LBS
PAN-AFRICAN UNIVERSITY

EQUITY BANK CASE (B)
Taking the Lead

Chris Ogbechie

Dr. James Mwangi, the charismatic CEO of Equity Bank, on his return from an exhausting trip with his Chairman, was going through the draft of the bank's strategic plan for the period 2009 – 2013 in his office for the last time on Friday March 20, 2009. His main worry was how best to implement this plan, which will help Equity Bank, consolidate its leadership position in the Kenyan market and also continue with its regional expansion. He identified the critical success factors of the business as people, systems and products and wondered if these had been adequately addressed in the strategic plan.

The year 2008 had been a very successful one with total operating income at KSh[1]12.6 billion, which represented 116 percent growth over 2007 level. Profit before tax increased from KSh 2.4 billion in 2007 to KSh 5.0 billion in 2008, representing 108 percent growth. Equity bank, with a customer base of 3.3 million in 2008, became the biggest bank in Kenya based on customer size.

The Bank had grown at more than 100 percent annually over the last five years and James was worried on how to continue to grow the Bank and enhance shareholder value in the light of the current global economic meltdown and intense competitive pressure.

Equity Bank's History

Equity Building Society was established in 1984 to provide financial services to the ordinary Kenyan citizens. From inception it had a strong social mission, which was to empower Kenyans by providing them access to financial services. However, Equity's performance was not impressive as it came into the market in a period of intense competition in the financial services sector in Kenya. Many local financial institutions collapsed and these failures led to a crisis of confidence in the financial sector.

Between 1986 and 1993 Equity grew savings by only KSh 2 million and loans and advances increased by KSh 5 million. By 1993, 54% of loans were non-performing, accumulated losses totaled KSh 33 million. "Deposits were being used to meet operating expenses. The liquidity ratio stood at 5.8%, way below the required 20%"[i] The firm was declared insolvent by the Central Bank of Kenya (CBK), which then gave the management one year to turnaround the firm, instead of shutting it down. At that time three depositors accounted for about 85% of total deposits, the National Health Insurance Fund, Kenya Ministry of Water and the third major depositor, James Mwangi who eventually became the managing director of the firm.

James Mwangi, a certified public accountant and experienced banker, was recruited in 1993 to strengthen the management team and in 1994 he became the Finance Director and Chief

[1] KSh70 = US$1

Operating Officer of the Bank. His main task was to give the Bank a new and purposeful direction. The Bank moved from being product-led to market-led with focus on the rural areas and the unbanked. This was at a time when other financial institutions were moving out of the rural areas.

James changed the business model of the firm from Mortgage Bank to Micro Finance Institution (MFI). In 1994, Equity applied for and was granted a lic ense to operate as a Micro Finance Institution.

As an MFI, Equity had access to short term savings and could grant short term facilities (tenure of 6 to 12 months) of average size of $300. To attract deposits, there was no need to deposit money to open an account. Account holders could deposit money anytime and also withdraw anytime. Ledger and account maintenance fees were reduced to a minimum. This was at a time when other Banks had minimum deposit requirements to open an account and withdrawals were allowed once a week.

New vision and mission statements were developed and the Bank embarked on massive staff training to inculcate the new culture and make them more professional. Community-based social marketing was introduced. The Bank started experiencing significant growth in all dimensions and to support this growth an IT system, Bank 2000, was put in place with the support of UNDP in 2000. The new system helped the bank to reduce customer time at the teller from 30 to 5 minutes. The Bank was, therefore, in a position to introduce mobile banking to help extend the reach in the rural areas. This was the beginning of the rapid transformation of Equity Bank.

In 2000, the Board was re-structured to a size of six with the addition of four new members. The new Board conducted a series of retreats, facilitated by international experts, which focused on strategic issues in microfinance and Equity's role in the Kenyan market.

Equity realized the need to have the right processes in place to sustain its growth and so engaged international consultants to put in place formalized operations and processes. This effort resulted in standardized operations throughout the organization, identification and reduction of operational risks, improved training materials, optimized use of IT system significantly increased efficiency. For example, account opening time was reduced by about 25 to 10 minutes and cash transaction cycle time was reduced by about 30 to 5 minutes.

In 2003, Equity began recruiting for key senior management positions in order to strengthen marketing, human resources management, finance, IT and internal audit functions. In the same year, AfriCap[2] bought a 16% stake in Equity, joined the Board and provided some valuable technical assistance in the areas of risk management and management information system.

