC Bank and ABN AMRO. Mr. Gachau, 43, a Kenyan national, joined the Bank in 2005. His postal address is P. O. Box 3679 - 00506, Nairobi, Kenya

14.4.19 James Njehuri – Chief Accountant

Mr. Njehuri holds a Bachelor of Commerce (Accounting Option) degree from the University of Nairobi and is a Certified Public Accountant (CPA (K)). He has over 10 years accounting experience having previously worked for Ernst and Young. Mr. Njehuri, 34, a Kenyan national, joined the bank in 2005. His address is P.O. Box 701- 00100, Nairobi, Kenya.

14.4.20 Allan Maina Waititu – Head of Operations

Mr. Waititu holds a Microsoft Certified Systems Engineer and is a Novell Certified Network Engineer. He has over 16 years experience in the Information Technology industry having previously worked for Trade Bank, Daima Bank and Phoenix Assurance. Mr. Waititu, 39, a Kenyan national, joined the Bank in 2004. His postal address is P.O. 75483 - 00200, Nairobi, Kenya.

14.4.21 John Ayuko – Assistant Manager - Credit

Mr. Ayuko holds a Diploma in Banking. He has over 15 years experience in the banking industry having previously worked for Barclays Bank of Kenya. Mr. Ayuko, 37, a Kenyan national, joined the Bank in 2004. His postal address is 76337- 00508, Nairobi, Kenya.

14.4.22 Joseph Miringu Nganga – Assistant Manager – Operations

Mr. Nganga holds a Masters of Business Administration (Finance and Banking) degree and is a Certified Public Accountant (CPA (K)) and Certified Public Secretary (CPS (K)). He has over 5 year's management experience having previously worked for Telea Kenya and Securicor Services Limited. Mr. Nganga, 38, a Kenyan national, joined the Bank in 2005. His postal address is P. O. Box 62166 - 00200, Nairobi, Kenya.

14.4.23 Stephen Musyoka Mogaka - Head of Debt Recovery.

Mr Mogaka holds a Bachelor of Commerce (Accounting) and Bachelor of Laws. He has 20 years experience in Banking having worked in Kenya Commercial Bank, Southern Credit Bank and Transnational Bank. Mr. Mogaka, 42, a Kenyan National joined the bank in 2006. His address is P. O. Box 57180-00200 Nairobi.

14.4.24 Apollo Njoroge - Head of Business Growth & Development

Mr. Njoroge holds a Bachelor of Science, MIBA in Finance and also Diploma in Banking. He has over 15 years experience in banking having previously worked with African Banking Corporation and Investments & Mortgages banks. Mr. Njoroge 36, joined the bank in 2003. His address is P.O. Box 17815-00500 Nairobi.

15. BOARD COMMENTARY ON ISSUER'S STRATEGIC PLAN

15.1 Equity's market segment

The Bank's strategy is geared towards making banking services accessible and affordable to the vast majority of Kenyans who presently do not consume banking services. The total number of bank accounts in the country, as at the end of December 2005 was 2.55 million, against a working population estimated at 16.5 million people . Taking into account that this total comprises of both business and personal accounts, and many customers are multiple account holders, it is clear that the vast majority of Kenyans do not consume banking services.

The Bank's strategic plan envisages to sustain the current high growth phase for the next five years, and consolidation thereafter. The key drivers of the growth are continued growth of the customer base and product development. Customer growth base will be sustained through continuous expansion of the branch network and investment in new distribution channels including Automated Teller Machines (ATMs), mobile banking and point of sale ("POS") outlets. With regard to products, the conversion to a commercial bank will enable Equity to offer existing and new customers the full range of banking services including current accounts, overdraft facilities, foreign currency and trade finance. The Bank is also scaling up its market research and product development capability.

15.2 Key strategies

Some of the strategies that the Bank will adopt in the period up to 2006 are: growth, product innovation and consolidation of growth.

15.3 Customer base growth

The Bank forecasts growth in customer numbers from 560,000 in 2005 to 619,000 in 2006. All the parameters will be achieved through a combination of increased number of traditional branches and new service delivery channels, such as mobile banking, ATMs and Point of Sale Outlets. Emphasis will also be placed on customer service in order to attract significant numbers of new customers and attain high customer retention ratio.

15.4 Product innovation

Having converted into a fully fledged commercial bank, Equity will avail a wider range of banking products and services such as cheque clearing, current account, overdraft, foreign currency dealing and trade finance. The Bank has rolled new products and services including money transfer. Equity plans to develop new innovative products and services such as revised savings and loan products and insurance financing that will effectively serve the unexploited sections of the retail market segment and build competitive advantage.

[6]Economic Survey 1995 published by the Central Bureau of Statistics, Central Bank of Kenya Monthly Economic Review and Central Bank of Kenya Annual Bank Supervision Report.

15.5 Consolidation of growth

The Bank is expected to register high growth rates in the period 2006-2009 and plans to adopt a growth consolidation strategy and especially towards the latter part of the strategic planning period. The objective of a growth consolidation strategy is to ensure that the Bank remains financially sound, strong, and efficient in the provision of products and services within and after the growth phase. It will reinforce its institutional structure by ensuring that financial resources, information technology, human capital, infrastructure and other core resources are at a level needed to respond to both internal and external challenges. Another distinct focus will be to attain efficiency improvement and business excellence.

15.6 Operationalization of the Strategic Plan

To realize the strategic objectives, the Bank has identified eight critical success factors ("CSFs"). These are:

- Organisational culture that values people, enhances performance and supports the business
- Market led, innovative and customer focussed
- Quality, effective and efficient operations
- Growing a high quality asset portfolio
- Robust, effective and efficient systems and process
- Value maximisation for stakeholders
- Execution of strategically planned expansion

The Bank's business plans set measurable targets on each of these CSFs. These are monitored continuously to ensure that any variances between targets and outcomes are addressed promptly. The Board reviews the implementation of the strategic plan on an ongoing basis.

15.7 Expected financial outcomes

With successful implementation of the strategic business plan, the Bank projects to achieve the following key results:-

- An increase in customer deposits from KShs. 9.0 billion in 2005 to KShs. 12.5 billion at the end of 2006, reflecting a growth rate of about 39% per annum.

- An increase in total assets from KShs. 11.4 billion in 2005 to KShs. 14.9 billion in 2006, reflecting a growth rate of 31% per annum.

- An increase in shareholders' funds from KShs. 1.5 billion in 2005 to KShs. 1.9 billion in 2006. The increase will arise mainly from retained earnings.

- An increase in interest income from KShs. 947 million in 2005 to KShs. 1.3 billion in the 2006, reflecting a growth rate of 44% per annum.

- An increase in commission and other income from KShs. 937 million in 2005 to KShs. 1.5 billion in 2006, reflecting a growth rate of 60% per annum.

- Total expenses are projected to increase from KShs. 1.3 billion in 2005 to KShs. 2.1 billion in 2006, reflecting a growth rate of about 62% per annum.

- Profit before tax is anticipated to rise from KShs. 501 million in 2005 to KShs. 800 million in 2006, reflecting a growth rate of about 60% per annum.

16. RISK FACTORS

16 Risk Management and Control

In line with the New Capital Accord (Basel II) which is expected to be enforced in the near future, Equity 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 Bank has already established a Risk Management Department to ensure 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 and strategies and current market conditions.

In addition, the Bank has adequate policies and procedures covering all business functions and operations. In terms of corporate governance, the bank has an effective board, well experienced and balanced, with a diversity of skills. The senior management is well qualified and has the necessary expertise. There is also an Internal Audit department, independent in reporting and function. The bank has also acquired a robust IT platform, which is multi-currency, multi-lingual and highly inter-faced with other IT support systems. With all these in place the bank is in a position of being run in a highly effective, efficient and professional manner.

The risks include some of the following;

16.1 Competition

Equity is currently one of the leading banks in terms of small and medium size customers. Competition in the micro finance sector is expected to grow after the Microfinance Bill is passed by parliament. However, the potential market is still largely untapped. This competition will therefore not be a concern in the foreseeable future. Nevertheless the bank has actively engaged various mitigating strategies to manage competition:

- Innovations department set up for research and development,
- Annual review, redesign and reengineering of our policies, procedures, processes and products,
- Aggressive market outreach programs,
- Adoption of best practices and bench marking with industry standards.

16.2 Low Income Customers

Equity targets micro and small enterprises that are generally considered poor and high risk by the main stream banks. The Bank has developed affordable products that are accessible to this sector. In general the average loans are fairly low and the default rate is also very low. However the following strategies have been put in place to ensure the risk is sufficiently managed;

- Acceptance of chattels mortgage as part of security requirements.
- Conservative Loans Classification and ageing criteria. The Banks Loan classification criterion is 30 days instead of the recommended 90 days by Central Bank of Kenya for Substandard loans.
- Strengthening Credit Department by recruitment of a sizeable number of Micro Credit officers and seasoned Credit managers.

16.3 Credit Risk.

The Bank's credit risk is primarily attributable to its loans and advances. The Bank structures the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or a group of borrowers. Such risks are monitored on a regular basis and are subject to monthly or more frequent review. Exposure to credit risk is managed through;

- Analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations.
- Obtaining collateral and corporate guarantees where considered necessary.
- The Bank has no significant concentration of credit risk, with exposure spread over a diversity of personal and commercial customers. There is also diversity in various sectors exposure.
- There is a comprehensive loan appraisal system, which highly focuses on cash flows.
- The lending process is guided by branch, head office, Executive and board credit committees with graduated risk limits.
- The Bank has a Debt Recovery Unit which is in charge of follow-up and collections.
- Collaterals are taken for all business loans.
- Conservative Loans Classification and ageing criteria. The Banks Loan classification criterion is 30 days instead of the recommended 90 days by Central Bank of Kenya for substandard loans.
- Credit department staffing is strengthened by experienced Credit managers and Micro credit officers in charge of various portfolios.
- The Bank complies with all CBK regulations.

16.4 Liquidity Risk.

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank has access to a diverse funding base. Funds are raised mainly from deposits and share capital. The Bank continually assesses the liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. In addition the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy. Currently the Bank's liquidity stands above 40% compared to the statutory minimum of 20%. In addition most of our advances are short term i.e. less than three years. Our major source of funding is from small savers who form 92% of the banks clients with less than Kshs. 50,000 in deposits. The bank maintains a policy of having a 60%:40% ratio between loans and deposits.

16.5 Political Risk

Political risk is the likelihood of loss of business due to political upheavals and civil strife, expropriation of assets by the state, as well as adverse changes in Government policies. At present, Equity Bank conducts all its business in Kenya. Kenya has a long history of political stability in a turbulent region, consolidated over the last decade during which the country has made a peaceful successful transition from one party state to multiparty democracy. With regard to political risk, the Government's stated policy is to create an enabling environment for private sector led development . We expect this to remain the thrust of economic policy for the foreseeable future. Consequently, the likelihood of events that would constitute high political risk is, in our opinion, not significant. However the Bank is apolitical, it has a national out look and complies with all regulatory requirements. The intended listing will give Kenyans a chance to participate in the ownership of the institution.

[7] *Economic Recovery Strategy for Wealth and Employment Creation, Government of Kenya, June 2003*

16.6 Inflation risk

Inflation portends a business risk to the extent that the business is unable to pass cost increases to customers. This is not considered to be a significant risk because the Bank's current and forecast operating margins can absorb moderate inflationary cost increases while maintaining a competitive return on investment. The Bank also factors prudent allowance for inflation into its financial forecasts. Our pricing takes into account the market inflation tendencies which are laid out in our contractual documents and bank tariffs. We conduct market intelligence and research to check on the inflation trends.

16.7 Interest Rate Risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprise at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the bank's business strategies. The Bank does not have any significant interest rate risk exposures. Investments in treasury bonds and bills are on short term.

