2019

INTEGRATED REPORT AND
FINANCIAL STATEMENTS

EQUITY

ABOUT THIS REPORT

A key aspect of our business conduct is to regularly provide our stakeholders with information on Equity Group Holdings Plc ("Equity", "Equity Group" or "Group"). We prepare various reports in this respect aimed at addressing stakeholder information requirements and ensuring that we remain transparent and accountable. As an ethical and responsible financial services provider, our reports provide a mechanism for ongoing deliberations and engagements with various stakeholders. It is this willingness to be above board and open that drives our publication of an annual integrated report. Primarily, we use the Integrated Report to respond or demonstrate to our financial capital providers, how we create and share value on a sustainable basis.

This report showcases our ongoing progress and performance, consistent with our overarching intent to produce sustainable value for our stakeholders and best in class customer experience and satisfaction. It is the summary of our strategies, our business, products and services and particularly the way we generate and distribute value in the short, medium and long term.

This report covers the financial year from **1st January 2019** to **31st December 2019.** The financial information presented is prepared in line with the International Financial Reporting Standards (IFRS) while non-financial information is presented in accordance with the International Integrated Reporting Council's (IIRC) guidelines provided in the International Integrated Reporting Framework.

How to read this report

Our Integrated Report provides information that enables Equity Group stakeholders to make an informed assessment of our ability to create sustainable value. The aim of this Integrated Report is to clearly and concisely tell the story of Equity, who we are, what we do, and how we create value. This report documents our strategy, opportunities and risks, our business model and governance, and our performance against our strategic objectives in a way that gives stakeholders a holistic view of Equity Group and our future prospects.

Defining Values

Value creation is the consequence of how we apply and leverage our capitals to deliver financial performance (outcomes) and value (outcomes and outputs) for stakeholders while making trade-offs. Our value creation process is embedded in our purpose and is described as part of our business model and integrated into the way we think and make decisions.

Materiality & Material Matter

We apply the principle of materiality in assessing which information is to be included in our Integrated Report. This report focuses particularly on those issues, opportunities and challenges that impact materially on Equity Group and its ability to be a sustainable business that consistently delivers value to shareholders, prospective investors and our key stakeholders. Our material matters influence our Group's strategy and inform the content in this report.

The Capital

Our relevance as a Group today and in the future, and our ability to create long-term value is interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use these capitals (value-adding activities), our impact on them and the value we deliver (outputs and outcomes).

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WHO WE ARE

ABOUT US

Our inceptive intention to transform lives, give dignity and expand opportunities for wealth creation of our people remains true today, over 35 years later. We are committed to improving the wellbeing of the people of Africa. We are positive about Africa and our history attests to the resilience and determination that has seen our people attain remarkable feats. Dedication to our purpose and our people continues to be our driving force. We are the largest financial services provider by customer numbers in the Eastern and Central Africa region with Shs 673.7 Billion in total assets and are present in 7 countries – Kenya, Uganda, South Sudan, Tanzania, Rwanda, the Democratic Republic of the Congo (DRC) and a representative office in Ethiopia (the "regions").

We are strategic in our intent of building on our legacy as a pioneer and disruptor of traditional banking approaches by enabling accessibility and financial inclusion for the citizens of these regions. We continue to consider varied ways in which we can enhance the availability of financial services and provide our people with relevant products that enable them to maximize their opportunities. We are executing the "Equity 3.0" strategy, which is aimed at leveraging on technology and innovation to achieve convergence of financial products and services, seamless integration of channels, enhanced customer experiences and disciplined operational controls.

In line with our intention to be a leading Pan-African financial services provider, we are undertaking a transformation process that will position us better to capitalize on opportunities through technology, demographic changes and regional expansion. We are reengineering our business to ensure that it is adaptable to future trends and prospects. We have recently rebranded, in tune with our long term aspirations, so as to resonate with our wide spectrum of cross generational customers and stakeholders. But more importantly, our rebrand goes beyond the visual aspects to incorporate our intent to offer an enhanced customer experience and value and be a catalyst for wealth creation on the continent.

As a key driver of development in our region, we want to operate in the sectors where we can have the greatest impact on society, while being profitable. We have earmarked agriculture, which is the largest contributor to Gross Domestic Product (GDP) in the economies where we operate, as a key sector for us through financing and promotion of agribusiness. Small and Medium Enterprises (SMEs) account for 90% of businesses in Africa. This scale justifies our critical interest in enhancing this sector through financial products and solutions as well as non-financial enhancements such as financial literacy and entrepreneurship trainings. Through the Equity Group Foundation (EGF), we are a leading player in innovative social payment solutions that are humane and offer dignity to beneficiaries. Our flagship social programs on youth and education, Wings to Fly and Equity Leaders Program are highly acclaimed for their transformational impact.

In 2019 and beyond, we have positioned ourselves to take advantage of the opportunities associated with Kenya becoming the hub for financial services in the region. This will be achieved by offering differentiated, high quality offerings driven by segmentation and cross-selling initiatives and responsiveness to the needs of the customers across the different segments. Through a business model that is anchored on access, convenience and affordability, we have evolved into a regional financial services provider with more than 14.3 million customers, making us one of the largest banks in Africa in terms of customer base.

We believe that true progress is only possible if we are connected to people and, for this reason, placing our customers at the centre of everything we do is of utmost importance. We are cognizant of the fact that this is going to be one of the main challenges for our sector in the coming years, the ability to build a digital bank that continues to be, in all aspects, personal and intimately connected to the customer. We continue to be the listening and caring partner that we have always been. To understand the needs and dreams of our customers; to offer solutions that best suit them and help them achieve their goals.

ABOUT US (continued)

OUR PHILOSOPHIES

Purpose

Transforming lives, giving dignity and expanding opportunities for wealth creation

Vision

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

Mission

We offer integrated financial services that socially and economically empower consumers, businesses, enterprises and communities

Positioning Statement

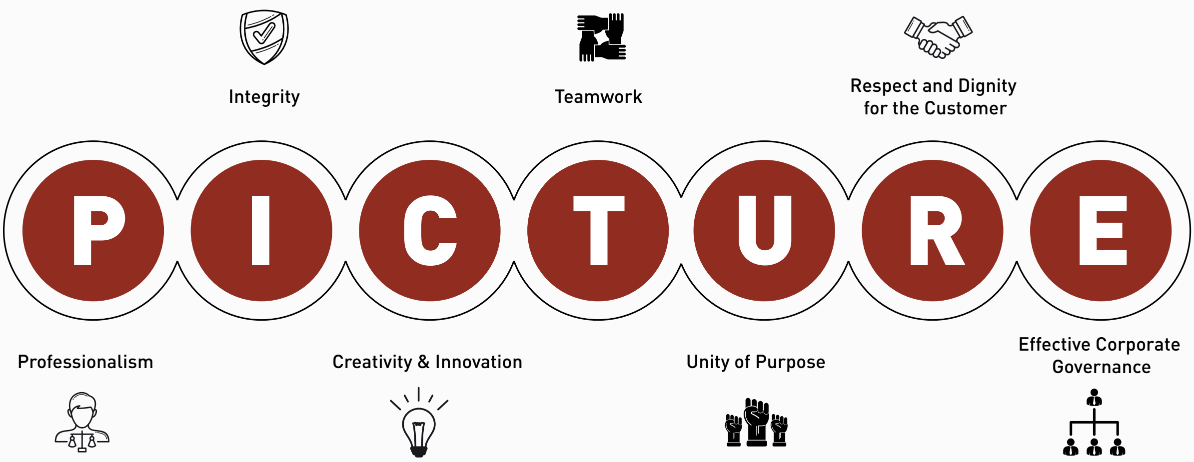
Equity provides Inclusive Financial Services that transform livelihoods, give dignity and expand opportunities

Tagline

Your Listening, Caring Partner

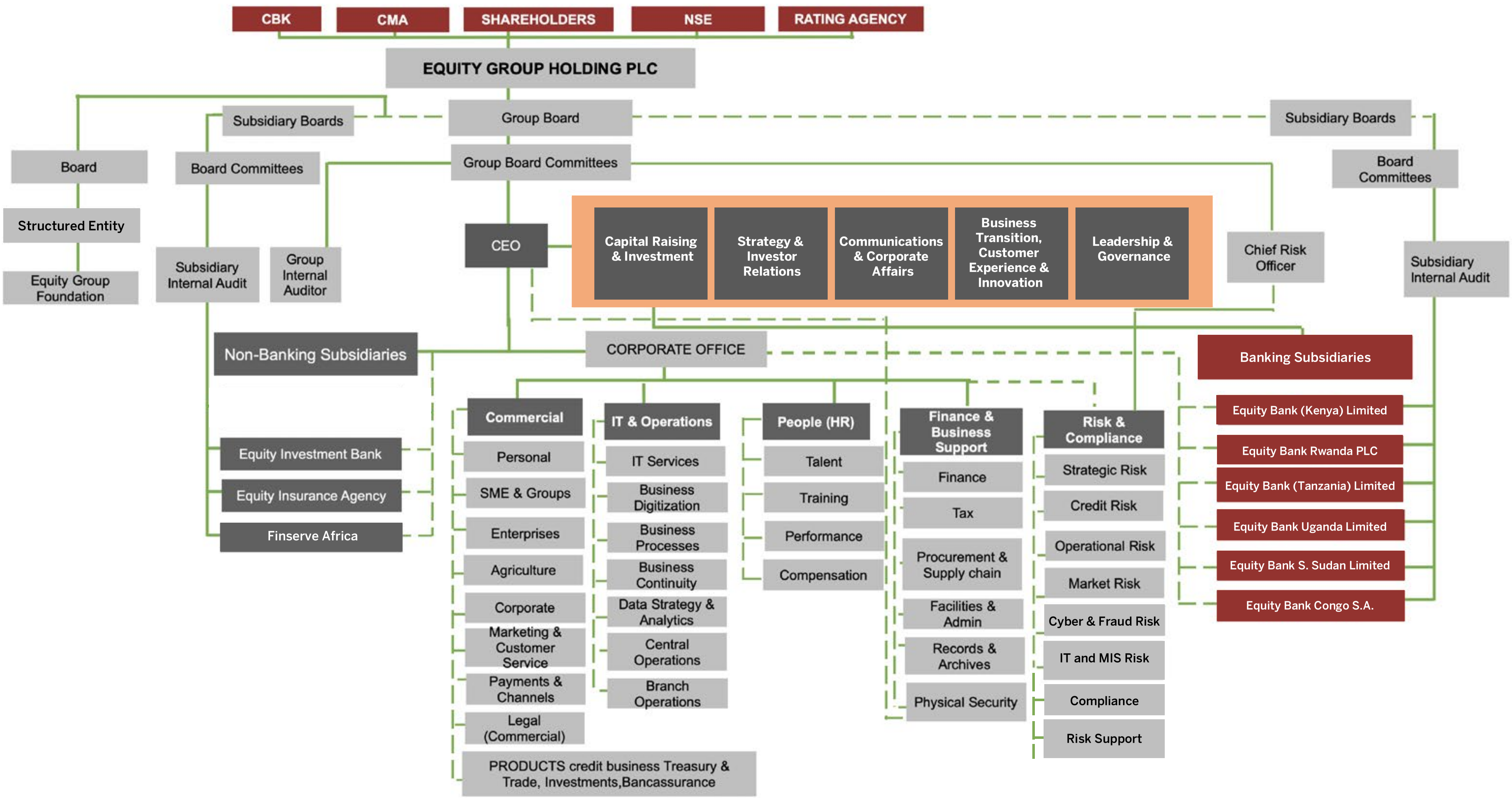
Motto

Growing Together in Trust



GROUP STRUCTURE

We carry out our operations within Eastern and Central Africa, with units strategically located in Kenya, Uganda, Tanzania, South Sudan, Rwanda and Democratic Republic of the Congo. We also have a Representative Office in Addis Ababa, Ethiopia. Our regional presence creates important synergies, particularly in the financing of trade and collaboration. Our objective is to be recognized as the preferred African financial services provider, thus becoming a benchmark in the region. Each of our subsidiaries has its own Board of Directors compliant with local regulations.



GROUP STRUCTURE (continued)

OUR FOOTPRINT

TRANSFORMING LIVES IN AFRICA, ONE BRANCH AT A TIME

BRANCHES	**298**		
(a) Kenya	182	Nairobi	52
(b) Uganda	39	Kampala	19
(c) South Sudan	5	Juba	4
(d) Tanzania	14	Dar es Salaam	8
(e) Rwanda	14	Kigali	8
(f) DRC	44	Kinshasa	30
REPRESENTATIVE OFFICE			
Ethiopia	1	Addis Ababa	1

AGENT OUTLETS	**53,417**
POINT OF SALE TERMINALS (POS)	**27,918**
ATMs	**616**

DIGITAL CHANNELS

Eazzy Banking App

Eazzy 24/7

EazzyPay

EazzyLoan

EazzyNet

EazzyBiz

EazzyFX

EazzyChama

EazzyAPI

Products and Services

We offer a comprehensive range of financial products and services to our existing and potential clients. These products and services include:

Deposits Products

- Remittance accounts
- Super Junior accounts
- Jijenge accounts
- Business savings
- Current accounts
- Fixed deposits
- Call accounts

Loan Products

- Medical loans
- School fees loan
- Salary advance
- Crop advance
- Farm input loans
- Commercial term loans
- Micro loans
- Business loans
- Asset financing
- Working capital loans
- Insurance premium finance

Services & Transactions

- Money transfer
- Cheque clearing
- Remittance processing
- Bankers cheques
- Local and international payment services
- Western Union and MoneyGram Transfers
- Currency conversion
- Commercial guarantees
- Trade Finance-letters of credit
- Bank guarantees
- Bid and performance bonds
- Foreign exchange
- Internet and mobile banking
- Custodial services
- Investment banking
- Bancassurance

BUSINESS VALIDATION

The Banker TOP 1000 WORLD BANKS 2019

- Position 15 globally on Return on Assets
- Position 75 globally on Soundness (Capital Assets Ratio)
- Position 32 globally on Profits on Capital
- Position 844 globally largest Bank

Moody's

Equity Bank Credit Rating
- National Rating: Aa1-
- Global Rating: B1
- Rating Outlook: Stable

African Banker Awards

- Socially Responsible Bank in Africa, 2019
- African Bank of the Year, 2018
- African Banker of the Year, 2018 (Equity Group Managing Director & CEO, Dr. James Mwangi)
- Best Retail Bank in Africa, 2017

Equity Bank has been recognised for the last 12 years since 2007 as the Top Banking Superbrand in Kenya and in East Africa in 2008 and 2009.

VISA

Top Acquirer 2019 Award

The Banker Bank of the Year 2019

- Bank of the Year- Kenya
- Bank of the Year - Uganda
- Bank of the Year- South Sudan

Global SME Finance Awards

Africa's SME Bank of the Year, 2018 & 2019

Euromoney Awards for Excellence 2019

Africa's Best Digital Bank, 2019

- EABC Chairman's Award - Overall Best Regional Company, 2018
- Best East African Company - CSR, 2018
- Best East African Company - Financial services, 2018 (1st Runner up)

Dr. James Mwangi, Managing Director and CEO Equity Group named to the 3rd Annual 2019 Bloomberg 50 list

Sfi Catalyst Awards 2019

- Best Overall Winner – 1st Runner Up
- Most Innovative Bank – Winner
- Bank Case Study; Financing Informal Sector – Winner
- Client Case study; Financing Commercial Clients – Winner
- Bank Case Study; Promoting Gender Inclusivity – 1st Runner Up
- Bank Case Study; Operations – 2nd Runner Up
- Client Case Study; Financing Small and Medium Enterprises – 2nd Runner Up
- Best in Sustainable Finance – 2nd Runner Up

BUSINESS VALIDATION (continued)

Think Business BANKING AWARDS 2019

- Overall Best Bank in Kenya 2019 - 8 years Running
- Best Bank in Tier 1
- Best Bank in Sustainable CSR – 3 years Running
- The Most Customer - Centric Bank – 2 years Running
- Bank with the Lowest Charge for Individuals – 3 Years Running

Franchise Segmentation Awards

- Best Bank in SME Banking
- Best Bank in Retail Banking – 1st Runner Up
- Best Bank in Agency Banking – 5 Years Running
- Best Bank in Mobile Banking – 2 Years Running
- Best Bank in Digital Banking
- Best Bank in Internet Banking – 2 Years Running
- Best Commercial Bank in Micro-Finance- 5 Years Running
- Best Bank in Corporate Banking

Product Awards

- Best Bank in Product Marketing – 2 Years Running
- Best Bank in Mortgage Finance - 1st Runner Up (2 Years Running)
- Best Bank in Agriculture and Livestock Financing
- Best Bank in Trade Financing – 1st Runner Up (2 Years Running)

Leadership Award

Chief Executive Officer of the Year – Dr. James Mwangi, CEO and MD Equity Group Holdings Plc (3 Years Running)

Local Content Prize - for Equity's role in financing SMEs in Democratic Republic of Congo

Digital, Mobile and Online Banking Award - Equity Bank Congo S.A

Best Agency Bank in Tanzania - 2018

Brent Malahay (centre), Equity Group Director of Strategy, Strategic Partnerships and Investor Relations, receives awards on behalf of Equity Bank at the Financial Times Banker's Bank of the Year Awards 2019. The Bank won 3 awards namely; Bank of the Year - Kenya, Bank of the Year - Uganda and Bank of the Year - South Sudan

Managing Director of Equity Bank Congo, Celestin Muntuabu, speaking during an award ceremony where His Excellency the President of the Democratic Republic of Congo, Felix-Antoine Tshisekedi (right) presented him with the prestigious "Makutano Local Content" prize awarded to Equity Bank for its role in financing of Congolese SMEs.

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

Notice is hereby given to Shareholders that, in accordance with the provisions of section 280 of the Companies, Act, 2015 and pursuant to a Court Order issued by the High Court of Kenya in Miscellaneous Application No. E680 of 2020 on Wednesday 29th April 2020, the Sixteenth Annual General Meeting (AGM) of Equity Group Holdings PLC ("the Company") will be held via electronic communication on Tuesday, 30th June, 2020 at 10.00 am for the purpose of considering and, if thought fit, passing the resolutions set out below.

Due to the ongoing Government restrictions on public gatherings, Shareholders will not be able to attend the AGM in person but will be able to register for, access information pertaining to the proposed resolutions, follow the meeting in the manner detailed below and vote electronically or by proxy. Shareholders may ask questions in advance of the meeting, as detailed below.

Resolutions numbers 2 (i), (iii) to (vi) and 3 (b) (i) and (ii) will be proposed as ordinary resolutions and resolution 3 (a) (i) will be proposed as a special resolution.

AGENDA

1. CONSTITUTION OF THE MEETING

The Company Secretary to read the notice convening the meeting and determine if a quorum is present.

2. ORDINARY BUSINESS

i. Consideration of the Audited Financial Statements for the financial year ended 31st December, 2019

To receive, consider and if thought fit, adopt the Audited Financial Statements and Directors' Remuneration Report for the year ended 31st December, 2019, together with the Chairman's, Directors' and Auditors' reports thereon, noting that subsequent to the approval by the Directors of the audited financial statements for the financial year ended 31st December, 2019, the Directors withdrew the proposal to declare a dividend as communicated in the Public Notice by the Company dated 26th May, 2020 and reflected in the unaudited financial statements of the Company for the period ended 31st March, 2020.

ii. Dividend

To note that the Directors do not recommend payment of a dividend for the financial year ended 31st December, 2019.

iii. Remuneration of Directors

To approve the remuneration of the Directors for the year ended 31st December, 2019.

iv. Election of Directors

a) To approve the appointment of Mrs. Evelyn Rutagwenda, who in accordance with Article 100 of the Company's Articles of Association, retires from office by rotation and being eligible, offers herself for re-election;

b) To approve the appointment of Mr. Christopher Newson, subject to obtaining regulatory approvals, and who having been appointed by the Board on 4th March, 2020 in accordance with Article 101 of the Company's Articles of Association, offers himself for appointment;

c) To note the retirement of Mr. David Ansell, a Director who having attained the age of seventy years retires in accordance with the terms of paragraph 2.5 of the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and who although eligible, does not offer himself for re-election; and

d) To note the retirement of Mr. Deepak Malik, a Director retiring from office by rotation in accordance with Article 100 of the Company's Articles of Association and who, although eligible, does not offer himself for re-election.

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING (continued)

v. In accordance with the provisions of section 769 of the Companies Act, 2015, to approve the election of the following Directors, being members of the Board Audit Committee to continue to serve as members of the said Committee:

a. Mrs. Evelyn Rutagwenda;

b. Mr. Vijay Gidoomal;

c. Dr. Helen Gichohi; and

d. Dr. Edward Odundo.

vi. To pass an ordinary resolution pursuant to section 721 of the Companies Act, 2015 to appoint PricewaterhouseCoopers (PwC) as auditors of the Company taking note that the auditors have expressed their willingness to continue in office and to authorize the Directors to fix their remuneration.

3. SPECIAL BUSINESS

a. SPECIAL RESOLUTIONS

i. To amend Article 54 of the Articles of Association of the Company and create a new Article 54A of the Articles of Association of the Company to allow for simultaneous attendance and participation by electronic means for General Meetings including Annual General Meetings and Extraordinary General Meetings.

Pursuant to section 22 of the Companies Act, 2015 the text of the special resolution is set out below:

Amendment of Article 54 of the Articles of Association of the Company

*"**THAT,** by way of special resolution Article 54 of the Articles of Association of the Company be and is hereby amended by including the following words immediately at the end of the first sentence and before the full stop "provided that the shareholders may participate in General Meetings electronically in accordance with the provisions of Article 54A"*

Insertion of a new Article 54A of the Articles of Association of the Company immediately after Article 54 of the Articles of Association of the Company

"Article 54A - ELECTRONIC PARTICIPATION IN GENERAL MEETINGS

i. The Directors may decide that the Members shall be able to participate in a general meeting by use of electronic means, including that they may exercise their rights as shareholders electronically.

ii. In the case of any general meeting, the Directors may make arrangements for simultaneous attendance and participation by electronic means allowing Members and proxies not present together at the same place to attend, participate and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which Members and proxies are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all Members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such Members and proxies individually and provided further that such Members and Proxies may participate via electronic means from any other place as long as they are able to attend and vote from the place at which they are participating via electronic means.

iii. The Members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available throughout the meeting to ensure that the Members or proxies attending at the place or places at which persons are participating via electronic means are able to:

(a) participate in the business for which the meeting has been convened; and

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING (continued)

(b) hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment, telephones or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means".

b. ORDINARY RESOLUTIONS

Acquisition of Banque Commerciale du Congo (BCDC)

i. To approve, confirm and ratify, the purchase by the Company of 625,354 ordinary shares in the capital of Banque Commerciale du Congo (BCDC) (comprising 66.53% of the share capital of BCDC, and inclusive of dividends declared after 1st January, 2019 in respect of the financial year ending on 31st December, 2019 i.e. a cum-dividend price per share of USD 167.9 per share) from Mr. George Arthur Forrest for a cash consideration of US Dollars one hundred and five million (USD 105 million) (the BCDC Acquisition).

Incorporation of a non-operating insurance holding company and a subsidiary for purposes of conducting insurance business in Kenya

ii. Approving, subject to obtaining the requisite regulatory approvals, the Company setting up a non-operating insurance holding company to serve as a holding company for insurance business (the Holding Company) and a subsidiary in Kenya (the Subsidiary) to conduct and undertake long term insurance business in Kenya and putting in place all the necessary structures, commercial arrangements and any ancillary arrangements relating to the undertaking of long term insurance business in Kenya including the Company providing Kenya Shillings Four Hundred Million (Shs 400,000,000) as share capital for the Subsidiary as required under the Insurance Act (Chapter 487, Laws of Kenya).

A circular providing Shareholders with detailed information of the proposed incorporation of the Holding Company and the Subsidiary and the BCDC Acquisition is available on the Company's website at https://equitygroupholdings.com/investorrelations/

4. ANY OTHER BUSINESS

To transact any other business that may legally be transacted at an annual general meeting, of which notice will have been duly received.

BY ORDER OF THE BOARD

Christine Akinyi Browne

Company Secretary

P.O. BOX 75104-00200

NAIROBI.

5th June, 2020

NOTES

1) In view of the ongoing Coronavirus 2019 (Covid-19) pandemic and the related public health regulations and directives passed by the Government of Kenya precluding among other things, public gatherings, it is impracticable for the Company to hold a physical general meeting in the manner prescribed in its Articles of Association.

2) On 29th April, 2020, the High Court of Kenya in Miscellaneous Application No. E680 of 2020, made under the Section 280 of the Companies Act, 2015 (the Companies Act) issued an order granting special dispensation to any company listed on the Nairobi Securities Exchange to convene and conduct a virtual general meeting subject to receipt of a "No Objection" from the Capital Markets Authority (CMA).

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING (continued)

3) The Company has convened and is conducting this virtual annual general meeting following receipt of a "No Objection" from the CMA.

