

# BUILDING THE FUTURE



2013 ANNUAL REPORT



**EQUITY  
BANCSHARES, INC.**



## ABOUT THE ANNUAL REPORT

On January 22, 2014, Equity Bank's Board of Directors and Executive Leadership Team helped break ground at the site of the Bank's newest, full-service Wichita branch location at 13th and Webb.

Equity Bank at the Waterfront will be the Bank's first branch built fully from the ground up in Wichita, the Bank's home base. Scheduled to open in Fall 2014, the 7,200-square foot facility will house Equity Bank retail and commercial space in about 4,000 feet, and drive-up lanes including an ATM. Located at 13th Street and Webb Road, the Waterfront is a unique, 175-acre, mixed-use development that already includes some of Wichita's most recognized businesses, and will be anchored by a Whole Foods store.

Photos in this report were catalogued during the groundbreaking event on January 22, 2014.

*Photography:* Colin MacMillan, Imagemakers  
*Design:* Kayla Close, Equity Bank



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# TO MY FELLOW SHAREHOLDERS,

It's with great pride that I look forward to a fantastic year. Two thousand thirteen proved to be a transformative year for our Company.

More so than a year ago, now our Company proudly stands together as one, with nearly 300 employees, shareholders and individuals banding together, truly building a future for one of Kansas and Missouri's strongest, soundest banks.

A full year following our October 2012 acquisition of First Community Bancshares, the dust has settled. With size and scope of a banking network, we remain focused on our efficiency – and continuing to realize growth in earnings per share (EPS). Net income of Equity Bancshares (the "Company") in 2013 reached nearly \$8 million, the highest total in our Company's history. Earnings per share rose from \$0.66 in 2012 to \$0.93 in 2013.

***"It's the commitment to innovation, to improved communication, and to our ongoing dialogue with customers that proves itself in loyalty as well as growth."***

We will continue to focus on EPS during 2014 with responsible loan and deposit growth, as well as expense management. We'll continue to identify process and efficiency improvements that can have a great effect on the organization as a whole. Our sales teams and leaders will continue to develop beneficial partnerships, and our operations managers will continue to innovate and deliver service. Should a potential acquisition or growth opportunity present itself, we will review, and determine a fit.

## ***Economic Outlook***

The economy remained stable in our markets in 2013, and continues to offer evidence for optimism in the near future. Lending and loan growth potential appear on the upswing in many of our markets, and deposit growth is anticipated in Kansas City, especially in our markets of Lee's Summit and Overland Park.

Certain statements contained herein may be considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon the belief of the Company's management, as well as assumptions made beyond information currently available to the Company's management, and may be, but not necessarily are, identified by such words as "will", "expect", "plan", "anticipate", "target", "forecast" and "goal". Because such "forward-looking statements" are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations include competition from other financial institutions and bank holding companies; the effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; changes in the demand for loans; fluctuations in value of collateral and loan reserves; inflation, interest rate, market and monetary fluctuations; changes in consumer spending, borrowing and savings habits; and acquisitions and integration of acquired businesses, and similar variables. Except as otherwise stated in this news announcement, the Company does not undertake any obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise.

Our community markets continue to remain stable, and we consider ourselves well-positioned to attract clients, customers, and businesses who have been let down by a struggling financial institution, or whose needs have outstripped a small bank's service capabilities. For us, that's the luxury of scale. We've realized the benefits of our 27-branch network through two states, and our position in many markets is one of opportunity.

We continue to gain in deposits, loan volume, and market share on some of our largest competitors in Wichita, Topeka, Warrensburg, and the Kansas City market. Several of our communities boast an impressive reach and market command into the surrounding area, and our talented presidents, lenders, tellers, and managers maintain that market command.

## ***Innovation and Communication***

We identified and executed process improvements internally, including items processing, loan decision turn time, and imaging. In 2014, we've begun working with our customer relationship management system, delivering cues, touchpoints, and suggestions for our customer-facing staff. We're also improving our statement delivery platform to boost communication with customers.

Innovations like these are crucial for a community bank. Our customers remain with us for the long haul, often starting with a deposit relationship and later adding services for their families or businesses. Our business customers may have worked with a lender on a community board or volunteer event, and turned to us for capital or automated treasury services. But it's the commitment to innovation, to improved communication, and to our ongoing dialogue with customers that proves itself in loyalty, as well as growth.