Though our loan book is actively growing, it should be noted that the bank has taken adequate measures as noted under credit risk caption (16.3) above, to ensure that the bank's risks are adequately addressed.

16.8 Currency risk

The Bank has very little exposure in foreign currency through transactions in foreign currencies, as this is a new area that the Bank ventured into after conversion to a commercial bank. The Bank has however engaged an experienced management team to handle both foreign exchange and trade finance. Our exposure is limited to 20% of the core capital.

16.9 Rapid Expansion

Equity has registered very significant growth in the past five years and projects to grow even further and spread to the remaining regions in Kenya. The question that arises from observers is how the Bank will sustain this kind of growth. Additionally, due to the rapid growth in the Bank's customer base, long queues are occasionally witnessed, especially during month ends. To address this, the Bank has been building capacity, in both training and recruitment of professional and qualified staff, acquisition of a robust IT system that may comfortably handle 10,000 transactions per minute and enhancing its corporate governance structures. The Bank has also involved consultants in its change management strategies. This rapid expansion is therefore not considered a threat in anyway.

16.10 Reputation risk

Banking business is built on confidence. Confidence can be undermined by internal factors, weak controls in particular, as well as external perceptions. The Bank is aware that its rapid growth has confounded many observers, and that this may constitute adverse external perceptions. These concerns, while understandable, are unfounded, in the light of the Bank's strong asset quality, good financial performance, and vote of confidence by institutional investors. The Bank has nonetheless embarked on a corporate communication strategy to address these perceptions. The Listing will also open new communication channels, such as investor briefings.

17. REPORT OF INDEPENDENT VALUERS

3rd July 2006

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

Dear Sirs,

EQUITY BANK VALUATION

The transaction advisors have used the following fair market valuation approaches: Dividend Discount model (DDM), Discounted Free Cash flow (DFCF), Price – Earnings approach (PE), and Price-to- Book Value (PBV) in valuing Equity Bank. The basic application in the use of these methods is to assess the implied value for the Equity bank with regard to its prevailing fundamentals. The DDM and DFCF are what we believe as the most reliable in estimating the bank's value given the firm's key value drivers of business. These value drivers include the current market niche of the bank, the bank's capitalization, the numbers of active account holders, branch and automated teller machine network and the proportion of fee based income to interest income. We believe that these factors fully capture Equity Bank's underlying fundamentals and growth prospects.

Business for Equity Bank is optimistic on the grounds that its market coverage is in towns that account for 90% of urban income and in districts that accounts for 66% of rural incomes. The Bank's focus on the informal sector and the small and medium term enterprises (SMEs) micro-finance enhances higher growth prospects. Equity Bank expects to grow its current market share in the banking sector through more innovation. The Bank's innovative agenda remains attracting cash outside the formal banking sector, which currently is approximated by the Central Bank of Kenya to be in the region of Kshs 64 billion or about 16% of the deposit in the formal sector. The strategy also includes growing the SMEs market through venture financing, and taking advantage of the expanding consumer growth through affordable housing and higher education finance products.

In the aforementioned Discounted Cash Flow (DCF) analysis key assumptions on the Bank's financial projections were derived from management's 5-year strategic plan. We assume that the Bank is currently in an expanding phase, which will culminate into a value and cash generation stage before reaching the maturity phase. In developing the discount rate used to discount the projected cash flows for the five years we have relied on the Capital Asset Pricing Model (CAPM). The model is made up of three components namely: the risk free rate; the market equity risk premium; and the measure of the company specific risk relative to the overall market. Based on these components, we derived cost equity for the Bank of 18.70% for the period under review. For the maturity phase, we assumed a terminal growth rate of 12% in account of a 5% long-term inflation target by Central Bank of Kenya and a sustainable average real growth rate of Kenyan GDP of 7% into perpetuity.

In the DFCF valuation metric, the free cash-flows for the Bank were computed on the assumption that the Bank borrows money and lends it out. This forms the basis of its productive working capital. On one hand, all placements, cash, loans and advances were treated as the Bank's operating current assets. On the other hand, all deposits, short-term borrowings and dividends were treated as the Bank's operating current liabilities. The differences between the operating current assets and liabilities gave us the net working capital. Capital expenditure assumptions were based on discussion with management, and the expected branch network expansion and upgrades over the forecast period. Free cash flows were then computed as net operating profit plus depreciation less taxes, the outcome from which net working capital and net capital investments were deducted. The free cash flow for 2009, the aforementioned terminal growth and discount rate are then used to calculate terminal value. These cash flows were then discounted at the Bank's cost of equity. This resulted in Kshs. 6,140,276,490 equity value for the Bank, which is a fair market price of Kshs. 67.80.

The DDM valuation metric, calculates the present value of the dividends that are expected in the next five years plus the present value of the estimated value of the bank at the end of the 2009. We have defined expected dividend as the difference between expected earnings per share and the product of the expected earnings per share in the period and the expected maximum retention ratio. The maximum retention approach was selected for three reasons other than its strong theoretical grounding of dividend irrelevance. Firstly, it allowed us to focus on expected growth in earnings, which is both more reasonable and more accessible than growth in dividends. Secondly, the payout ratio can be changed over time by management discretion, to reflect market sentiments rather than investment opportunities. Thirdly, Equity has to maintain a capital adequacy ratio of 8% as required by the Central Bank of Kenya as such in the future as the company fully utilizes its current capital base asset and liability growth will be supported by the current retentions policy or future capital injection preposition. Our analysis of the banks strategic plan 2005 to 2009 reveals that the bank can comfortably pay all the profits attributable to shareholders in the years 2005 and 2006, without hurting its revenue generation capacity. In 2007, 2008, and 2009, the bank retention ratio increases to maintain its growth impetus in order to meet its targeted asset and liability growth. These expected dividend payouts are then together with the exit value in 2009 discounted at the bank's cost of equity. The DDM approach obtains a firm value of Kshs. 8,277,599,870 which translates into a fair market price per share of Kshs.91.40.

We have also utilized relative valuation methodology of PE and PBV to assess the bank on market multiples to provide an indication of the value based on prevailing market sentiment for publicly quoted banking peers.

Price-to-book value (PBV) is the ratio of the market value of equity to the book value of equity as a measure of shareholder equity. We have utilized two generic PBV methodologies. Firstly, a group of comparable companies that proxy the banking sector on the quoted equity are selected; their PBV ratios are calculated based on the weighted average of their market capitalization. The average PBV ratio is then used to estimate the value of the firm. We had incorporated the PBVs of the six quoted banks; Barclays Bank, CFC Bank, Diamond Trust, KCB, NIC Bank and Standard Chartered Bank in our analysis. Secondly, we regressed PBV of the selected group of comparables against their respective return on equity (ROE) over a period of five years beginning in the year 2001. The resulting algebraic relationship is then used to value Equity bank. We used the ROE as it is a key value driver if a company delivers a return on equity greater that the prevailing cost of capital. These approaches obtained a firm value of Kshs. 5,796,131,200 which is approximately a fair market price of Kshs. 64.00 per share

The Price-to-earnings (P/E) ratio is a valuation ratio of a company's current share price compared to its per-share earnings. P/E method assumes that the firm will be worth some multiple of its future earnings. The P/E multiple was used to gauge how much investors would be willing to pay per shilling earning of Equity Bank. We have used both an industry market capitalization weighted average and a peer price to earning multiple to calculate a multiple to estimate the banks value. We estimate the value of firm based on the approach to be approximately Kshs. 5,741,792,470 which is a fair market price of Kshs. 63.40 per share.

Table 1: Summarized Fair Market Valuation

Valuation Method	Value (Kshs. M)	Value Per Share (Kshs)
Discounted FCF method	6,140	67.80
PBV -Average Approach	5,524	61.00
PBV -Regression Approach	5,796	64.00
PE Ratio	5,742	63.40
DDM method	8,278	91.40
Valuation Average Price	**6,339**	**Kshs 70.00**
DLOM Value		**Kshs 59.50**
OTC Market Value & Price (Mar-06)	**5,977**	**66.00**

If a fair value of the bank were to be reached based on an equally weighted average valuation of the five approaches, which ranges between Kshs 5.5 and 8.3 Billion, Equity Bank is worth approximately Kshs. 6.3 Billion, placing it at a price of Kshs 59.00 after accounting for liquidity. Trading volume and absorptive capacity of the market tend to feed positively on each other. In other words, the higher the trading volume in a stock, the higher would be the absorptive capacity of the market and lower would be the cost. In recognition that market participants are willing to pay for liquidity, and for the reason that firms can reduce their cost of capital by increasing the liquidity of their stocks, the bank at 3.45 million shares traded annually, and an annualized liquidity of 3.81%, is already doing well supporting a low Discounting Lack of Marketability value (DLOM) value of 15%. Although the DLOM empirically ranges at between 30-35% worldwide, we have applied a 15% DLOM based on the fact that Equity Bank has a robust Over-the-Counter market. In the past few months from January to date, the bank has moved 2.56 million shares.

In the same light and over the same period, the smaller bank peers namely CFC Bank, Diamond Trust Bank, and NIC Bank have each traded an annualized figure of 3.7 million, 11.6 million and 3.7 million shares respectively. Their annualized liquidity levels are; CFC at 3.06%, Diamond Trust at 11.65%, and NIC at 4.49%. This places Equity Bank in the same footing on expected marketability once the share is listed. Therefore, at a DLOM of 15%, the anticipated fair market value per share price for Equity Bank should be approximately Kshs. 59.50. However, it is important to note that a fair market valuation such as this may change in time contingent upon various factors.
A comprehensive review of the fair market value of the bank is available for inspection at the bank data room in head office, 14th Floor NHIF building. Please contact the company secretary for further details.

Yours faithfully

JAMES MURIGU
SUNTRA INVESTMENT BANK LIMITED

MOHAMMED HASSAN
DYER & BLAIR INVESTMENT BANK LIMITED

18. ACCOUNTANTS' REPORT

3RD July 2006

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

ACCOUNTANTS' REPORT ON THE LISTING OF SHARES AT THE NAIROBI STOCK EXCHANGE

1. INTRODUCTION

We have examined the audited financial statements of the Equity Bank Limited (EBL) and its predecessor, Equity Building Society (EBS), for five years covering 2000 to 2004 and the Bank's financial statements as at 31 December 2005.

Mungai & Associates Certified Public Accountants acted as auditors of Equity Building Society Limited, now transformed into a bank - EBL, for the financial years ended 31 December 2000, 2001, 2002 and 2003. Ernst & Young were appointed auditors and audited the financial statements of the Bank for the year ended 31 December 2004 and the year ended 31 December 2005. Equity Building Society in 2000 failed to comply with a certain aspect of the Building Society's Act Cap 489. The Act required advances to be made only to members upon the security of land. As at 31 December 2000, advances not secured on land amounted to KShs.68,055,204. In this year, the auditors issued a qualified report. The rest of the years had unqualified audit reports.

Audited financial statements for the year ended 31 December 2005 were approved by the Board of Directors on 11 February 2006. The financial statements have been prepared and audited for submission to shareholders and are included in this report for comparison purposes.

The financial information set out below is based on the audited financial statements of Equity Building Society and the Bank. Our review of the financial statements for the relevant periods revealed significant adjustments to warrant restatement of the reserves and the balance sheets for the respective years due to the following reasons:

- ***Understatement of profits/reserves by KShs. 39 million due to non-amortisation of capital grant between 2000 and 2004.***

- ***The Bank had investments in treasury bonds in 2003. These were stated at cost rather than at fair value as required by International Accounting Standard (IAS) No. 39. A review of these treasury bonds revealed an appreciation by KShs.74 million at the end of 2003.***

The audited financial statements have been prepared on the basis of the accounting policies set out below. For all the accounting periods dealt with in this report, the financial statements have been prepared, in all material respects, in accordance with the International Financial Reporting Standards. No other information was audited by ourselves (except as mentioned in the paragraph 1 above)

Our review of the financial statements has not given any indications that the company will not remain a going concern for the foreseeable future.