4) Registration for the annual general meeting shall open on Friday, 5th June, 2020 at 9.00 am and will close on Friday, 26th June, 2020 at 5.00 pm Shareholders will not be able to register after Friday, 26th June, 2020 at 5.00 pm

5) Any Shareholder wishing to participate in the meeting should register for the annual general meeting by dialling *483*807# on their Safaricom, Airtel or Telkom mobile telephone lines or *482# on their Equitel mobile telephone lines and following the various prompts regarding the registration process. In order to complete the registration process, Shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number available. For assistance, Shareholders should dial the following helpline number: 0709 170000 from 9.00 am to 3.00 pm on a working day.

6) Any Shareholder domiciled outside of Kenya and wishing to participate in the meeting should send an email to Image Registrars via EquityAGM@image.co.ke providing their details i.e. Name, Passport/ID Numbers, their CDSC Account Number and Mobile telephone number requesting to be registered. Image Registrars shall register the Shareholder and send them an email notification once registered.

7) A notification (email and SMS) shall be sent to shareholders domiciled outside Kenya who have registered for the meeting as well as to all Shareholders 1 hour before the AGM notifying them about the AGM. This notification will also include the link to stream the proceedings. For voting, the Shareholder will receive a verification Code via the Mobile telephone number provided. The link shared to stream the meeting contains a voting tab. Once the shareholder selects to vote, he/she shall key in the code received via SMS and proceed to follow the prompts.

8) In accordance with Section 283(2) (c) of the Companies Act, 2015, the following documents may be viewed on the Company's website https://equitygroupholdings.com/investor-relations/: (i) a copy of this Notice; (ii) the Company's Audited Financial Statements for the financial year ended 31st December, 2019; (iii) A copy of the High Court Order in Miscellaneous Application No. E680 of 2020; (iv) Public Notice dated 26th May, 2020 on Non-Declaration of Dividend for the 2019 Financial Year; (v) the profile of Mr. Christopher Newson, the new Director to be appointed in accordance with Article 100 of the Company's Articles of Association; and (vi) A Shareholders' circular in support of the Ordinary Resolutions proposed in paragraphs 3 (b) (i) & (ii) (the Documents).

   A copy of the Share Purchase Agreement (the SPA) relating to the Ordinary Resolution proposed in paragraph 3 (b) (i) may be inspected by Shareholders:

   a. By appointment at the Company's Head office situated at Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi from 5th June, 2020 to Friday 26th June, 2020 between 9.00 am and 4.00 pm (excluding weekends/ Sundays and public holidays). Due to measures introduced through ministerial directives and the rules regarding social distancing, all appointments must be arranged with the Company Secretary at least 48 hours in advance of the proposed date and time for inspection provided the request for appointment has to be received on or before 5.00 pm on 24th June, 2020. To arrange an inspection time, Shareholders should send an email to the following address EGHAGM2020@equitygroupholdings.com, providing their full details (full names, Kenyan national identity card/Passport Number/CDSC Account Number) and outlining their request to physically inspect the SPA including the date and time they wish to avail themselves for the inspection, it being understood that due to social distancing requirements the Company may not be able to provide access on the date and time proposed in which case the Company Secretary will propose another suitable date and/or time.

      As the SPA remains a confidential document any Shareholder wishing to inspect the same will be required to confirm that they will maintain confidentiality by way of entry into of a non-disclosure agreement with the Company prior to accessing the SPA.

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING (continued)

9) Shareholders wishing to raise any questions or clarifications regarding the resolutions proposed to be passed at the AGM may do so by

   a. Sending their written questions by email to EGHAGM2020@equitygroupholdings.com; or

   b. To the extent possible, physically delivering their written questions with a return physical address to the registered office of the Company at the Company's Head Office situated at Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi; or

   c. Sending their written questions with a return physical address or email address by registered post to the Company's address at P. O. Box 75104-00200 Nairobi.

   Shareholders must provide their full details (full names, Kenyan national identity card/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

   All questions and clarifications must reach the Company on or before Friday, 26th June, 2020 at 1.00 pm

   Following receipt of the questions and clarifications, the Directors of the Company shall provide written responses to the questions and clarifications received to the return physical address or email address provided by the Shareholder no later than 10.00 am on Monday 29th June, 2020. A full list of all questions received and the answers thereto will be published on the Company's website not later than 10.00 am on Monday 29th June, 2020.

10) In Accordance with Section 298(1) of the Companies Act, 2015, Shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company and the appointed proxy will need to have access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website https://equitygroupholdings.com/investor-relations/. A proxy must be signed by the appointor or his attorney duly authorized in writing, or if the appointor is a company, under the hand of an officer or attorney duly authorized by the Company. A completed form should be emailed to EGHAGM2020@equitygroupholdings.com or lodged with the Company Secretary at the Company's Head Office situated at Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi, or to Image Registrars Ltd's offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; postal address at P.O. Box 9287- 00100 GPO, Nairobi not later than 5.00 pm on Friday, 26th June, 2020. Any person appointed as a proxy should submit his/her mobile telephone number to the Company not later than 5.00 pm on Friday, 26th June, 2020. Any proxy registration that is rejected shall be communicated to the Shareholder concerned no later than 10.00 am on Monday 29th June, 2020 to allow time to address any issues.

11) The AGM will be streamed live via a link which shall be provided to all Shareholders and proxies who will have registered to participate in the AGM. Duly registered Shareholders and proxies will receive a short message service (SMS)/USSD prompt in their registered mobile numbers or emails 24 hours prior to the start of the AGM acting as a reminder of the AGM. A second SMS/USSD prompt or email shall be sent 1 hour ahead of the AGM, reminding duly registered Shareholders and proxies that the AGM will begin in an hour's time and providing a link to the livestream.

12) Duly registered Shareholders and proxies may follow the proceedings of the AGM using the livestream platform and may access the Agenda and vote (when prompted by the Chairman) via the SMS/USSD prompts or web link provided through the email prompt.

13) Results of the AGM voting shall be published within 24 hours following conclusion of the AGM.

14) As the situation regarding the Covid-19 pandemic is evolving and the Government directives remain subject to change, the Company strongly encourages all Shareholders to monitor the Company's website www.equitygroupholdings.com for further updates or changes in relation to the AGM. The Company appreciates the understanding of its Shareholders as it navigates the changing business conditions posed by the Covid-19 pandemic.

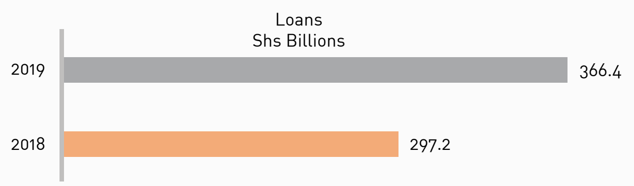
OPERATING ENVIRONMENT

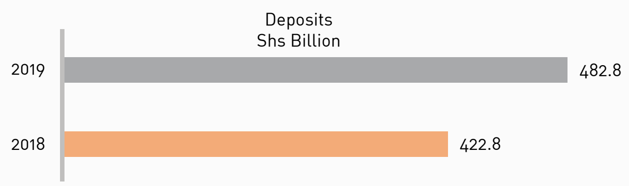
OPERATING ENVIRONMENT

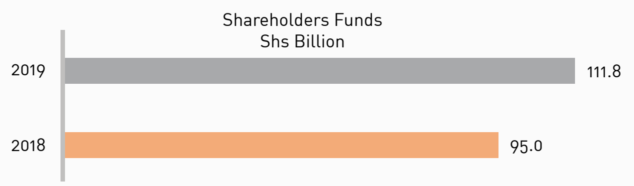
The monetary policy remained supportive of economic growth with Central Bank rates reducing or remaining stable across the countries we operate in. The capping of interest rates on loans in Kenya was lifted during the year in an effort to increase access to credit for the private sector. Overall, there was marginal depreciation of local currencies against major foreign currencies while inflation remained within the target-range at low single digits. The political environment was stable with a ceasefire agreement coming into force in South Sudan that has allowed its economy to rebound and a peaceful election in the DRC ensured its economic growth retained a steady upward trajectory. The new International Financial Reporting Standards (IFRS) accounting standard IFRS 9 and IFRS 16 became effective on 1st January, 2018 and 2019 respectively.

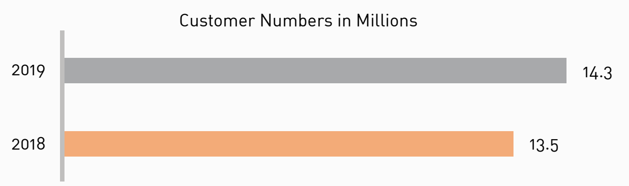
Country	Interest Rates December 2019		FX (Local Currency USD)		Inflation	GDP Growth
	CBR	Changes in CBR Year to Date	31 Dec 2019	% Change Year to Date	Dec 2019	IMF Projected 2020
Kenya	8.5%	- 75 Basis Points	101.4	0%	5.8%	1.0%
Tanzania	7.0%	- 0 Basis Points	2,298	0%	3.8%	2.0%
Uganda	9.0%	- 100 Basis Points	3,665	1%	3.6%	3.5%
Rwanda	5.0%	- 50 Basis Points	922.5	-5%	12%	3.5%
DRC	-	-	1,672.9	-2%	3.8%	-2.2%
S. Sudan	-	-	160.5	-4%	69%	4.9%

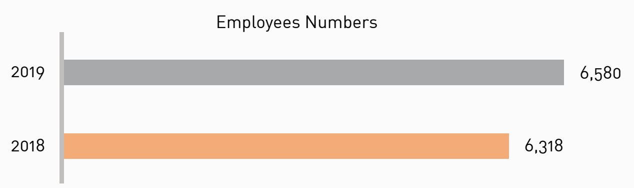
Key Group Highlights

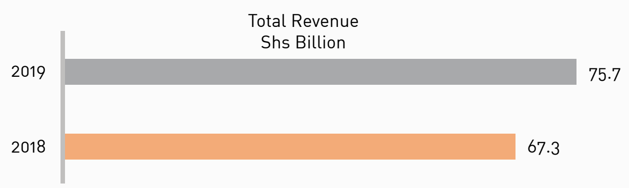


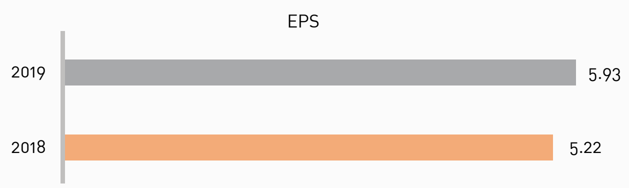


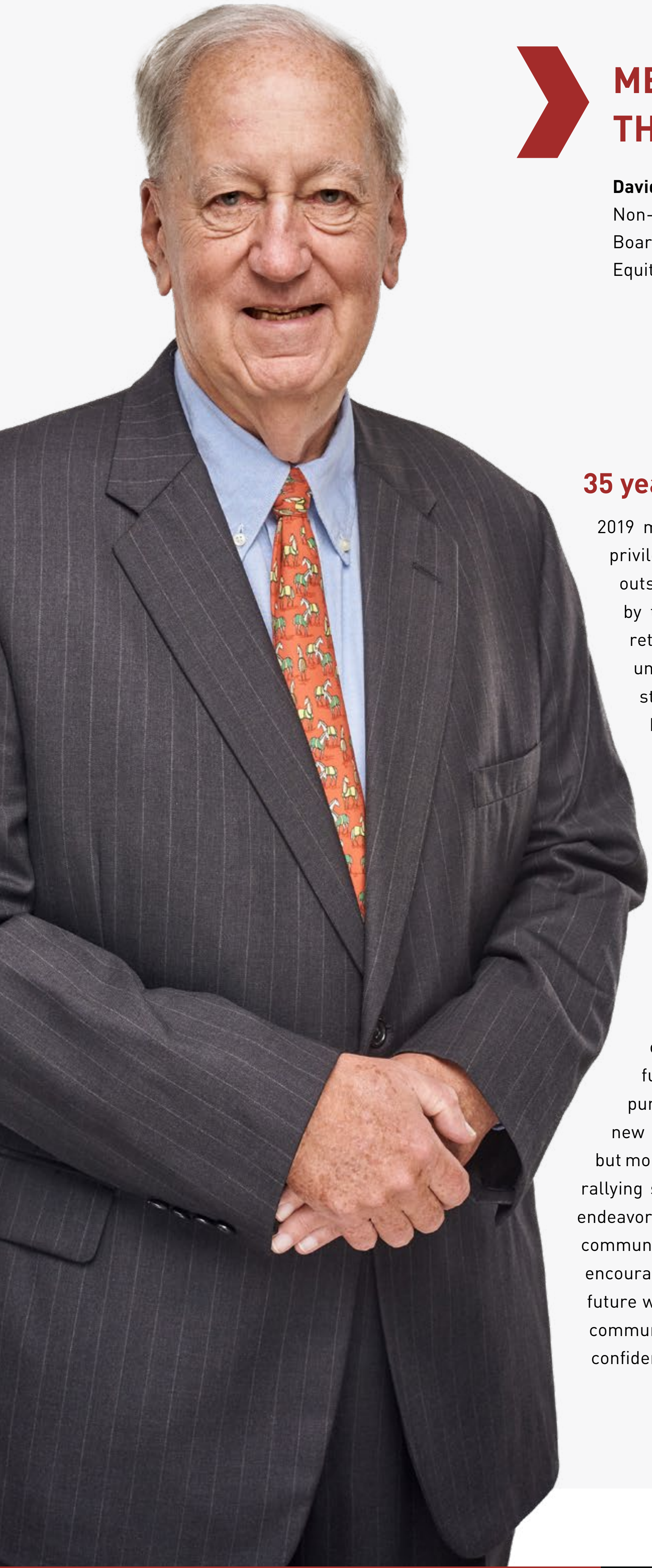












MESSAGE FROM THE GROUP CHAIRMAN

David Ansell
Non-Executive Chairman,
Board of Directors
Equity Group Holdings Plc

35 years of transforming lives

2019 marked 35 years of operations for Equity Group. I was privileged to preside over the celebrations that marked this outstanding 35 years of creating value for our stakeholders by transforming lives and livelihoods. It also marked the retirement of our Founding Chairman, Dr. Peter Munga under whose able guidance, oversight and exceptional stewardship the Group has grown from its nascent beginnings as a building society in rural Kenya into a flourishing regional brand with more than 14 million customers and underlying balance sheet of nearly Shs 700 Billion. As a Board, we are clearly indebted to the unwavering dedication and commitment of the founding members and have the distinctive privilege of overseeing the transition of oversight from these founders. This change has been remarkably successful proving the resilience and growth of the Bank and its strong governance structures.

The year was also significant as we took time to reflect on our journey over the past 35 years and envision the future. We took time to revisit our corporate philosophies, purpose, vision, mission, and values and align them with our new impetus to not only enable people to improve their lives but more importantly to create wealth. We are pleased that these rallying statements remain credible and relevant for our future endeavors and resonate with our key stakeholders – customers, communities, regulators, and employees. These reflections also encouraged us to rebrand as we position the Group better for the future while celebrating the past. The result is a new brand that communicates our resolve focusing on simplicity, boldness, and confidence.

MESSAGE FROM THE GROUP CHAIRMAN (continued)

Transformation and Rebranding

Rebranding entrenches our underlying organizational culture which remains constant, driven by the values of professionalism, integrity, creativity, teamwork, unity of purpose, respect and dignity, and effective governance. We continue to strengthen this culture to support business and drive organizational performance. We are committed to transforming the lives of ordinary citizens in the countries where we operate by providing relevant and impactful products and services. Notably, we are an all-inclusive financial services group with a client base that transcends the entire social spectrum from high net worth and large corporates to ordinary citizens and micro enterprises, whom we serve with equal diligence and dedication. Rebranding is the visual representation of our strategy that focuses on business transformation to align and remain relevant to a fast-changing external context. Increasingly, our markets and clients are quite diverse requiring different approaches and channels.

Our growth strategy is focused on increasing our footprint, deepening, and widening our reach in our markets. Acquisitions, as one of our expansion strategies provides us with a deep and rapid market entry advantage as we benefit from the skills, expertise, knowledge, experience, and brand identity of the institutions we acquire. We intend to pursue a systemic position in each country we operate in by being among the top five banks in each market. Subject to relevant approvals, our acquisition of Banque Commerciale du Congo (BCDC) in the Democratic Republic of the Congo (DRC) will strengthen our position in the region as we also seek to deepen and widen our reach. We are optimistic that 2020 will culminate with closure of this deal and will enable a further realization of our growth aspirations.

Members of the Board cut the 35 year celebratory cake with Central Bank of Kenya Deputy Governor Sheila M'Mbijiwe (3rd right)

Sustainability

We run a triple bottom line business anchored on an economic and social engine focused on delivering financial value, social value, and environmental sustainability. Our economic engine continues to gain momentum with above average growth of both balance sheet and return on investment.

Our social engine, the Equity Group Foundation (EGF), continues to scale the impact and significance of our purpose driven social initiatives. The impacts of our innovative social programs have redefined corporate philanthropy and brought out the role that businesses can play in building a more equitable and sustainable world. In 2019, the Group made a bold commitment to plant 35 million trees in Kenya over the next five years. We recognize that deforestation is a major challenge in Kenya, and we intend to take our place in society through planting trees, enabling communities to benefit from the vast ecosystem services ensuing from adequate tree coverage.

In the course of the year, we were privileged to commence a partnership with Mastercard Foundation and the Government of Kenya to address youth unemployment through the Young Africa Works Program. The Young Africa Works initiative by Mastercard Foundation aims to enable 50 million young people in Africa, especially young women, to secure employment that is dignified and fulfilling by 2050. It also seeks to enable entrepreneurs and small enterprises to expand their businesses through access to financial services. The Young Africa Works Kenya program seeks to create 5 million jobs in Kenya by 2024 through empowering young people to have the skills employers require to attain employment or establish /expand their businesses. The project will especially address the capacity of young persons and women to have the competencies to engage in productive activities and business. The Bank has committed Shs 420 Billion for business start-up and expansion under this program.

Proposed Insurance Business

The Board proposes to venture into an Insurance Business that provides an opportunity for EGH to leverage on its existing Bancassurance operations that are currently the largest in Kenya, (which include its 36,000 agents and 180 branches) to market and distribute insurance products and provide a one-stop shop for offering both financial and insurance products which we believe will further provide confidence and stability for our customers during this COVID-19 crisis.

MESSAGE FROM THE GROUP CHAIRMAN (continued)

Proposed Insurance Business (continued)

The Board of EGH expects that the Insurance Business could result in the following benefits for the Group:

- Enhancing Micro, Small and Medium Enterprise business by broadening and deepening the Group's relationships across ecosystems.
- Enabling the Group to deliver its mission of providing access to competitive, integrated financial services that socially and economically empower consumers, businesses and communities whilst also delivering significant value to its stakeholders.
- Ability for the Group to leverage its existing platforms to upsell to existing customers and increase revenue per customer which could ultimately lead to improved return on shareholders' funds.
- Expanded scale of Group operations in Kenya which helps diversify the Group's sources of revenues and profits.

The Board

The Equity Group Board and Executive Management team pose with the new logo unveiled at the Head Office.

In 2019, Mr. Gerald Warui was appointed Equity Bank (Kenya) Limited Managing Director. We also welcome other non-executive Directors who joined in the course of the year including Mrs. Jane Ngige and Mr. Erastus J.O. Mwencha (Equity Bank (Kenya) Limited), Mr Steven Mutabazi (Equity Bank Rwanda PLC), Mr. Dino Stengel and Professor Honest Ngowi (Equity Bank (Tanzania) Limited).

I would also like to take this opportunity to thank the Directors who retired in the year including Dr. Peter Munga and Mr. Dennis Aluanga (Equity Group Holdings Plc), Dr. Julius Muia (Equity Bank (Kenya) Limited) and (Equity Investment Bank Limited), Dr. Mark Schwiete (Equity Bank Congo S.A), Ms. Joanna Bichsel (Equity Bank Rwanda PLC), Mr. Bhartesh Shah (Equity Bank (Kenya) Limited, Equity Bank Congo S.A), Mr. Julius Kayoboke (Equity Bank Rwanda PLC) and wish them well in their endeavors.

We also opted to strengthen the holding structure allowing the Group structure to pursue diverse business lines beyond the banking business. We want to be more than a Bank, delivering value to customers through one brand that transcends banking. We have the right balance in the Board composition and diversity in terms of skills, experience, and gender. We pay close attention to the mix of talents of our Directors, constantly seeking diversity and change over time to ensure that we remain relevant and can fulfil our governance role in the most effective way.

Non declaration of dividend for the financial year ended 31st December 2019

During the release of Equity Group Holdings Plc's (the Company) financial results for the year ended 31st December, 2019 on 19th March, 2020, it was announced that the Board of Directors of the Company (the Board) had resolved to recommend to the shareholders of the Company for their approval at the upcoming Annual General Meeting, the payment of a first and final dividend of Shs 2.50 for each ordinary share of Shs 0.50 for the year ended 31st December, 2019, (the Proposed Dividend Recommendation).

The Board has subsequently considered the events that have taken place and in particular the effects of the COVID-19 pandemic to the world, Africa, and the Kenyan economy. After careful consideration, the Board has resolved to withdraw the Proposed Dividend Recommendation and instead has recommended to the shareholders that no dividend is paid for the financial

MESSAGE FROM THE GROUP CHAIRMAN (continued)

Non declaration of dividend for the financial year ended 31st December 2019 (continued)

year ended 31st December, 2019.

With unprecedented uncertainty, the Board wishes to exercise financial prudence in order to conserve cash to enable the Company to respond appropriately in terms of supporting its customers through the crisis and directing cash resources to potential opportunities that may arise as economies in which Equity Group Holdings operates begin to recover.

Looking Forward

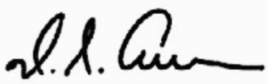
We are optimistic about Africa with its dynamic young generation, immense energy, entrepreneurial spirit, and enormous opportunity. With our clear strategy and approach to transforming the business, our strong track record of delivery, our customer focused values and the dedication and commitment of our employees, we have all the components to succeed in our Africa growth strategy and to create a legacy institution in which the continent can take pride.

In view of the COVID-19 pandemic, its uncertainty and impact on the economy, businesses, and societies in the regions we operate in, we have revised our performance outlook. We are cognizant of the efforts being undertaken by governments to address the pandemic and applaud this commitment to protecting lives. Consequently, both the pandemic and the mitigation measures will have far reaching effects on the wider economy affecting businesses, societies, and individuals. We are therefore expecting to be affected by the economic slowdown and have taken a cautious outlook on business performance in 2020. As part of our Business Continuity Plan (BCP), we intend to continue our strong financial and social support of our customers across the region in order to help them preserve their businesses, their capital and not only to survive and recover, but also to thrive.

The Board remains grateful to Dr. James Mwangi, for his unwavering passionate and visionary leadership of the management team. His positive and hands-on leadership has inspired employees to pursue the ideals of Equity. The management team comprises high caliber individuals who showcase mastery and continue to serve with diligence and excellence. I am also grateful to the entire staff of Equity who work tirelessly to deliver on our brand promise and our strategic intentions. Our regulators and investors are a key pillar for our performance, and we are grateful for their support and counsel.

Retirement

As you may have noticed from the Notice of the AGM, I shall be retiring at the AGM and shall not be seeking re-election. I have enjoyed working with the Board and management of the Group and subsidiaries to deliver on the mission and vision of the organization and I am very proud of what we have achieved together. May I take this opportunity to welcome my successor, Professor Isaac Muthure Macharia. I wish him every success as he assumes the Chairmanship of the Group and I am confident that through his able leadership, the Company will scale even higher heights.