More access points for customers, and constant, 24/7 integration of Equity Bank into their daily lives boosts trust and affinity. In 2014, we'll launch our new Equity Bank mobile app, which allows customers to deposit checks via phone, and pay bills from their smartphone. It's a must in today's world.

## ***Market Leaders***

It's with tremendous pride that I give thanks to our teams throughout our market footprint. As a rule, our service staff commits to their customers each and every day. During 2013, we learned how to operate as a unit, with central staff assisting branch staff and vice versa. We also continued to add talented and dedicated market leaders, including presidents and loan officers in several of our locations: Hays, Topeka, Kansas City, Warrensburg, and Higginsville. Each boasts impressive community credentials. Importantly,



they also inspire their teams and eagerly collaborate across locations.

Additionally, we've added several executive leaders to our senior leadership team – including Greg Kossover, Rolando Mayans, and Sam Pepper, and we named Julie Huber our Chief Credit Officer. I'm proud of our team, and proud of our commitment to forge ahead.

We've set our foundation for an exciting 2014, and we've broken ground on several implementations, functions, features, and services that will aid efficiency, increase loyalty, grow our footprint, and assist our communities and customers. As our motto reminds:

**"We never forget it's your money."**

On behalf of Equity Bank associates and our Board of Directors, thank you for your continued support!

**Brad Elliott**

Chairman & CEO, Equity Bancshares



### **Financial Highlights**

In 2013, Equity Bancshares remained in a financially strong position. With Tier 1 Capital of \$129.3 million, the Company's capital ratios exceed regulatory requirements. The Company's Tier 1 Capital for the year ending December 31, 2012 was approximately \$125.8 million.

Net income was \$7.87 million for the year ended December 31, 2013, as compared to \$4.19 million for the prior year ended December 31, 2012, an increase of \$3.68 million. Net income allocable to common shareholders was \$6.9 million for the year ended December 31, 2013, an increase of \$3.1 million compared to the year ended December 31, 2012. Earnings per share were \$0.93 and \$0.66 for the years ended December 31, 2013 and 2012.

Net interest income was \$40.8 million for the year ended December 31, 2013, up from \$25.6 million for 2012, an increase of \$15.2 million. The net interest margin on average assets was 3.47% in 2013, compared to 3.54% during 2012. Non-interest income, which includes service charges, debit and credit card income and mortgage income, was \$8.9 million for the year ended December 31, 2013,

compared to \$4.8 million at the year ended December 31, 2012.

Non-interest expenses totaled \$35.6 million, or 3.01% of average assets, for 2013, compared to \$22.9 million, or 3.19% of average assets, for 2012. Total assets at December 31, 2013 were approximately \$1.14 billion, compared to approximately \$1.19 billion on December 31, 2012. Net loans totaled almost \$654 million, compared to almost \$720 million a year prior. As of December 31, 2013, the allowance for loan losses stood at \$5.6 million, compared to \$4.5 million on December 31, 2012. Non-performing loans (non-accrual loans and accruing loans 90 days or more past due) and Other Real Estate Owned ("OREO") totaled \$20.5 million at December 31, 2013, as compared to \$19.9 million on December 31, 2012.

Total deposits at the end of 2013 were \$947 million, compared to \$993 million at December 31, 2012. Core Deposits increased to 75.93% of total deposits at the end of the current year, up from 75.45% of total deposits at December 31, 2012.

### **Shareholder Equity**

The Company's equity capital as of December 31, 2013 totaled approximately \$139.9 million, up from \$138.2 million on December 31, 2012. As of December 31, 2013, the Company had 7,385,603 common shares outstanding and the book value per common share was \$14.62. Tangible book value stood at \$11.97 per common share on December 31, 2013, compared to \$11.60 as of December 31, 2012.