In our opinion, the information set out below gives, for the purpose of the Listing Memorandum, a true and fair view of the profit and loss and cash flows of Equity Building Society for the four financial years ended 31 December 2003 and of the state of the financial affairs of the bank at 31 December 2004 and 2005 and its cash flows for the years then ended.

2. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for the foreseeable future. In the opinion of the directors, the issued share capital of the Company is adequate for the purposes of the business of the company for the foreseeable future.

3. COMPANY STRUCTURE

Shareholding

The total authorised number of ordinary shares is 100,000,000 with a par value of KShs.5 per share as at 31 December 2005 out of which 90,564,549 shares have been issued. All issued shares are fully paid. The Bank has 2,418 shareholders as at 31.12.2005.

Through a special resolution on 10th August 2005, the share capital of the company was increased from Kenya Shillings Two Hundred and Fifty Million (KShs. 250,000,000) divided into Fifty Million (50,000,000) shares of Kenya Shillings Five (KShs. 5.00) each to Kenya Shillings Five Hundred Million (KShs. 500,000,000) divided into One Hundred Million Shares of Kenya Shillings Five (5.00) each by the creation of Fifty Million (50,000,000) ordinary shares of KShs. 5.00 each to rank pari passu in all respects with the existing ordinary shares in the capital of the company.

1. THAT pursuant to Article 134 of the Company's Articles of Association and upon the recommendations of the Board, it was agreed as follows:

    i. To capitalise the sum of Kenya Shillings Three Hundred and Sixty Two Million Two Hundred Fifty Eight Thousand Two Hundred only (KShs. 362,258,200.00) being the amounts standing to the credit of the

Share Premium Account and such sum be made available for distribution amongst the shareholders (on the register as at 30th June 2005) by applying the same in paying up in full as par Seventy Two Million Four Hundred and Fifty One Thousand Six Hundred and Forty (72,451,640) bonus ordinary shares of KShs. 5.00 each;

ii. THAT the said bonus ordinary shares be allotted among the ordinary shareholders on the register as at 30th June 2005 on the basis of four (4) bonus shares for each one (1) ordinary share then held and every such bonus share so distributed shall rank pari passu with the existing issued ordinary shares and shall be treated for all purposes as an increase of the amount of share capital of the respective shareholder;

Principal Activities

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

The Bank was licensed to operate as a bank with effect from 28 December 2004. Through an Extraordinary General Meeting held on 24 December 2004, the bank's shareholders authorized transfer of all assets, liabilities and the business of Equity Building Society to the Bank with effect from 31 December 2004. The transfer of the assets, liabilities and the business of Equity Building Society was in exchange of shares in the Bank, on a one to one basis.

Transformation of Equity Building Society to Equity Bank Limited

- Through a special resolution on 11th December 2004 the members of Equity Building Society approved the sale and transfer of all the business assets and liabilities of Equity Building Society (EBS) to Equity Bank Limited.
- Through a special resolution on 24th December 2004 the shareholders of Equity Bank Limited approved the transfer of all the business, assets and liabilities of Equity Building Society to the Equity Bank Limited (EBL).
- The bank was licensed to operate as a banking institution with effect from 28th December 2004.
- The transfer of business, assets and liabilities of Equity Building Society to Equity Bank Limited took effect on the 31st December 2004. (Hereinafter called the "Transfer Date").

Consequent to the said transfer:-

- Equity Bank Limited took over all business and assets of Equity Building Society and assumed all liabilities incurred by Equity Building Society up to the Transfer Date.
- All existing investing members of Equity Building Society became ordinary shareholders in Equity Bank Limited, each holding shares equivalent to the number of the shares previously held by each of them in Equity Building Society.
- All debts payable by or to Equity Building Society became debts payable by or to Equity Bank Limited.
- All charges, mortgages, guarantees, pledges, bonds and other security documents, contracts, agreements, instruments and transactions entered into by or made in favour of Equity Building Society remain and continue to be valid and in full force and shall at all times be deemed to be held by, issued to, entered into and binding on Equity Bank Limited.
- All accounts held in Equity Building Society are deemed to be accounts held in Equity Bank Limited.

4. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:-

a) Basis of preparation

The financial statements of the Bank have been prepared on the historical cost basis, except for the measurement at fair value of derivative financial instruments and available for sale financial assets.

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

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 estimate of the liability for annual leave and long service awards as a result of services rendered by the employees up to the balance sheet date.

c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash balances on hand, and amounts due from other banks, other than deposits on placement with other banking institutions.

d) Income recognition

Income from loans is accrued and credited to income in the year in which it relates except where interest is more than three months in arrears. For such loans, income is suspended.

e) Interest income and expense

Interest income and expense are recognised in the profit and loss account on accrual basis. Interest income is suspended when loans are overdue by more than 90 days and is excluded from interest income until received. Interest income includes coupons earned on fixed income investment securities and accrued discount on treasury bills.

f) Investments

International Accounting Standard (IAS) No 39: Financial Instruments, Recognition and Measurement, classifies investments into the following categories: trading, held-to-maturity and available-for-sale. Management determines the appropriate classification of investments at the time of purchase and re-evaluates such designation on a regular basis. Interest earned on investment securities is reported as interest income.

Available for sale investments

Available-for-sale investments are stated at fair values less provision for any impairment. The fair values are based on directors' valuation and the resulting surpluses on revaluation are credited to other reserves within the shareholders' equity. The directors' valuation is based on the share of the net assets of the investment.

Resulting deficits on revaluation, other than a temporary decline in the carrying amounts of the investments, are charged to the profit and loss account unless they offset a previous revaluation surplus. Revaluations of equity investments are carried out every year.

On disposal of an available for sale investment, the difference between the net disposal proceeds and the carrying amount is charged to the profit and loss account, and any amounts in revaluation reserves relating to that investment are transferred to retained earnings.

g) Fair values of assets and liabilities acquired

The fair values of identifiable assets and liabilities in an acquisition are determined by reference to their intended use by the acquirer. The intended use of an asset is usually its existing use unless it is probable that the asset will be used for another purpose and is valued accordingly. When an asset is to be disposed of, this is taken into consideration in assigning fair values.

h) Investment properties

Investment properties comprise freehold land and buildings. Property held for long- term rental yields, which is not occupied by the Bank, is classified as investment property.

Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Bank uses alternative valuation methods such as discounted cash flow projections or recent prices on less active markets.

i) Leasehold Land

Leasehold land is recognised as an operating lease. Any upfront lease payments are recognised as prepaid lease rentals and recorded under non-current assets and are amortised over the remaining period of the lease on a straight-line basis.

j) Intangible Assets

Software is amortized over the term of their useful lives on a straight line basis at a rate of 33_% p.a.

k) Property and equipment

All property and equipment is initially recorded at cost. Freehold land and buildings are subsequently shown at market value, based on valuations by external independent valuers, less subsequent depreciation. All other property and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amounts, to their residual values over their estimated useful life, at the following annual rates:

	%
Freehold land	Nil
Leasehold land and improvements	Rates based on the shorter of the lease term or estimated useful lives.
Buildings	2.5
Office equipment, furniture and fittings	12.5
Computer hardware and software	33.3
Motor vehicles	25.0
Village cell banking vans	25

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating income. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

l) Impairment of assets

Long term assets are tested for impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its life. Impairment losses for an asset are based on the recoverable amount of the cash generating unit to which it belongs.

Impairment losses recognised in prior years are reversed if, and only if, there has been a change in the estimates used to determine recoverable amount since the last impairment loss was recognised. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the carrying amount that would have been determined for the asset (net of amortisation or depreciation) had no impairment loss been recognised in prior years.

m) 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 profits will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilized.

n) Retirement benefit costs

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.

The Bank also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined 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 profit and loss account in the year to which they relate.

o) 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 group advances. 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 profit and loss account in the year of recovery. Loans and advances are stated after deduction of specific and general provisions.

p) Guarantees, acceptances and letters of credit

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

q) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. FIVE-YEAR FINANCIAL STATEMENTS

(AS PER R.10(A) DISCLOSURE REQUIREMENTS PARAGRAPH C.07(J)

5.1 PROFIT & LOSS ACCOUNT FOR THE YEARS ENDED 31 DECEMBER

		EQUITY BANK LIMITED	EQUITY BUILDING SOCIETY				
		2005	2004	2003	2002	2001	2000
	Notes	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Interest							
Interest income	c	947,830	459,141	324,428	278,853	175,488	132,268
Interest expense	d	(82,327)	(63,504)	(67,855)	(81,582)	(70,914)	(66,852)
Net interest income		**865,503**	**395,637**	**256,573**	**197,271**	**104,574**	**65,416**
Commission and other income	e	937,237	640,120	306,429	170,477	125,003	76,544
Total operating income		**1,802,740**	**1,035,757**	**563,002**	**367,748**	**229,577**	**141,960**
Expenses							
Management expenses	f	1,040,274	562,944	319,049	191,399	131,111	81,642
Depreciation and amortization		137,658	83,671	50,711	40,036	32,022	16,284
Provision of bad & doubtful debts		124,276	170,890	50,585	25,312	12,003	10,380
		1,302,208	817,505	420,345	256,747	175,136	108,306
Profit before taxation and dividends		**500,532**	**218,252**	**142,657**	**111,001**	**54,441**	**33,654**
Taxation	g	(155,934)	(82,117)	(45,344)	(36,763)	(22,847)	(16,128)
Profit after taxation		**344,598**	**136,135**	**97,313**	**74,238**	**31,594**	**17,526**
Proposed dividends	h	(181,129)	(37,717)	(18,859)	(10,572)	(10,166)	(6,677)
Profit after tax and dividends		**163,469**	**98,418**	**78,454**	**63,666**	**21,428**	**10,849**
Earning per share (KShs.)	**i**	**3.80**	**5.43**	**6.24**	**6.02**	**2.11**	**1.07**
Dividend per share (KShs.)	**h**	**2.00**	**2.00**	**1.50**	**1.00**	**1.00**	**1.00**

5.2 FIVE-YEAR BALANCE SHEET AS AT 31 DECEMBER

		EQUITY BANK LIMITED		EQUITY BUILDING SOCIETY			
		31.12.2005	**2004**	**2003**	**2002**	**2001**	**2000**
	Notes	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**	**KShs.'000**
ASSETS							
Cash and bank balances		1,305,979	789,678	451,469	243,623	254,012	120,910
Deposits with banks	j	2,094,320	1,914,078	702,984	445,142	568,467	438,003
Treasury bills		372,974	-	-	454,370	-	-
Treasury bonds	k	881,441	578,301	870,085	-	-	-
Other assets	l	126,910	119,724	39,970	50,442	37,303	16,440
Tax recoverable	g	-	-	4,414	2,103	-	-
Loans and advances	m	5,524,360	2,873,698	1,606,723	1,120,986	761,585	445,824
Property & equipment	n	1,041,014	408,014	230,907	158,753	161,301	134,935
Prepaid leases	o	4,208	4,255	4,311	32,108	32,108	32,108
Investment property	p	11,269	11,269	11,269	65,210	65,210	65,210
Intangible assets	q	89,477	8,403	4,649	4,878	3,141	6,282
Deferred tax		4,591	-	-	-	-	-
TOTAL ASSETS		**11,456,543**	**6,707,420**	**3,926,781**	**2,577,615**	**1,883,127**	**1,259,712**
LIABILITIES							
Deferred tax	r	-	8,543	2,834	2,179	2,313	-
Customer deposits	s	9,047,765	5,081,456	3,368,589	2,191,545	1,608,950	991,246
Other liabilities	t	646,556	296,455	77,156	49,985	34,160	65,251
Tax payable	g	168,229	11,994	-	-	68	2,006
		9,862,550	**5,398,448**	**3,448,579**	**2,243,709**	**1,645,491**	**1,058,503**
CAPITAL EMPLOYED							
Share capital							
	u(i)	452,823	90,565	62,862	52,862	50,829	50,891
Share premium	u(ii)	480,362	842,619	144,486	34,486	24,221	23,183
Revenue reserves	u(iii)	513,238	299,076	200,658	122,204	58,538	37,110
Capital reserves	u(iv)	-	50,694	51,337	113,782	93,882	83,348
Other reserves	u(v)	(33,559)	(11,699)	-	-	-	-
Proposed dividend	h	181,129	37,717	18,859	10,572	10,166	6,677
		1,593,993	**1,308,972**	**478,202**	**333,906**	**237,636**	**201,209**
TOTAL EQUITY AND LIABILITIES		**11,456,543**	**6,707,420**	**3,926,781**	**2,577,615**	**1,883,127**	**1,259,712**