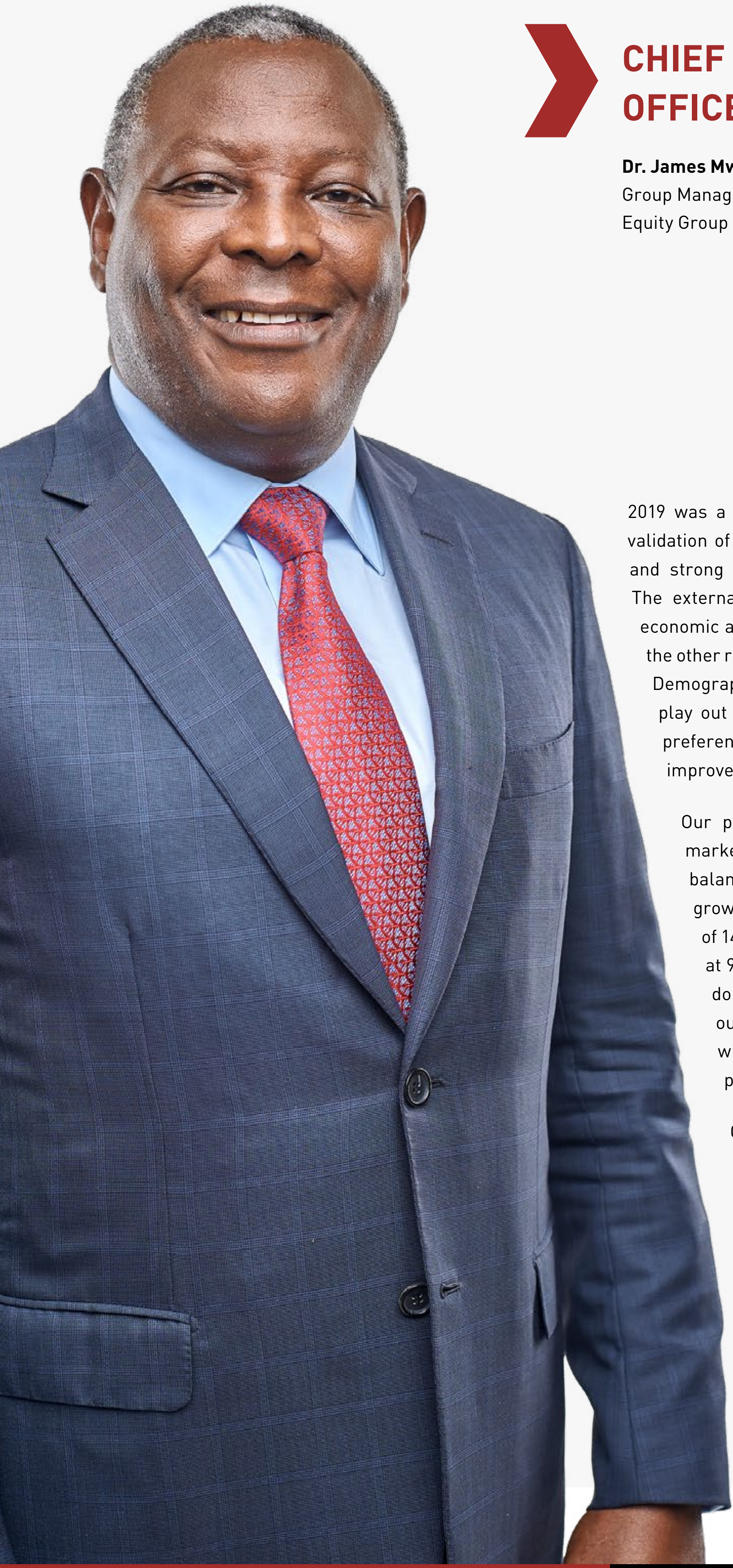


David Ansell

Non-Executive Chairman

Board of Directors

Equity Group Holdings Plc



CHIEF EXECUTIVE OFFICER'S STATEMENT

Dr. James Mwangi, CBS
Group Managing Director & CEO
Equity Group Holdings Plc

2019 was a favorable year as we continued to witness validation of our Group strategy through consistent returns and strong performance in our core strategic indicators. The external environment was challenging with subdued economic activity in Kenya and mixed conditions in most of the other regional countries in which Equity has operations. Demographic and technology changes have continued to play out in markets resulting in an expansion of client preferences and needs, calling for innovation, agility and improved understanding of the customer.

Our performance was particularly impressive with marked growth in our customer base, revenue and balance sheet. Our loan book in Kenya had significant growth of 23% and an increase in customer deposits of 14%. Attendant to this, our asset quality with NPLs at 9% remains significantly lower than the market's double-digit average of 12%. This underscores our disciplined approach to lending coupled with proactive client relationship management practices.

Our strategic focus on enhancing non-funded income to strengthen the quality of our earnings continued to display good results increasing to 40% above the banking sector's average of 37%. Overall, the Group Profit Before Tax (PBT) increased by 11% to Shs 31.5 Billion. Return on Equity (ROE) was 22% with Uganda and Rwanda posting ROE above cost of capital, an indication that the regional expansion strategy is beginning to pay off. We also achieved rapid growth in Rwanda and DRC with 12% and 38% increase in assets respectively.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Regional banking subsidiaries and local non-banking subsidiaries accounted for 28% of overall Group revenues and continues to drive initiatives to increase their overall contribution. Increasingly, we are seeing evidence that the Group is becoming a systemic financial services provider in the region.

Global relationships with key lenders remained strong and we closed the year with Shs 56.7 Billion of long-term global debt, enabling us to lengthen maturity of our funding. This has given us the impetus to consolidate our focus on Micro, Small and Medium Enterprises (MSMEs), resulting in 65% of the loan book being credit to MSMEs. In recognition of the challenging environment, the Group adopted a conservative approach by enhancing provisions by Shs 4 Billion increasing the cost of risk to 1.3% and ensuring that the effects of the external context are adequately covered.

35 years of transforming lives

We marked 35 years of operation in 2019, underscoring the impressive journey that we have undertaken from our inceptive years as a small building society in 1984 to the leading commercial bank in the region today. In celebrating this momentous occasion, we took time for introspection as we reflected on the different milestones we have achieved and the vast impact we have made on the lives of ordinary people. We are humbled by the immense boldness that characterizes our offerings as we innovated on the long held traditional approaches to banking. It is important to remind ourselves of the approach that has enabled us to build an outstanding financial institution over the last 35 years. Our brand was built on democratization of the banking sector by removing barriers to accessing financial services and empowering individuals to attain their aspirations through appropriate products and services.

We developed an intuitive capacity to innovate relevant and impactful services for our clients based on their economic realities, livelihood activities and expressed needs. This intuitive ability has greatly rewarded us as we have created opportunities for our clients by removing barriers and delivering products and services that are fit for their businesses and personal aspirations, while attaining the pivotal position in the Kenyan and regional commercial banking sector. Significantly, we note with fulfilment that our purpose, vision and mission remain just as relevant today as they were when we embarked on democratizing banking by broadening access and deepening inclusion for all. We have taken time to reflect on these inceptive philosophies that first stirred our passion, debated their relevance in a fast-changing world that is markedly different from the early 1990's and concluded that they continue to reflect our overarching ambitions and intentions.

Most importantly, they remain relevant in a world that is highly digitized, with a younger and more sophisticated demographic and where we aim to grow our regional footprint across diverse nations and cultures in Africa.

Business transformation

We embarked on a brand refresh in 2019, as part of our business transformation process, culminating in the launch of our new brand identity. This was a significant change for us bearing in mind that our brand identity held great significance and affinity especially with the founding client base. Yet, after careful introspection and counsel, we chose to pursue a brand change exercise underpinned by a number of key considerations. We took note of the fact that our external context is changing rapidly driven by two key factors, technology, and demographics. For several decades, the banking sector's business model had been relatively unchanged hinged on brick and mortar branches and client facing services. This has changed radically in the last few years with technology enabled channels becoming the main means by which clients interact with financial products and services.

For Equity, 97% of our client transactions are now conducted outside the branches. In terms of demographics, we are now offering services to a cross generational clientele including our founding customers and those of a younger generation. This wide generational spectrum presents challenges and opportunities in terms of delivering relevant products and preferences of channels. While our legacy customers prefer to use branches and engage directly with the bank through people facing functions, the younger generation is interested in convenient channels that empower them to conduct their own affairs anywhere, anytime.

Today, we are engaged with a large and growing demographic that wants to consume banking in a different way and views financial services, not from a utilitarian perspective but from an experiential and value perspective. Further still, we are pursuing a

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Business transformation (continued)

deepening and widening of scale and saturation in the seven markets in Eastern Africa we operate in – Kenya, Tanzania, Rwanda, Uganda, South Sudan and the Democratic Republic of Congo and Ethiopia (representative office). In many of these countries our legacy or brand identity is known but with much room to grow.

Our brand needs to resonate emotionally with clients in these countries and in the region while retaining the Bank's original intent encompassed in our purpose, vision, and mission statements. Our new brand identity speaks to our intention to retain the best of our heritage brand while amplifying and introducing new elements that are attractive to the cross generational nature of our customer base. It also provides us with the ability to resonate with our diverse regional clientele. The simplified identity is particularly important since it signals our intent to be relevant to our clients depending on their needs, irrespective of their age, gender, locality, economic activity or relationship with us. It enables us to broaden our propositions to diverse customer segments anchored on our core philosophies and values with a value proposition of being more than a bank, but a catalyst for daily lifestyle of our people.

We are able to deliver traditional banking services and other financial services to these clients without being constrained. This expands the ability of the brand to express itself and remain relevant to diverse demographics and regions. The brand identity change is underpinned by a clear intent to transform the Equity brand to a customer experience driven financial services provider, based on the philosophy of one Equity brand and one customer view. These philosophies underscore our aim to offer seamless and similar services cross-generationally and across countries and regions irrespective of the channel, service or product being offered to the client.

The transformation is pre-eminently about improving client experience and ensuring that clients receive the same services through our one brand proposition. Our intent is that the brand will be relevant in a virtual world, agile, while reflecting simplicity and boldness.

Digitization

We want to be a truly digital bank internally and when serving our customers externally. Over the past two years, we have made extensive investments in technology to ensure we deliver on our digitization agenda. In return, our digital channels have become the primary way in which customers interact with us. 97% of all cash-based transactions and 93% of all disbursed loans are conducted on Equity's self-service digital platforms primarily on mobile phones. The benefits of digitization are becoming increasingly evident.

Our Eazzy suite of products and services continue to offer customers our banking services through digital channels covering an extensive array of transactions and products. Thousands of individuals use these channels on a daily basis attesting to improved accessibility and convenience. Our payment platforms – Jenga payment and Jenga API – have grown in popularity and usage as they enable SMEs to automate their back end and focus on delivering value added products and services for our clients. We had over 80 businesses using these channels by December 2019 with 181,000 transactions valued at Shs 1.9 Billion.

Equitel, Equity's mobile platform, continues to be the leading multi-channel money product in Kenya offering customers the convenience, accessibility, and ease of transacting through a variety of bank channels including ATMS, online banking, bank branches, agents etc. It also provides a distinctive agile and secure mobile channel that seamlessly integrates banking and other financial products and services while providing value-add telco products and services. Our mobile and internet transactions grew by 15% to 595 million transactions, up from 517 million in 2018. Digitization is therefore a key strategic agenda for us.

We remain committed to innovations that improve convenience and benefits for customers through cutting edge financial solutions that are relevant to customers in our region and delivered through advanced digital channels. Internally, technology will enable us to make better decisions, improve efficiency, reduce costs and become more adaptable to changes in the workplace. Overall, we are clear that the workplace and marketplace of the future will be anchored on technology.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Regional expansion

Regional growth is a key element of our strategic intent. In 2019, we entered into a share purchase agreement with George Arthur Forrest, to purchase 66.53% of the shares held by Mr. Forrest in Banque Commerciale du Congo (BCDC), a public limited company (Société Anonyme - S.A.) licensed by the Banque Central du Congo in the Democratic Republic of Congo (DRC). Following completion of the transaction, the BCDC business will eventually be amalgamated with that of EGH's existing banking subsidiary in DRC, Equity Bank Congo S.A. (EBC).

Dr. James Mwangi, Equity Group MD & CEO (right) and Mr. George Forrest, (centre) majority shareholder of BCDC together with Prof. Isaac Macharia, Non-Executive Vice Chairman of Equity Group Holdings Pc (2nd right), Pierre Chevalier, BCDC Board Member and Yves Cuypers, BCDC MD, pose after signing the share purchase agreement in London UK.

The Agreement is subject to regulatory approvals from amongst others, the Central Bank of Kenya, Banque Centrale du Congo, the Common Markets for Eastern and Southern Africa (COMESA) Competition Commission and board approvals of BCDC and EGH. We also set up a Commercial Representative Office in Addis Ababa, Ethiopia as the Bank prepares to commence operations. The Bank appointed Hassan Maalim as the Head of the Commercial Representative Office which is based at Kazanchis - Addis Ababa, Ethiopia and became fully operational in July 2019. With the addition of Ethiopia, the Bank will soon have operations in a regional market with a combined population of nearly 500 million people, including Kenya, Uganda, Tanzania, Rwanda, South Sudan and DRC.

Equity Group Foundation

Our social engine continues to play a pivotal role in delivering programs for the benefit of society. In 2019, the Government of Kenya and various development organizations partnered with EGF to reach 1.3 million families with social safety net payments. Our products have been impactful in delivering solutions for our partners in their support to vulnerable populations with the highest levels of integrity and humanness while maintaining their dignity. In addition, we provided 2.2 million women and youth with financial literacy programs that de-risked them through capacity building, making them eligible for credit facilities.

Agriculture is a mainstay of the work of the Foundation. As of 2019, our program that aims to transform subsistence farming into an agribusiness had reached over 638,000 farmers and included a component that links small agribusiness with other players within their value chains. Environmental sustainability initiatives also produced growth including 122,524 households receiving clean energy equipment – solar panels and clean cooking stoves - and 1.08 million trees being planted. This not only has a positive impact on the environment but also offers results for health benefits.

Overall, we have committed to plant 35 million trees in Kenya over the next five years. Wings to Fly, the shared prosperity initiative that is the flagship of EGF's educational and leadership pillar in partnership with Mastercard Foundation continued to provide scholarships to financially disadvantaged students.

In 2019, we received additional funding from the Government of Kenya and the World Bank, a testament of their confidence in the program, enabling us to increase the number of recipients from 18,000 to 36,000. The global scholarship component of this scholarship program has now benefited 554 talented and exceptional young scholars with the opportunity to study in world class global universities. Interactions with our customers have revealed that the biggest credit risk is driven by the health status of the client. In this regard, we launched a medical insurance product to enable client's access to medical care when required.

We also continued to set up a network of medical clinics in collaboration with our scholarship recipients who have studied medicine. These clinics known as Equity Afia provide high quality medical care at affordable rates. As at the end of 2019, EGF had opened 11 Equity Afia clinics reaching 62,083 patients with 154,137 cumulative patient visits.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Looking forward

The COVID-19 pandemic is a major emerging threat with far reaching impacts anticipated from its spread. It carries a threat of a worldwide economic decline with the International Monetary Fund revising its global growth projections to below the 2.9% achieved in 2019 from an initial projection of 3.3% to -3.0% (negative 3.0%).

Cautiously, the IMF also projects that if the pandemic fades in the second half of 2020 and if policy actions taken around the world are effective in preventing widespread bankruptcies, extended job losses, and system-wide financial strains, global growth in 2021 could rebound to 5.8%. We anticipate that the actions taken by governments in order to contain the spread of COVID-19 and to save lives will result in disruptions of economic activities in our region and will have a far reaching impact on private sector performance and social well-being. Therefore, we have opted to adopt a conservative approach - fortifying our balance sheet and assuring ample liquidity to support our customers.

Furthermore, we have taken measures to provide relief and to help cushion our members, employees and our customers at large including waiving all mobile banking transaction fees up to 30th June, 2020; allowing customers with existing loan facilities who may require accommodation or repayment holidays to engage us directly for personalized solutions based on the individual circumstances. Under our Business Continuity Plan (BCP) we will continue with our work from home formula for staff in roles that do not require their presence at work to minimize the risk of infection. For staff working from our branches and offices, we continue to adhere to all the health protocols of wearing face masks, washing hands, using hand sanitizers as well as social distancing. All customers coming to our premises are required to wear face masks in order to be served and are offered hand sanitizer and temperature screening checks.

Given this context, our performance outlook for 2020 is cautiously optimistic. Overall, we remain optimistic about the continent of Africa and will continue to deepen and widen investments in our markets. The removal of interest rate capping in Kenya offers an opportunity to price appropriately for credit risk and increase financing to the SME sector post COVID-19. The signing and enactment of the peace agreement in South Sudan is a pivotal event and gives hope of a new beginning for that country. In addition, the smooth political transition in the DRC allows for confidence that this country that is well endowed in natural resources will experience improved conditions enabling the improvement of market and economic conditions.

Despite these encouraging dynamics, we are aware that 2020 presents a seismic shift in business and requires marked prudence as we observe the evolving economic and social repercussions of the COVID-19 pandemic. Our approach will likely be less robust than we had anticipated before the advent of the pandemic.

In closing, we appreciate the unwavering support from our esteemed customers and partners. Our staff are core to the delivery of our strategy. We appreciate their engagement with our brand, involvement, and commitment to our shared purpose, living our values and upholding our organizational culture with passion and enthusiasm. We are also indebted to the exceptional counsel and guidance we receive from our Board of Directors, our partners and our regulators. We look forward confidently to another 35 years and more of enabling prosperity in Africa through the creation of wealth.

The dazzling fireworks display at Kenyatta International Convention Centre (KICC) in Nairobi that marked the rebrand launch event for Equity's new look.

Dr. James Njuguna Mwangi, CBS

Group Managing Director & CEO

Equity Group Holdings Plc

EQUITY GROUP BOARD STATEMENT ON THE COVID-19 PANDEMIC

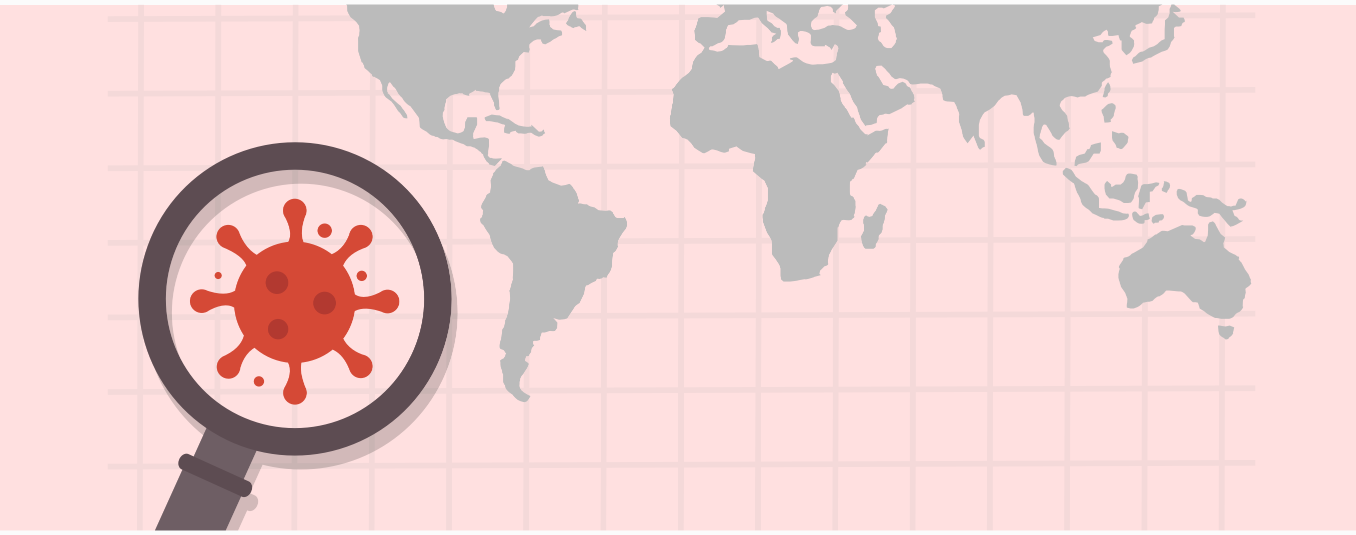
Prof. Isaac Macharia
Non-Executive Vice Chairman
Board of Directors
Equity Group Holdings Plc

These are challenging times. Equity Group Holdings Plc (Equity Group) like any other responsible corporate institution responded to the uncertainty of the Novel Coronavirus (COVID-19) with resoluteness to put its staff, customers and other stakeholders first by triggering its Business Continuity Plan (BCP). It initiated a two-team approach with half of the staff working from home while the other half remained in the offices and branches. Those working from the offices and branches undergo a temperature check before entry. They are also required to regularly sanitize or wash their hands with soap and water and wear a face mask. Similarly, before entry into Equity premises, customers and visitors are asked to sanitize or wash their hands with soap and water, undergo a temperature check and are required to wear a face mask in order to be served. Those found to exhibit a high temperature are advised to seek immediate medical attention.

Equity Group Foundation involved its associate enterprise - Equity Afia - whose doctors trained all staff in Kenya on COVID-19 and how to keep safe. In addition, the doctors prepared educational leaflets with frequently asked questions on COVID-19. A million leaflets were distributed widely to staff and customers and shared online for wider reach.

Healthcare workers are at the frontline safeguarding community health and must be given the necessary tools and equipment to protect them as they go about their service. With this realization, Equity Group mobilized a total investment of USD $14 Million as their contribution to various national COVID-19 response initiatives in the region. In Kenya, funds totaling Shs 1.1 Billion (USD $11 Million) that included a donation of Shs 500 Million – (USD $5 Million) from Mastercard Foundation through its Mastercard Foundation COVID-19 Recovery and Resilience Program, a donation of Shs 300 Million from the family of Dr. James Mwangi and a similar amount from Equity Bank (Kenya) Limited. The investment was committed towards provision of Personal Protective Equipment (PPE) for medical staff attending to COVID-19 patients in Kenya's public hospitals designated to deal with COVID-19 cases as well as scaling up a mental wellness and case management program for the medical workers under the coordination of the Kenya Medical Association. In Rwanda, Equity Bank Rwanda supported the Government initiative with a contribution of Rwf 1 Billion (USD $1.06 Million) worth of 22,225 testing kits; while in Uganda, Equity Bank Uganda Limited contributed a total of UGX 500M (USD $131,500.00) in the form of two brand new Toyota double cabin pickups valued at UGX 400 Million (USD $105,000) and Personal Protective Equipment (PPE) worth UGX 100 Million (USD $26,500) to the Government of Uganda's COVID-19 response. Similarly, in the Democratic Republic of the Congo, Equity Bank Congo supported

EQUITY GROUP BOARD STATEMENT ON THE COVID-19 PANDEMIC (continued)



the Government's response initiative with Congolese Franc 1.9 Billion (USD $1 Million) towards the purchase of PPEs.

Regarding our customers and business, the Equity Group Board has evaluated the economic impact on its own business and the businesses of our customers during the lockdown. The Board of Directors, in evaluating the global landscape, has further acknowledged that the global supply chains and much of the manufacturing sector has been severely affected because of the lock down. The global aviation business is at a standstill, the hotel industry has been significantly affected while economies such as the USA (United States of America) and Europe have registered massive job losses. As of 2nd June, 2020, the International Labour Organization stated that 190 million people were out of work due to COVID-19. The situation has affected large business ecosystems and industries such as travel, tourism, manufacturing, trade and commerce, construction, oil and gas as well as agriculture and education.

In East Africa, the Board of Equity Group has recognized that more than 1 million people are reported to have lost their jobs, nearly 40% of tenants had challenges paying their rents for the month of April 2020, and the informal sector (80% of employment) has stagnated. Power consumption and demand is reported to have fallen by 14%, reflecting the slowdown in business.

In view of these circumstances, Equity Group has adopted an offensive and defensive approach to protect and ensure the continuity of business for its customers, staff and the Bank. On the defensive, the Group has taken a personalized approach in restructuring customer loans to help them navigate through the COVID-19 pandemic that has evolved into a socio-economic crisis.

Equity Group is supporting its clients and customers to survive, recover and thrive when the COVID-19 pandemic ends. Clients who can demonstrate the impact of COVID-19 on their businesses and the soundness of their business model in the `New Normal' receive a reprieve through loan rescheduling and refinancing with up to an additional three years of repayment. The restructuring approach takes into consideration regulatory and reporting requirements.

On the offensive approach, the Group is working with its customers to expand their opportunities in the health sector by financing them to manufacture health requirements such as face masks and Personal Protective Equipment (PPEs), preferably locally, while helping to create regional supply chains. In addition, the Group will support creation of a medical ecosystem in the region specializing in research and manufacturing of tropical medicine with a logistical value chain to ensure efficient supply across the region and beyond. In Kenya, EGF in partnership with the Covid-19 Emergency Response Fund Board has partnered with Kenya Association of Manufacturers (KAM) and McKinsey and Company to train over 95 local manufacturers on how to meet global health standards in the production of PPEs and how to develop efficient and sufficient supply chains for medical equipment in the region. The initiative will give local manufacturers the opportunity to excel as major exporters of trusted, quality supplies within the African continent. In Uganda, Equity Bank has partnered with Dei Group Ltd,

EQUITY GROUP BOARD STATEMENT ON THE COVID-19 PANDEMIC (continued)

a pharmaceutical company, to finance its expansion of a pharmaceutical, biotech and research plant in order to scale their capacity to manufacture and deliver critical and effective drug solutions and to achieve their goal of becoming the largest drug manufacturing plant in Africa.

In line with its strategic mission, Equity Group will support food and agriculture to enhance production, processing, distribution, and export opportunities. The Group will support innovation in ICT and other initiatives to digitize the economy. The offensive approach is anticipated to support economic recovery and create new growth and employment opportunities.

To protect customers and staff, Equity Group has massively invested to support contactless payments and a working from home environment. Equity's Point of Sale terminals are now Near Field enabled (NFC) and are Tap and Go. The Equity USSD mobile banking channel has been revamped for ease of use while the Equity Banking App has been upgraded for a smoother user experience. The EazzyNet, EazzyPay, EazzyBiz and EazzyFX suite of internet banking products have been reviewed to ease customer's user journey in enabling the Equity banking experience to be "what you do" instead of "where you go". In addition, all mobile transaction costs have been waived until 30th June, 2020.