# FINANCIAL STATEMENTS • EQUITY BANCSHARES, INC.

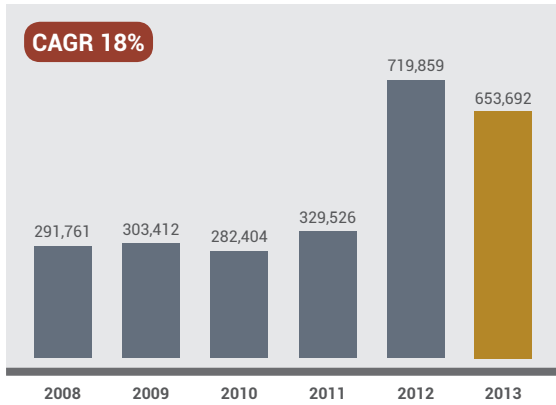
(Unaudited\*)

| <b>Balance Sheet</b>   | <b>12/31/13</b>       | <b>12/31/12</b>            |
|--|-----------------------|----------------------------|
| Cash & Cash Equivalents  | \$20,620              | \$100,371                  |
| Total Investments  | 353,368               | 256,045                    |
| Loans, net of allowance for loan losses of \$5,614 and \$4,471 | 653,692               | 719,859                    |
| Total Other Assets   | 112,394               | 112,575                    |
| Total Assets   | <u>\$1,140,074</u>    | <u>\$1,188,850</u>         |
| Total Deposits   | \$947,144             | \$993,128                  |
| Total Borrowings and Other Liabilities                         | 53,057                | 57,553                     |
| Total Stockholders' Equity                                     | 139,873               | 138,169                    |
| Total Liabilities & Capital                                    | <u>\$1,140,074</u>    | <u>\$1,188,850</u>         |
| <b>Income Statement</b>  | <b>2013</b>           | <b>2012</b>                |
| Net Interest Income  | \$40,765              | \$25,570                   |
| Provision for Loan Losses                                      | (2,583)               | (1,656)                    |
| Net Interest Income After Provision                            | 38,182                | 23,914                     |
| Total Non-interest Income                                      | 8,856                 | 4,826                      |
| Total Non-interest Expense                                     | (35,631)              | (22,900)                   |
| Income Before Taxes  | 11,407                | 5,840                      |
| Provision for Income Taxes                                     | (3,534)               | (1,654)                    |
| Net Income After Taxes   | <b>7,873</b>          | <b>4,186</b>               |
| Less: Dividends and Accretion on Preferred Stock**             | (978)                 | (372)                      |
| Net Income Allocable to Common Shareholders                    | <u><b>\$6,895</b></u> | <u><b>\$3,814</b></u>      |
| <b>Shareholder Data (Common)</b>                               | <b>2013</b>           | <b>2012</b>                |
| Basic Earnings Per Share                                       | \$0.93                | \$0.66                     |
| Diluted Earnings Per Share                                     | \$0.92                | \$0.65                     |
| Weighted Average Shares Outstanding                            | 7,427,261             | 5,820,054                  |
| Diluted Weighted Average Shares Outstanding                    | 7,492,020             | 5,863,543                  |
| Shares Outstanding, Period-End                                 | 7,385,603             | 7,431,513                  |
| Diluted Shares Outstanding, Period-End                         | 7,470,106             | 7,475,002                  |
| Book Value Per Share   | \$14.62               | \$14.30                    |
| Book Value Per Share - Diluted                                 | \$14.46               | \$14.22                    |
| Tangible Book Value Per Share                                  | \$11.97               | \$11.60                    |
| Tangible Book Value Per Share - Diluted                        | \$11.83               | \$11.53                    |
| <b>Capital Ratios</b>  | <b>12/31/13</b>       | <b>Regulatory Standard</b> |
| Core capital (leverage) ratio                                  | 11.3%                 | 4.00%                      |
| Tier 1 risk-based capital ratio                                | 16.6%                 | 4.00%                      |
| Total risk-based capital ratio                                 | 17.3%                 | 4.00%                      |

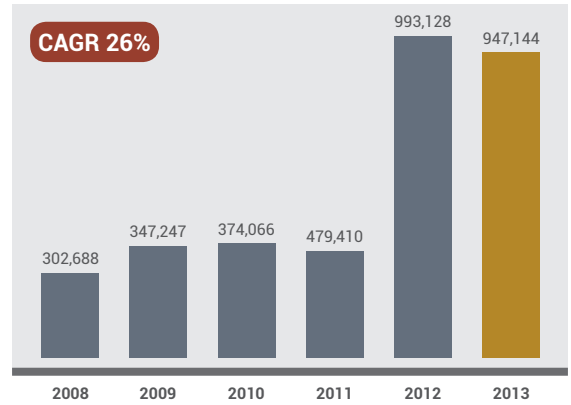
6 \*All numbers are in thousands of dollars except for the number of shares and per share amounts. This financial information is internally prepared by bank management and is accurate to the best of our knowledge, but is not audited or reviewed. Some items in the prior year financial information were reclassified to conform to the current year presentation.