5.3 STATEMENT OF CHANGES IN EQUITY

(a) EQUITY BUILDING SOCIETY

	Share capital KShs.'000	Share premium KShs.'000	Revaluation reserves KShs.'000	Other reserves KShs.'000	Retained profits KShs.'000	Grant capital KShs.'000	Borrowing & forfeited Shares KShs.'000	Proposed dividend KShs.'000	Total equity KShs.'000
Balance at 1 January 2003	**52,862**	**34,486**	**81,462**	**-**	**122,204**	**30,550**	**1,770**	**10,572**	**333,906**
Retained profit for the year	-	-	-	-	78,454	-	-	-	78,454
Grant capital received-	-	-	-	-	-	19,017	-	-	19,017
Transfers	-	-	-	-	-	1,770	(1,770)	-	-
Reversal of revaluation	-	-	(81,462)	-	-	-	-	-	(81,462)
Premium on sale of shares	-	110,000	-	-	-	-	-	-	110,000
Additional shares in the year	10,000	-	-	-	-	-	-	-	10,000
Dividend paid	-	-	-	-	-	-	-	(10,572)	(10,572)
Proposed dividend	-	-	-	-	-	-	-	18,858	18,858
Balance at 31 December 2003	**62,862**	**144,486**	**-**	**-**	**200,658**	**51,337**	**-**	**18,858**	**478,201**
Balance at 1 January 2004	**62,862**	**144,486**	**-**	**-**	**200,658**	**51,337**	**-**	**18,858**	**478,201**
Retained profit for the year	-	-	-	-	98,418	-	-	-	98,418
Issue of shares on conversion									
to Equity Bank Limited	27,059	-	-	-	-	-	-	-	27,059
Premium on issue of shares	-	698,134	-	-	-	-	-	-	698,134
Transfers	644	-	-	-	-	(644)	-	-	-
Diminution in value of treasury bonds	-	-	-	(11,699)	-	-	-	-	(11,699)
Dividend paid	-	-	-	-	-	-	-	(18,858)	(18,858)
Balance at 31 December 2004	**90,565**	**842,620**	**-**	**(11,699)**	**299,076**	**50,693**	**-**	**-**	**1,271,255**

(b) EQUITY BANK LIMITED

	Share Capital KShs.'000	Share Premium KShs.'000	Other Reserves KShs.'000	Revenue reserves KShs.'000	Grant Capital KShs.'000	Proposed dividend KShs.'000	Total Equity KShs.'000
On transfer of Equity Building Society business, assets and liabilities	63,506	144,486	(11,699)	299,076	50,693	-	546,062
On initial issue of shares	27,059	698,134	-	-	-	-	725,193
Balance at 31							
December 2004	**90,565**	**842,620**	**(11,699)**	**299,076**	**50,693**	**-**	**1,271,255**
Transfer of capital grants to revenue reserves	-	-	-	38,989	(38,989)	-	-
Capitalisation of share of premium	362,258	(362,258)	-	-	-	-	-
Revaluation of treasury bonds	-	-	(21,860)	-	-	-	(21,860)
Retained profit for the year	-	-	-	344,598	-	-	344,598
Proposed dividend	-	-	-	(181,129)	-	181,129	-
Amortisation of grant funds	-	-	-	11,704	(11,704)		-
Balance at 31 December 2005	**452,823**	**480,362**	**(33,559)**	**513,238**	**-**	**181,129**	**1,593,993**

5.4 FIVE-YEAR CASH FLOW STATEMENT AS AT 31 DECEMBER

	EQUITY BANK LIMITED		EQUITY BUILDING SOCIETY			
	31.12.2005 KShs.'000	2004 KShs.'000	2003 KShs.'000	2002 KShs.'000	2001 KShs.'000	2000 KShs.'000
Cash flow from operating activities						
Net profit before taxation	500,532	218,252	142,657	111,001	54,440	33,654
Adjustments for:-						
Depreciation	112,705	78,786	50,711	40,037	32,022	16,284
Amortisation of prepaid lease	47	333	-	-	-	-
Amortisation of intangible asset	24,906	4,552	-	-	-	-
Diminution in value of treasury bonds	-	(11,698)	-	-	-	-
Profit on sale of equipment	(1,213)	-	-	*1(85)	*2(22)	*3
Write off of computer software	9,305	778	-	-	-	-
Operating profit before working capital changes	**646,282**	**291,003**	**193,368**	**150,953**	**86,440**	**49,938**
Working capital changes						
Other assets	(7,186)	(79,756)	6,270	(5,302)	(26,542)	(7,775)
Loans and advances to customers	(2,650,662)	(1,266,975)	(485,737)	(359,402)	(315,761)	(157,592)
Customers' deposits	3,966,309	1,712,867	1,177,044	560,861	631,145	370,296
Other liabilities	312,384	219,299	27,170	39,412	(44,531)	45,397
Cash generated from operations	**2,267,127**	**876,438**	**918,115**	**386,522**	**330,751**	**300,264**
Income taxes paid	(12,833)	(60,000)	(47,000)	(39,068)	(22,472)	(16,833)
Net cash from operating activities	**2,254,294**	**816,438**	**871,115**	**347,454**	**308,279**	**283,431**
Purchase of property & equipment	(747,142)	(264,120)	(118,170)	(32,002)	(55,544)	(85,853)
Purchase of Intangible assets	(115,285)	(4,134)	(4,190)	(7,317)	-	(9,422)
Purchase from sale of equipment	2,650	3,000	-	180	320	834
Cash flow from investing activities						
Purchase of investments	(878,216)	(919,309)	(669,354)	(340,736)	(124,785)	(227,158)
Net cash flow from investing activities	**(1,737,993)**	**(1,184,563)**	**(791,714)**	**(379,875)**	**(180,009)**	**(321,599)**
Cash flow from financing activities						
Proceeds from issuance of shares	-	725,192	120,000	12,298	2,001	41,257
Grant capital	-	-	19,017	19,900	9,407	-
Dividend paid	-	(18,858)	(10,572)	(10,166)	(6,576)	-
	-	**706,334**	**128,445**	**22,032**	**4,832**	**41,257**
Net increase in cash and cash equivalents	516,301	338,209	207,846	(10,389)	133,102	3,089
Cash & cash equivalents at the beginning of the year	789,678	451,469	243,623	254,012	120,910	117,821
Cash & cash equivalents at the end of the year	**1,305,979**	**789,678**	**451,469**	**243,623**	**254,012**	**120,910**

*1- The gains on disposals in 2002 were as a result of motor vehicles sold during the year.

*2- The gains on disposals in 2001 were as a result of motor vehicles sold during the year.

*3- In 2000, motor vehicles were disposed off at the net book value hence the gain/loss was nil.

NOTES TO THE FINANCIAL STATEMENTS

(a) Prior year adjustment – IAS 39: Available for sale financial assets

As at 31 December 2003, the Bank held treasury bonds with a face value (cost) of KShs. 810 million. The bonds were carried in the financial statements at cost contrary to the requirements of IAS 39, which require bonds to be carried at fair value. The fair value of the bonds amounted to KShs.884 million, resulting in a revaluation surplus of KShs.74 million. In restating the bonds to the fair value, a revaluation surplus of KShs.74 million has been recognised directly in equity.

The effect of this prior year adjustment on the Bank's balance sheet at 31 December 2003 is as follows:-

- Treasury bonds have increased by KShs.74 million
- Other reserves have increased by KShs.74 million

b) Amortisation of capital grants - IAS 20

The Bank received grants from various donors between the year 2000 and 2003 towards purchase of capital items, training and consultancy expenses. The grants were not amortised in the relevant years the expenditure was incurred hence leading to overstatement of depreciation and other operating expenses due to non-armotisation of capital grants in the respective years. In restating the grants to the amortised cost, KShs. 39 million has been recognised directly to revenue reserves in the years 2000 - 2004.

The effect of this prior year adjustment on the Bank's balance sheet at 31 December 2004 is as follows:-

	Account Name	2000 KShs.`000	2001 KShs.`000	2002 KShs.`000	2003 KShs.`000	2004 KShs.`000
Dr	Capital grants	1,864	12,312	4,735	11,785	8,331
Cr	Revenue reserves	1,864	12,312	4,735	11,785	8,331

(c) Interest income

	Equity Bank Limited KShs.'000 2005	Equity Building Society KShs.'000 2004
Loans and advances	692,600	362,427
Treasury bills and bonds	76,581	51,241
Placements with banking institutions	178,649	45,473
	947,830	459,141

(d) Interest expense

	Equity Bank Limited KShs.'000 2005	Equity Building Society KShs.'000 2004
Fixed deposit accounts	13,817	22,407
Savings accounts	68,510	41,097
	82,327	63,504

		Equity Bank Limited 2005 KShs.'000	Equity Bank Limited 2004 KShs.'000
(e)	**Commission and other income**		
	Fees and commissions on loans and advances	895,230	616,993
	Other income	42,007	23,127
		937,237	640,120
(f)	**Management expenses**		
	Salaries and employees' benefits	531,505	288,953
	Establishment	172,943	104,956
	Provision for other assets	5,000	10,000
	Other administrative expenses	330,826	159,035
		1,040,274	562,944
(g)	**Taxation**		
	i Profit and loss Account:-		
	Charge for the year	169,068	76,698
	Deferred tax (note r)	(13,134)	5,709
	Overprovision in previous years	-	(290)
	ii Reconciliation of taxation expense based on accounting profit:-	155,934	82,117
	Accounting profit before taxation	500,532	218,252
	Tax applicable at a tax rate of 30% (2004 – 30%)	150,160	65,476
	Tax effect on items not deductible for tax	18,908	11,222
	Originating and reversing temporary differences	(13,134)	5,709
	Overprovision in previous years	-	(290)
		155,934	82,117
	iii Balance Sheet:-		
	Tax recoverable at beginning of the year	11,994	(4,414)
	Tax charge for current year	169,068	76,698
	Tax paid during year	(12,833)	(60,000)
	Overprovision in previous years	-	(290)
	Tax payable at end of year	168,229	11,994

		Equity Bank Limited 2005 KShs.'000	Equity Bank Limited 2004 KShs.'000
(h)	**Dividend per share**		
	The movements in dividends during the year were as follows:		
	Proposed dividend at end of year:	181,129	37,717
	Weighted average number of ordinary shares in issue	90,565	18,113
	Dividend per share	KShs. 2	KShs. 2
(i)	**Earnings per share**		
	Net profit attributable to shareholders (KShs.'000)	344,598	98,418
	Weighted average number of ordinary shares in issue	90,565	18,113
	Basic earnings per share	**KShs.3.80**	**KShs. 5.43**
(j)	**Deposits and balances due from banks 2005**		
	Balances with Commercial Banks:-		
	Kenya Commercial Bank Limited	8,396	16,473
	Investments and Mortgages	258,242	200,000
	Akiba Bank Limited	-	309,539
	The Co-operative Bank of Kenya Limited	404,981	730,989
	CFC Bank Ltd	-	200,000
	Credit Bank Ltd	108,160	100,000
	Imperial Bank Ltd	266,740	50,000
	Diamond Trust Bank Limited	328,309	307,077
	Chase Bank Ltd	101,963	-
	Commercial Bank of Africa	140,000	-
	Citibank NA	36,200	-
	Standard Chartered Bank Limited	22,307	-
	Central Bank of Kenya	113,903	-
	East African Building Society	103,000	-
	Development Bank Ltd	202,119	-
		2,094,320	1,914,078

		Equity Bank Limited 2005 KShs.'000	Equity Bank Limited 2004 KShs.'000
(k)	**Treasury bonds -available for sale investments**		
	Treasury bills	372,974	-
	Treasury bonds		
	Cost	915,000	590,000
	Impairment	(33,559)	(11,699)
		881,441	578,301
	Maturing within 90 days	-	-
	Maturing after 90 days	881,441	578,301
		1,254,415	578,301

Treasury bonds were issued by Central Bank of Kenya and were valued at market value as per Nairobi Stock Exchange. The bonds which are classified as available-for-sale investments are valued at fair value by management annually and the resulting revaluation surpluses and deficits are taken to other reserves as part of shareholders' equity.