In 2004, James Mwangi took over as Managing Director and CEO of the Bank and began to broaden and deepen the management systems in response to the growing, and increasingly diverse challenges presented by the rapid growth of the organization. James' leadership style was more of the participatory approach with senior managers being delegated increasing levels of responsibility within the bank.

[2] AfriCap is an apex capital fund financed by DFID, IFC, EIB and others

James undertook the development of new vision, mission and values for the bank and a new strategic plan. Senior and middle level managers participated in the process, which was facilitated by a group of international consultants (see exhibit 2 for the vision, mission and values of the bank as at 2004). Seven critical success factors were identified as drivers of the business and they were: (organizational culture that values people, enhances performance and supports the business; market-led, innovative and customer-focused organization; quality, effective and efficient operations; growing high quality asset portfolio; robust, effective and efficient systems and processes; value maximization for stakeholders; and execution of strategically planned expansion). By the middle of 2005, everyone within Equity knew, and had bought into, the institution's plan and understood the roles they played in achieving it. Stretch goals, targets, measures and activities were agreed for each critical success factor. With the commonality of vision and understanding of the strategic plan and the activities necessary to achieve it, Equity was able to further delegate responsibility and empowered managers.

At the beginning of 2005, Equity Building Society legally transformed into Equity Bank, the smooth change over and rapid admission of the Bank to the central clearing system reflected the detail and care with which the transformation process had been planned and executed. With the transformation, Equity still remained a broad-based Bank in line with its vision and mission. This was also evident from the Bank's product portfolio; for while the savings product range had grown to include personal and business current accounts, about 80% of savings accounts by volume were ordinary savings accounts.

The loan product range expanded to include asset finance, business overdrafts and insurance premium finance products. However, small value ($300-500), salary advances and farm input loans still accounted for about 72% of the volume of loans and about 12% by value. Business loans comprised 10% by volume and 43% by value.

The delivery channels reflected the broad-based nature of the Bank. The channels consisted of large urban branches that can serve high transaction volumes, smaller branches in rural centers, ATMs and mobile branches. In addition, the larger branches had special "corporate" sections that ensured that the higher value customers were given rapid and more personalized service.

Equity responded to the need for local, rural financial services by creating mobile branches, which used secured vehicles to establish a branch for one or two days per week in a local village, which coincided with the day that the local market operated. The mobile banks were fitted with modern information technology systems powered by solar panels and backed by advanced security systems. Account details and transactions were relayed to the head office in Nairobi through satellite. Each mobile banking unit was attached to an Equity branch. A village satellite branch was established in a simple rented structure that was served once or twice per week by a mobile banking unit. Customer data was downloaded at the beginning of each day from the hub branch server, and staff, cash and armed security were transported to the satellite branch. At the end of each day the mobile unit returned to the hub branch and transactions were downloaded[ii]. Where the mobile branch was particularly successful, additional banking days were added. Some of the most successful mobile branches were graduated into full branches.

The core Equity customers were low-income workers, small business traders, farmers, and government employees. However, more recently, the Bank had moved up-market and across into other market segments such as higher income earners, students and youth, as well as larger scale corporations. The professional image of Equity's banking halls and AutoBranches[3] had encouraged the higher value customers to see it as a bank that could meet their needs too.

On 7th August 2006, Equity Bank was listed on the Nairobi Stock Exchange, valued initially at KSh.70 per share, but quickly traded up to a high of KSh.182 per share. This completed Equity's progression from what was effectively a small family firm to a high potential organization on to a high performing and finally a listed institution

The Aggressive Growth Phase (2006 – 2008)

In 2006, Equity Bank embarked on an ambitious growth strategy in order to become a dominant force in its market segment and make it difficult for competition to make a head way in that segment of market.

The Bank's growth between 2005 and 2008 had been phenomenal. Pre-tax profit grew from KSh. 0.5 billion in 2005 to KSh. 5.0 billion in 2008 (1000%), operating revenue in 2005 was KSh. 1.8 billion as against KSh. 12.6 billion in 2008 (700%), while customer based increased from 0.56 million in 2005 to 3.30 million in 2008 (600%). See exhibit 3 for details.

Customer deposits increased from KSh. 9.0 billion in 2005 to KSh. 50.3 billion in 2008 (which is over 500%), while loans and advances increased from KSh. 5.9 billion in 2005 to Ksh. 45.2 billion in 2008 (which is 8 times). In spite of the increased lending, Equity's ratio of Non-Performing Loans (NPL) to total loans fell from 10% in 2005 to 6% in 2008, with in industry average being 9% in 2008.