\*\*All dividends and accretion on Preferred Stock are paid to the U. S. Treasury under the CPP and/or SBLF programs.

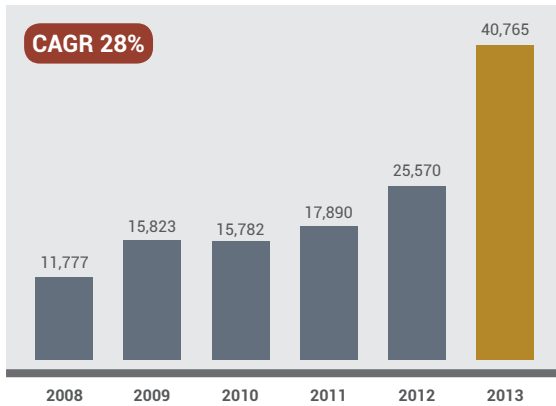
**Net Loans**  
(thousands of dollars)



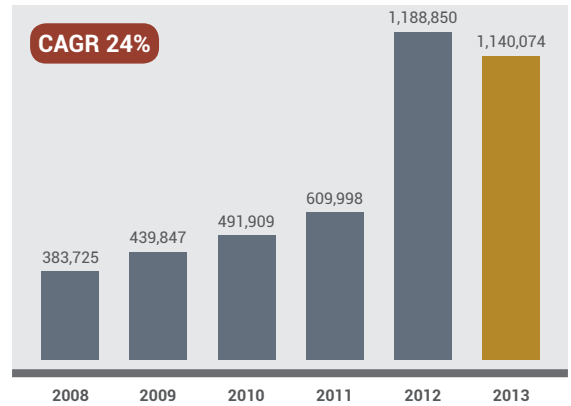
**Total Deposits**  
(thousands of dollars)



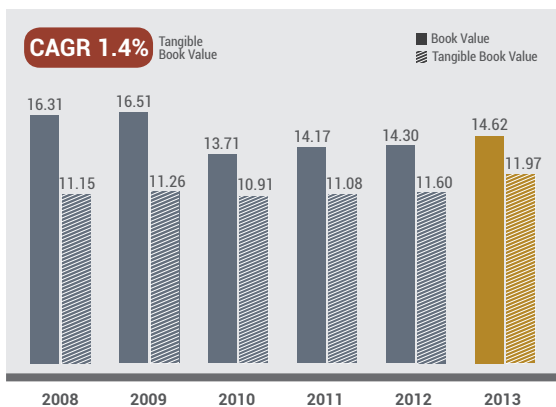
**Net Interest Income**  
(thousands of dollars)



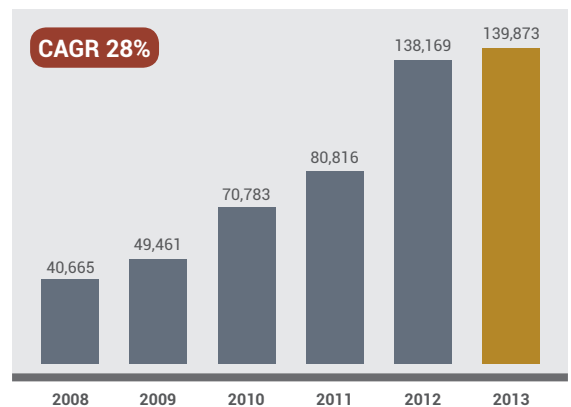
**Total Assets**  
(thousands of dollars)