The Group will play to its capital strength, balance sheet agility and liquidity to support a long-term strategy and walk with its customers through the COVID-19 crisis. The Group is optimistic that every client has a chance to turn the crisis into an opportunity to survive, recover and thrive. As part of Equity's relationship management, the Group is keeping a close connection with customers and is advising them to exercise caution in their decisions in order to preserve their business capital during this period of uncertainty in order to sail through the crisis.

In addition to working with its customers, the Group has forged alliances with Kenya Association of Manufactures (KAM), the Kenya National Chamber of Commerce and Industries (KNCCI) as well as the Kenya Micro and Small Enterprises Authority (MSEA). The alliance, with support from the Mastercard Foundation is aimed at synergizing and working together to mitigate the adverse effects of the current economic slowdown, providing capacity and resilience building to preserve and create 5 million jobs.

Through Equity's social arm, Equity Group Foundation (EGF), with financial support from Mastercard Foundation, the Group has provided solar-powered devices to 13,790 Wings to Fly and Elimu secondary school scholars. The scholars have been presented with a device that contains a radio, a solar lamp and a mobile charging unit which will enable the scholars to continue their academic lessons currently being delivered through the Government owned radio and TV stations in Kenya. The secondary school scholars as well as those sponsored in various technical and vocational education and training (TVET) programs, who are also sponsored through EGF's Education and Leadership pillar will receive a monthly stipend for three months to cushion their families during the lockdown period.

At this time, we are aware that the pandemic has presented a period of great volatility due to an unexpected and a very fast changing external environment of unknown duration. During such a crisis, critical decisions will have to be made as events unfold to address immediate challenges. For now, the ultimate impact the crisis will have on our customers, partners and overall business in 2020 and beyond is still not yet known. What we do know is that we are striving to support our customers and stakeholders with every capability and tool at our disposal. Our current report does not take the impact of these issues into account as the pandemic continues to evolve. Consequently, since it is too early to determine the full extent of the pandemic, from a health perspective and an economic perspective we will continue to execute Equity's Business Continuity Plan, and we will continuously update our stakeholders of any material developments.

Signed

Prof. Isaac Macharia

Non-Executive Vice Chairman

Board of Directors

Equity Group Holdings Plc

GROUP BOARD OF DIRECTORS

We have an extensively skilled and vastly-experienced Board charged with the governance and oversight functions aimed at achieving our strategic goals and delivering value to all our stakeholders.

Mary Wamae
Group Executive Director

Edward Odundo
Non-Executive Director

David Ansell
Non-Executive Chairman

Profiles of the Directors are available on pages 225 to 233

GROUP BOARD OF DIRECTORS (continued)

Deepak Malik
Non-Executive Director

Helen Gichohi
Non-Executive Director

Isaac Macharia
Non-Executive Vice Chairman

Evelyn Rutagwenda
Non-Executive Director

James Mwangi
Group Managing Director and Chief Executive Officer

Vijay Gidoomal
Non-Executive Director

Profiles of the Directors are available on pages 225 to 233

GROUP EXECUTIVE MANAGEMENT

The depth of diverse experience and complementary skills in our management team strengthens our ability to adjust to changing market environments and deliver our strategy to become the best bank for our customers.

James Mwangi, CBS
Group Managing Director & Chief Executive Officer

Mary Wamae
Group Executive Director

Brent Malahay
Group Director Strategy, Strategic Partnerships and Investor Relations

Polycarp Igathe
Group Chief Commercial Officer

David Ngata
Group Finance Director

Olanrewaju Bamisebi
Group Chief Information Officer

Christine Browne
Group Director, Legal Services and Company Secretary

James Mutuku
Group Director, Treasury & Trade Finance

Gloria Byamugisha
Group Chief Human Resources Officer

Joy DiBenedetto
Group Director, Communications

John Wilson
Group Chief Risk Officer

Bildard Fwamba
Group Chief Internal Auditor

Reuben Mbindu
Executive Director, Equity Group Foundation

Gerald Warui
Managing Director, Equity Bank (Kenya) Limited

Samuel Kirubi
Managing Director, Equity Bank Uganda Limited

Anthony Kituuka
Executive Director, Equity Bank Uganda Limited

Addis Ababa Othow
Managing Director, Equity Bank South Sudan Limited

Hannington Namara
Managing Director, Equity Bank Rwanda PLC

Robert Kiboti
Managing Director, Equity Bank (Tanzania) Limited

Celestin Muntuabu
Managing Director, Equity Bank Congo S.A.

Profiles of the Group Executive Management are available on pages 234 to 237

OUR BUSINESS

OUR BUSINESS

OUR STRATEGY

To realise our vision, the Equity Group strategy outlines three objectives to guide our execution and measure performance:

1. Leveraging on technology and innovation by disrupting our self-virtualization and digitizing our services and processes.
2. Convergence of various financial products and services for focused strategic delivery and scaling of the brand visibility and loyalty. This will be done by increasing access and enhancing customer experience.
3. Exercise strict operational control that will involve redesigning the operating model to enhance efficiency and high performance.

In order to deliver on these three objectives and maintain our growth trajectory, we will leverage on four things.

1. We have developed numerous 3rd party infrastructures to foster growth and scale up our operations without increasing our cost structure.
   - The agency network that has more than 53,417 agents with a 10% growth in the number of transactions.
   - Our investment in Equitel which is now the 2nd largest money transfer system in Kenya and handled Shs 623 Billion in 2019.
   - Our merchant network which now has 27,918 POS merchants and 48,790 EazzyPay merchants on board.
2. Execution of digital banking through an enhanced offering on our different digital platforms such as EazzyNet, Eazzy API, EazzyBiz, Eazzy App, Eazzy Diaspora, EazzyChama, EazzyPay, EazzyLoan and Equitel. We have in place, best in class security capabilities that will ensure protection of customer transactions and information in this age of cybercrime.
3. Regional diversification which allows for diversified income streams through the contribution of the various subsidiaries, spreading of our business risks and expansion into different sectors of the economies of these regions.
4. Efficiency through continuous improvement and innovation that will allow us to maintain a low cost to income ratio and thereby improve our profitability. We have invested heavily in technology and projects which will allow us to harness efficiencies going forward. Through our digitization agenda and third party infrastructure we are moving away from a direct fixed cost operating model to a low and variable cost model as facilitated by mobile and agency banking.

Focus areas for 2019

In light of the changing business environment, we realigned our focus and business model into 8 facets, as follows:

01	Non-funded income growth;
02	Treasury operations;
03	Regional and business diversification;
04	Strengthening liquidity and balance sheet agility;
05	Asset quality;
06	Innovation and digitization;
07	Efficiencies and cost optimization; and
08	Impact investment and social brand development.

OUR BUSINESS (continued)

VALUE CREATION MODEL

Our vision is to be the leading bank in sustainable performance and customer satisfaction and our commitment leads us to serve as an agent of transformation of society. We work for great causes, such as financial inclusion and literacy, economic development, enterprise development, education, health, energy and agriculture. We continuously seek the common good, contributing to the development of the regions we operate in.

1. CAPITALS

All organizations depend on inputs (or capitals) for their success. We use a wide range of inputs that are related to raise finance and manage our customers' funds. By allocating capital to our businesses, we provide differentiation, create value and share it with our stakeholders, while also increasing our own capitals. We present below a brief description of the capitals that are most relevant to our business model.

Financial capital

Financial capital is composed of the financial resources available and allocated to Equity, our own or third parties' in the form of products and services provided to our customers, such as: loan operations, financial investments, deposits and funding, investments and other operations that generate fees and commissions.

Human capital

This is composed of our employees and their skills and experiences, as well as their motivations to innovate and develop better products and services, in an ethical and responsible way, by means of their capabilities for management, leadership and cooperation.

Intellectual capital

This is composed of the reputation obtained by our brand, by technical knowledge and intellectual property and by the ability to develop new technologies, products and services for the sustainability of the business.

Manufactured capital

This is composed of the equipment and physical installations, such as branches, ATMs, platforms, applications and systems that are used by the organization in the provision of products and services.

Social and relationship capital

This is mainly composed of ethical and transparent relationships with our customers, shareholders, investors, suppliers, regulatory agencies, government and society. This also includes the ability to share value with our stakeholders to enhance individual and collective well-being.

Natural capital

These are the renewable and non-renewable environmental resources, consumed or affected by our businesses, for the prosperity of the organization. We are particularly talking about water, soil, ores, forests and biodiversity.

2. BUSINESS MANAGEMENT

Management is responsible for the efficient allocation of the capitals to our activities and operations, focused on the creation of shared value over time. Our Governance and Risk Management Framework has tools and internal policies that help us in the control of risks, identification of opportunities, and definition of strategies and assessment of the performance of the businesses. Efficient management allows us to offer products and services that are more suited to the needs of our customers.

3. PRODUCTS AND SERVICES

By means of portfolios and commercial agreements, we offer a wide range of financial products and services to a diversified base of customers, locally and abroad, which are offered via our physical and digital channels. We highlight below the main financial products and services offered to our customers:

- Savings and current accounts;
- Loans and financing;
- Cards;
- Investment;
- Brokerage;
- Wealth management;
- Telecommunications; and
- Insurance.

4. RESULTS

For us, to create value is to obtain sustainable results in an ethical and responsible way that meets the needs of our stakeholders. This is how we seek to create shared value, achieve the established targets and encourage the development of people, society and the countries in which we operate.

OUR BUSINESS (continued)

STAKEHOLDERS

This section of the report describes our stakeholders' needs, our pledge to our stakeholders and our strategy and purpose. Our pledge is to create lasting stakeholder value and to make a sustainable contribution to society. To achieve this, we listen closely to our different stakeholders. In a world that is defined by constantly changing trends, we want to understand what matters most to our stakeholders now and how their needs will change going forward. We do this by engaging in dialogue with our stakeholders.

Shareholders and Investors

These are the initial providers of financial capital and we disclose to them relevant information to make informed investment decisions as well as seek their perspectives on our financial performance and strategy.

Key concerns

The key concerns raised by shareholders related to credit risks in light of the introduction of interest rate capping and IFRS 9. They were also concerned about business growth prospects in a challenging operating environment, including management's decision to allocate capital in different countries as we look to grow and have a presence in 15 countries by 2025. A greater number of shareholders are interested in how we are embedding sustainability considerations into our business practices.

Value we create

- Delivering value to our shareholders by increasing net asset value, dividends, share price and earnings.
- Continuous engagement to ensure full disclosure and open communication so as to inform their investment decisions.

Customers

Customers remain the largest source of our deposits, which enable us to fund lending activities. Gaining more customers results in greater revenue growth and this can only be achieved by providing superior customer experience. On the other hand, sustainable banking practices and world-class governance and risk management ensure we maintain the trust customers have in us.

Key concerns

They desire banking to become simpler, more intuitive and time-efficient.

Providing excellent customer service and getting it right for customers the first time and security for their money and information.

Value we create

- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, economic development and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing access to affordable products to the previously unbanked.
- Providing financial education and advice.
- Developing innovative solutions that meet our customers' specific needs.

Employees

Our staff are key to making Equity a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations offer value to our customers. Staff as part of society, contribute materially to the communities in which they live and work.

Key concerns

They want to grow as the business grows, open doors for career progression, opportunities to contribute to society and a work environment that is friendly, safe and conducive for work life balance.

Value we create

- Employing citizens in the jurisdictions in which we operate.
- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to further their careers and improve our services and products.
- Transforming into an inclusive society through employment equity and gender equality.
- Motivating and energising our workforce.

OUR BUSINESS (continued)

STAKEHOLDERS (continued)

Society

We engage with our different communities so as to better understand the role we can play to address the needs of the societies we operate in. It is society that grants us the license to operate and as such, we must be ever conscious of its interests.

Key concerns

The public is demanding that banks exert greater influence on their customers and employees to act responsibly in environmental, social and governance matters.

Value we create

- Embracing sustainable banking practices and regulatory compliance that enable a safe and stable banking system and a thriving society.
- Playing a meaningful part in the broader society as a procurer of goods and services, making a difference through our corporate social investment activities and positively transforming economies and society through our activities and our lending.

Regulators and Policy Makers

We purpose to be a good corporate citizen and a long-term participant in our markets by providing input to and implementing public policies. We are regulated by a wide spectrum of regulators due to our regional footprint.

Key concerns

Regulation for the banking industry continues to be around key areas such as cyber security, business and professional conduct, corporate governance, financial reporting and financial crime.

Value we create

- Complying to set rules and regulations to ensure a stable financial sector.
- Collaboration with regulators to deepen financial inclusion.
- Contributing meaningfully to government budgets through our own corporate taxes, staff paying personal taxes and participation in buying government and public sector bonds.

MATERIAL ISSUES

These are the factors, which in our view, could materially impact our ability to serve our customers, deliver our strategy and determine the nature of relationships we have. We also look at the actions we are taking to mitigate the inherent risks. The careful analysis of these matters informs the strategic approach adopted by the Board and the choices senior management make in running the Bank.

	The risks and their impact	How we are responding
Competition and industry disruption	Meeting customer needs with innovative solutions and superior experiences is critical to maintaining high-quality relationships with our customers. As customer expectations continue to evolve, competitors are finding alternative ways to deliver financial services, and emerging technologies present new sources of competitive advantage. A failure to recognise and adapt to changing competitive forces in a timely manner could erode our earnings and our market position over the long term.	• We actively monitor changes in customer preferences, products, technologies and distribution channels and continuously improve customer experiences with market leading innovation. • We invest in people and key areas of technology capability that are critical to our value proposition to customers, including cyber-security, digital channels, data and analytics. • We are investing in emerging technologies to ensure that the way we operate and the solutions we provide to our customers are industry leading. • We invest in staff productivity to optimise our cost base and continue to remain competitive for our customers.

OUR BUSINESS (continued)

MATERIAL ISSUES (continued)

	The risks and their impact	How we are responding
Business resilience	The resilience and continuity of our operations is critical to providing our customers with the products, services and experiences that they expect. Events driven by our external environment, including cyber attacks, political instability, unfavourable business conditions, global pandemics and adverse weather conditions can significantly disrupt the systems and processes that enable us to serve and protect our customers. Such disruptions can affect our trusted relationships with customers, our reputation, and our operating costs.	• We monitor the health of all systems and perform contingency planning for disruptions to critical systems and processes. • We are implementing a number of process and system simplification initiatives through investments in agile capability, automation and systems resilience. • We are investing in our technology, processes and people capabilities to mitigate the impact of cyber-security risks on our businesses and customers. • Group policies and standards on supplier governance, selection and management and on outsourcing/offshoring are applied to mitigate the risk and impact of third-party disruptions. • We are improving partnership arrangements to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.
People capability	Our people are critical to the success of our strategy and ensuring we are able to continuously find better ways to operate and meet customer needs. A shortage of key skills, a failure to help our people continuously update their capabilities, the emergence of new technologies and/or a fall in our attractiveness relative to other leading employers, could impact our ability to deliver on our strategy and vision.	• We are investing in our value proposition as an employer, through new ways of working, competitive benefits and a focus on culture and diversity. • We focus on developing and retaining our people, including senior management, through targeted training programs and skills upgrading. • We are creating flexible and innovative workspaces to enable stronger collaboration and foster an innovative culture. • We are building partnerships with leading universities to further develop top talent and are investing in community awareness of potential future skills shortages. • We are assessing how new technologies will impact the future workforce for the regional economies and our businesses. We are building these changes into our long-term people development and capability roadmaps.

OUR BUSINESS (continued)

MATERIAL ISSUES (continued)

	The risks and their impact	How we are responding
Regulatory and policy environment	Regulatory compliance and involvement in evolving policy discussions are critical to how we continue to run our business and interact with customers. The banking industry remains subject to ongoing regulatory and policy changes. If we are unable to foresee, advocate for, plan for, and adapt to regulatory change, this could negatively impact our ability to serve customers and/or our earnings.	• We allocate a material proportion of our investment budget to regulatory compliance and risk prevention initiatives and engage with policy makers and communities to advocate for appropriate regulatory reform. • We maintain constructive and proactive relationships with key regulators.
Data and information management	As one of the region's largest financial institution, we manage a significant volume of sensitive customer data and value the trusted relationship we have with our customers. As technology continues to evolve, the threat of cyber-attacks is becoming more sophisticated and greater numbers of third-parties seek to access our customers' data and remove it from the safety of our systems and firewalls. A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.	• We have, and continue to invest significantly in our data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches. • We actively engage with regulators to ensure that there is appropriate governance in place and that evolution in regulation appropriately balances the value of giving customers control of their data, with our duty to protect customer privacy and security. • We continuously invest in IT system security and identity and access management controls to secure the confidentiality, integrity and availability of our data. • Our people undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.

OUR BUSINESS (continued)

MATERIAL ISSUES (continued)

	The risks and their impact	How we are responding
Reputation	Our reputation is of critical importance to us and is directly related to how we run our businesses, make decisions and communicate with customers and the communities in which we operate. A negative shift in any stakeholder's perception of the Group may materially undermine our ability to advocate for positive outcomes that align to our vision and values, and our ability to drive long-term performance. It may also affect the cost and availability of funding necessary for the sustainable management of our business.	• We actively focus on improving the transparency of our business decisions and engage with our customers, employees and the communities in which we operate to understand their concerns and balance their needs. • We have embedded our organizational culture which communicates what we expect of our people in applying our vision and values as a guide for business management and decision-making. • We continue to drive deeper engagement with customers, government and industry groups to ensure we deliver better and consistently fair outcomes and remediate issues when we are made aware of them. • We engage with external rating agencies to assist them in forming an opinion on our general creditworthiness, with mechanisms to adjust business settings as appropriate.
Social and environmental footprint	We actively consider the social and environmental impact of our activities and are committed to operating sustainably and making a positive contribution beyond our core businesses. We consider social and environment issues to be significant long-term drivers of both financial and non-financial value. We appreciate the potential impact they have on our relationships with different stakeholders.	• Under our Foundation programs and initiatives, we take a long-term view to ensure that we conduct business in a sustainable and efficient way, and appropriately use our influence to enhance social and environmental outcomes. • We have implemented frameworks for considering Environmental, Social and Governance (ESG) issues in assessing our relationships with customers and suppliers.

BUSINESS PERFORMANCE

BUSINESS PERFORMANCE

OPERATING ENVIRONMENT

Kenya

2019 presented a subdued economic context with a slowdown in liquidity due to government delays in payments to suppliers. GDP growth stood at 5.5%, a decline from the 5.9% registered in 2018. Interest and foreign exchange rates remained relatively stable while inflation at 5.8% remained within the regulator's target range though higher than 4.7% in 2018. The Kenya Shilling gained by 0.5% against the US Dollar to close at 101.3 in 2019, compared to 101.8 at the end of 2018. The Monetary Policy Committee at the Central Bank of Kenya maintained the Central Bank Rate (CBR) at 9% throughout most of the year before lowering it to 8.5% in November. Private sector credit growth increased to 7.3% in November 2019, a month after the repeal of the interest rate capping law. The Banking sector noted increased consolidation through either mergers or acquisitions.

Uganda

Equity Bank Uganda Board Non-Executive Chairman, Apollo Makubuya addressing guests during the launch of the second supreme branch in Bugolobi in June 2019. Looking on is Geoffrey Rugazoora, a Non-Executive Director in the Board.

The Uganda economy performed robustly with GDP growth of 5.6% in 2019 as compared to 5.8% in 2018. This was driven by growth in the services, mining, construction and retail sectors as well as public infrastructure investment and capital investments in the oil and gas industry. Inflation remained below 5%. Widening of the fiscal deficit continued on account of increasing government spending out pacing domestic revenue growth. The deficit is largely financed by external borrowing and domestic securities. In 2019, debt reached an estimated 43.6% of GDP. Trade deficit was estimated at 9.4% of GDP in 2019 compared to 8.3% in 2018.

Cake cutting that officially crowned the launch of the second supreme branch in Uganda

In 2019, the Ugandan government launched the Deposit Protection Fund of Uganda (DPF), a deposit insurance scheme for customers of contributing institutions. The new fund led to an increase of the deposit insurance threshold to Ushs 10 Million from Ushs 3 Million. The higher threshold is likely to enhance public confidence and encourage greater customer deposits, thereby expanding the funds available for investment by banks. As a result of the fund, banks have been requested to update customer information documenting valid national IDs, alternative account numbers and mobile money numbers.

The Anti-Money Laundering (Amendment) Bill 2019 proposes to repeal sections in the current Act enacted in 2013 in order to permit the unrestricted exchange of information by the Financial Intelligence Authority (FIA) with similar bodies outside Uganda. If passed, this will lead to improvements in Anti Money Laundering (AML) and Counter Terrorism Financing (CTF) practices.

Tanzania

Tanzania's economy continued to grow with GDP growth of 6.8% in 2019, slightly lower than 7.1% registered in 2018. Tourism, mining, services, construction, agriculture and manufacturing were key drivers of this growth coupled by robust private consumption, substantial public spending, strong investment growth and an upturn in exports. Inflation remained within the 3-4% range at 3.8% due to improved food supply. The Tanzania Shilling was relatively stable against all major currencies. The fiscal deficit stood at 2% of GDP in 2019 from 1.3% in 2018 while external public debt constituted 70% of all public debt.

BUSINESS PERFORMANCE (continued)

OPERATING ENVIRONMENT (continued)

The Bank of Tanzania (Financial Consumer Protection) Regulations 2019 through Government Notice No. 884 published on 22nd November, 2019 came into force on 27th November, 2019. The Regulations provide for financial consumer protection and designates the responsibilities of Boards of Directors and Senior Management of operating banks and financial service providers. It requires institutions to deploy sound governance, internal control systems, policies, procedures and for submission of reports to the Central Bank in this respect.

South Sudan

South Sudan's economy rebounded in 2019, with growth estimated at 5.8% as compared to 0.5% in 2018. The rebound was attributed to increased oil supply following the reopening of oil fields and resumption of production. Inflation increased to 69% from 40.1% in the previous year. The current account deficit widened to 6.4% of GDP in 2019 from 4.5% in 2018. Oil exports—crude oil accounts for more than 95% of exports—are expected to fund the current account deficit and boost foreign reserves.

Rwanda

Equity Bank Rwanda MD, Hannington Namara demonstrates how to scan a QR Code when using EazzyPay to pay for bills, goods or services during a media briefing. The functionality is available on the bank's EazzyBanking App.

Rwanda's economy continued to perform well with GDP growth of 10.9% in 2019, higher than the regional average. Growth was mainly in services, industry and particularly construction as well as public investment in basic services and infrastructure. Inflation moved up to 12% in 2019, driven by increased domestic demand. Since inflation was above the 5% target, the National Bank of Rwanda reduced the monetary policy rate by 50 basis points to 5% in May 2019, stimulating bank lending to the private sector. Domestic credit to the private sector increased by 0.9 percentage points to 21.1% of GDP in 2019.

A packed crowd during a roadshow to mark the launch of Eazzy Banking suite of products in Rwanda

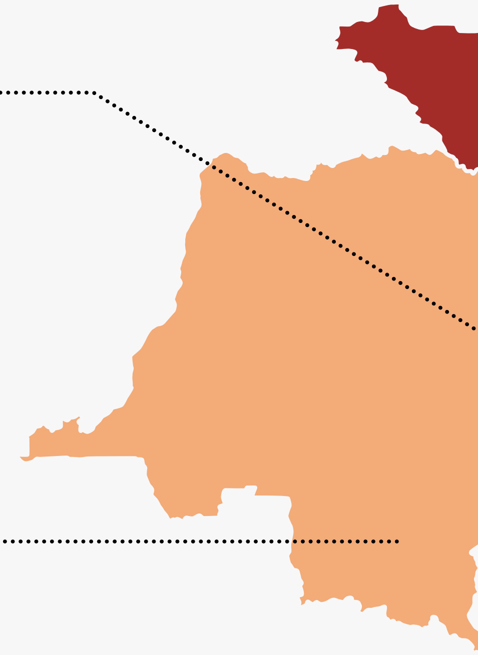
Fiscal deficit increased by 1.9 percentage points to 6.2% of GDP. Government securities largely financed the deficit. Public and publicly guaranteed debt increased to 50.3% of GDP in 2019. The trade deficit widened by 3.5 percentage points to 11.3% increasing the current account deficit by 1.5 percentage points to 9.2% of GDP. The exchange rate depreciated against the dollar by 5.0% in 2019 due to the growing trade deficit.

Democratic Republic of Congo (DRC)

GDP grew at 4.6% in 2019, declining from 5.8% in 2018 due to a slowdown in the extractives sector, the economy's main driver and a fall in international commodity prices particularly copper and cobalt prices. Growth was hinged on domestic demand, particularly private investment and public consumption. Inflation declined to 3.9% in the year from a high of 9.1% in 2018. The fiscal deficit was 0.4% while the current account deficit was 2.6% of GDP, financed primarily by direct foreign investment.