		Equity Bank Limited 2005 KShs.'000	Equity Bank Limited 2004 KShs.'000
(l)	**Other assets**		
	Interest receivable on placements	47,981	17,315
	Interest receivable on treasury bonds	13,047	12,936
	Other receivables and prepayments	65,882	89,473
		126,910	119,724

		Equity Bank Limited 2005 KShs.'000	Equity Bank Limited 2004 KShs.'000
(m)	**Loans and advances to customers**		
	[as per r(10)(a) Disclosure Requirements paragraph F.06]		
	Loans and advances (gross)	5,885,286	3,099,456
	Less provisions for impairment	(360,926)	(225,758)
	As at 31 December	5,524,360	2,873,698

The aggregate amount of non-performing loans and mortgages on which interest was not being accrued amounted to KShs. 370 million as at 31 December 2005 (KShs. 338 million as at 31 December 2004). Unrecognised interest relating to such loans amounted to KShs. 27 million (KShs. 95 million as at 31 December 2004). All loans have been written down to their recoverable amounts.

Economic sector risk concentrations within the customer loan portfolio were as follows:-

	Equity Bank Limited 2005 KShs.'000	Equity Bank Limited 2004 KShs.'000
	%	%
Private enterprises	52	85
Non profit institutions and individuals	48	15
	100	100
Loans are classified per the requirements of Central Bank of Kenya:		
Normal	4,455,108	2,410,983
Watch	768,943	350,546
Substandard	292,291	92,421
Doubtful	191,629	68,780
Loss	177,314	176,726
	5,885,286	3,099,456
Provision for loans and advances		
As at 1 January	225,758	127,493
Suspended interest	65,294	32,524
Specific provision during the year	104,273	157,425
General provision	20,003	13,464
Write off	(54,402)	(105,148)
As at 31 December	360,926	225,758
Net loan	5,524,360	2,873,698
Loans due from related parties		
The total amount of loans and advances granted to members of the board of directors, employees and other related parties in the ordinary course of business include:		
Directors	25,185	15,180
Employees	157,411	50,398
Shareholders	196,988	-
	379,584	65,578

(n) Property and equipment

	Freeland and buildings KShs.'000	Leasehold improve-ments KShs.'000	Motor vehicles KShs.'000	Office equipement 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 2005	40,340	99,618	44,708	221,049	-	188,930	24,479	619,124
Additions	-	156,656	10,596	101,139	402,446	76,305	-	747,142
Disposals	-	-	-	-	-	-	(4,117)	(4,117)
At 31 December2005	40,340	256,274	55,304	322,188	402,446	265,235	20,362	1,362,149
DEPRECIATION								
At 1 January 2005	4,552	27,248	17,447	63,740	-	87,134	10,989	211,110
Charge for the year	936	16,816	9,029	31,819	-	47,985	6,120	112,705
Release on disposal	-	-	-	-	-	-	(2,680)	(2,680)
At 31 December2005	5,488	44,064	26,476	95,559	-	135,119	14,429	321,135
NET BOOK VALUE								
At 31 December2005	34,852	212,210	28,828	226,629	402,446	130,116	5,933	1,041,014
At 31 December 2004	35,788	72,370	27,261	157,309	-	101,796	13,490	408,014

		2005 KShs.'000	2004 KShs.'000
(o)	**Prepaid leases**		
	COST:	4,588	4,588
	ACCUMULATED AMORTISATION		
	At 01 January	333	-
	Change for the period	47	333
		380	333
	NET BOOK VALUE	4,208	4,255

Under IAS 17-Leases, leasehold land is classified as prepaid lease under non current assets, and amortised, on a straight-line basis, over the life of the lease.

		2005 KShs.'000	2004 KShs.'000
(p)	**Investment properties**		
	COST:		
	Dandora property Nairobi Block 86/8	1,522	1,522
	Ruiru Kiu Block 9/2 - 550	9,747	9,747
		11,269	11,269
	VALUATION:		
	Dandora property Nairobi Block 86/8	15,210	15,210
	Ruiru Kiu Block 9/2 - 550	50,000	50,000
		65,210	65,210
(q)	**Intangible assets – computer software**		
	Balance brought forward	25,063	20,930
	Additions	115,285	4,133
	Write off of computer software	(13,264)	-
		127,084	25,063
	ACCUMULATED AMORTISATION		
	Balance brought forward	16,660	12,108
	Charge for the year	24,906	4,552
	Eliminated on write off	(3,959)	-
		37,607	16,660
	NET BOOK VALUE	89,477	8,403

(r) Deferred tax

Deferred tax 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. The movement on the deferred tax account is as follows:-

	2005 KShs.'000	2004 KShs.'000
Accelerated tax depreciation	15,327	18,976
Deferred tax assets:		
Unrealised loss on treasury bonds	(10,068)	(3,516)
General provisions	(6,000)	(3,917)
Leave accrual	(2,350)	-
Provision of inter branch balances	(1,500)	(3,000)
	(19,918)	(10,433)
Deferred tax liability	(4,591)	8,543

(s) Customer deposits

	2005 KShs.'000	2004 KShs.'000
Savings accounts	7,018,195	4,478,980
Fixed deposits	1,161,251	595,302
Current accounts	823,837	-
Interest payable	44,482	7,174
	9,047,765	5,081,456

(t) Other liabilities

	2005 KShs.'000	2004 KShs.'000
Unearned income	335,005	247,398
Other creditors and accruals	311,551	86,774
	646,556	334,172

Unearned income represents interest chargeable on flat-rated loans.

(u) Capital employed

(i) Share capital

Issued and fully paid up:

	2005 KShs.'000	2004 KShs.'000
Opening capital	90,565	90,565
Capitalisation of share premium	362,258	-
	452,823	90,565

The total authorised share capital is 100 million ordinary shares of KShs. 5 each. 90,564,550 ordinary shares (2004 - 18,112,909) are issued and fully paid. The Bank has 2,469 shareholders.

		2005 KShs.'000	2004 KShs.'000
(ii)	**Share premium**		
	Balance brought forward	842,620	144,486
	Capitalisation of share premium	(362,258)	-
	Premium on issue of shares during the year	-	698,134
		480,362	842,620
(iii)	**Revenue reserves**		
	Balance brought forward	299,075	200,658
	Profit during the period	344,598	98,417
	Transfer of capital grants to revenue reserves	38,990	-
	Proposed dividends	(181,129)	-
	Amortisation of grant funds	11,704	-
		513,238	299,075
(iv)	**Capital**		
	United Nations Development Program (UNDP)	-	21,340
	European Union Business Assistant Scheme (EBAS)	-	4,296
	Department For International Development (DFID)	-	22,060
	Micro Enterprise Support Program (MESP)	-	1,863
	Others	-	1,136
	Total	-	50,694
(v)	**Other reserves**		
	Diminution in value of treasury bonds	33,559	11,699

(v) Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	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	Non-interest bearing KShs'000	Total KShs'000
ASSETS							
Cash and bank balances	1,305,979	-	-	-	-	-	1,305,979
Treasury bills and bonds	-	-	696,112	484,503	73,800	-	1,254,415
Placements and balances with other banks	-	1,994,320	100,000	-	-	-	2,094,320
Loans and advances to customers	530,600	728,865	2,112,989	2,151,906	-	-	5,524,360
Property, equipment and lease hold land	-	-	-	-	-	1,045,222	1,045,222
Investment property	-	-	-	-	-	11,269	11,269
Intangible assets	-	-	-	-	-	89,477	89,477
Other assets	-	-	-	-	-	126,910	126,910
Deferred tax	-	-	-	4,591	-	-	4,591
Total assets	1,836,579	2,723,185	2,909,101	2,641,000	73,800	1,272,878	11,456,543
LIABILITIES AND SHAREHOLDERS' FUNDS							
Customer deposits	1,086,683	492,718	306,800	109,922	7,051,642	-	9,047,765
Other liabilities	-	-	-	-	-	646,556	646,556
Tax payable	-	-	-	-	-	168,229	168,229
Share capital & Reserves	-	-	-	-	-	1,593,993	1,593,993
Total liabilities and shareholders' funds	1,086,683	492,718	306,800	109,922	7,051,642	2,408,778	11,456,543
INTEREST RATE SENSITIVITY GAP AT 31.12.05	749,896	2,230,467	2,602,301	2,531,078	(6,977,842)	(1,135,900)	-
INTEREST RATE SENSITIVITY GAP AT 31.12.04	711,838	617,118	2,208,371	1,662,314	(4,017,110)	(1,182,531)	-

(w) Liquidity risk

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2005 to the contractual maturity date.

	1 month KShs'000	Up to months KShs'000	1-3 months KShs'000	3-12 years KShs'000	1-5 years KShs'000	Over 5 Total KShs'000
ASSETS						
Cash and bank balances	1,305,979	-	-	-	-	1,305,979
Treasury bills and bonds	-	-	696,112	484,503	73,800	1,254,415
Placements and balances with other banks	-	1,994,320	100,000	-	-	2,094,320
Loans and advances to customers	530,600	728,865	2,112,989	2,151,906	-	5,524,360
Property, equipment and lease hold land	-	-	-	-	1,045,222	1,045,222
Investment property	-	-	-	-	11,269	11,269
Intangible assets	-	-	-	-	89,477	89,477
Other assets	-	26,002	100,908	-	-	126,910
Deferred tax	-	-	-	4,591	-	4,591
Total assets	1,836,579	2,749,187	3,010,009	2,641,000	1,219,768	11,456,543
LIABILITIES AND SHAREHOLDERS' FUNDS						
Customer deposits	1,086,683	492,718	306,800	109,922	7,051,642	9,047,765
Other liabilities	388,585	257,971	-	-	-	646,556
Tax payable	-	168,229	-	-	-	168,229
Share capital & Reserves	-	-	181,229	-	1,412,764	1,593,993
Total liabilities and shareholders' funds	1,475,268	918,918	488,029	109,922	8,464,406	11,456,543
NET LIQUIDITY GAP AT 31.12.05	361,311	1,830,269	2,521,980	2,531,078	(7,244,638)	-
NET LIQUIDITY GAP AT 31.12.04	711,838	617,118	2,208,371	1,662,314	(5,199,641)	-

		2005 KShs.'000	2004 KShs.'000
(x)	Guarantees and performance bonds	168,113	50,923
	Litigation	9,741	5,300
		177,854	56,223

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.

		2005 KShs.'000	2004 KShs.'000
(y)	Capital commitments contracted for at year end	32,850	-

This relates to the remaining portion of contract for supply of new computer software.

(z) Events after the balance sheet date

The decision by Board of Directors and shareholders to undertake the listing of shares at the Nairobi Stock Exchange.