According to James, Equity's success lies in the customer size. *"We make money from volumes, we charge about a tenth of what other banks charge for their services but we can sustain that because we have a large customer size."*

This growth had been achieved through aggressive customer acquisition, expansion of distribution network, introduction of new products, investment in appropriate technology infrastructure, and investment in human capital.

In 2007, the Bank entered into partnership with leading retail stores in Kenya, such as Nakumatt, Tuskys and Uchumi rolling out 660 points-of- sale (POS) terminals. This enabled the Bank to increase its customer outreach nationwide.

The key drivers of growth were continued growth of the customer base and product development. Growth of customer base was sustained through continuous expansion of the branch network and investment in new distribution channels including ATMs, mobile banking and point-of-sale (POS) outlets.

[3] An AutoBranch was a mix of cash dispensing machines and full ATMs (that also accepted deposits). Equity customer service staff provided assistance at the AutoBranch during business hours. They provided advice to customers on how to use the ATMs, and initiated sales of other products and services. This approach effectively built financial education of the low-income community into e-banking service delivery.

In 2008, the Bank fine tuned its vision and mission statements to reflect the new direction and expanding customer base (see exhibit 4). The new vision of the Bank was to be "...the champion of socio-economic prosperity of the people of Africa". While the new mission was "... offering inclusive, customers focused financial services that socially and economically empower our clients and other stakeholders."

New Products

In 2006 the Bank launched several new products, which included M-banking, SMS and Internet banking. These offered alternative to the traditional channels to customers and extended the Bank's reach.

In 2007, the Bank launched more new products and services, which included "Cash Back", "Fanikisha", and "Hekima Milele". The "Cash Back" product allowed customers to use their ATM cards to pay for their shopping and at the same time withdrew cash from retail stores and petrol stations. The "Fanikisha" was a collection of loan products that were targeted at women in business, enabling them to access affordable loans from KSh 1,000 to over KSh 10 million. "Hekima Milele" was a mortgage and investment product developed as a result of the strategic collaboration between Housing Finance (HF)[4], British-America Insurance Company (Kenya) limited and Equity Bank, leveraging on the competitive advantages of the three firms.

The Bank also launched several agricultural credit products targeted at farmers and fishermen. (See exhibit 5 for the full list of current products on offer)

Customer Acquisition and Retention

Customer acquisition strategy was based on the Bank's commitment to customer focus. The Bank was known for its grass-root, relationship-based banking. A combination of personal selling, community (social) marketing and "in the marketplace" service had been successfully used to acquire customers. Community marketing had some element of corporate social responsibility, for example, prizes were presented to the best farmers and scholarships were provided for carefully selected, high-potential children to attend college or university, who upon completion were often hired by Equity.

Referral, driven by word-of-mouth, was another powerful weapon in the customer acquisition process. Favourable word-of-mouth communication was usually driven by memorable customer experiences. Equity had always been aware of the power of word-of-mouth in the market place and the importance of influencing word-of-mouth through customer service, relationship marketing and public relations. The Bank's activities were usually highly publicised as a means of showing the strength of the Bank and its achievements in order to build trust and confidence amongst its customers and potential customers.

Loyal shareholders throughout the institution had voluntarily committed to introducing new customers to Equity on an annual basis.

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[4] On 11th July 2007, Equity Bank and British-American Insurance Company (Kenya) Ltd (BAICL) bought out Commonwealth Development Corporation (CDC) Group Plc's 24.99% stake in Housing Finance (HF). Equity acquired 23 million shares at a cost of KSh 433 million while BAICL acquired 5.6 million shares.

Listening to customers and engaging them in dialogues also contributed to customer acquisition as this enabled the Bank to develop unique products that met the needs of customers. The Bank conducted regular market research studies that gave valuable insights into customers' needs, perceptions and concerns. The results of these research studies were used in developing new products, fine tuning existing ones, and improving service delivery.

Customer retention was based on a sound customer service platform. Customer service was the passion of everyone in the organization from the Chairman to the lowest staff. According to the Chairman, *"working closely with our customers has made us realise that it is not enough to have strong financial products and services; more crucial is how those services are delivered to people."*

Equity Bank developed a formal customer service strategy based on detailed analysis of the preferences of its customers that employed ServQual questionnaires, focus group discussions and mystery shopping. This strategy had driven the Bank to focus on speed of service, accuracy of transactions, knowledge of staff, staff-client interactions, and the appearance of the branches and staff. Service standards had been set for a variety of critical variables under these categories and were being monitored on a regular basis. Performance against these customer service standards was a significant proportion of the branch-based incentive schemes.