BUSINESS PERFORMANCE (continued)

BUSINESS HIGHLIGHTS 2019



RWANDA: ACTIVITIES

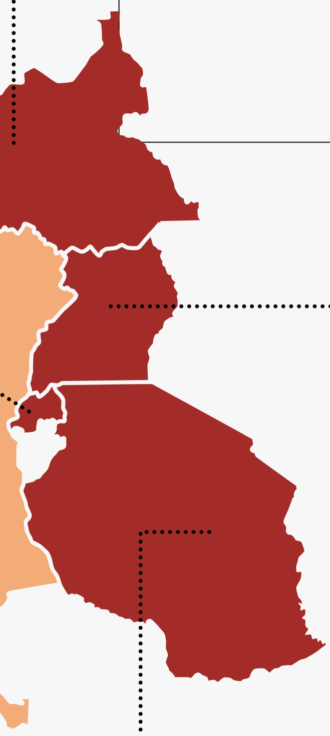
Products that were launched in 2019	• EazzyPay • Soft launch of premium cards • Supreme Banking • Terrapay, Small World and Xoom
Anniversaries in 2019	• 8th anniversary of operation in Rwanda • 2nd Best bank on profitability in the market • The most efficient bank in the market • Largest customer base in the industry • The preferred bank in handling social payments in partnership with UNHCR and WFP
New Channels in 2019	• Supreme Banking centre • EazzyPay was rolled out • Akokanya account was rolled out • Integration with TELCOS on merchant settlement
Major Events in 2019 • Sponsorships • Strategic Partnerships • CSR/ community activities	Strategic Partnerships • WASAC and EUCL: Utility bills payment • WFP &UNHCR: Social payments • IMSAR: Agribusiness value chain market research • BNR – Our regulator on cashless economy campaign

DRC: ACTIVITIES

Products that were launched in 2019	• Visa Card Infinite • Visa Card Platinum • AutoCash allocation • Cardless withdrawal (Equity wallet)
Anniversaries in 2019	Purchase of a majority shareholding in Banque Commerciale Du Congo (BCDC) by Equity Group Holdings Plc
New Channels in 2019	Kinkole branch
Major Events in 2019: • Sponsorships • Strategic Partnerships • CSR/ community activities	Strategic Partnerships • Mpesa (Sololana Mur) • Orange Money (Zwa Cash) • Western Union • Finca (Prepaid Mastercard)

SOUTH SUDAN: ACTIVITIES

Products that were launched in 2019	• Agency banking • Mastercard acceptance • Cash drop and Cash distribution
Anniversaries in 2019	• 10th anniversary of operation in South Sudan (1st July 2019)
New Channels in 2019	Rollout of Agents: 32
Major Events in 2019 • Sponsorships • Strategic Partnerships • CSR/ community activities	Strategic Partnerships • EBSSL/Japanese Embassy public Lectures at University of Juba • UNDP partnership on the SDGs • Youth Summit in Arusha • Trained 300 local traders on entrepreneurship skills • UNMISS Rwandan Contingents - construction of primary schools in Kapuripayam, Juba • Alongside Embassy of Japan supported "Doing business in South Sudan" initiative • Partnered with UNDP in support of the UN SDGs on Elimination of hunger through support of Agricultural master plan



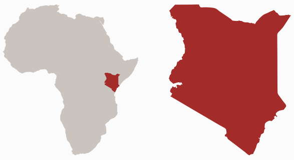
UGANDA: ACTIVITIES

Products that were launched in 2019	• Equity Agri-Business Loans • Equity Agri-Micro Loans
Anniversaries in 2019	Launch of the second Supreme Branch in Bugolobi
New Channels in 2019	• The bank set up an in-country data center • Branches opened including Iganga, Masaka, Kasese, Soroti
Major Events in 2019 • Sponsorships • Strategic Partnerships • CSR/ community activities	Strategic Partnerships: • Equity Bank partners with GOAL Uganda to empower Ugandan youth through financial inclusion • Equity Bank - NU-TEC FS (Northern Uganda transforming the economy through climate smart agriculture) Partnership

TANZANIA: ACTIVITIES

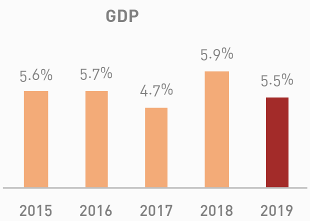
Products that were launched in 2019	• Simba Debit Card • SATF project in partnership with Mastercard • Expansion of agency network
Anniversaries in 2019	-
New branch, agency, digital platforms etc. opened/ rolled out in 2019 Enrolled 837 new Equity Agents	(Wakala)
Major Events in 2019 • Sponsorships • Strategic Partnerships • CSR/ community activities	Strategic Partnerships: • Strengthening of Bank support and partnership with the Government through the Ministry of Home Affairs (Handed over desktop computers) • Saba Saba International Trade Fair Exhibition, partnering with TanTrade which works under the Ministry of Trade and Industries • Nane Nane Agricultural Trade Fair- partnering with the Ministry of Agriculture, Livestock and Fisheries • Simba Sports Club Fans Debit Card - partnering with one of the most successful football clubs in Tanzania

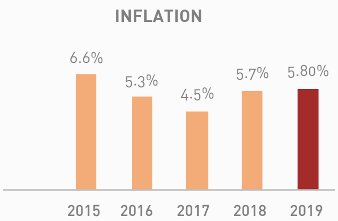
BUSINESS PERFORMANCE (continued)

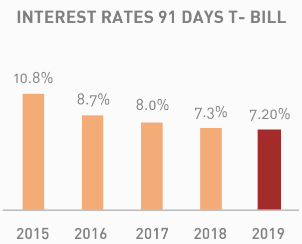


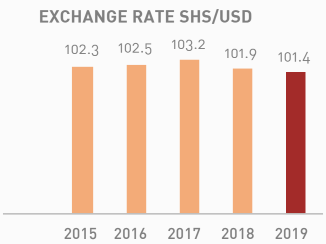
SUBSIDIARY PERFORMANCE 2019: EQUITY BANK (KENYA) LIMITED

KEY HIGHLIGHTS









Performance	2018	2019
Total revenue	45,827	48,924
Customer deposits	341,623	380,604
Total assets	438,509	507,525
PBT	24,382	25,974
Customer numbers	10,920,271	11,282,794
Employee numbers	4,113	3,998
ATM's	487	399
Branches	179	182
Agents	35,630	42,770

*Monetary figures are in Shs Million

Kenya Board of Directors

Isaac Macharia
Non-Executive Chairman

Gerald Warui
Managing Director, Equity Bank Kenya

Mary Wamae
Executive Director

Fredrick Muchoki, O.G.W.
Non-Executive Director

Adema Sangale
Non-Executive Director

James Mwangi, CBS
Group Managing Director & CEO

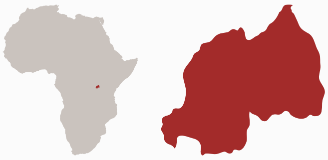
Jane Ngige
Non Executive Director

Shem Migot-Adholla
Non-Executive Director

Erastus Mwencha
Non-Executive Director

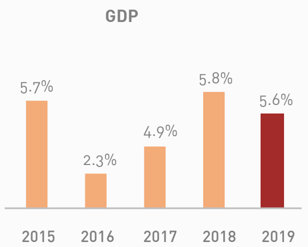
Profiles of the Directors are available on pages 225 to 233

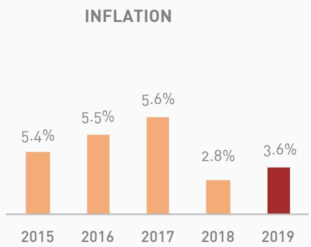
BUSINESS PERFORMANCE (continued)

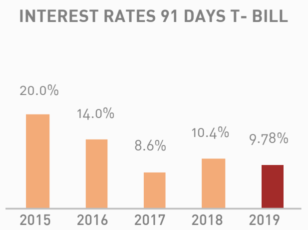


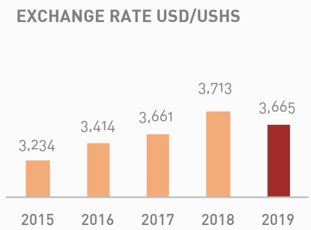
SUBSIDIARY PERFORMANCE 2019 (continued): EQUITY BANK UGANDA LIMITED

KEY HIGHLIGHTS









Performance	2018	2019
Total revenue	3,814	4,430
Customer deposits	24,035	34,475
Total assets	32,267	44,999
PBT	1,345	1,494
Customer numbers	662,960	874,621
Employee numbers	774	919
ATM's	38	42
Branches	35	39
Agents	1,752	3,169

*Monetary figures are in Shs Million

Uganda Board of Directors

Apollo Makubuya
Non-Executive Chairman

Samuel Kirubi
Managing Director

Anthony Kituuka
Executive Director

Evelyn Rutagwenda
Non-Executive Director

Peter Kimbowa
Non-Executive Director

Mark Ocitti
Non-Executive Director

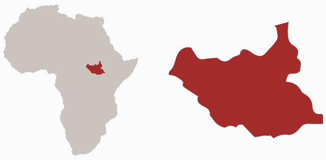
Geoffrey Rugazoora
Non-Executive Director

Mary Wamae
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

Profiles of the Directors are available on pages 225 to 233

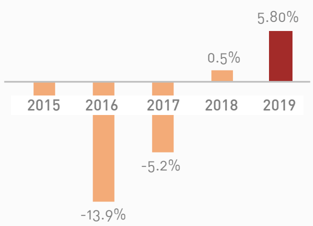
BUSINESS PERFORMANCE (continued)



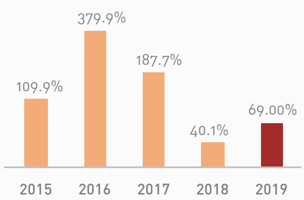
SUBSIDIARY PERFORMANCE 2019 (continued): EQUITY BANK SOUTH SUDAN LIMITED

KEY HIGHLIGHTS

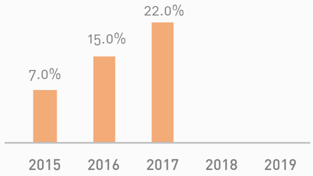
GDP



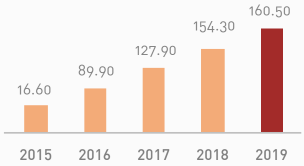
INFLATION



INTEREST RATES 91 DAYS T- BILL



EXCHANGE RATE USD/SSP



Performance	2018	2019
Total revenue	980	1,730
Customer deposits	5,251	5,193
Total assets	8,560	8, 754
PBT	241	606
Customer numbers	153,984	159,250
Employee numbers	75	69
ATM's	15	14
Branches	5	5
Agents	-	32

*Monetary figures are in Shs Million

South Sudan Board of Directors

Shem Migot-Adholla
Non-Executive Chairman

Addis Ababa Othow
Managing Director

Mary James Ajith
Non-Executive Director

Kenyi Spencer
Non-Executive Director

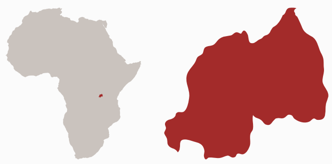
Mary Wamae
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

Allan Waititu
Non-Executive Director
Alternate to James Mwangi

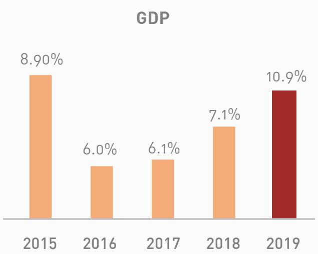
Profiles of the Directors are available on pages 225 to 233

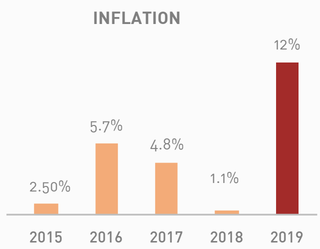
BUSINESS PERFORMANCE (continued)

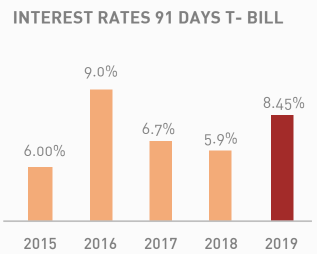


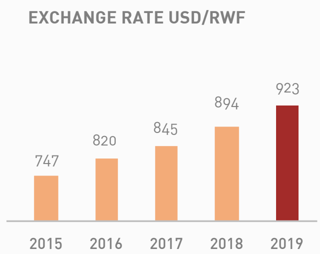
SUBSIDIARY PERFORMANCE 2019 (continued): EQUITY BANK RWANDA PLC

KEY HIGHLIGHTS









Performance	2018	2019
Total revenue	2,164	2,890
Customer deposits	20,169	21,763
Total assets	27,004	30,333
PBT	1 ,008	1,504
Customer numbers	616,086	685,258
Employee numbers	286	286
ATM's	18	21
Branches	13	14
Agents	990	1,503

*Monetary figures are in Shs Million

Rwanda Board of Directors

Evelyn Rutagwenda
Non-Executive Chairperson

Hannington Namara
Managing Director

Patrick Uwizeye
Non-Executive Director

Robert Bafakulera
Non-Executive Director

Emmanuel Butare
Non-Executive Director

Mary Wamae
Non-Executive Director

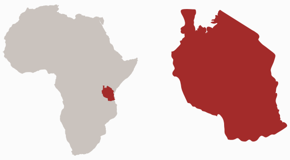
James Mwangi, CBS
Non-Executive Director

James Mutuku
Non-Executive Director
Alternate to James Mwangi

Steven Mutabazi
Non-Executive Director

Profiles of the Directors are available on pages 225 to 233

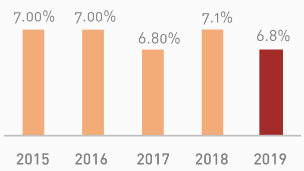
BUSINESS PERFORMANCE (continued)



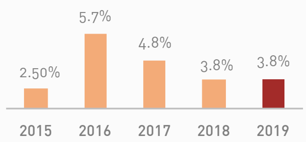
SUBSIDIARY PERFORMANCE 2019 (continued): EQUITY BANK (TANZANIA) LIMITED

KEY HIGHLIGHTS

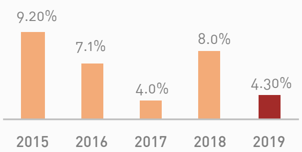
GDP



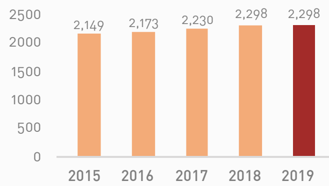
INFLATION



INTEREST RATES 91 DAYS T- BILL



EXCHANGE RATE -USD/TSHS



Performance	2018	2019
Total revenue	894	1,223
Customer deposits	16,284	15,908
Total assets	24,544	23,857
PBT	(559.0)	(411.2)
Customer numbers	506,078	469,312
Employee numbers	374	387
ATM's	22	21
Branches	15	14
Agents	2,051	2,888

*Monetary figures are in Shs million

Tanzania Board of Directors

Raymond Mbilinyi
Non-Executive Chairman

Robert Kiboti
Managing Director

Godfrey Simbeye
Non-Executive Director

Dino Stengel
Non-Executive Director

Ahmed Ame
Non-Executive Director

Mary Wamae
Non-Executive Director

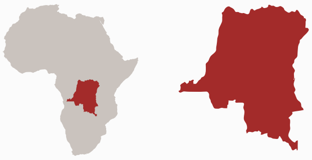
James Mwangi, CBS
Non-Executive Director

Reuben Mbindu
Non-Executive Director
Alternate to James Mwangi

Honest Ngowi
Non-Executive Director

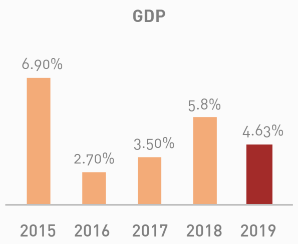
Profiles of the Directors are available on pages 225 to 233

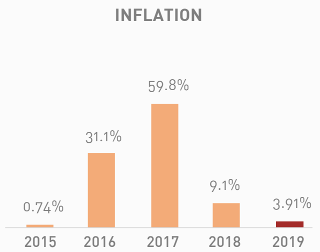
BUSINESS PERFORMANCE (continued)

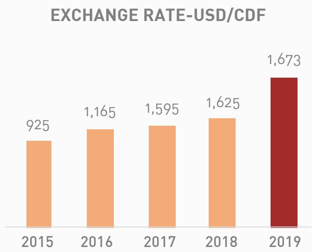


SUBSIDIARY PERFORMANCE 2019 (continued): EQUITY BANK CONGO S.A.

KEY HIGHLIGHTS







Performance	2018	2019
Total revenue	5,258	5,949
Customer deposits	43,753	64,080
Total assets	57,965	80,076
PBT	1,358	1,644
Customer numbers	600,971	666,603
Employee numbers	445	651
ATM's	114	119
Branches	43	44
Agents	2,212	3,055

*Monetary figures are in Shs million

DRC Board of Directors

Wolfgang Bertelsmeier
Non-Executive Chairman

Celestin Muntuabu
Managing Director

Jean- Claude Tshipama
Non-Executive Director

Nestor Ankiba
Non-Executive Director

Mary Wamae
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

James Mutuku
Non-Executive Director

Profiles of the Directors are available on pages 225 to 233

BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS

1. Grow non-funded income

Growth of non-funded income is a foundational aspect of our strategy to diversify our revenue streams, improve our income mix and enhance the quality of earnings. This income stream is vital because it is more sustainable and predominantly involves a variable cost component. Key non-funded income sources include bank charges, transaction fees, monthly account charges, mobile banking fees among others. Alternative channels such as self-service channels and agency account for 97% of all transactions. Non-funded income for the year was Shs 29.9 Billion, a 19% growth compared to 2018 and constituted 40% of total revenue.

Mobile banking transactions grew by 15% year on year to 595 Million transactions in 2019, from 517 Million transactions in 2018. Mobile banking offers a wide variety of transactions enabling customers to facilitate diverse types of payments, thus resonating with our customers' journeys and financial needs. We continue to expand the pool of partners and providers on this platform to increase the breadth of products and services that are availed to our customers.

Our merchant and card business performed well with merchant commissions rising by 13% to Shs 2.3 Billion. We remain the leading issuer and acquirer in the market with 3.5 million cards issued to date. We partner with several leading card and payment solution providers including American Express, Visa, MasterCard, PayPal, Google, China Union Pay, SWIFT, JCB, VFX (Equity Direct) and Diners Club.

Trade finance revenues hit Shs 1.2 Billion in 2019. Our trade solutions facilitate trade in goods and services locally and internationally by financing business operations, liquidity and risk mitigation related to trade. We have seen growth in sectors such as real estate, logistics, export/import and regional trade which continued to perform well despite the challenging economic environment.

Agency banking also performed strongly in the year driven by both the expansion of our network and the number and volume of transactions now being processed through this channel. Agency revenue went up by 18% to Shs 1.1 Billion compared to Shs 910 Million in the same period last year. Foreign exchange (FX) income also grew due to the increased demand for major foreign currencies from traders importing both raw and finished goods for the regional markets. FX income grew by 9% to Shs 3.6 Billion in the year.

Diaspora banking offers financial solutions to individuals working and living abroad. Leveraging on technology, our local offerings and expertise are availed to a global setting. Through EazzyNet - online banking, Equity Direct, Eazzy Banking App, Eazzy API, EazzyChama and several partnerships with global remittance service providers, we have grown the number of accounts opened and increased our portfolio of services offered from simple banking and remittances to investment solutions, insurance and credit facilities. Diaspora remittances increased by 27% to Shs 142 Billion and income generated grew by 7% to Shs 851 Million.

2. Treasury operations

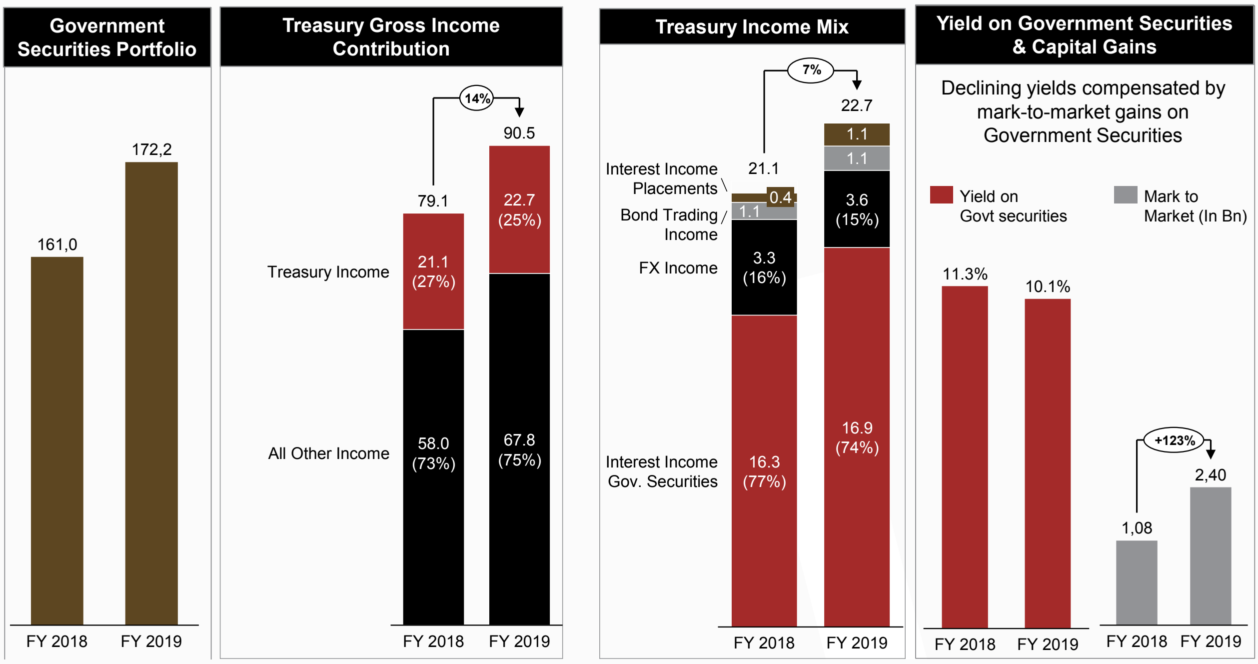
Treasury has increasingly become a strategic business partner across all areas of the business, adding value to the operating divisions of the company. While traditional treasury functions are concerned with balancing and managing the daily cash flow and liquidity of funds within the bank, we have leveraged on technology to extend this mandate to generating returns based on excess liquidity. By working closer with other business units, we continued to explore and capitalise on areas of collaboration, investment and cross sell by offering a full suite of services to customers who require treasury products. Interest income from trading in government securities has been the biggest driver of growth under this pillar.

BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

2. Treasury operations (continued)

In Shs Billion



3. Regional and business diversification

The Group's regional diversification strategy includes replication of capabilities and the creation of a platform across the region. In 2019, the Group made steps to acquire Banque Commerciale du Congo (BCDC) taking a leading stake in the DRC based bank of 66.5%, further enhancing our regional expansion footprint. This acquisition is at the completion phase pending regulatory approval. We continued to launch new products in the regional subsidiaries, replicating those already offered in our key market, scaling up on digital capabilities regionally and aggressively growing the loan book in these markets. Strategic dividends have already been realized as the regional subsidiaries and the local non-banking subsidiaries grew their Profit After Tax sustaining their contribution to the Group at 18% of total Profit After Tax; increasing from 15% in 2018. Regional subsidiaries continued to report double digit returns with the exception of Tanzania and Finserve Africa, as shown on the table below:

In Shs Billion

Dec 2019	EBTL	EBRL	EBUL	EBSSL	EBC	EIA	EIB	Finserve	Subsidiaries Total	EBKL	Group	Subsidiaries Contribution Dec 2019	Subsidiaries Contribution Dec 2018
Deposit	15.9	21.8	34.5	5.2	64.1				**141.4**	**380.6**	**482.8**	27%	24%
YoY Growth	-2%	8%	43%	-1%	46%				**29%**	**11%**	**14%**		
Loan	13.1	17.2	27.9	0.1	31.4				**89.6**	**276.9**	**366.4**	24%	25%
YoY Growth	-10%	12%	45%	-35%	28%				**22%**	**24%**	**23%**		
Assets	23.9	30.3	45.0	8.8	80.1	0.3	0.6	2.0	**190.9**	**507.5**	**673.7**	27%	26%
YoY Growth	-3%	12%	39%	2%	38%	10%	16%	8%	**25%**	**16%**	**17%**		
Revenue	1.22	2.89	4.43	1.73	5.95	0.94	0.14	1.49	**18.8**	**48.92**	**66.77**	28%	26%
YoY Growth	37%	34%	16%	77%	13%	17%	124%	-19%	**19%**	**7%**	**10%**		
Cost	1.63	1.39	2.94	1.12	4.30	0.26	0.07	1.41	**13.1**	**22.95**	**35.30**	36%	36%
YoY Growth	12%	20%	19%	52%	10%	4%	3%	-21%	**11%**	**7%**	**10%**		
PBT	-0.41	1.50	1.49	0.61	1.64	0.68	0.07	0.07	**5.7**	**25.97**	**31.48**	18%	14%
YoY Growth	26%	49%	11%	152%	21%	23%	1137%	75%	**42%**	**7%**	**11%**		
PAT	-0.32	1.04	1.02	0.47	1.23	0.47	0.09	0.03	**4.0**	**18.74**	**22.56**	18%	15%
YoY Growth	-2%	48%	6%	96%	29%	22%	747%	20%	**37%**	**12%**	**14%**		
RoAE	-13.1%	24.9%	19.0%	14.4%	17.0%	288.5%	17.2%	2.6%	**16.9%**	**28.7%**	**21.8%**	16.9%	13.3%
Cost of Capital	20.0%	19.0%	19.0%	22.0%	22.0%	18.0%	18.0%	18.0%	**20.5%**	**18.0%**	**21.0%**	20.5%	20.5%

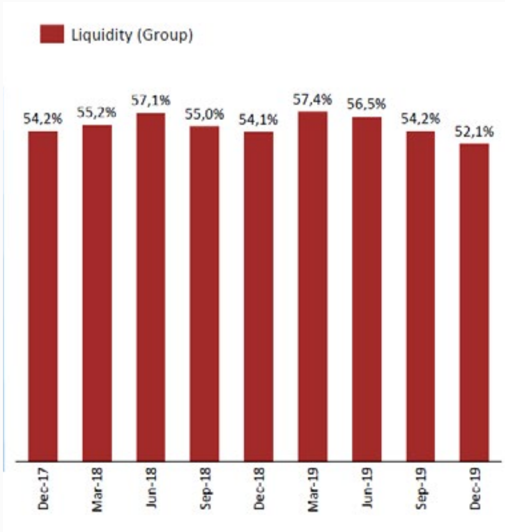
BUSINESS PERFORMANCE (continued)

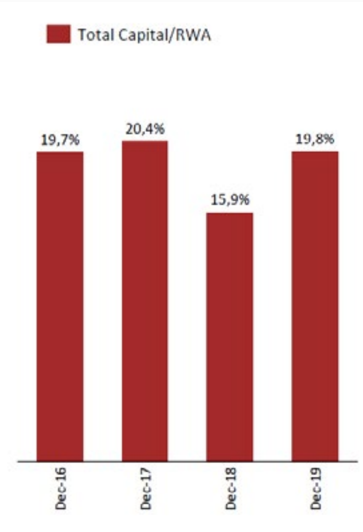
PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

4. Strengthening liquidity and balance sheet agility

Our balance sheet remains nimble enabling us to invest excess liquidity as opportunities arise. Given the interest rate capping, we allocated a large portion of our assets to government securities to the tune of Shs 172 Billion. Our liquidity ratio stood at 52.1%, against the banking sector average of 49.9%, providing us with an immense capacity to deliver for customers, particularly borrowers. Added to this strong liquidity, our Tier 2 capital offers additional financial capabilities that we intend to deploy in lending, as we move to allocate more resources to competitive purposes in the post interest rate capping period, particularly in support of the SME sector. We will therefore focus on growing the loan book as liquidity moves from defensive purposes to a more assertive stance focused on private sector credit.

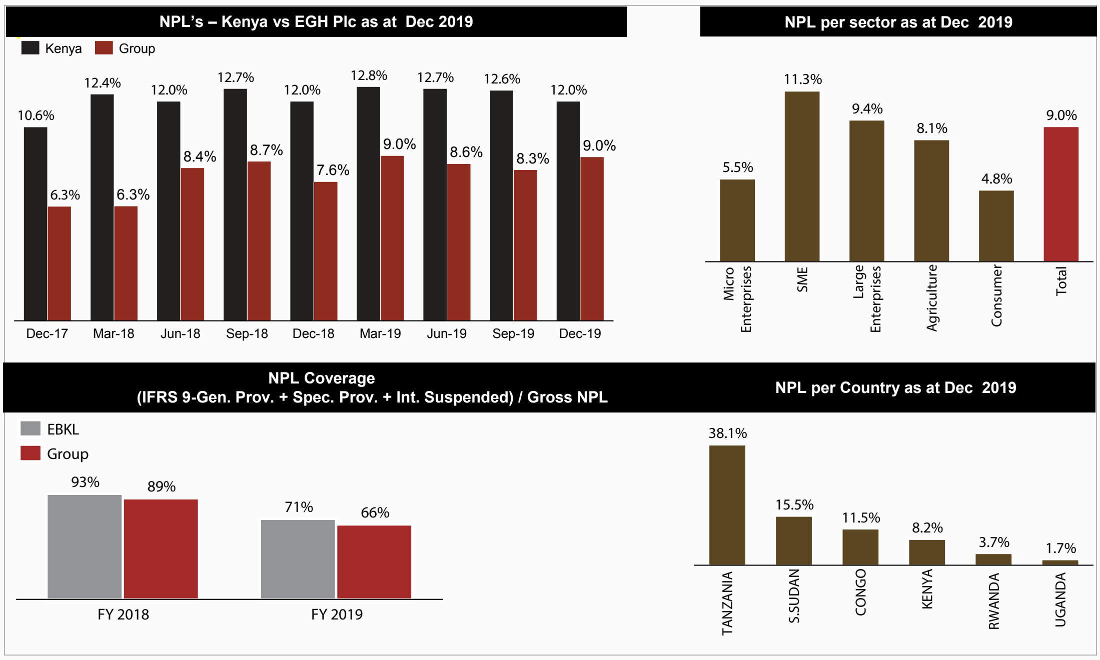
However, due to the COVID-19 situation and its impact on the economy, we will not be bullish on lending in the short term as we assess the situation.





5. Asset Quality

Asset quality remained within the single digit range with the Group NPLs ratio at 9.0% against an industry average of 12%. This has been achieved through diligent credit risk management and proactive customer relationship oversight which ensures we have in-depth knowledge of their activities and operations. Our NPL coverage closed the year at 66%.

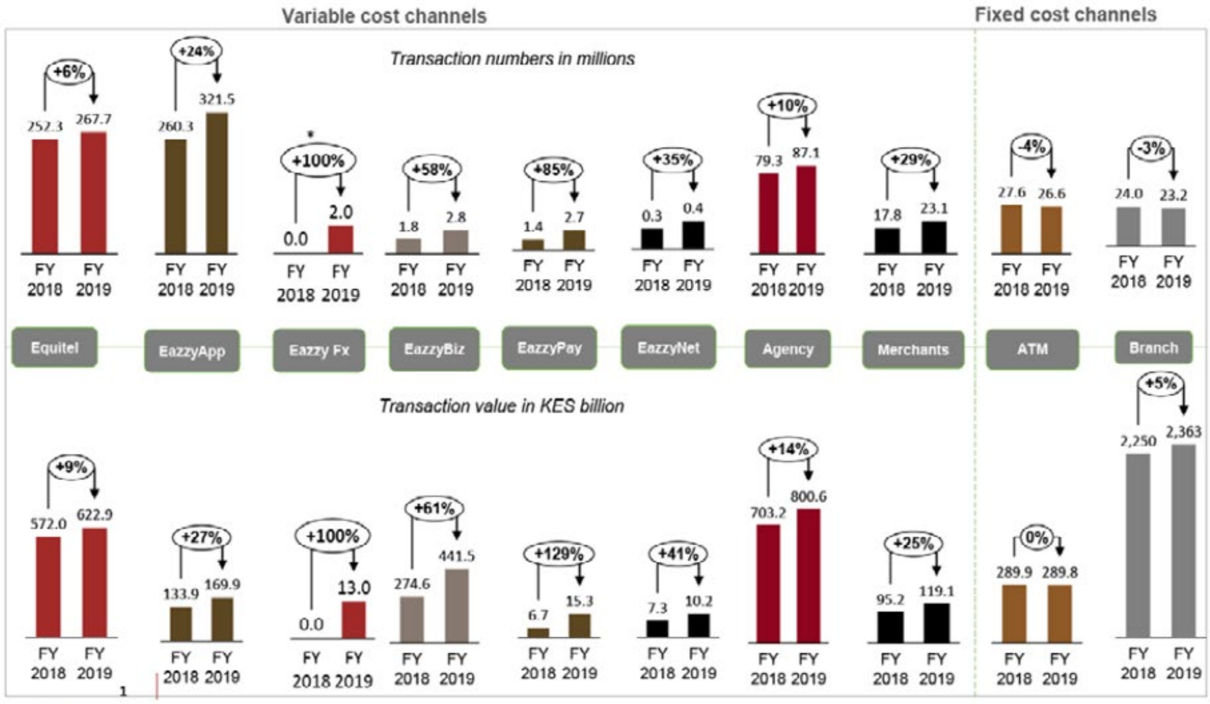


BUSINESS PERFORMANCE (continued)

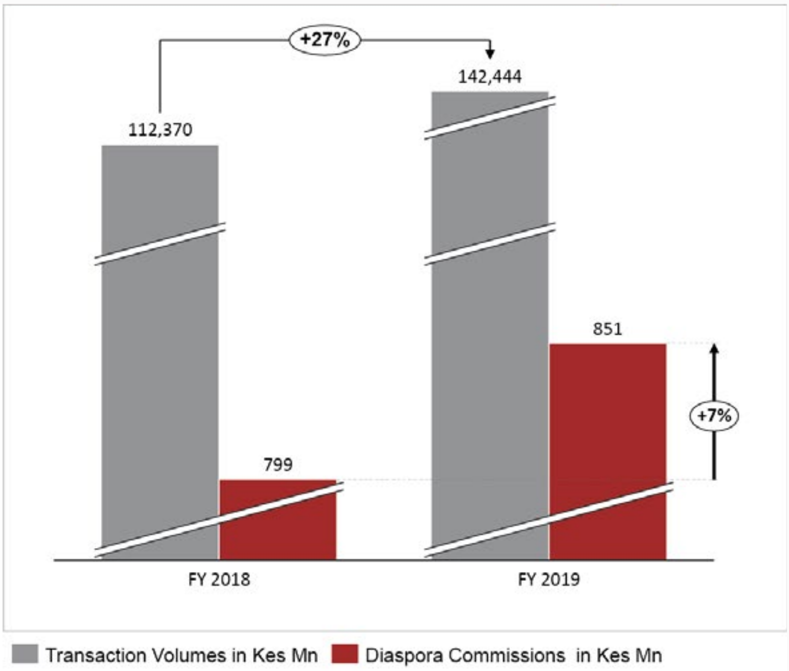
PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

6. Innovation and Digitization

Our business model is heavily reliant on innovation and digital channels to deliver cutting edge products and services to customers. We continue to see strong growth in transaction volumes and values across all our variable cost channels such as Equitel, internet banking, EazzyBanking App, Agency network and Merchants. M-commerce has been a key focus area for us as we continue to collaborate through 3rd party infrastructure to bring value added services to our customers. Under Diaspora banking, we have added new remittance partners such as Wave and this has seen the value of remittances continue to grow year on year.



FY 2019, Eazzy Fx transactions in thousands



BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

7. Efficiencies and cost optimization

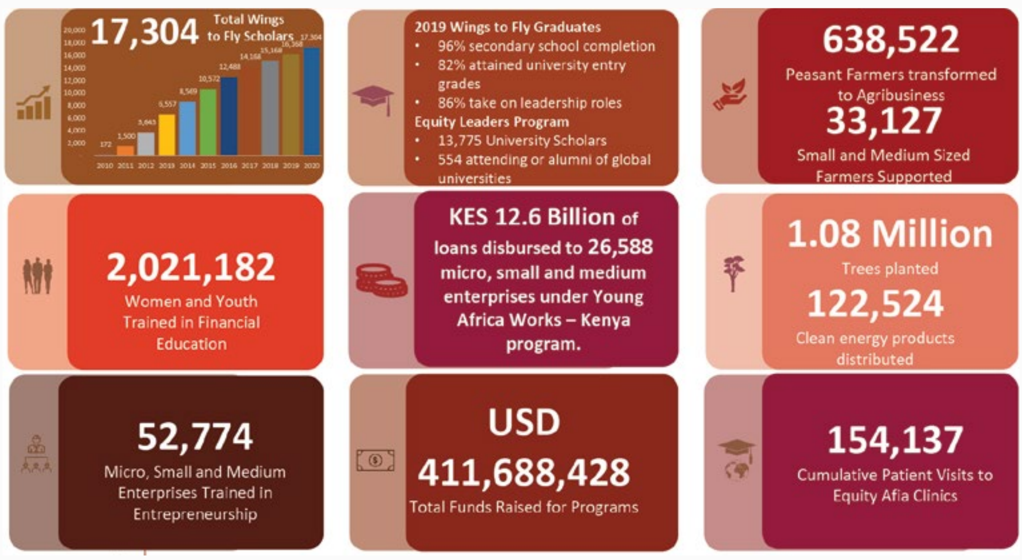
Our strategy focuses on disciplined operational efficiency with key emphasis being on cost optimisation. Overall, we want to transform our cost structure to manage discretionary costs and incur costs that enhance value for stakeholders and the business. We analyse our costs on a monthly basis to ensure greater discipline and adherence to our cost optimisation agenda. We have also focused on our delivery channels, aiming to move transaction to our variable cost channels such as our digital channels, which provide us with a preferable cost structure compared to fixed cost channels like branches. Digitization and automation of processes and operations continue to enable us to reduce our cost of operation. All these efforts have led to a cost-to-income ratio of 46.4% for the Kenya banking subsidiary without loan loss provision (51% for Group) while Group's total costs increased to Shs 42.6 Billion up from Shs 37.8 Billion in 2018.

8. Impact Investment and Social Brand Development

In line with Equity Bank's vision "To be the champion of the socio-economic prosperity of the people of Africa", we empower our clients and stakeholders both socially and economically. The Bank achieves the social part through Equity Group Foundation [EGF]. Established in 2008, EGF executes this vision through the design and implementation of innovative programs that leverage the Group's infrastructure and partnerships to create shared value for the people of Africa. We believe that EGF has a critical role to play in ensuring the overall success of the Group by improving society's quality of life by addressing its needs and challenges while at the same time supporting the business – essentially Creating Shared Value [CSV].

As illustrated below, EGF's initiatives have been cumulatively funded to the tune of USD 412 Million, to which the Bank contributes 2% of its revenue annually. In Education and Leadership Development, 26,304 learners accessed secondary school education after receiving comprehensive 4-year scholarships. Of these, 39% [10,136] were supported in 2019 after the Ministry of Education, with funding from the World Bank, tasked Equity to provide 9,000 scholarships. In Enterprise Development and Financial Inclusion, 2.02 million women and youth received financial education training linked to financial services and products. Similarly, 52,774 micro, small and medium enterprises received training in Entrepreneurship. Equity continues to use financial services and non-financial means to disrupt poverty by offering multiple pathways out of poverty. With financial support from the Government of Kenya, Equity provided 2,080,655 households with over Shs 64 Billion in Social Protection Cash Transfers. In the area of Agriculture, through its Value Chain Agriculture Financing Model, Equity has disbursed, through its Kilimo Biashara loan product, USD 76 Million to more than 79,000 farmers. Equity continued to implement a sustainable, integrated Health model – Equity Afia - that saw a network of clinician entrepreneurs provide standardized and quality outpatient healthcare through 154,137 patient visits to 11 medical clinics across the country.

Shared Prosperity Business Model and its Social Impact



OUR CAPITALS

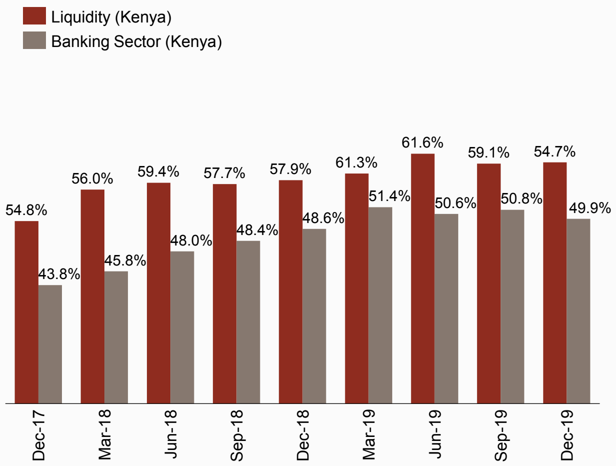
OUR CAPITALS

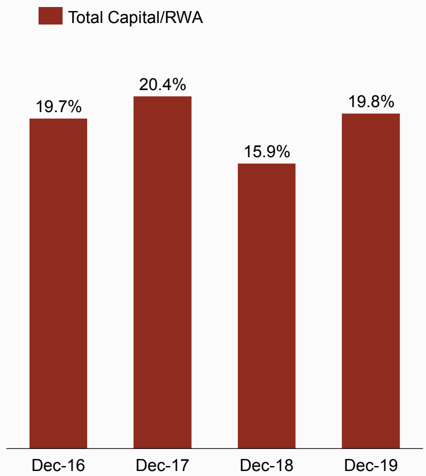
FINANCIAL CAPITAL

Equity Group has a diversified source of financial capital comprising shareholders' funds, debt investors and retained earnings. Our financial capital is made up of paid up and assigned capital (Shs 1.9 Billion), share premium (Shs 16.1 Billion), retained earnings (Shs 99.2 Billion) and minority interest of Shs 1.1 Billion as at 31st December, 2019. While ensuring the cost of funds is at the most reasonable rates, we deploy our financial strength to sustain our business, leverage growth, achieve sustainable returns and create value for our stakeholders as we also manage our operating costs with utmost rigor ensuring financial capital is deployed in productive avenues. We are committed to obtaining funds from diversified sources and to utilizing them in the most effective and prudent manner as we seek to generate sustainable value.

Our approach to financial management is underpinned by prudence. We are concerned with how we raise, control, administer and deploy our finances catering for risks, costs and control while seeking to be profitable. Capital allocation is governed by a comprehensive capital allocation strategy framework through the Internal Capital Adequacy Assessment Process (ICAAP) that provides for the approaches and procedures that ensure we have adequate capital resources with due attention to all material risks and capital adequacy requirements. This approach also provides stewardship for our cost optimisation measures as we diligently oversee the utilisation of financial resources in the Bank's operations.

Capital allocation focuses on supporting value creation and ensuring high returns on deployed financial capital. Due to our strong liquidity, with a liquidity ratio of 52.1%, our balance sheet is agile and able to adapt to opportunities and changes in our external context, enabling us to respond appropriately to borrowers and investment prospects when these arise. Customer deposits grew by 14% to Shs 482.8 Billion on account of improved services that enhanced customer experience as well as convenience offered by our digital channels.





We continue to maintain a prudent and conservative stance in the management of our loan book by increasing our provisions in tune with the challenging external context. Asset quality remained healthy and well above the banking sector's average. Our NPLs for the year stood at 9.0% compared to an industry average of 12% in the same period. Our performance in this regard is anchored on proactive and exceptional knowledge of our customers which enables us to de-risk these clients while we anticipate potential challenges and mitigate them from the onset. In addition, we have robust risk management measures and robust credit underwriting policies that underlie our approach to lending.

Our capital allocation approach remained focused on prudent and optimal allocation to areas of our business that boost value creation for not only our shareholders but all other stakeholders we partner with. In 2019, the Group made the decision to increase capital allocation to our operations in the DRC in response to improved growth prospects being realised by the Bank's subsidiary. The Group will continue enhancing its balance sheet such that it remains nimble and agile to adapt to any changes in the operating environment as enabled by strong liquidity and improved asset quality. We will continue to invest in our Brand as we strengthen the brand transformation process, an integral part of our business transformation strategy as well as digitization and innovation for increased operational efficiency that will result in lower cost to income ratios.

OUR CAPITALS (continued)

HUMAN CAPITAL

The key agenda for the people function in 2019 was on enhancing the productivity of staff. We took time to listen to our employees and clarify expectations especially as regards career growth, remuneration and rewards. We also took up a review of the Group capabilities to enhance governance and leadership as we position the Bank to pursue our strategy on digitization and more pertinently support to the SME sector. This review was accompanied by capacity building in response to identified gaps. We gave emphasis to communication of the business transformation initiatives and their implications for staff, especially the need for skills required in a digital world and reskilling for customer centric delivery models.

Overall, we want to reinforce a culture of high performance underpinned by ethical conduct and personal responsibility for performance. We anchor this on capacity development to ensure skills gaps are addressed and employees are equipped to accomplish their assignments. Further, our brand change is anchored on improved customer experience as we transform into a future fit organization that is empowered by purpose and focused on delivering for our stakeholders. We are therefore committed to ensuring that our staff are in tune with the brand expectations making them a key component of our new image and overall business transformation.

Culture alignment

The business transformation journey requires the requisite culture to deliver on our strategic intentions. Culture alignment is therefore a key component of the investment we are making in our teams. In 2018, we placed emphasis on induction into our corporate philosophy to enhance appreciation for the overarching purpose of the Group. In 2019, we enhanced this engagement by enabling the staff appreciate our direction and vision. All staff in our Kenya operations were inducted in these overarching intentions enabling them to understand the Group's predominant agenda.

In addition, we placed emphasis on the need to adopt new ways of doing things as we seek for our teams to provide holistic solutions to customers. Our teams will need to be more adept at delivering for our customers from a one stop shop basis, thus demanding that employees have a wide array of skills and knowledge. Individual employees will have to be able to deliver a broad cross section of services and products to customers, rather than being narrow and specialised. On a broader basis, we are changing the structure of the Group and determining capacity gaps on the delivery of our new structure. We want to build systems that will deliver for our customers with convenience and excellence. This calls for upskilling of our staff and encouragement of continuous learning in a bid to enhance knowledge retention.

To improve employee appreciation of the business transformation and particularly the brand transformation, we held several town hall sessions with employees. These were staff briefing and information sessions providing two-way discussions on the brand and changes to the model and structure of the Group. These meetings enable employees to understand the business reengineering process and the key skills and expertise required to drive our transformation. In 2020, we will embark on retraining and skills development to complement the brand change. More foundationally, these meetings also served as an opportunity to discuss the culture expected of employees as we transform the brand, ensuring that this transformation is not superficial but anchored on real changes in customer experience.

Staff retention

Our market context is extremely competitive, making staff retention challenging. We have therefore sought to address this by offering competitive remuneration and benefits, career growth and a workplace that enthuses with passion and energy for our corporate purpose. We have addressed the key man risk phenomenon by identifying individuals whom we may promote to key positions thus easing replacement of staff on exit. We have also developed an adequate talent pipeline to provide for employees at all levels.

Our staff retention remains within market levels at 10% turnover rate. We consider this staff turnover rate as healthy providing us with the opportunity to refresh our teams without excessive interruption in our ability to operate and create value for our stakeholders. We remain committed to providing our staff with the best in class opportunities and an enriching work experience.

OUR CAPITALS (continued)

HUMAN CAPITAL (continued)

Employee wellness

An Equity staff wins a race during the 2019 Interbank Games.

Equity Bank Kenya Managing Director Gerald Warui (left) hoists the 2019 Interbank Games Overall Winners trophy as Cabinet Secretary for Sports, Culture and Heritage Amb. (Dr.) Amina Mohammed looks on. Equity emerged the overall winners of the 35th edition of the Interbank Games in the same year the bank was celebrating 35 years since it began operation in 1984.

Equity female staff led by Group Executive Director, Mary Wamae (4th left) and Director - Credit, Elizabeth Gathai (2nd left) during celebrations to mark International Women's Day in 2019. Equity has always championed the concept of equal opportunity at the work place.

Equity employees take part in an archery contest as part of a team building exercise.

Diversity and inclusion

We are committed to a diverse and inclusive workplace that provides broad representation based on local and international demographics. We are pleased to note that our top management showcases a mix of local and international talent, a fact that is replicated on our Board. We view diversity as important as it provides us with a wider range of perspectives and ideas, inherent in well diversified and inclusive groups.

As a business that has championed inclusion in the marketplace, we take great pride in driving inclusion in the workplace. We provide equal opportunities for all our employees and empower them with the required tools and skills. The Group currently enjoys a rich diversity base in terms of age, gender, nationality, race and profession.

**Ratio of Male to Female staff at Equity is*

56%:44%

Leadership

It is stated that all things rise or fall on the basis of leadership. We therefore take leadership seriously and invest in equipping our staff with key leadership skills as a critical requirement for delivering on their tasks. We place extra emphasis on those tasked with leadership positions as we require them to model sound leadership through interpersonal and soft skills, and technical knowledge. We completed the Harvard ManageMentor program for 250 managers. Following that lead, we are developing inhouse leadership development modules to ensure we offer continuous development to our leaders, providing them with the knowledge and skills to direct the Bank.

Dr. James Mwangi was named in the Bloomberg list of 50 people who defined the year 2019 globally.