(aa) Country of incorporation, registered office and currency

(i) Registered office

The Bank was incorporated in Kenya on 21 December 2004 under the Kenyan Companies Act.
The address of its registered office is:-
14th Floor, NHIF Building
P. O. Box 75104-00200
NAIROBI

(ii) CURRENCY

The financial statements are presented in thousands of Kenya Shillings (KShs'000).

(ab) Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The board 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.

Yours faithfully

Ernst & Young

ERNST & YOUNG

6. STATEMENT OF ADJUSTMENTS

(as per r.10(a) Disclosure requirements paragraph C.07 (i))

3rd July 2006

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

Ladies and Gentlemen

EQUITY BANK LIMITED
INDEPENDENT REPORTING ACCOUNTANTS' REPORT
STATEMENT OF ADJUSTMENTS

Our review of the financial statements for the relevant period revealed significant adjustments to warrant restatement of the reserves and the balance sheets for the respective years due to the following adjustments.

- ***Understatement of profits due to non-amortisation of capital grant between 2000 and 2004 , amounting in total to KShs. 39 million.***

- ***The Bank held investments in treasury bonds in 2003. These were stated at cost rather than at fair value as required by IAS 39. A review of these treasury bonds revealed an appreciation of KShs. 74 million at the end of 2003.***

The review was for the purpose of our Accountants' Report to be included in the Listing Memorandum dated 14th July 2006 in the Republic of Kenya.

Yours faithfully

ERNST & YOUNG

ADJUSTED BALANCE SHEET

		EQUITY BANK LIMITED		EQUITY BUILDING SOCIETY			
		2005	2004	2003	2002	2001	2000
	Notes	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
ASSETS							
Cash and bank balances		1,305,979	789,678	451,469	243,623	254,012	120,910
Deposits with banks	j	2,094,320	1,914,078	702,984	445,142	568,467	438,003
Treasury bills		372,974	-	-	454,370	-	-
Treasury bonds	k	881,441	578,301	944,085	-	-	-
Other assets	l	126,910	119,724	39,970	50,442	37,304	16,440
Tax recoverable	g	-	-	4,414	2,103	-	-
Loans and advances	m	5,524,360	2,873,698	1,606,723	1,120,986	761,585	445,824
Property & equipment	n	1,041,014	408,014	230,907	158,753	161,301	134,935
Prepaid lease	o	4,208	4,255	4,311	32,108	32,108	32,108
Investment property	p	11,269	11,269	11,269	65,210	65,210	65,210
Intangible assets	q	89,477	8,403	4,649	4,878	3,141	6,282
Deferred tax		4,591	-	-	-	-	-
TOTAL ASSETS LIABILITIES		**11,456,543**	**6,707,420**	**4,000,781**	**2,577,615**	**1,883,128**	**1,259,712**
Deferred tax	r	-	8,543	2,834	2,179	2,313	-
Customer deposits	s	9,047,765	5,081,456	3,368,589	2,142,165	1,608,950	977,806
Other liabilities	t	646,556	296,455	77,156	99,365	34,160	78,691
Tax payable	g	168,229	11,994	-	-	68	2,006
		9,862,550	**5,398,448**	**3,448,579**	**2,243,709**	**1,645,491**	**1,058,503**
CAPITAL EMPLOYED							
Share capital	u(i)	452,823	90,565	62,862	52,862	50,829	50,891
Share premium	u(ii)	480,362	842,619	144,486	34,486	24,221	23,183
Revenue reserves	u(iii)	513,238	338,099	231,353	141,115	72,714	38,974
Capital reserves	u(iv)	-	11,671	20,642	94,871	79,706	81,484
Other reserves	u(v)	(33,559)	(11,699)	74,000	-	-	-
Proposed dividend	h	181,129	37,717	18,859	10,572	10,166	6,677
		1,593,993	**1,308,972**	**552,202**	**333,906**	**237,636**	**201,209**
TOTAL EQUITY AND LIABILITIES		**11,456,543**	**6,707,420**	**4,000,781**	**2,577,615**	**1,883,127**	**1,259,712**

7. PROFORMA FINANCIAL STATEMENTS

3rd July 2006

The Directors
Equity Bank Limited
14th Floor, NHIF Building
P.0. Box 75104-00200
NAIROBI

Ladies and Gentlemen

EQUITY BANK LIMITED
INDEPENDENT REPORTING ACCOUNTANTS' REPORT
ON THE PROFORMA BALANCE SHEETS AND PROFIT AND LOSS ACCOUNTS

We have reviewed the accounting policies and calculations for the Proforma Balance Sheets and Profit and Loss Accounts for the period ending 31 December 2006 set out below. The directors have compiled the forecasts and are solely responsible for them.

In our opinion, the forecasts, as far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the directors set out below and are presented on a basis consistent with the accounting policies normally adopted by the Bank.

Since the forecasts are based on assumptions concerning future events, actual results may vary from the forecasts which have been presented and the variations may be material. Accordingly, we express no opinion on whether or not the forecasts will be achieved.

Yours faithfully

Ernst & Young

ERNST & YOUNG

7.1 KEY ASSUMPTIONS ON WHICH THE PROJECTIONS ARE BASED

The key assumptions of which the financial projections are based were derived from management's 5 year strategic plan (2005-2009) prepared by management.

7.1.1 BALANCE SHEET

(a) Cash and bank balances

Growth in cash and bank balances is dependent on growth in customer deposits and subject to the Bank's cash ratio.

(b) Loans and advances to customers

Loans and advances are dependent on the number of deposit customers and average deposit size. Growth in number of depositors is as indicated below while the average loan size per borrower is projected to grow at a rate of 15%. The 15% growth is derived from the fact that the bank is diversifying its clientele mix to include corporate employees.

(c) Customer deposits

Customer deposits are dependent on growth in number of customers/depositors and growth in the average deposit size. The balances are also based on projected inflows and outflows of the investments and deposits with financial institutions.

(d) Fixed assets

This is expected to increase due to projected capital expenditure mainly on ATMs, net-working of new branches, motor vehicles, computer software and hardware.

(e) Other assets

This mainly comprises interest receivable which is expected to follow a similar trend to the growth in the loans portfolio.

(f) Deposits with banks and treasury bills and bonds

This is dependent on excess funds available for investments which will be dependent on growth in the deposits levels over the years.

(g) Short term liabilities

Projected to grow at a rate of 10% based on management estimation. A major component of this balance is unearned income which is recognized on flat rated loans, a system which will be phased out with the implementation of the new core banking system.

(h) Taxation

This is based on the Bank's expected profitability. It is estimated at 25% of the corporation tax that remains unpaid at end of year.

(i) Proposed dividends (as per r.7(1)(a) Eligibility requirements under Dividend Policy)

This is based in the Bank's policy of making a dividend pay out of KShs. 2 per share.

(j) Revenue reserves

This is expected to grow based on projected accumulated profits over the years.

7.1.2 PROFIT AND LOSS ACCOUNT

(a) Interest income

Interest income arises from interest earned on loans and advances, government securities and interest on placements. Projected interest rates on these investment vehicles are as follows:-

i)	Loans and advances:	2006 - 14%
ii)	Government Securities:	2006 - 7.5%
iii)	Placements:	2006 - 7%
iv)	Interest on customer Deposits:	2006 - 4%
v)	Commissions:	2006 - 1,600

(b) Interest expense

This is based on the total customer balances in interest earning accounts at rates as indicated above. Interest is accrued on a daily basis. However, it is assumed that 75% of these balances will qualify to earn interest since interest is accrued on accounts with balances of over KShs. 10,000.

(c) Commissions and other income

This is based on the number of customers vis-à-vis the average transaction costs per year as indicated above.

(d) Trade finance and treasury income

Trade finance is a new department created, that will facilitate import and export trade financing that is Letters of credit. It has been assumed that 1% of the total operating income is to be generated by this department. Thereafter increasing to 2% over the years.

Treasury income is based on the same assumption but with higher target rates of 4.5% for year 2006 and thereafter.

(e) Staff costs and benefits

Staff costs and benefits are expected to grow by 20% annually from year 2006 due to recruitment of additional staff of high calibre. The increase factors in recruitment, training and inflationary salary reviews.

(f) Management expenses

This is assumed to be based on 25% of total operating income. It is the Bank's policy to try and maintain its operating expenses at levels not above 25% of total operating income for any one year.

(g) Depreciation

This is based on increase in fixed assets and depreciation policy.

(h) Loan loss provisions

Loan loss provisions are based on a percentage of gross loan portfolio. These are estimated to be at the rate of 6.5% for the year 2006.

7.2 PROJECTED INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER

	2006
Income	**KShs.'000**
Interest earnings	1,729,777
Less: Interest expense	(374,109)
Net interest income	**1,355,668**
Other Income	
Commissions and other income	1,387,999
Trade finance income	29,033
Treasury income	130,651
	1,547,683
TOTAL OPERATING INCOME	**2,903,351**
EXPENDITURE	
Staff Costs	624,510
Management expenses	725,838
Depreciation	324,731
Loan provisions	426,892
TOTAL OVERHEAD EXPENSES	**2,101,971**
PROFIT BEFORE TAXATION	**801,380**
TAXATION	(160,276)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**641,104**
DIVIDENDS	(181,129)
RETAINED PROFITS	**459,975**
No. of shares	90,564

7.3 PROJECTED BALANCE SHEET AS AT 31 DECEMBER

	2006
ASSETS	**KShs.'000**
Cash and bank balances	1,247,031
Placements with banks and other banking institutions	4,042,413
Other assets	295,298
Net loans and advances	8,040,179
- Small and micro credit	5,075,132
- Medium and corporate	2,965,047
Property and equipment	1,350,982
Total assets	**14,975,903**
LIABILITIES	
Customer deposits	12,470,305
Short term liabilities	358,711
Taxation	40,069
Proposed dividends	181,129
Total liabilities	**13,050,214**
CAPITAL EMPLOYED	
Subscribers' and investment capital	452,823
Share premium	480,361
Reserves	992,505
Total capital employed	**1,925,689**
TOTAL LIABILITIES & CAPITAL EMPLOYED	**14,975,903**

7.4 PROJECTED CASH FLOW STATEMENT AS AT 31 DECEMBER

	2006
Net profit before taxation	**801,379**
Adjustments for:	
Depreciation and amortisation	324,731
Operating profit before working capital changes	**1,126,110**
Working capital changes	
Other assets	(26,845)
Loans and advances	(3,392,860)
Customer deposits	4,724,774
Other liabilities	32,438
Cash generated from operations	**2,463,617**
Income taxes paid	(160,276)
Net cash from operating activities	**2,303,341**
Purchase of property and equipment	(372,794)
Purchase of investments	(1,276,940)
Net cash flow from investing activities	**(1,649,734)**
Dividends paid	(181,129)
Net cash flow from financing activities	**(181,129)**
Net increase in cash and cash equivalents	472,478
Cash and cash equivalents at the beginning of the year	774,553
Cash and cash equivalents at the end of the year	**1,247,031**

8. FINANCIAL RATIOS

3rd July 2006

The Directors,
Equity Bank Limited
14th Floor, NHIF Building
P. 0. Box 75104 00200
NAIROBI

Ladies and Gentlemen

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON FINANCIAL RATIOS OF EQUITY BANK LIMITED

The ratios calculated comply with the requirements of the Capital Markets Authority and Nairobi Stock Exchange.