In 2007, the Bank extended its banking hours to between 8.00am to 4.30pm on weekdays and 8.00am to 12.00pm on Saturdays as a means of improving service to customers.

The cheerleader of customer service in Equity was the CEO, who always reminded everyone that Equity's foundation was a culture of service. According to the CEO, *"when service is rendered with clean hands, a clear conscience and noble intentions, and when it is received honestly by the customer, a bond is created that unifies the future of both the Bank and its customers."*

The Bank's approach to acquisition and retention of customers had led to high level of customer loyalty. According to a low-income customer, *"Equity is not like other banks. If I have a problem, I can see the Branch Manager and he will listen. They care about their customers and offer loans to us when other banks never would. Equity is my bank, even if I have to queue for an hour to get my salary right now, I know they are working to change that – because they care"*[iii]

In 2007, the Bank also developed a "prestige banking branch", which offered exceptionally personalised services in positive luxurious surroundings for its Nairobi-based, most loyal and high value customers – the brand ambassadors who had been with, and promoted, the Bank for many years. The personal service these customers received encouraged even stronger word-of-mouth marketing.

In recognition of the fact that customer service was increasingly becoming the key driver in the industry, the Bank recruited a team of relationship managers who were expected to foster closer relations with customers, in addition to driving acquisition of more business.

Processes for Growth

In January 2006, Equity Bank invested KSh 400 million in Finacle by Infosys as their core banking process aimed at facilitating their ambitious growth plan. The system had the capacity to hold 35 million accounts and process 300,000 transactions per minute. At that time the Bank's customer base was still less than 1 million.

The system enabled the bank to roll-out 200 automatic teller machines (ATMs) in 2006, 150 ATMs in 2007, and 150 ATMs in 2008. The system also made it possible for the Bank to embark on an aggressive branch and Point of Sale terminals expansion programme. As at the end of 2008, the Bank had a network of 129 branches supported by 500 VISA branded ATMs and 2,500 Point of Sale terminals.

Customers could make withdrawals, payments and check their balances at the Bank's ATMs. This had decongested the banking halls, with over 50 percent of customers' cash withdrawals taking place at the ATMs.

The Bank had leveraged on this system to launch new products and host other delivery channels. The Bank introduced mobile phone banking, which had the capability to allow airtime top-ups, cash back services at different points of sale, that enabled customers to withdraw cash from cashiers at supermarkets. In addition debit cards were launched in 2007.

The system enabled the Bank to increase its ATM reach by adding 110 ATMs to the network through the signing-up with Pesa Point.

The addition of a Customer Relationship Management System (CRMS) would help the Bank with better customer insight for cross-selling, customer service, revenue and profitability management.

Financial Engineering for Growth

On August 7, 2006, the bank was listed on the Nairobi Stock Exchange (NSE), as a means of positioning it to raise the required capital to finance its growth. On 21st December 2007, Helios[5] EB invested KSh 11 billion in Equity in exchange for about 90.5 million ordinary shares representing 24.99% of the bank's issued share capital. Helios got two seats on the board of the Bank as a result of the investment. This investment raised the shareholders' funds to KSh 15 billion from KSh 2.2 billion, making the Bank one of the most capitalized banks in Kenya.

In 2007, the Bank also raised a total of KSh 4.52 billion of long-term funds from various international development financial institutions in order to diversify its funding base. In addition, a medium-term loan of KSh 100 million was obtained from the Ministry of Youth Affairs for on-lending to young entrepreneurs.

[5] Helios EB is a UK based private equity firm founded by two Nigerian investment bankers.

Reputation Management

The various local and international awards earned by the Bank contributed to enhancing the image and reputation of the Bank. In 2006, Equity was recognized as the 3rd best bank overall and the best bank in retail banking in Kenya by the Market intelligence Survey (MI). In 2007 the Bank won the following awards at the Kenya Banking Survey; best retail bank, best microfinance bank, fastest growing bank, runners up in product innovation, runners up in small and medium enterprise banking, and 2nd best bank overall.

The Bank was conferred with the Global Vision award at the June 2007 Vision Summit in Germany, and voted the best bank in Kenya by Euromoney Awards for Excellence in July 2007. In June 2008, Euromoney voted Equity as the best bank in Kenya for the second year running. Equity Bank was named the best Microfinance bank in Africa in 2008 during the annual African Bankers Award ceremony in Washington DC, USA.

