

EQUITY BANK	Kenya
<i>Limited Liability Bank</i>	<i>Report as of June 2005</i>

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PERFORMANCE RATING	α-
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Date of visit	July 2005
Date of previous rating	n.a.
Previous rating	n.a.

Equity's Performance Rating
 MicroRate's performance rating measures an institution's excellence in microfinance. As typical microfinance* makes-up only a minor portion of Equity's lending operations, the rating does not apply to Equity's "non-microfinance" lending operations. However, MicroRate does believe these operations to be good.

*MicroRate considers Equity's microfinance lending operations to be its Farm Input loans and its Small Business loans (*please see the Operations section*).

Main Performance Indicators		
	Dec '04	Jun '05
Gross Portfolio ('000's)	\$40,076	\$49,799
Number of active borrowers	59,306	89,057
ROE	14.1%	29.8%
Portfolio Yield	15.1%	18.8%
Portfolio at Risk	15.2%	15.6%
Operating Expense Ratio	23.5%	30.1%
Avg. Outstanding Loan Size	\$676	\$559
Borrowers per staff	112	124

Synopsis

Equity Bank started operations in 1983, as a building society, to target the previously un-banked segment of the population. After a brush with insolvency in 1992, the institution has become one of Africa's leading MFIs. In December 2004, the institution converted into a bank, and it hopes to list on the Nairobi Stock Exchange before the end of 2005. It is 81% owned by over 2,400 members of the public (mainly its clients, but also including founders and staff); 11% by the AfriCap Microfinance Investment Fund; and 8% by British American Investments. Equity has almost 513,000 clients, of which 90,000 are active borrowers. The Bank has over \$87 million in deposits, and a gross outstanding loan portfolio of \$50 million.

Highlights
POSITIVE

- Good profitability
- Competitive savings and loan products
- Good governance and strategic positioning
- Excellent management and staff

NEGATIVE

- Good portfolio quality of typical microfinance loans, but room for improvement
- Good credit methodology, but difficulties in applying it to so many different markets (*please see the Operations section*)

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