**Book Value & Tangible Book Value**  
(dollars per share)



**Stockholders' Equity**  
(thousands of dollars)



■ CAGR = Compounded Annual Growth Rate

# BOARD OF DIRECTORS

**Brad Elliott**

**Jim Berglund**

**Roger Buller**

**Michael Downing**

**P. John Eck**

**Greg Gaeddert**

**Michael High**

**Randee Koger**

**Greg Kossover**

**John McCarthy**

**David B. Moore**

**Shawn Penner**

**Harvey Sorensen**

Chairman/CEO, Equity Bancshares, Inc., Wichita, Kansas  
Bank Advisor, Retired President/CEO, Sunflower Bank, Salina, Kansas  
SVP/Regional Manager, Benjamin F. Edwards & Co., Wichita, Kansas  
Retired Owner/President, Ellis State Bank, Ellis, Kansas  
Owner, AGV Corp., Eck Agency, Inc., Attica, Kansas  
Managing Partner, B12 Capital Partners, LLC, Kansas City, Missouri  
Managing Principal, Patriot Financial Partners, Philadelphia, Pennsylvania  
Attorney/Partner, Wise & Reber, L.C., McPherson, Kansas  
Chief Financial Officer, Equity Bancshares, Inc., Wichita, Kansas  
Chief Investment Officer, Centaur Capital Partners, Inc., Chicago, Illinois  
Managing Principal, Marathon Capital Holdings, Inc., San Diego, California  
Owner, Shamrock Development, LLC., Wichita, Kansas  
Attorney/Partner, Foulston Siefkin LLP, Wichita, Kansas



# SENIOR LEADERSHIP



**Brad Elliott**  
Chairman & CEO



**Julie Huber**  
EVP, Chief Credit Officer



**Patrick Harbert**  
EVP, Community Markets



**Sam Pepper**  
EVP, Commercial Banking



**Jennifer Johnson**  
EVP, Chief Operations Officer,  
Chief Information Officer



**Greg Kossover**  
EVP, Chief Financial Officer,  
Equity Bancshares, Inc.





Front row, left to right: Greg Gaeddert, Randee Koger, Jim Berglund, Michael Downing, Harvey Sorensen. Back row, left to right: David B. Moore, Roger Buller, Shawn Penner, Brad Elliott, Greg Kossover, John McCarthy, P. John Eck, Michael High



**Bruce Benyshek**  
EVP, Chief Financial Officer,  
Equity Bank



**Rolando Mayans**  
EVP, Chief Risk Officer



**Beth Money**  
EVP, Retail Director



**Mark Parman**  
Senior Vice President



**Patrick Salmans**  
SVP, Human Resources Director

# OUR MISSION

Build the  
**most attractive**  
commercial banking franchise  
**in our region**  
from the perspective  
**and positive experience**  
of our customers, our shareholders,  
our associates and our peers.

# OUR PROMISE

**We never forget it's your money.**

# OUR TEAM

## Market Leaders

|                 |                                      |
|-----------------|--------------------------------------|
| Jody Barker     | Regional President, Western Missouri |
| Kent Antenen    | Market President, Western Kansas     |
| Scott Crist     | Market President, Higginsville       |
| Randy Eaton     | Market President, Warsaw             |
| Kelly Gilbert   | Market President, Warrensburg        |
| David King      | Market President, Wichita West       |
| Jason Pickerell | Market President, Topeka             |
| Rhonda Scott    | Branch Manager, Windsor              |

## Operations, Credit, and Administration

|               |                                |
|---------------|--------------------------------|
| Steve Kelly   | SVP • Senior Credit Officer    |
| Rhonda Bethel | VP • Finance Officer           |
| Jim Brunzell  | VP • IT Director               |
| Kristi Bueno  | VP • BSA & Compliance Officer  |
| John Hanley   | VP • Senior Marketing Director |
| Justin Kelly  | VP • Special Assets Manager    |
| Rob Musgrave  | VP • Credit Manager            |
| Jesse Nienke  | VP • Systems Administrator     |
| Barbara Noyes | VP • Controller                |

## Loan Officers

|                 |   |
|-----------------|---|
| Eric Clemenson  | VP • Commercial Loan Officer, Overland Park |
| Michael Doyle   | VP • Commercial Loan Officer, Overland Park |
| Dale Gottschalk | VP • Commercial Loan Officer, Hays          |
| Greg Hall       | VP • Commercial Loan Officer, Warrensburg   |
| Larry Hillier   | VP • Commercial Loan Officer, Lee's Summit  |

# HONORS

It was a 'banner' year for Equity Bank! Check out the hardware we brought home:

## 2013

🏆 **September. Julie Huber**, Class of 2013 Women In Business, *Wichita Business Journal*.