Corporate Social Responsibility (CSR) was the most important tool that the Bank used for its reputation management. Equity's vision was to champion the socioeconomic prosperity of the continent of Africa. To realise this vision, the bank had focused on providing inclusive financial services to all customers regardless of their race, gender, ethic group, religious conviction or locality. Through its work, the Bank had transformed the lives of a large number of customers who had been previously excluded from the formal economic sector and given hope, dignity and economic empowerment.

The Bank's corporate social responsibility activities had been in the following areas:

Eradication of poverty, hunger and the provision of humanitarian aid – the Bank had partnered with both government and non-governmental groups to make credits accessible to farmers and thereby helping to improve food security and contributing to the eradication of hunger and poverty. The Bank also supported communities in distress.

Following the post –election violence in January, 2008, the Bank, in conjunction with various stakeholders, supported Internally Displaced Persons (IDPs) by providing aid valued at Ksh 85 Million through the 'Tumaini na Undugu' initiative. Further, the Bank extended credit with flexible security and repayment terms as well as financial literacy programmes to help the victims regain their dignity and pick up their lives by starting small income generating activities individually or in groups.

Education – over the years the Bank had invested in a number of initiatives in the education sector. These include pre-university programme, university scholarships, and sponsorship of several activities in schools and colleges.

Gender equality and women's empowerment – this was done by designing and delivering products suitable for women. In addition the Bank had sponsored female education at different levels.

Health – the bank had invested in initiatives aimed at reducing the spread of HIV/AIDs, drugs and substance abuse. In addition it had partnered with other organizations to provide financial services to HIV/AIDs infected and/or affected people.

Environmental sustainability – the Bank had invested in activities such as tree planting, environmental cleanups, beautification and landscaping in areas where it operated.

Bank Leadership voluntary service to society – the staff of the Bank, under the leadership of the CEO, volunteered their time and expertise for the benefit of society.

For Equity Bank, investing in the society and giving back was a key element of corporate strategy.

Corporate Governance

As at the end of 2008 the Board of Equity Bank was made up of 12 directors, which included the Chairman and the Managing Director /CEO. The Board was made up of mainly outside Directors as the CEO is the only Executive Director.

When Equity was revived in the 90s, corporate governance was one of the main driving forces. The Bank had built its business on very strong corporate governance principles. There was a strong commitment to conduct the Bank's business in accordance with best global business practices and ethics. This had helped the Bank to attract the right kind of investors, particularly foreign investors. See exhibit 6 for principles used by the Board to govern the Bank.

The Board was made up of all male Directors with diverse background and experience. The Chairman was also the Chairman of a multinational company and was on the board of four other organizations. The directors of Equity Bank are also on the board of other non-competing organisations. In terms of diversity, three of the Directors were investment bankers, two were accountants, two were management specialist, two were academicians, and one was an economist and one an entrepreneur. Four of the Directors were CEOs of organizations in the private sector.

The Board operated with eight committees and these were Audit, Credit, Risk management, Governance, Nominations and Staff Remuneration, Systems & Processes, Tendering & Procurement, Strategy & Investment, and executive Committees. All the committees were governed by charters setting out their mandates and authority.

The issue of conflict of interest was taken seriously and as such no director was allowed to take a loan from the Bank or have business relationship with the bank, directly or indirectly.

All the staff were guided by very high standards of ethical values and observance of all relevant laws and regulations at all times. Staff had committed to several essential principles, which defined their conduct in the course of service. Those were; professionalism, integrity, Creativity & innovation, Team work, Unity of Purpose, Respect & Dignity for Customers, and Effective Corporate Governance.