OUR CAPITALS (continued)

INTELLECTUAL CAPITAL

Intellectual capital refers to the Bank's intangible assets and can broadly be defined as the collection of all informational resources Equity has at its disposal that can be used to drive profits, gain new customers, create new products or otherwise improve the business. It is the sum of employee expertise, organizational processes, and other intangibles that contribute to our bottom line. Aspects of intangible value include technical knowledge, the value relating to relationships, reputation and brand, intellectual property, proprietary practices and capacity for innovation.

At Equity, our intellectual capital includes highly talented human capital, cutting-edge technological innovations and digital channels, intricately designed systems and processes and our heritage brand that resonates with over 14 million customers in Africa and beyond. This intellectual capital is invaluable since it creates our most important societal value, namely, trust. We therefore place great emphasis in protecting our intellectual capital and strategically enhancing it.

Brand protection and enhancement

Our Brand is at the core of our Bank. It defines who we are, what we do and why we do it. As an institution, we exist to transform lives and livelihoods, empowering people to create wealth as we champion the socio-economic prosperity of Africa. Over the past 35 years, with the vital support of our stakeholders, we have diligently grown our brand equity and affinity into a trusted heritage brand. Our brand assets are easily recognizable especially in our traditional markets and we make every effort to ensure that our stakeholders experience of our brand is commensurate with their expectations and our service commitments.

Technology has opened up digital spaces such as the internet and mobile channels that allow us to be more readily available with services and support. Conversely, technology has also unlocked avenues of fraud and deception. These avenues make it possible for people to attempt to hijack or duplicate our brand assets with the aim to defraud our customers or tarnish our reputation. To avoid being hit by these criminal activities, it is imperative that we harness innovations that allow us to constantly monitor them. This monitoring gives us real time awareness of breaches and prevention of attacks on our brand when they occur. We also provide customers and the public with information to prevent them being defrauded by fraudulent persons seeking to capitalize on our brand.

The new look Equity ATMs

One of the Bank's branches sporting the new logo

OUR CAPITALS (continued)

INTELLECTUAL CAPITAL (continued)

In 2019, we undertook a rebranding exercise that involved retaining the best of our legacy brand while projecting for a virtual world in which the client demographic is much younger, more exposed and focused on their experience of banking. Our new brand identity is simple and bold, reflecting our intent to simplify solutions for our clients and be audacious in our aspirations. This new brand is supported by an inhouse culture program, which seeks to enable employees to deliver on our brand promise, ensuring that the client experience matches the commitments espoused by the new brand identity. Market sentiment to our brand change has been particularly positive both with our traditional customers and newer clients. It has received good traction in our regional markets where we are introducing the new brand identity.

Technology and innovation

Technology is a key driver of performance in the Bank since it enables us to deliver services to our customers. As our customers have chosen to engage with us predominantly through our digital channels, technology has become the key component of our operations aimed at ensuring our digital channels are always available, cutting edge and offering seamless services. We are constantly upgrading and improving our technology including in-house iterations to address ever evolving customer requirements and expectations. Our overall objective is to enhance customer experience by providing best in class technology solutions.

To support our regional expansion, we are replicating capabilities across our regional subsidiaries to enable the Group to offer the same level of service across different markets. Our core technology across markets is similar, to enable congruence in operations and ease of compatibility over the entire Group. However, we also develop country specific capabilities based on products or services within different countries avoiding replicating irrelevant solutions in specific entities. In 2019, our IT teams conducted over 200 different projects across the Group focusing on running, building and assurance. Key issues covered in these projects include technology availability, stability and optimization, digital transformation and regulatory assurance. Additionally, in the year, efforts were made to ensure that recurring challenges are resolved once and for all.

Technology is also a key driver in our efficiency and cost optimization strategy. From a client perspective, technology enables us to offer services at a much lower cost. In addition, this lower cost enables customers to engage in multiple transactions as they benefit from lower charges than would occur with brick and mortar services. For the Bank, technology enables employees to be more efficient and productive. A key approach here is to reduce those things that don't add value and focus on those that do, an approach that is made easier and more convenient through technology.

A key part of our technology agenda is to develop innovative solutions for customers. Technological innovations are a key capability of the Group. Previously handled by Finserve Africa, it is now anchored in the IT team, and singularly seeks to develop new or improved products or processes to enhance customer experience.

Cyber Security

Microsoft estimates that by 2020, there will be 4 billion people online, 50 billion devices connected to the internet and data volumes will be 50 times greater than they were in 2016, increasing the risks of cyber-attacks. In July 2019, the Communications Authority of Kenya revealed that organizations were hit with about 11.2 million cyber threats, a 10.1 percent increase in the number of incidences, in the first three months of 2019 when compared to the previous quarter.

As an innovative and trusted institution, cyber-attacks are a looming threat and risk to our organization and our customers. While we offer our customers digital channels and options to seamlessly blend with their lifestyles, we understand that there are also increased risks that come with this level of convenience. These cyber-attacks threaten multiple aspects of our intellectual capital including financial fraud, system shutdown, reputational damage and costs escalations.

OUR CAPITALS (continued)

INTELLECTUAL CAPITAL (continued)

Cyber Security (continued)

Hence, cyber security has become an essential part of the work we do at Equity. As we develop innovations, we work with a talented team that focuses on any and every possible cyber risk we may face. The objective of our security team is to project potential scenarios, thus determining and identifying any loopholes before the release of a product or channel and working to address them. In order to accomplish a high level of cyber security, we observe monitoring tools and solutions and seek updated innovations that decrease cyber risks. For instance, we utilize email gateway solutions that protect the data and information that exists within our systems and networks. We install web application firewalls that filter, monitor and block unwanted and insecure traffic towards our channels.

Customer protection

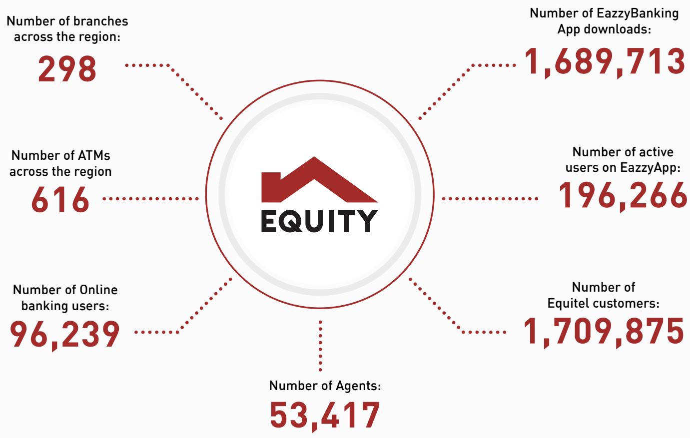
To protect our customers and offer them a better customer experience, we have improved on our customer identification process in order to safeguard their identity and provide a higher level of convenience at any of our touchpoints. To achieve this, we have incorporated biometric technology as part of our upgraded systems. Biometric technology provides numerous benefits in the world of banking and finance. First and foremost, from a security perspective, biometric technology is the strongest form of authentication that prevents banking information from being compromised by unauthorized personnel.

With the ability to identify customers within seconds, it reduces many possible instances of fraud across customer accounts and mobile channels, with the added advantage of extreme convenience, especially within branches. Internally, biometrics offer protection against insider fraud as financial institutions can secure employee authentication and accountability, establishing concrete audit trails of processes and transactions. With even greater advances, biometric technology can further secure online banking and give faster and more accurate customer service.

MANUFACTURED CAPITAL

Manufactured capital consists of equipment, physical facilities and digital channels such as ATMs, applications and operational systems that are made available by the organization for use and offer of products and services. Our equipment and facilities primarily provide comfort, convenience and security to our customers and employees. We invest constantly to improve our infrastructure, which is essential for the efficacy and efficiency of our business model.

We have created a wide array of channels through which we deliver our services coupled by a large distribution network both locally and internationally. Our channels continue to experience growth in the volume of transactions conducted and the customer numbers. A summary of our channels and client numbers indicates a flourishing business. Equity Bank is no longer a place you go to, but rather something you do. The volume of banking transactions carried out through internet and mobile phone continued to grow significantly in 2019.



As a rule, we do not replicate products and services that we offer in other countries we operate in, we just replicate the capabilities. The products we offer in the different markets are always reflective of the specific environment. For example, in DRC where there is only 7% penetration of banking services, mobile banking offers the best access channel. Once the market is ready for something new, we deliver it seamlessly because we operate on a shared platform.

OUR CAPITALS (continued)

MANUFACTURED CAPITAL (continued)

Digitization

Digitization at Equity is about providing customers with a wide variety of options in terms of products, services and channels as well as offering high quality services. These new self-service channels that enable customers to do banking on their devices have revolutionized money transfer and payments with customers having greater control and freedom to manage their bank accounts. This also confirms that customers want a banking service that is integrated into their everyday lives.

Eazzy Banking products continued demonstrating phenomenal uptake. EazzyBiz hit

Shs 36.8B

per month in value of transactions, EazzyPay moved

Shs 1.3B per month while Eazzy Banking App's transactional value stood at

Shs 14.2B

per month in 2019. Eazzy Banking App is the number one banking App in Kenya leading in both App Store and Play store. EazzyNet which targets the retail market has over

170 functionalities

including unique features such as buying stocks online.

Agency Banking

Agency banking seeks to bring banking services closer to our customers. It also enables financial inclusion by offering services in areas where banking services are unavailable or not easily accessible. It creates business opportunities for service providers allowing them to diversify their revenue sources, creating incomes and employment where it is most needed. Agents earn agency commissions and provide additional products and services for our partners.

AGENCY BANKING	Dec-19	Dec-18	Growth
Number of agents	53,417	42,635	21%
Monthly transactions	7.2Mn	6.6Mn	13%
Monthly Value of Transactions (in Shs)	66.7Bn	58.6Bn	25%
Monthly Agent Commissions (gross) (in Shs)	184Mn	174.5Mn	21%

Cards and Merchants

We have a widely recognized range of card-based payment products including debit cards, credit cards and prepaid cards, as cash-free payment solutions. Our debit and credit cards can also be used for online e-commerce transactions. As an integrated feature of our savings product, the debit card can be used on various channels, including the branch, ATM and POS networks. We have partnered with key payment companies to ensure our customers have a variety of choices. The range of products and services that are linked to debit cards and various facilities are regularly reviewed and enhanced in accordance with advances in the market.

Equity Group Managing Director Dr. James Mwangi with Mastercard Division President Sub-Saharan Africa Raghav Prasad during the signing of a Customer Business Agreement between the two companies. Through the partnership, Equity will benefit from Mastercard's knowledge and technical support to enhance its payment card business.

Through credit cards, we offer a variety of products with attractive programs suited to different customers' lifestyles and consumption needs. In 2019, we had over 15,000 credit cards in issue with a transaction value of Shs 4.16 Billion representing a market share of 41%.

Currently, we have 27,918 POS merchants and 48,790 EazzyPay merchants. We offer:

- Stand-alone point of sale terminals which enable businesses to securely accept debit and credit card payments.
- Integrated Retail Solutions (pin-pads) which are suitable for businesses with several pay-points or tills such as medium to large supermarkets, hospitals and high-traffic retail points.
- E-Commerce payment gateways that enable businesses to accept secure online payments cards for both domestic and international card transactions through their websites.

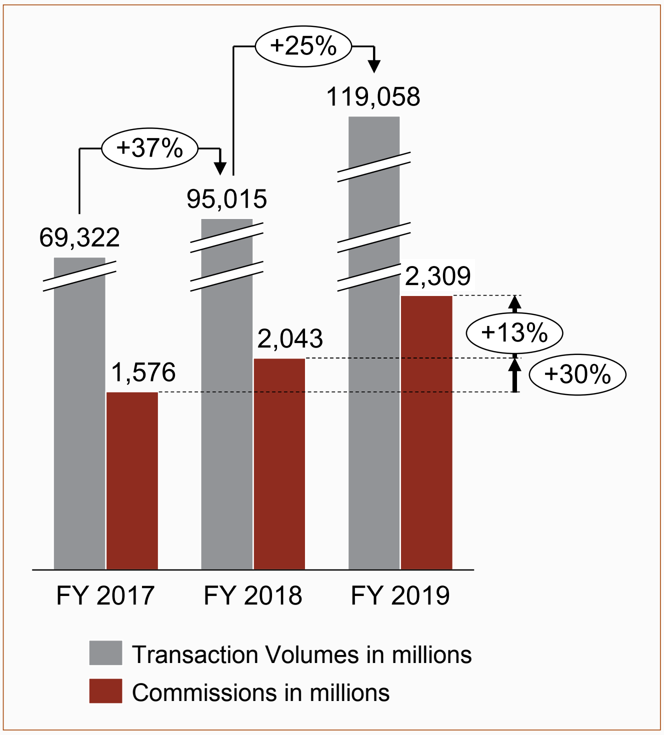
OUR CAPITALS (continued)

MANUFACTURED CAPITAL (continued)

During the year under review, Merchant turnovers totalled Shs 119.1 Billion, a 25% growth from the previous year's Shs 95.0 Billion. Merchant commissions closed at Shs 2.3 Billion up by 13% from Shs 2.04 Billion the previous year. The number of merchant transactions stood at 23.1 million, a growth of 30% from 17.8 million transactions recorded in 2018. Our acquiring market share stands at 44% as at end of 2019.

The total transaction value for debit and prepaid cards totalled Shs 243.9 Billion for both inbound and outbound transactions while Issuing Interchange income was Shs 158.7 Million with ATM transaction commissions at Shs 1.62 Billion.

- Equity is leading in **Acquiring and Issuing**
- **Best in class payment channel** services work well with merchants



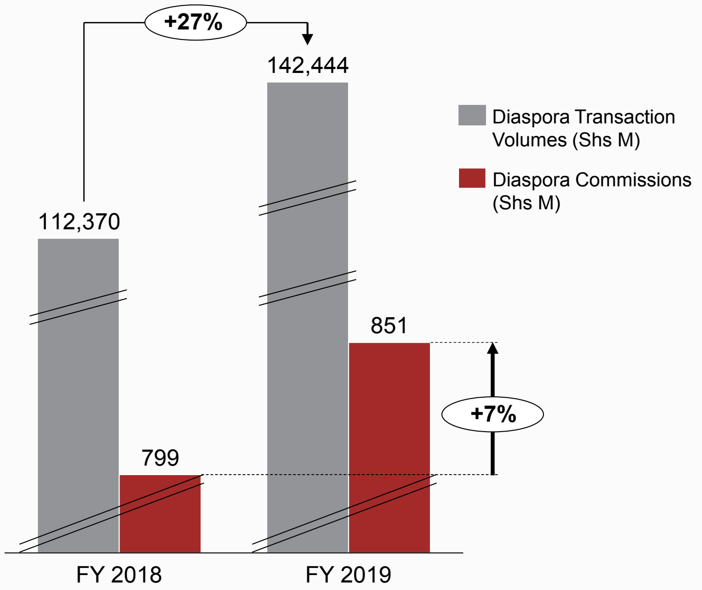
Diaspora Banking

Diaspora banking offers a wide range of services to suit the banking needs of our target clientele that ranges from banking services for individuals and groups, card products, mobile and online banking, credit facilities, investment solutions and insurance products. We have diaspora customers in well over 20 countries globally and we have segmented ourselves based on five different regions that are overseen by a specialised team who have expertise and experience in the needs of our customers based on their location.

We have partnered with globally recognized remittance partners and we seek to partner with even more, as technology evolves, and new service providers emerge and take the forefront in money transfer. We leverage heavily on online and mobile banking using world class solutions such as EazzyNet and Eazzy Banking App, that allow customers to access their accounts from anywhere in the world as long as they have an internet connection.

OUR CAPITALS (continued)

MANUFACTURED CAPITAL (continued)



SOCIAL & RELATIONSHIP CAPITAL

This is composed of ethical and transparent relationships with our customers, shareholders, investors, suppliers, regulatory bodies, government and society. It also includes the skill of sharing value with our stakeholders to improve individual and collective welfare. Our Creating Shared Value [CSV] strategy relates to social development initiatives, such as Education and Leadership Development, Enterprise Development and Financial Inclusion, Food and Agriculture, Health, as well as Energy and Environment; which are delivered to all communities in which we have operations. We also work together with various levels of government to improve public policy models in the countries where we operate.

Equity Group Foundation

Equity Group Foundation's (EGF) mission is to champion the transformation of lives and livelihoods through the design and implementation of innovating programs that leverage the Group's infrastructure and partnerships to create shared value for the people of Africa. Established in 2008 as the Group's social arm, the Foundation continues to avail economic opportunities, capacity, tools and technologies that enable individuals and businesses to increase productivity, resilience and share in socio-economic growth in the face of poverty and other threats. Recognizing the diverse nature of Africa's socio-economic needs, EGF responds to the continuum of issues that challenge socio-economic advancement, especially for low-income individuals and families, by working to create change.

Creating Shared Value

Creating Shared Value [CSV] is fundamental to the mission of the Foundation. We believe that EGF has a critical role to play in ensuring the overall success of the Group by improving society's quality of life by addressing its needs and challenges while at the same time supporting the business.

EGF's CSV priorities are those areas of greatest intersection between the business and society, and where it can create the most value and make the most difference. These include:

- **Education and Leadership Development:** EGF increases access to and transition through secondary and tertiary education and provides leadership skills enhancement and career development in order to break the cycle of poverty and develop the next generation of leaders. By developing the next generation of leaders, Equity creates shared value by addressing the skills constraints that exist in the labour market required to grow the business. In essence, Equity takes a proactive approach to supporting academically gifted but vulnerable future leaders through its secondary school scholarship programs – Wings to Fly and Elimu – and the Equity Leaders Program that offers paid internships as well as its Technical and Vocational Educational and Training (TVET) programs.

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

- **Food and Agriculture:** More than 60% of the population of sub-Saharan Africa are smallholder farmers, and about 23% of Sub-Saharan Africa's GDP comes from agriculture. Yet, Africa's full agricultural potential remains untapped. EGF helps create jobs, improve market access, and expand agricultural production by working in partnership with small and medium-sized farmers to increase their production capabilities, business acumen and access to technology and financial services.

- **Health:** In Kenya, like many parts of sub-Saharan Africa, levels of public expenditure are insufficient to link the general population to quality preventive and curative care. EGF increases access to comprehensive health financing and private sector-led, affordable, high quality and standardized health services for poor and middle-income families.

- **Enterprise Development and Financial Inclusion:** Micro, Small and Medium Enterprises [MSMEs] play a significant role in the economy, particularly, in developing countries. MSMEs create a considerable proportion of employment for low-income groups and a means of livelihood for marginalized persons. EGF stimulates job creation and economic growth by providing entrepreneurs with advice, mentorship and entrepreneurship training. EGF promotes innovation through the uptake of new ideas, solutions, and technologies to achieve greater impact and scale for all its work. Additionally, EGF extends Equity Bank's efforts to expand access to financial services to the bottom of the pyramid, helping low-income people to lift themselves out of poverty. EGF also improves financial capability and individual and household financial security by connecting women, youth and communities to expert financial literacy training.

- **Energy and Environment:** In Africa, over 600 million people live without electricity and use solid biomass, often in open fires, for their cooking and heating needs. In Kenya, the Clean Cooking Sector Study 2019, estimates that 21,000 people die every year due to illnesses associated with household air pollution. EGF promotes the use of Renewable Energy and Energy Efficiency aimed at transitioning households, institutions and industries from polluting technologies and fuels to more efficient technologies that are environmentally friendly and cost effective. EGF also promotes the conservation and smart use of natural resources by expanding forest cover through tree planting, improving water security as well as promoting climate smart agriculture. These interventions are aimed at reversing environmental degradation, combat climate change through mitigation and adaptation, improve people's health outcomes and save costs. EGF's intervention is not only aimed at strengthening environmental sustainability and stewarding natural resources for future generations, but also improving the lives and livelihoods of African people through clean energy transitions.

- **Social Protection:** Governments as well as the private sector have the primary responsibility of affording social protection to all citizens. Many countries, including those in East Africa have used a variety of instruments, programs, policies and funding mechanisms to achieve this goal. EGF is committed to reduce social and economic risk and vulnerability, and to alleviate extreme poverty and deprivation through cash transfer programs.

Equity Bank Kenya MD, Gerald Warui, speaking at the closing ceremony of the 2019 Clean Cooking Forum held in Nairobi. Equity is a key player in the clean energy sector financing manufacturers, retailers, distributors and individuals in the clean energy value chain.

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

- **Innovation:** Fundamentally, EGF recognizes innovation as a central means to launch, nurture, and scale up Africa's next generation of commercially successful enterprises. EGF seeks to ingrain a culture of innovation across all the sectors in which we work, and ultimately to sustain the rapid development of entrepreneurs working in all sectors of Africa's growing economy. EGF is currently exploring and finalizing partnerships with several leading universities, corporations and multilateral development and civil society organizations to establish business incubation facilities. Incubators will support prototyping, research and development, and offer access to business mentorship, expert advisory services, training and knowledge resources. The space will also offer important networking opportunities to improve collaboration among entrepreneurs and to support investor matching to help entrepreneurs secure necessary equity and debt financing.

Strategic Focus for Improved Impact

In 2019, EGF continued to implement its company and community needs-based strategy to achieve the following outcomes:

1. **Building Resilience:** Increase adaptive capacity and ability to reduce [manage] risks.
   - *Increase the uptake of insurance to cushion against shocks and coping strategies.*
   - *Improve access to financial and other services.*
   - *Improve access to high quality and standardized health care.*
2. **Enhancing Prosperity:** Improve financial literacy and inclusion.
   - *Enhance positive banking behaviours.*
   - *Improve financial and entrepreneurship management.*
   - *Improve livelihoods and reduce vulnerability.*
3. **Equity and Inclusion:** Enhance access to educational and professional opportunities.
   - *Provide opportunities for secondary and tertiary education to bright disadvantaged students.*
   - *Enhance knowledge and employability skills.*
4. **Testing and Scaling-up:** Spur utilization and adoption of innovation that supports inclusive socio-economic gains.
   - *Facilitate the adoption of new technologies and tools to support socio-economic growth.*
   - *Increase the capacity for innovation.*
5. **Enabling policies and institutions:** Strengthen the systemic capacity for effective execution and delivery of programs.
   - *Improved and inclusive policy design and implementation capacity.*
   - *Foster a conducive policy and institutional environment.*
6. **Partnering for Impact:** Strengthen inclusive, diverse and balanced engagement of partners for collective action.
   - *Improved coordination, partnerships and alliances within and across sectors.*

Specifically, efforts to improve and create bigger impact are articulated in EGF's Creating Shared Value Strategy: (2017 - 2021). It articulates how the Foundation can play an integral part in the long-term business success for Equity Group while creating value for society. Our key commitments and performance for 2019 are indicated in the table below:

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

Our 2019 commitments and performance

Pillar	Program	2019	Cumulative
Education and Leadership Development	Secondary School Scholarships – Wings to Fly & Elimu	10,136	26,304
	Wings to Fly scholars qualified to join university	1,519	9,581
	Equity Leaders Program Global Scholars	51	514
	Equity Leaders Program Interns	537	5,968
	Technical and Vocational Education Training Scholars	278	3,033
Food and Agriculture	Medium Sized farmers	1,836	33,127
	Smallholder farmers	-	638,522
Health	Equity Afia out-patient clinics	6	11
	Clients reached through Equity Afia	22,141	62,083
	Client visits to Equity Afia	62,083	154,137
Enterprise Development and Financial Inclusion	Micro, Small and Medium Enterprises trained	7,074	52,774
	Financial Inclusion	303,480	2,008,359
	MSMEs receiving disbursements under Young Africa Works- Kenya Program	26,588	26,588
	Value of disbursements under Young Africa Works- Kenya Program	Shs 12.6 Billion	Shs 12.6 Billion
Energy and Environment	Clean Energy products distributed	24,212	122,524
Social Protection	Number of Households reached with Social Protection Programs	214,734	2.08 Million
	Value of Disbursements via Cash Transfers	Shs 19 Billion	Shs 64 Billion

Education & Leadership Development

EGF's performance indicators provide a focus for measuring and reporting Creating Shared Value. This section provides a performance summary of our strategic program pillars.

The goal of the Equity Education and Leadership Development pillar is to develop and inspire a generation of young leaders to support the social transformation and economic growth of their communities, countries and beyond.

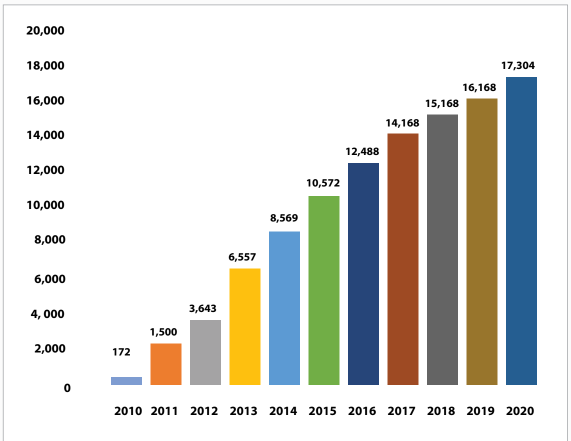
In its 11th year, the *Wings to Fly* program, selected 1,136 students to commence Form 1 in 2020. This brought the total to 17,304 beneficiaries who have accessed secondary education through comprehensive scholarships coupled with mentorship and psychosocial support. The program continued to record impressive performance with a 97% completion rate, 82% of the graduates securing university admission and 86% of all students holding leadership positions.