Yours faithfully

ERNST & YOUNG

		EQUITY BUILDING SOCIETY				EQUITY BANK LIMITED		
		31.12.00 KSHS. Audited	31.12.01 KSHS. Audited	31.12.02 KSHS. Audited	30.12.03 KSHS. Audited	31.12.04 KSHS. Audited	31.12.05 KSHS. Audited	31.12.06 KSHS. Projected
1	Earnings before interest and taxes interest cover (Pbit/interest expense)	1.5	1.77	2.36	3.1	4.44	7.08	1.14
2	Funds from operations to total debt (Net cash generated from operations/total borrowings)	28%	20%	17%	27%	16%	23%	19%
3	Total free cash flow to short-term debt obligations (Free cash flow /short term borrowings)	11%	15%	11%	13%	15%	13%	10%
4	Net profit margin (Net profit before exceptional item / gross income)	8%	9%	17%	14%	12%	18%	16%
5	Post-tax return on capital employed (Net profit before exceptional item / total Shareholders` funds)	5%	9%	19%	16%	8%	22%	24%
6	Total debt to equity ratio (Total borrowings / total shareholders funds)	5.25	6.91	6.71	7.21	4.26	6.19%	6.66
7	Return on equity (Net profit/total shareholders` funds)	5%	9%	19%	16%	8%	22%	24%
8	Earnings per share (in KShs.) (Net profit after exceptional item / No. of fully paid up shares)	1.07	2.11	6.02	6.24	5.43	3.80	5.08
9	Dividend per share (in KShs.) (Net profit after exceptional items / No. of fully paid up shares)	0.66	1.00	1.00	1.50	2.08	2.00	2.00
10	Dividend cover Earnings per share / Dividend per share	1.62	2.11	6.02	4.16	2.61	1.9	2.54

19. LEGAL OPINION

3rd July 2006

The Directors,
Equity Bank Limited
P.O. Box 75104 – 00200
NAIROBI

Dear Sirs,

RE: OPINION UNDER REGULATION 6(3)B OF THE CAPITAL MARKETS (SECURITIES) (PUBLIC OFFERS LISTING AND DISCLOSURES) REGULATIONS 2002 (THE "REGULATIONS") IN RESPECT OF LISTING OF 90,564,550 ORDINARY SHARES OF KSHS 5.00 EACH OF EQUITY BANK LIMITED AT THE NAIROBI STOCK EXCHANGE

We act generally for Equity Bank Limited (the "Issuer") and have acted as the Legal Advisors of the Issuer in connection with the listing of its shares at the Nairobi Stock Exchange ("NSE"). The terms and conditions of the Listing are contained in the Information Memorandum issued by the Issuer and dated 3rd July 2006.

For the purpose of our opinion we have assumed:-

(A) (i) the authenticity of documents submitted as originals, the conformity with the original documents of all documents submitted as copies and the authenticity of the originals of such later documents;

(ii) the genuineness of all signatures on all documents;

(iii) that all information contained in the Information Memorandum and all information supplied to us by the Issuer, its officers and advisers is true, accurate and up to date.

(B) With respect to matters of fact, we have relied on the representation contained in all documents supplied to us and the representations of the Issuer, its officers and advisers.

(C) This opinion is given on the basis of documents provided to us by the Issuer comprising copies of the Issuer's Memorandum and Articles of Association including Title Deeds to the properties listed in this Information Memorandum and material contracts and security documents listed in this Information Memorandum.

In accordance with Regulation 6(3) b of the Regulations and based on the information supplied to us and upon due enquiry we state as follows:-

1. Status of the Issuer

The Issuer is a public limited liability company duly registered under the Companies Act (Cap. 486) of the Laws of Kenya under Certificate of Registration Number C.4/2005. The Issuer is duly licensed to carry on the business of banking in Kenya. The Issuer's registered offices are situated on Land Reference Number 209/11248 Haile Selasie Avenue, NHIF Building, 14th Floor, Nairobi and its registered address is P.O. Box 75104 – 00200 Nairobi.

The Authorised Share Capital of the Issuer is KShs. 500,000,000 divided into 100,000,000 Ordinary Shares of KShs. 5.00 each of which 90,564,550 are issued and fully paid up.

2. Licences

All licences and consents required to perform the business of the Issuer have been duly obtained and the appropriate licence and consent fees have been paid to the applicable authorities.

3. Ownership of Assets

The Issuer is the registered proprietor of the properties known as Title Numbers Loc 14/Kiru/2254 and 2255, Karatina/Block I/405, Loc 2/Kangari/2574 and Nyahururu/Block 6/419 together with all the buildings and improvements being thereon. The Issuer has not created any encumbrances over the properties or any of its assets.

4. Material Litigation

To the best of our knowledge, information and belief and after due enquiry, there is no material litigation, prosecution or other civil or criminal legal action in which the Issuer is involved.

Similarly none of the Directors of the Issuer are to our knowledge, information and belief after due enquiry involved in any material litigation, prosecution or other civil or criminal legal action.

5. Share Capital

The existing authorised and issued share capital of the Issuer as stated in the Information Memorandum is in conformity with the applicable laws and has received all the necessary approvals and authorisations.

6. Agreements and Contracts

No Agreements or contracts with respect to the proposed issue have been entered into.

As advisors, we have not withdrawn our consent to the inclusion of this legal opinion.

Subject to the above we are of the opinion that there are no other material facts with regard to the legal status of the Issuer and the Listing.

Yours faithfully

Walker Kontos

WALKER KONTOS

20. GENERAL INFORMATION

Board Authorisation for the Listing:

This Listing has been duly authorised by a resolution of the Board of Directors of the Issuer passed on 21st May 2005.

Company Authorisation:

This Listing was duly authorised by the shareholders of the Issuer pursuant to a resolution of the Annual General Meeting of the members of the Issuer held on the 27th day of May 2005.

CMA Authorisation:

A copy of this Information Memorandum has been delivered to the CMA and application has been made to the CMA for Issuer's Shares to be listed in the MIMS of the NSE and permission has been granted.

NSE Authorisation:

Application has been made to the NSE for the Shares to be listed in the MIMS of the NSE and permission has been granted.

CBK Authorisation:

Authorisation has been granted by the Central Bank of Kenya for the Shares to be listed in the NSE.

Principal Objects of the Issuer

A copy of the Memorandum and Articles of Association of the Issuer is available for inspection at the Companies Registry as well as the Head Office of the Issuer. The principal objects of the Issuer are set out in clause 4 of the Memorandum as follows :

(1) *To carry on in the Republic of Kenya and elsewhere and whether as principals or agents the business of banking, financial institutions, financial operations and as bankers, financiers and investors including (together with all other business and operations usually carried on by persons or associations engaged in banking, investing and financial transactions of any kind or nature) the borrowing, raising or taking up of money, the lending of, advancing money with or without security, the discounting, buying, selling and dealing in bills of exchange, promissory notes, coupons, drafts, bills of lading, warrants, debentures, certificates, script and other instruments whether transferable, negotiable or not; the granting and issuing of letters of credit and circular notes; the buying, selling and dealing in bullion and special foreign exchange transactions; the acquiring, holding, issuing on commission, underwriting and dealing with stocks, funds, shares, debentures, debenture stock , bonds, obligations, securities and investments of all kinds; negotiating of loans and advances; the receiving of money and valuables on deposit or for safe custody or otherwise; the collecting and transmitting monies and securities, the managing of property and transacting all kinds of business which from time to time can be lawfully transacted by bankers.*

(2) *To acquire all the business, assets and liabilities of Equity Building Society.*

Articles of Association.

The current Articles of Association were adopted by the Bank pursuant to a resolution passed on 24th December 2004 and subsequently amended vide resolutions passed on 27th May 2005 and 10th August 2005. They contain inter-alia the following provisions:-

"26. The Directors may decline to register the transfer of a share (not being a fully paid share) to a person of whom they do not approve, and they may also decline to register the transfer of a share on which the Company has a lien or the transfer of a share which, in the opinion of the Board, might result in any breach of the provision of the Statutes.

27. The Directors may also refuse to register any instrument of transfer of shares, if:-

(a) The registration fee of Kenya Shillings 1000/- (or such lesser fee (if any) as the Directors may from time to time prescribe as the registration fee) is not paid to the Company in respect thereof; or

(b) it is not accompanied by the certificate for the shares to which it relates, and such other evidence as the Directors may reasonably require to show the rights of the transferor to make the transfer; or

(c) It is of shares of more than one class; or

(d) The transferee named therein is:-

(i) An infant person; or

(ii) A person incapable by reason of mental disorder of managing and administering his property and affairs; or

(iii) A partnership in its partnership name; or

(e) In the case of a transfer to joint holders, they exceed Four in number.

28. If the Directors refuse to register a transfer they shall within Two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

46. The Company may, from time to time by ordinary resolution, increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall direct, or, in default of such direction, as the Directors shall determine.

50. The Company may, by ordinary resolution:

(a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) Sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of the Act;

(c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any persons;

And may, by special resolution:

(d) Reduce its share capital, any capital redemption reserve fund and any share premium account in any manner and with, and subject to, any incident authorised and consent required, by law.

51. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the matter as such in the notices calling it. Not more than Fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Provided that if the first annual general meeting is held within Eighteen months of the date of incorporation of the Company, it need not be held in the year of incorporation nor in the next following year. Annual and extraordinary general meetings shall be held at such times and places within Kenya as the Directors shall, from time to time, appoint.

58. *No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business; save as herein otherwise provided, Three members personally present shall be a quorum. For the purpose of this Article a corporation, being a member, shall be deemed to be personally present if represented by proxy.*

59. *If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day and at such other time and place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be a quorum.*

63. *At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded*

(a) by the Chairman; or

(b) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting.

Unless a poll be so demanded a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn.

64. *Except as provided in Article 66, if a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.*

65. *In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.*

66. *A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs, and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.*

67. *Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.*

73. *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a Corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.*

74. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office or at such other place within Kenya as is specified for that purpose in the notice convening the meeting, not less than Forty-eight hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than Twenty-four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*

76. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

79. Unless and until otherwise from time to time determined by an ordinary resolution of the Company, the number of Directors (excluding alternates) shall not be less than Five nor more than Twelve in number. The first Directors shall be appointed by the Subscribers to the Memorandum of Association, or a majority thereof, by notice in writing. If at any time the number of Directors falls below the minimum number fixed by or in accordance with these Articles, the remaining Directors may act for the purpose of convening a general meeting or for the purpose of bringing the number of Directors to such minimum, and for no other purpose.

81. The Directors shall be paid out of the funds of the Company by way of remuneration for their services such sums as the Company may from time to time by ordinary resolution determine and such remuneration shall be divided among them in such proportion and manner as the Directors may determine and, in default of such determination within a reasonable period, equally. Subject as aforesaid, a Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. The Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board, or of committees of the Board, or general meeting, or which they may otherwise properly incur in or about the business of the Company.

83. Directors shall not be required to hold any share qualification.

100. (1) Subject to Article 90, at the Annual General Meeting in each year one-third of the Directors or the number nearest to but not exceeding one-third of them shall retire from office, the Directors to retire each year (unless they otherwise agree among themselves) being those who have been longest in office since their last election and as between persons who become Directors on the same day determined by lot.

(2) A retiring director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires.

(3) The Company may at the meeting at which any Director retires in manner aforesaid, fill up the vacated office by electing a person thereto. In default, the retiring Director shall be deemed to have been re-elected unless at such meeting, it is resolved not to fill up the vacated office or a resolution for the re-election of the retiring Director has been rejected.

(4) No person not being a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for the office of Director at any General Meeting unless, within the prescribed time before the day appointed for the meeting, there shall have been given to the Secretary notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing, signed by the person to be proposed, of his willingness to be elected.

(5) The prescribed time above mentioned shall be such that, between the date when notice is served, or deemed to be served, and the day appointed for the meeting there shall be not less than two nor more than seven clear intervening days.

101. The Directors shall have power at any time, and from time to time, to appoint a person as an additional Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not exceed the maximum authorised by these Articles; but any person so appointed shall retire from office at the next following ordinary general meeting, but shall be eligible for election by the Company at that meeting as an additional Director.

102. The Company may from time to time by ordinary resolution increase or reduce the number of Directors.

103. The Company may by ordinary resolution, of which special notice has been given in accordance with the Act remove any Director before the expiration of his period of office, and, without prejudice to the powers of the Directors under Article 101 hereof, may by an ordinary resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. Such power of removal may be exercised notwithstanding anything in these Articles or in any agreement between the Company and such Director but without prejudice to any claim such Director may have for damages for breach of contract of service between him and the Company.

105. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be Three.

118. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

119. The Directors may from time to time pay to the members such interim dividends (including therein the fixed dividends payable upon any preference or other shares at stated times) as appear to the Directors to be justified by the profits of the Company.

120. No dividend shall be paid otherwise than out of profits and subject to the conditions from time to time imposed by the Statutes.

121. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or certified as paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid or credited as paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the share during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms provided that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

122. In addition to any reserves provided for in compliance with the requirements of the Statutes the Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board be applicable for any purposes to which the profits of the Company may be properly applied and, pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments as are permitted under the Statutes and as the Board may, from time to time, think fit. The Board may also, without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

127. No dividend shall bear interest against the Company.

141. If the Company shall be wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the *liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares* or other securities whereon there is any liability."

Breakdown of Infrastructure Cost (IT)

IT CAPITAL COSTS	KShs.
Banking Software	170,000,000
Hardware	88,000,000
Environmental Software	27,000,000
Reuters System	20,000,000
Incidentals	14,000,000
Networking and Centralization	78,000,000
ATM infrastructure	168,000,000
total projected IT costs	565,000,000

The Bank funded the acquisition from its own funds. The documentation regarding the above forms part of the documents available for inspection at the Head Office of the Bank.

21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Bank during normal business hours for thirty working days from the date of this Information Memorandum:

(a) A copy of the Memorandum and Articles of Association of the Bank;

(b) A copy of the Shareholders' Resolution to increase the Bank's authorized share capital to KShs. 500,000,000.00;

(c) A copy of the Shareholders' Resolution approving the listing of shares;

(d) A copy of Statement of Increase of Nominal Capital duly stamped;

(e) A copy of this Information Memorandum a copy of which has been delivered to the Registrar of Companies for registration;

(f) The Shareholders' Register;

(g) Copies of the audited consolidated annual report and account of EBS and the Bank;

(h) Copies of the contracts between the Issuer and the Senior Management ;

(i) Copies of the material contracts referred to in the financial analysis section and other sections of this Information Memorandum including the following;

1. Agreement on Wholesale Financing of GMEA Dealers between General Motors East Africa Limited and Equity Building Society;

2. User Agreement for SWIFT services between Kenya Commerce Service Bureau Limited and Equity Bank Limited;

3. Agreement to provide Agency Services in the Clearing House between Credit Bank and Equity Bank;

4. Agreement for Sale and Transfer of Business, Assets and Liabilities between Equity Building Society and Equity Bank Limited;

5. Agreement for Sale and Assignment of Debts and Securities between Industrial Development Bank Limited and Equity Bank Limited;

6. Supplemental Agreement for Sale and Assignment of Debts and Securities between Industrial Development Bank Limited and Equity Bank Limited;

7. Agreement for Subscription of Shares between Africap Microfinance Fund Limited and Equity Building Society;

8. Investment Agreement between Britak Investment Company Limited and Equity Building Society;

9. Software License and Services Agreement between Infosys Technologies Limited and Equity Bank Limited;

10. Hardware Agreement between Equity Bank Limited and Computech Limited;

11. An Agreement made between PesaPoint Limited of P.O. Box 2694-00100 Nairobi and Equity Bank and executed in December 2005 to allow customers of the Bank to use Pesa Point ATMs network on terms and conditions set out in the said agreement.

(j) A copy of the Accountants' Report in respect of the Listing;

(k) A copy of the Legal Opinion by the Legal Advisors;

(l) A copy of the Valuation Report by the Independent Valuers; and

(m) A copy of the notification of approval by the CMA to list the Shares at the NSE.

22. LIST OF STOCKBROKERS AND INVESTMENT BANKS ON THE NAIROBI STOCK EXCHANGE

Shareholders and investors may contact any of the licensed stockbroker or investment banks listed below for further information regarding the trading of the shares at the Nairobi Stock Exchange:

STOCK BROKERS/MEMBER FIRMS[8]

FRANCIS DRUMMOND & CO. LTD.

HUGHES BUILDING
2ND FLOOR
P.O. BOX 45465
NAIROBI
TEL. 318686/318690 FAX. 223061
E-MAIL: info@francisdrummond.com
WEB: http://www.francisdrummond.com

NGENYE KARIUKI & CO.LTD.

TRAVEL (UTC) HOUSE
5TH FLOOR
P.O. BOX 12185-00400
NAIROBI
TEL. 224333/220052
FAX. 217199
E-MAIL: ngenyekari@wananchi.com

ASHBHU SECURITIES LTD.

FINANCE HOUSE
13TH FLOOR
P.O. BOX 41684-00100
NAIROBI
TEL. 210178/212989
FAX. 210500
E-MAIL:ashbhu@africaonline.co.ke

DYER & BLAIR INVESTMENT BANK LTD.

LOITA HOUSE
10TH FLOOR
P.O. BOX 45396
NAIROBI
TEL. 3240000/227803/4/5
FAX. 218633
E-MAIL: admin@dyerandblair.com
WEB: http://www.dyerandblair.com

SUNTRA INVESTMENT BANK LTD.

NATION CENTRE
10TH FLOOR
P.O. BOX 74016-00200
NAIROBI
TEL. 337220/223330/211846/247530
FAX. 224327
E-MAIL: info@suntra.co.ke
WEB: http://www.suntra.co.ke

CROSSFIELD SECURITIES LTD.

IPS BUILDING
5TH FLOOR
P.O. BOX 34137-00100
NAIROBI
TEL. 246036/245971
FAX. 245971
E-MAIL: crossfield@wananchi.com

[8]List as per the NSE Website on 10th January 2006 : www.nse.co.ke and information received from the CMA.

FRANCIS THUO & PARTNERS LTD.

INTERNATIONAL LIFE HOUSE
12TH FLOOR
P.O. BOX 46524
NAIROBI
TEL. 226531/2/3
FAX. 228498
E-MAIL: ftbrokers@wananchi.com
WEB: http://www.ftbrokers.com

RELIABLE SECURITIES LTD.

IPS BUILDING
6TH FLOOR
P.O. BOX 50338-00200
NAIROBI
TEL. 241350/4/79
FAX. 241392
E-MAIL: info@reliablesecurities.co.ke

APEXAFRICA INVESTMENT BANK LTD.

REHANI HOUSE
4TH FLOOR
P.O. BOX 43676-00100
NAIROBI
TEL. 242170/220517
FAX. 215554
E-MAIL: invest@apexafrica.com
WEB: http://www.apexafrica.com

NYAGA STOCKBROKERS LTD.

NATION CENTRE
12TH FLOOR
P.O. BOX 41868
NAIROBI
TEL. 315748/315628/9
FAX. 315630
E-MAIL: nyagastk@africaonline.co.ke

CFC FINANCIAL SERVICES - STOCKBROKING DIVISION

CORNER HOUSE
GROUND FLOOR
P.O. BOX 47198 - 00100
NAIROBI
TEL. 221452/3
FAX. 218813
E-MAIL: cfcfs@cfcgroup.co.ke
WEB: http://www.cfcbank.co.ke

FAIDA SECURITIES LTD.

WINDSOR HOUSE
1ST FLOOR
P.O. BOX 45236-00100
NAIROBI
TEL. 243811/2/3
FAX. 243814
E-MAIL: faidastocks@wananchi.com
WEB: http://www.faidastocks.com

KESTREL CAPITAL (EA) LIMITED

HUGHES BUILDING
7TH FLOOR
P.O. BOX 40005
NAIROBI
TEL. 251758/251893
FAX. 243264
E-MAIL: info@kestrelcapital.com
WEB: http://www.kestrelcapital.com

DISCOUNT SECURITIES LTD.

INTERNATIONAL HOUSE
3RD FLOOR
P.O. BOX 42489-00100
NAIROBI
TEL. 219552/38
FAX. 230987
E-MAIL: discount@dsl.co.ke

SOLID INVESTMENT SECURITIES LTD.

CONTRUST HOUSE
6TH FLOOR
P.O. BOX 63046-00200
NAIROBI
TEL. 244272/9
FAX. 244280
E-MAIL: sisl@solidkenya.com
WEB http://www.solidkenya.com

AFRICAN ALLIANCE KENYA LTD.

KENYA RE TOWERS, UPPER HILL
GROUND FLOOR
P.O. BOX 27639-00506
NAIROBI
TEL. 2735013/2735154/2735138
FAX. 2731162
E-MAIL: otienol@africanalliance.co.ke

STANDARD INVESTMENT BANK LTD.

HAZINA TOWERS
17TH FLOOR
P.O. BOX 13714-00800
NAIROBI
TEL. 220225/240296/227004
FAX. 240297
E-MAIL: info@standardstocks.com
WEB: http://www.standardstocks.com
WEB: http://www.sterlingstocks.com

STERLING SECURITIES LTD.

FINANCE HOUSE
10TH FLOOR
P.O. BOX 45080-00100
NAIROBI
TEL. 213914/244077
MOBILE: 0723153219/0734219146
FAX. 218261
E-MAIL: info@sterlingstocks.com

BARCLAYS FINANCIAL SERVICES LIMITED

P.O. BOX 30120 – 00100
NAIROBI
TEL. 241270/313405
E-MAIL: bbk.fin@africaonline.co.ke

FIRST AFRICA EAST AFRICA LIMITED

I & M BANK HOUSE
5TH FLOOR
P.O. BOX 56179-00200
NAIROBI
TEL. 2711279/2710821/2710995
E-MAIL: firstaf@firstafrica.co.ke

CBA CAPITAL LIMITED

P.O.BOX 30437
00100 NAIROBI
TEL. 228802
E-MAIL: kthande@cba.co.ke

CDS 1

Code | Serial No.

Passport size colour photo

CDSC

CENTRAL DEPOSITORY & SETTLEMENT CORPORATION LIMITED

10th FLOOR, NATION CENTRE, P.O. BOX 3464 00100, NAIROBI, KENYA; Tel: 253079/8; FAX 253077

(TO BE COMPLETED IN DUPLICATE)

SECURITIES ACCOUNT OPENING/MAINTENANCE FORM

NEW or EXISTING CDS Client Identification Number (delete as appropriate)

Joint Account

Yes | No

(If more than 2 joint holders details of the other to be on another form signed by all)

Are You Tax Exempt?

Yes | No

(If yes attach a certified copy of Tax exemption certificate.)

Names in Block Letters

Surname (Mr. /Mrs./Dr./Prof. /Hon. Other ....)		
Other Names		
Company/Business Name (if client is a company, society or other organization)		
Address		
Date of Birth/Incorporation (as applicable)		
Telephone Number(s)		
Fax Number		
Email Address		
Nationality		
ID/Passport/Reg. No. (For company, business, etc)		
Client Category (Tick as Applicable)	Local Individual (LI), Local Company (LC), Foreign Individual (FI) Foreign Company (FC), E.A. Investor (EI) E.A Company (EC)	
Dividend Disposal preference	( ) by bank, please give details below ( ) By Cheque	Tick Where applicable
Bank Details	Bank Branch	Account No.

DECLARATION:

We/I hereby:

(i) Request to open and maintain a Securities Account in my/our name/ change particulars in my/our Securities Accounts as indicated above (delete as appropriate)

(ii) Affirm that all information in this form is correct.

(iii)Undertake to notify my CDA any change of particulars or information provided by me/us in this form.

Name(s)	Signature(s)
1.	1. ....
2.	2. ....
3.	3. ....
4.	4. ....
(Securities Account Holder's Authorized Signatory/Seal for Companies)	Date............/................./.........................

For CDA s use only

Witnessed and Verified by:	Authorized by: ....
Name:	Name: ....
Designation:	Designation: ....
Date:	Date: ....
Company Stamp	

Test Question & Answer (Only on Original)

(White Copy - CDA, Blue Copy - Client)

Appendix 1