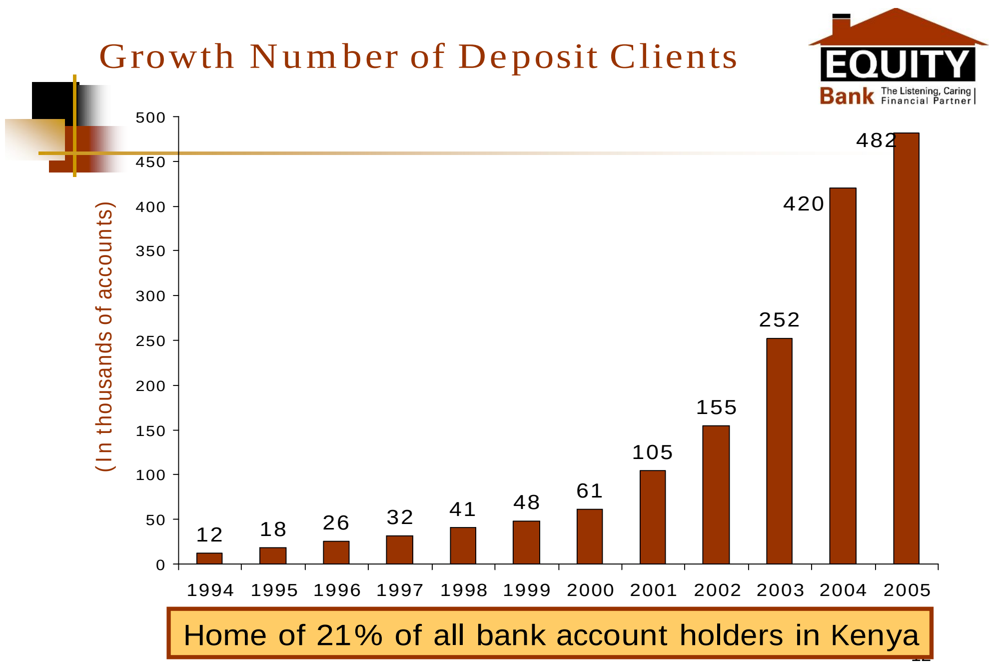
Future Challenges

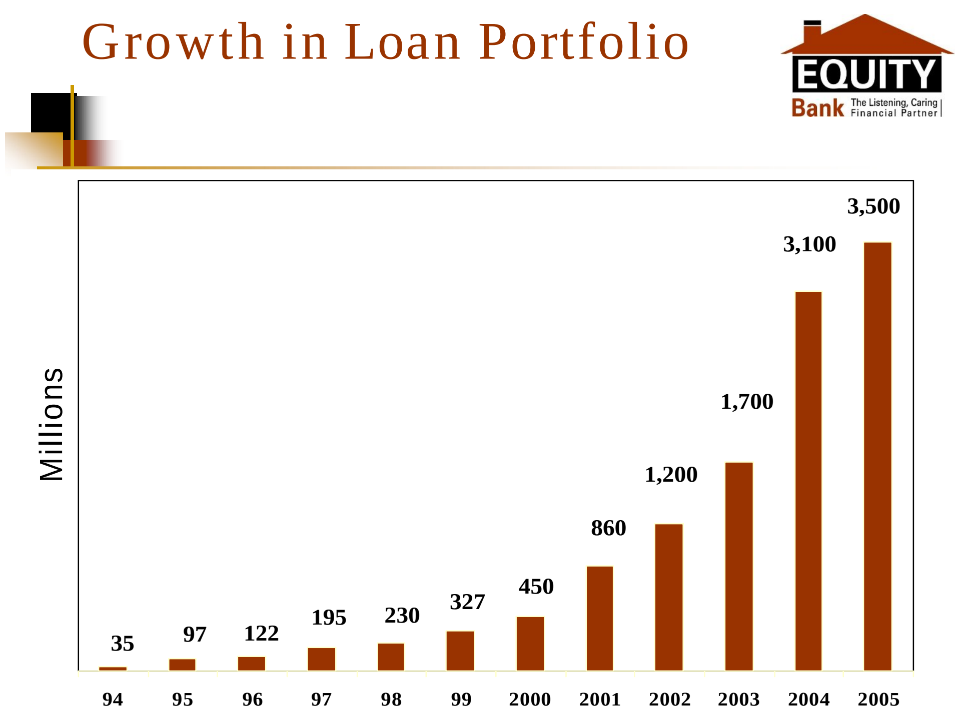
The Bank intended to continue with its regional expansion but would have to review its strategy. According to James, "*as our customers grow, we will have to grow with them. Their needs will shift to much bigger loans and more sophisticated corporate banking products. We* *may have at some point in time to think about setting up a separate corporate bank to deal with their needs."* James was always driven by his favourite quotation "honouring our people's trust is a priority; adding value to their lives is a responsibility", and he would want all his staff to bear that in mind as they faced the challenges of the future.

There would be the need to continuously understand the evolving needs of customers and to ensure that the growth and formalization of the Bank do not significantly reduce the bank's ability to respond to those needs.
James also realised the challenge dealing with competition aroused by Equity's success. The performance of Equity in the last five years had encouraged other commercial banks to re-engineer their systems to compete with Equity. With the advent of e-banking technology in Kenya, particularly mobile phone-based systems, Equity's competitive advantage could be eroded.