🏆 **November. Patrick Salmans**, Top HR Professionals 2013, *Wichita Business Journal*.

🏆 **December. Finalist**, Best Places to Work, *Wichita Business Journal*.

## 2014

🏆 One of 16 finalists for the *Wichita Business Journal's* BEST in BUSINESS awards, presented annually to companies achieving strong five-year performance and demonstrating corporate citizenship.

|                |  |
|----------------|--|
| Brent Lathrom  | VP • Commercial Loan Officer, De Soto            |
| Joe Lollis     | VP • Commercial Loan Officer, Sedalia            |
| Jeremy Machain | VP • Commercial Loan Officer, Wichita            |
| Chris Ryan     | VP • Commercial Loan Officer, Lee's Summit       |
| Jason Shaffer  | VP • Commercial Loan Officer, Wichita            |
| Ken Smith      | VP • Business Development Officer, Overland Park |

## Retail Leaders

|                  |   |
|------------------|---|
| Sharon Holmes    | VP • Retail Sales Manager, KC & Topeka      |
| Melinda Mitchell | VP • Retail Sales Manager, Western Missouri |
| Mandi Martinson  | VP • Retail Support Manager, Andover        |
| Belinda DeWerff  | VP • Branch Manager, Hays                   |
| Patty Sellers    | VP • Branch Manager, Warrensburg            |
| Janet Thayer     | VP • Branch Manager, Topeka                 |
| Debra Vickrey    | VP • Branch Manager, Higginsville           |
| Allen Weber      | VP • Branch Manager, Ellis                  |

## Treasury Management

|                 |   |
|-----------------|---|
| Matt Baty       | VP • Treasury Management Lead                   |
| Mark Janczewski | VP • Treasury Management Officer, Overland Park |
| Tracey Dreiling | VP • Treasury Management Officer, Wichita       |
| Sherri Howard   | VP • Treasury Management Officer, Lee's Summit  |

## Equity Financial Services Group

|             |  |
|-------------|--|
| Brian Orr   | Investment Program Manager               |
| Sandra Rice | Financial Advisor, Sedalia               |
| Jill Warren | Registered Sales Assistant, Higginsville |

# TIMELINE



## 2002

Equity Bancshares, Inc. formed by Brad Elliott, present Chairman/CEO.

## 2004

National Bank of Andover changes name to Equity Bank.

## 2006

Equity Bancshares, Inc. opens a loan production office in Lee's Summit, Mo., and later begins operating a full service branch in Missouri.

## 2008

Equity Bancshares, Inc. acquires Ellis State Bank, adding locations in Hays and Ellis, Kan. A new retail branch is opened in Lee's Summit, Mo.

## 2010

\$20 Million Capital Raise completed in October.

## 2012

Equity Bank becomes state-chartered financial institution in June. Equity Bancshares merges Signature Bank into Equity Bank. Equity Bancshares, Inc. acquires First Community Bancshares, Inc. on October 25.

## 2003

Equity Bancshares, Inc. purchases the National Bank of Andover.

## 2005

Equity Bancshares, Inc. purchases two Wichita branches of Hillcrest Bank.

## 2007

Equity Bancshares, Inc. merges with Signature Bancshares, Inc. and two Signature branches begin operating under the Equity Bank banner.

## 2009

Equity Bank opens the Kansas City Commercial & Retail Branch in Overland Park, Kan. at 107th & Roe in February and a new retail branch at 151st Street & Antioch in March.

## 2011

In December, Equity Bank welcomes customers after the acquisition of four Topeka locations from Citizens Bank & Trust.

## 2013

Announces newest branch facility at The Waterfront, 13th & Webb in Wichita.



*We never forget it's your money.*



**Kansas** Andover • DeSoto • Ellis • Hays • Overland Park • Spring Hill • Topeka • Wichita

**Missouri** Clinton • Higginsville • Kansas City • Knob Noster • Lee's Summit • Sedalia • Sweet Springs • Warrensburg • Warsaw • Windsor

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