EXHIBIT 1

Equity Performance 1994 - 2005





Growth in Borrowing Clients

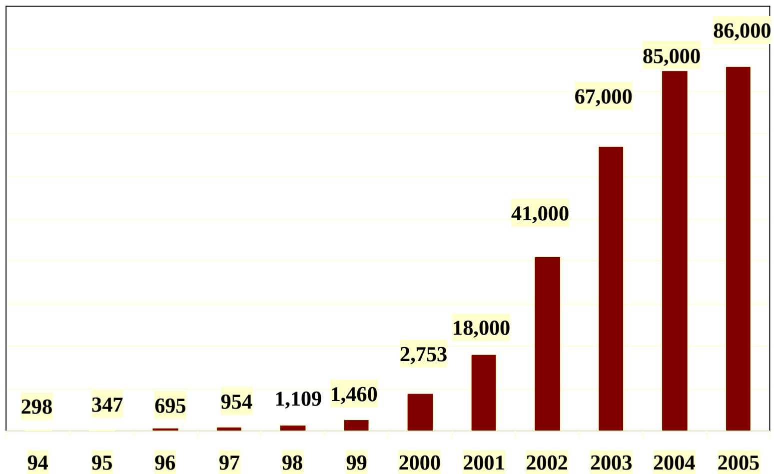


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EXHIBIT 2

Equity Vision, Mission, and Values - 2004

Vision

"To be the preferred microfinance service provider contributing to the economic prosperity of Africa"

Mission

"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"

Values

P rofessionalism
I ntegrity
C reativity
T eamwork
U nity of purpose
R espect and dedication to Customer Delight
E ffective Corporate Governance

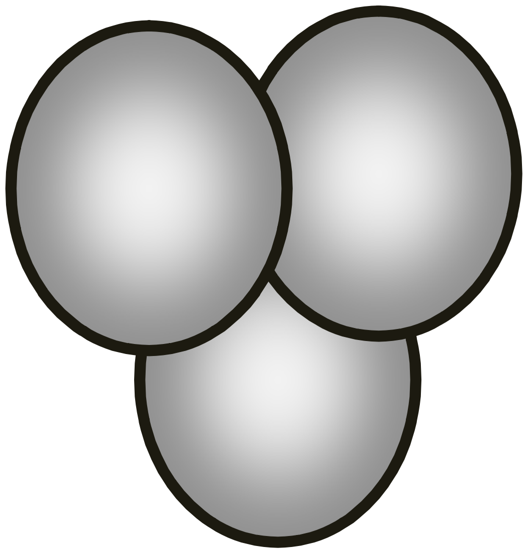
Statement of Purpose

"We exist to give the freedom of modern banking to the ordinary people of Africa. We understand the lives of our people, and listen carefully to what they need. We are here to serve: our customers lead, we follow. Our aim is to provide new financial possibilities to our customers that have the power to transform their lives. We measure ourselves by our positive impact on the lives and livelihoods of those around us.
Equity Bank is your bank, and it does things your way."

Balance and Alignment

What is the Bank best in the region at?

Developing a unique emotional and economic bond with customers



What is the Bank deeply passionate about?

Transforming lives and livelihoods; giving dignity and giving possibilities

What drives the Bank's economic engine?

Volumes and transactions

PERFORMANCE HIGHTLIGHTS
(KSh. millions)

Year	2004	2005	2006	2007	2008
Customer Base (No)	413	556	1,014	1,840	3,296
Customer Deposits	5,081	9,048	16,337	31,536	50,334
Gross Loan Portfolio	3,099	5,885	11,428	22,228	45,195
Profit before Tax	218	501	1,103	2,378	5,022
Shareholders' Funds	1,271	1,594	2,201	14,917	19,580
Number of Staff (No)	530	884	1,349	2,418	4,386

INCOME STATEMENT 2005 - 2008
(KSh million)

	2005	2006	2007	2008
INCOME				
Interest income	947.8	1,634.5	3,155.0	7,979.0
Interest expense	-82.3	-126.6	-495.0	-1,362.0
Net interest expense	865.5	1,507.8	2,660.0	6,617.0
Commission and other income	937.2	1,863.6	3,161.0	5,988.0
TOTAL OPERATING INCOME	1,802.7	3,371.4	5,821.0	12,605.0
EXPENSES				
Management expenses	1,040.3	1,855.5	3,060.0	5,848.0
Depreciation and amortization	137.6	279.9	423.0	749.0
Provision for bad and doubtful debts	124.3	133.1	-25.0	1,020.0
TOTAL EXPENSES	1,302.2	2,268.5	3,458.0	7.617.0
PROFIT BEFORE TAX	500.5	1,102.9	2,363.0	4,988.0
Share of Profit of Associates			15.0	34.0
TAXATION	-155.9	-349.5	-488.0	-1,112.0
PROFIT AFTER TAX	344.6	753.4	1,890.0	3,910.0

BALANCE SHEET 2005 - 2008

KSh millions

	2005	2006	2007	2008
ASSETS				
Cash and cash equivalents	3,400.3	4,713.6	11,996.0	12,766.0
Government securities	1,254.4	1,650.6	13,543.0	12,240.0
Investment in associates	0.0	0.0	442.0	1,156.0
Loans and advances to customers	5,524.4	10,929.6	21,836.0	44,070.0
Finance lease receivable	0.0	0.0	0.0	122.0
Goodwill	0.0	0.0	0.0	887.0
Property, equipment and leasehold land	1,045.2	1,469.5	2,607.0	4,828.0
Investment in subsidiary companies	0.0	0.0	0.0	51.0
Intangible assets	89.5	161.1	224.0	621.0
Other assets	138.2	1,100.0	2,428.0	2,124.0
Tax recoverable	4.6	0.0	0.0	14.0
TOTAL ASSETS	11,456.5	20,024.5	53,076.0	78,879.0
LIABILITIES				
Customers' deposits	9,047.8	16,336.7	31,536.0	50,334.0
Other liabilities	646.5	844.4	1,848.0	1,894.0
Tax payable	168.2	147.0	209.0	514.0
Borrowings	0.0	485.5	4,521.0	6,463.0
Deferred tax	0.0	10.9	45.0	94.0
TOTAL LIABILITIES	9,862.5	17,824.5	38,159.0	59,299.0
SHAREHOLDERS' FUNDS				
Share capital	452.8	453.0	1,811.0	1,851.0
Share premium	0.0	480.0	10,543.0	12,161.0
Available for sale reserve	0.0	1.0	13.0	-112.0
Statutory reserve	0.0	0.0	253.0	308.0
Other reserves	0.0	0.0	0.0	-67.0
Foreign currency translation reserve	0.0	0.0	0.0	-170.0
Retained earnings	1,141.2	1,085.0	1,754.0	4,498.0
Proposed dividends	0.0	181.0	543.0	1,111.0
TOTAL SHAREHOLDERS' FUNDS	1,594.0	2,200.0	14,917.0	19,580.0
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	11,456.5	20,024.5	53,076.0	78,879.00

EXHIBIT 4

Vision, Mission and Values – 2008

Vision

"To be the champion of the socio-economic prosperity of the people of Africa."

Mission

"We offer inclusive, customer-focused financial services that socially and economically empower our clients and other stakeholders."

Values

P rofessional
I ntegrity
C reativity & Innovation
T eamwork
U nity of purpose
R espect & Dignity for customers
E ffective Corporate Governance

EXHIBIT 5

Personal Banking

Business Banking

Corporate E-banking

CashBack Services

Retail Internet Banking

SMS Banking

Swift Codes

Loans

Mobile Banking

ATM Card

EXHIBIT 6

Equity Bank Governance Principles

Compliance: ensuring that the Bank complies with all relevant laws, statutes, regulations and corporate commitments.

Profitability: ensuring that the Bank is profitable and provides a reasonable return on the assets it employs.

Leadership: exercising leadership, enterprise, integrity and judgement in directing the Bank so as to achieve continuing prosperity and acting in a manner based on transparency, accountability and responsibility.

Accountability and responsibility: recognizing and differentiating accountability and responsibility linkages to stakeholders and establishing reporting mechanisms to support these linkages.

Checks and balances: ensuring that no one person or block of persons has unfettered power and that there is an appropriate balance of power and authority on the board.

Strategy: determining the corporations purpose, values and strategy and implementing its values in order to ensure that it survives and thrives, and ensuring that procedures and practices are in place that protects the bank's assets and reputation.

Monitoring: monitoring and evaluating the implementation of strategies, policies, and management performance criteria and business plans.

Evaluation: regularly reviewing processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times; regularly assessing its performance and effectiveness as a whole, and that of the individual directors including the chief executive officer.

Risk Management: identifying key business risk areas, including technology and performance indicators of the business enterprise and monitoring these factors.

Disclosure: providing shareholders and markets with necessary and timely information material to the company's performance and risks.

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[i] MicroSave Africa, 2002, p.4
[ii] Coetzee et al (2003)
[iii] MicroSave, March 2007, p.11