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

From left seated: Prof. Isaac Macharia, Equity Bank Kenya Board Chairman; Dr. James Mwangi, Equity Group MD & CEO and Equity Group Foundation Executive Chairman; Prof. George Magoha, Cabinet Secretary Ministry of Education; Benjamin Graedler, Senior Programme Manager at KfW; Dr. Belio Kipsang', Permanent Secretary Ministry of Education and Dr. Beth Waweru, Equity Group Foundation Associate Director- Education, during the 2020 Wings to Fly Commissioning ceremony.

Following the success of the *Wings to Fly* program, the Government of Kenya appointed Equity to implement the flagship Elimu Scholarship Program. The program is supported by the World Bank and will run until 2024 and targets 18,000 beneficiaries in 110 sub-counties and 15 urban centres with informal settlements. Under this program, Equity in 2019 successfully selected the first cohort of 9,000 secondary school scholarship beneficiaries to commence Form 1 in 2020 and the remaining 9,000 will be selected at the end of 2020.

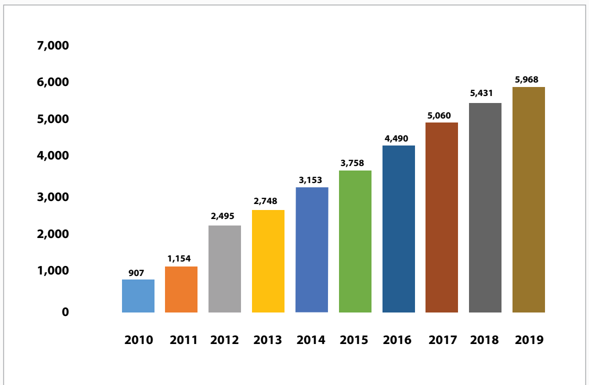


Cumilative *Wings to Fly* Scholarship

Through the Transitions Program, 3,033 Wings to Fly alumni accessed technical skills training in various Technical and Vocational Education and Training (TVET) institutions across the country. The aim of this program is to equip the scholars with technical skills that increase their employability as well as opportunities to venture into entrepreneurship.

In our Paid Internship Program, that is fully sponsored by the Group, 5,968 top performing secondary school graduates accessed leadership training, coaching and mentorship prior to proceeding to university. The scholars are selected from top performing students countrywide as well as *Wings to Fly* alumni who score Grade A in the Kenya Certificate of Secondary Education (KCSE) Examinations.

At the close of 2019, our College Counselling program had supported 554 scholars to gain admission and



Cumilative ELP Paid Internships

scholarships to study in leading global institutions across 25 countries. These scholars have an opportunity to gain world-class education and exposure which in turn will influence better socio-economic outcomes for their communities and the country at large.

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

Enterprise Development & Financial Inclusion

EGF stimulates job creation and economic growth by providing micro, small and medium entrepreneurs (MSMEs) with advice, mentorship and entrepreneurship training. Under the Entrepreneurship program, 52,774 micro, small and medium size enterprises have been trained. To date, USD 65 Million (Shs 6.6 Billion) has been accessed in loans by these MSMEs. Equity Group through Equity Bank Kenya and EGF is currently implementing a five-year program called Young Africa Works Kenya, in partnership with the MasterCard Foundation. The program seeks to catalyse creation of 810,000 jobs in Kenya by facilitating 150,000 MSMEs access finance, grow their capital and improve their business models. Thus far, 32,958 MSMEs have been trained in various components of entrepreneurship, digitization and financial education since program inception. Additionally, 26,588 MSMEs have received Shs 12.6 Billion in loan disbursements under this program.

Equity Bank Kenya MD, Gerald Warui, takes President Uhuru Kenyatta through some of the Bank's products that support SMEs. This was during the Inua Biashara launch event, an intiative of Kenya Bankers Association. The President was accompanied by Central Bank Governor, Dr. Patrick Njoroge and other senior members of government

EGF improves financial capability and individual and household financial security by connecting people at the bottom of the pyramid to expert financial education training as well as expanding access to financial services and products. To date, EGF has trained 2,021,182 Kenyan MSMEs, women and youths in financial education. EGF has scaled up the program to neighboring countries. In Tanzania under the Fanikisha Plus project, EGF has trained 42,827 while in Uganda, another 10,266 individuals have been trained under the SACCO Project. In Rwanda, Fanikisha project has trained 550 women and youth in financial inclusion and education.

Health

EGF implements the Equity Afia program to increase the health status of Kenyans by increasing access to and utilization of quality healthcare and affordable, private health insurance. Equity Afia's objectives include:

1. Provide affordable, high-quality, preventative and primary health services across Kenya;
2. Increase health literacy and favorable attitudes about health insurance among Kenyans; and
3. Increase the uptake of comprehensive and affordable private health insurance.

Key activities include:

- Identify and provide training and technical support to a network of health entrepreneurs;
- Assist health entrepreneurs in accessing financing to launch/improve health facilities using a high volume/ low margin [HV/LM] hub and spoke model;
- Lead outreach programs to increase the public's knowledge of and attitude toward health insurance and overall health literacy;
- Develop and launch health savings accounts, mobile phone applications and social marketing activities to support outreach;
- Perform data collection and analysis to inform insurance scheme design; engage private sector insurers to underwrite new schemes; and
- Support health facilities in adopting capitation and bundled care payment models.

As at the end of 2019, EGF had opened 11 Equity Afia health clinics out of a targeted 1,000 clinics reaching 62,083 patients with 154,137 cumulative patient visits in 2019, with out-patient care services.

Director of Medical Services at the National Police Service, Dr. John Kibosia (in glasses) together with the General Manager of Equity Afia, Gilbert Muriithi (second left) and Reuben Mbindu (left), Executive Director at Equity Group Foundation during the opening ceremony of Equity Afia clinic in Embakasi.

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

Food and Agriculture

A farmer, who is also a customer of Equity Bank, tends to her crop at her banana farm

Agriculture is the key economic activity in the countries where we operate and the mainstay for community livelihoods. Our work in agriculture seeks to enable farmers to increase their production capabilities, inculcate business acumen in their farming activities, thus viewing farming as business and not subsistence and access technology and financial services to improve their performance. EGF also assists farmers with improved market access and expansion of agricultural production. Thus far, the program has supported 638,522 small-scale farmers who have been transformed to agribusiness entrepreneurs with 33,127 of them being medium - sized farmers. At the close of 2019, Shs 7.6 Billion in loans had been disbursed to 79,000 women in agribusiness.

Energy and Environment

Energy is a key component in household, institutional and industrial operations. Clean and sustainable energy has emerged as a focal point globally due to mounting pressure to reduce carbon emissions, preserve resources and reduce operational costs by increasing access to Renewable Energy and Energy Efficiency. Access to affordable and suitable clean energy for all is the focus of SDG No. 7. Utilization of conventional energy sources such as biomass and fossil-based fuels leads to deterioration in people's health and productivity whilst having undesired and sometimes non-reversible damage to the environment. Despite the availability of cleaner and more efficient energy solutions, majority of households, communities and institutions lack knowledge on such solutions or cannot access or afford to invest in them. Access to electricity grids and the cost of connecting and staying connected to the grid in many countries in Africa, remains a big inhibitor in ensuring every household has electricity.

Continued use of wood and charcoal as primary sources of fuel has had devastating effects on the environment through deforestation, greenhouse gas emissions and health. The prices of kerosene and charcoal as well as wood fuel have been on an upward trajectory increasing the cost of energy for institutions and households that rely on solid biomass for cooking and heating needs.

EGF seeks to address this challenge by increasing awareness of the benefits of clean energy for cooking, lighting and heating for both domestic and industrial use. We facilitate access to clean energy through affordable financing to purchase innovative clean energy technologies that directly improve people's health, incomes and the environment. Tapping into the power of the sun, water, wind and biofuels to provide lighting, heating, electronic charging and running of industrial machines are practical solutions that make a real difference in how communities and businesses sustain themselves. Industries and households can re-allocate funds saved from the adoption of renewable energy technologies to other basic needs such as education, sustenance, healthcare and investment which enhances livelihoods.

Eric Naivasha, Equity Group Foundation Associate Director - Energy and Environment, explains how the bank uses its infrastructure of over 180 branches and over 40,000 bank agents to distribute and ease access to clean cooking options for Kenyans.

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)

Key Highlights:

122,000
Households

Over 122,000 households reached with renewable energy products impacting over 475,000 individuals.

536M

Over Shs 536 Million worth of charcoal and kerosene saved through clean cook stoves and solar home systems.

108,000

108,000 metrics tons of CO² reduced.

546M

Over Shs 546 Million in household savings by switching to clean energy.

617M

Over Shs 617 Million worth of clean energy products distributed.

1.08M

1.08 million trees planted and over 22,000 trees saved through clean energy transition.

Programs:

- EcoMoto program that allows households to access clean energy products such as LPG, improved biomass stoves and solar home systems.
- Climate Smart Agriculture which includes solar water pumping, solar irrigation systems, bio-digesters for biogas production and bio-slurry application.
- Energy efficiency solutions for households, industries and institutions through interventions such as solar water heating, retrofits and replacement of polluting fuels used by industries with cleaner and environmentally friendly alternatives.
- Support for clean biomass fuels production such as briquettes and pellets.
- Distribution of clean energy products to households by leveraging of the Bank's network of branches and agents.
- Tree planting as part of greening the environment and combating climate change.
- Water efficiency through promotion of water harvesting and storage, water purification and recycling.

To reach scale and create more impact at the household level, we have created an energy loan that is available in digital form through the phone and established a robust distribution network of high-quality renewable energy products throughout the country. The clean energy programs will enable us to reduce greenhouse gas emissions by 5 million metric tons by 2023.

Social Protection

In partnership with Governments, Humanitarian and Development agencies, Equity provides inclusive financial services to thousands of marginalized and vulnerable households living in Kenya, Uganda, Rwanda and South Sudan through Cash Transfer Programs.

The programs are delivered through Equity Bank's vast distribution network (Branches, Agents, Merchants, ATMs). The Bank leverages innovative delivery models to co-create enrolment and payment solutions for Elderly Persons, Orphans, Persons with Severe Disabilities, Persons living in Arid and Semi-Arid Lands (ASALs), Internally Displaced Persons, Refugees and other Vulnerable Persons.

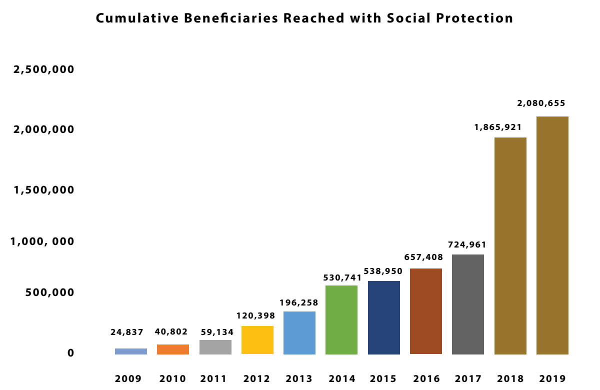
Key Partnerships include:

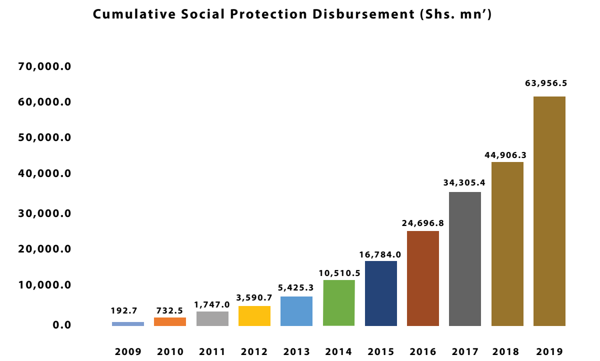
1. **GoK:** Ministry of Labour and Social Protection, Ministry of Devolution and Arid Semi-Arid Lands (ASALs) - National drought Management Authority, Ministry of Agriculture, Livestock and Fisheries.
2. **International Organizations:** Department for International Development (DFID), The World Bank, Australian Agency for International Development (AusAID), Financial Sector Deepening (FSD)- Kenya, The United Nations High Commission for Refugees (UNHCR), United Nations Children Fund (UNICEF) and the World Food Programme (WFP).

Financial inclusion enables beneficiaries to be in charge of their own spending and savings through fully-fledged Bank Accounts and Biometric Smart Cards, a model that enhances convenience, security, accessibility and efficiency as well as accountability and preserves their dignity. With the cards, beneficiaries can access their cash allocations and use the card to purchase goods and access services.

OUR CAPITALS (continued)

SOCIAL & RELATIONSHIP CAPITAL (continued)





Social payments have demonstrated a cost-effective way of transferring cash to the most vulnerable and exposed demographics, promoted socio-economic integration and increased self-reliance. Adoption of cash transfer as a mode of delivery for humanitarian aid fosters financial inclusion leading to more sustainable socio-economic development. Additionally, cash offers choice, dignity and facilitates financial independence.

Beneficiaries are taken through financial literacy training to equip them with the knowledge, skills and attitudes required to adopt good management practices and behaviors for earning, spending, saving, borrowing and investing. Participants in these training programs are equipped with information and tools that enable them to make informed financial choices and the confidence to access financial services. This helps them work towards their financial goals, empower them with the tools necessary to access finance and become more bankable, and ultimately transform their lives and livelihoods.

With our regional reach of 298 branches and over 50,000 agents, the Bank offers convenient means of access to funds for registered beneficiaries.

- 2.08 million reached with Social Protection Programs
- Shs 64 Billion Disbursement via Cash Transfer

Innovation

Equity is committed to fostering innovation that leads to new ideas, solutions and technologies that increase impact and scale.

Equitel - My Life

- Equity's mobile channel Equitel has been an important entry into the mobile banking space and value-added services.
- My Life is the unique mobile channel made available to EGF to deliver free or zero-rated relevant content aligned with EGF programs.

Equitel
My money. My phone. My life.

Wings to Fly Learning

Wings to Fly Learning is an innovative project to bring the best of digital learning to students in East Africa in order to support better academic performance and employment using appropriate, accessible and affordable technologies.

Digital Angels

The Digital Angels program will create opportunities for young people to obtain a full range of digital skills, literacy and qualifications in partnership with both global and local technology organizations.

Wings to Fly beneficiaries with internet enabled mobile devices

OUR CAPITALS (continued)

NATURAL CAPITAL

From left: Equity Group Managing Director and CEO Dr. James Mwangi, Ngong Road Community Forest Association Chairman Simon Woods, Equity Bank Kenya Managing Director Gerald Warui, Deputy Chief Conservatoire of Forests P.M Kariuki and Equity Bank Kenya Chairman Prof. Isaac Muthure Macharia, during the tree planting ceremony held to mark Equity's 35th Anniversary at Miotoni Block in Ngong Forest.

Natural Capital consists of renewable and non-renewable environmental resources, consumed or affected by our business for the prosperity of the organization. Here we are mainly talking about water, soil, ores, forests and biodiversity. We understand that, even though we are a service business, our activities impact the environment, both directly through the operation of our administrative units, branch networks and technology centres and indirectly through our loan and financing operations. Our main sources of electricity and water consumption, for example, come from cooling systems and the use of electronic equipment.

We continuously strive to improve our energy efficiency through the best market practices, ambitious goals and a management increasingly more attentive to the consumption of natural resources. Our management is segregated by administrative units, branches and technology centres, and all areas work together with the sustainability team. Our reduction targets and improvement actions to achieve these goals are managed jointly, seeking the highest efficiency in the use of resources and a smaller environmental impact.

Our strategy to increasingly become a more digital bank has strongly contributed to a reduction in paper consumption. A large part of our internal processes no longer use paper, which is replaced by electronic and digital means. Our operations are highly dependent on the availability of electricity and, therefore, we seek to continually improve our energy efficiency through internal projects and consumption reduction targets.

Equity Group Managing Director and CEO, Dr. James Mwangi who is also the Meru University of Science and Technology (MUST) Chancellor, plants a tree seedling at the Chancellor's forest with Tigania West Forester Mr. Patrick Kiita. The event was part of Equity's 35 million tree planting initiative, in partnership with MUST. 40,000 indigenous and exotic tree seedlings were planted on 32 acres of land representing 13% tree cover within the University.

Members of the Equity Board, staff, Equity Leaders Program scholars and the local community during the tree planting at Miotoni Block in Ngong Forest. A total of 3,500 indigenous tree seedlings were planted during the ceremony to kick start the 35 million tree planting initiative launched by Equity in October 2019.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Equity Group's Creating Shared Value (CSV) approach mirrors the Sustainable Development Goals (SDGs). From inception, we set out to address societal challenges by offering inclusive, customer-focused financial services that socially and economically empower our clients and other stakeholders. We recognize finance as a major catalyst enabling individuals and communities to transform their lives when relevant and appropriate and offered through accessible channels. By removing barriers to finance, we have empowered society to access financial services thus meet their financial needs and pursue their aspirations.

In addition, our social investments including training on financial literacy, support for education, health, energy, environment and social protection; facilitation of economic empowerment, enterprise development and innovation and financing of key sectors such as agriculture and Small and Medium enterprises, are all aimed at empowering our communities and addressing key enablers to social and economic progress.

The Addis Ababa Action Agenda of 2015 recognized the importance of an expanded role of the private sector in achieving the Sustainable Development Goals (SDGs). We are committed to all 17 Sustainable Development Goals but seek to make substantive impact on those goals that are strongly aligned to our business and social investments. Our contribution to the SDGs in 2019 is provided in the ensuing table.

SDG	SDG Target	Result
	**End poverty in all its forms everywhere.** 1.3 - Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.	» 2.1 million beneficiaries (cumulative) reached with social protection support (1.2 million in 2019). » Shs 64 Billion cumulative disbursements issued (Shs 2 Billion in 2019).
	**End hunger, achieve food security and improved nutrition, and promote sustainable agriculture** 2.3- By 2030, double the agricultural productivity and incomes of small-scale food producers. 2.4- By 2030, ensure sustainable food production systems and implement resilient agricultural practices.	» Shs 7.6 Billion disbursed through Value Chain Agriculture Financing Model under Kilimo Biashara loan product. » 79,000 farmers financed. » 40,000 smallholder farmers supported through the Kenya Cereals Enhancement Program (in partnership with IFAD). » 33,127 small and medium scale farmers supported to increase agriculture production and incomes (in partnership with Embassy of the Kingdom of Netherlands and Norwegian Agency for Development (Norad). » Provision of Weather and Index Based Livestock Insurance to Farmers.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (SDGs) (continued)

SDG	SDG Target	Result
3 GOOD HEALTH AND WELL-BEING	**Ensure healthy lives and promote wellbeing for all at all ages** 3.8-Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. 3.C -Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries.	» Established 11 Equity Afia health clinics. » 154,137 patient visits in 2019. » 62,083 clients reached through Equity Afia outpatient services. » Provision of Medical Insurance by Equity Insurance Agency Limited.
4 QUALITY EDUCATION	**Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all** 4.1- By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education. 4.3- By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. 4.4- By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. 4.6- By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.	» 26,304 scholarships offered through the Equity Group Foundation. » 17,304 beneficiaries benefit from secondary education reached through *Wings to Fly.* » 9,000 scholarship beneficiaries under the Elimu Scholarship Program (in partnership with GoK and the World Bank). » 3,033 *Wings to Fly* alumni benefit from technical skills training through Technical and Vocational Education and Training (TVET) institutions. » 5,968 top performing secondary school graduates have accessed leadership training, coaching and mentoring through Equity Paid Internship Program. » 554 scholars gain admission and scholarships to study in leading global institutions across 25 countries through College Counselling program.
5 GENDER EQUALITY	**Achieve gender equality and empower all women and girls** 5.A- Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.	» 2.1 million women and youth in Kenya provided with financial literacy skills. » USD 51.1 Million (Shs 5.2 Billion) issued through Fanikisha Women suite of loan products.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (SDGs) (continued)

SDG	SDG Target	Result
6 CLEAN WATER AND SANITATION	**Ensure availability and sustainable management of water and sanitation for all** 6.1- By 2030, achieve universal and equitable access to safe and affordable drinking water for all. 6.6 - By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.	» 1.08 million trees planted across Kenya. » Equity continued to finance water and sanitation infrastructure including but not limited to water storage tanks, biogas digesters and modern toilets.
7 AFFORDABLE AND CLEAN ENERGY	**Ensure access to affordable, reliable, sustainable and modern energy for all** 7.1- By 2030, ensure universal access to affordable, reliable and modern energy services.	» Estimated 475,000 individuals provided with 122,524 clean energy products such as solar and clean cook stoves.
8 DECENT WORK AND ECONOMIC GROWTH	**Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all** 8.3 -Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small and medium-sized enterprises, including through access to financial services.	» 52,774 micro, small and medium size entrepreneurs have been trained. » Targeting 150,000 MSMEs to create 810,000 jobs under the Young Africa Works program.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation** 9.3 - Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets. 9.b - Support domestic technology development, research and innovation in developing countries.	» 97% of transactions transacted on digital channels.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (SDGs) (continued)

SDG	SDG Target	Result
10 REDUCED INEQUALITIES	**Reduce inequality within and among countries** 10.1 - By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average. 10.2 - By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. 10.3 - Ensure equal opportunity and reduce inequalities of outcome.	» 3,033 youth supported to access technical and vocational skills.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Make cities and human settlements inclusive, safe, resilient and sustainable** 11.1 - By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.	» Equity works with Government to improve living conditions through the provision of microfinance loans for sustainable mortgages/real estate sector as well support the provision of prepaid card solutions for urban mass transport.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Ensure sustainable consumption and production patterns** 12.6 - Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.	» Equity has adopted ICT to reduce energy use as well as material consumption through its Tier 4 Green Data Centre.
13 CLIMATE ACTION	**Take urgent action to combat climate change and its impacts.**	» Equity, in addition to other environment and energy initiatives, supports productive uses of energy (PUE) in areas such as water pumping for drip irrigation and cattle drinking, aeration for aquacultures, refrigeration and poultry lighting. Other areas of interest are pest control and electric fencing. The impacts of solar electricity on agricultural activities are increased productivity (including higher yields, lower losses and faster production) and improved natural resource management.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (SDGs) (continued)

SDG	SDG Target	Result
15 LIFE ON LAND	**Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation, and halt biodiversity loss.** By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.	» Human life depends on the earth as much as the ocean for our sustenance and livelihoods. It is for this reason that Equity supports sustainable financing to the fishing industry in Lake Victoria, Turkana & Indian Ocean as well as funding to sustainable horticulture farms on Lake Naivasha.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.**	» Equity is an active member of the Kenya Private Sector Alliance (KEPSA) lobby group involved in civic education campaigns for peace before, during and after general elections. » Anchored on the CSV model, both economic and social programs are based on a principle of shared prosperity which ensures distribution of opportunities to minimize conflict. To date, Equity has a cost to income ratio of 51%, in large part, due to its shared prosperity model.
17 PARTNERSHIPS FOR THE GOALS	**Strengthen the means of implementation and revitalise the global partnership for sustainable development.**	» Participated in Public Private Partnerships (PPPs) and other strategic partnerships. » Raised USD 412 Million to support the implementation of our social programs. » Equitel MVNO connecting 2.9 million to the internet.

CONTROL ENVIRONMENT

CONTROL ENVIRONMENT

GROUP INTEGRATED RISK MANAGEMENT POLICY

The Group Integrated Risk Management Policy outlines the risk management framework, risk appetite setting framework, risk evaluation and reporting, and harmonises risk policies across the Group.

The Group has developed a risk intelligent culture, to help it achieve the following strategic objectives:

1. Limiting potential losses;
2. Improving profitability;
3. Supporting growth;
4. Increasing quality of strategic and operational decisions; and
5. Improving stakeholder management.

Assurance is guaranteed through the risk department, internal audit, compliance and enforcement teams, external audit by PwC, Central Bank Inspection, Capital Markets Authority and Nairobi Securities Exchange reviews and Cross Border Supervisory Colleges as well as credit rating agencies' reviews.

Risk Governance Structure

For effective risk management, the Group has developed a risk governance structure that defines the roles and responsibilities of the Board, the chief risk officer and risk management function, as well as the independent assessment of the risk governance framework. The governance structure sets out an integrated and coherent list of sound practices that establish supervisory expectations for the role and responsibilities of the Board as well as the stature, resources, authority and independence of the risk management and internal audit functions, including Board reporting. The governance structure is designed to protect against the erosion of prudent risk management culture and practices even in the face of challenging business and economic environments.

Risk Review

In line with the Equity 3.0 strategy, the Group continues to leverage on technology and innovation to transform banking from "somewhere you go to something you do". This is characterized by including segmentation for focused strategic delivery, seamless integration of channels to improve experience and convergence of financial products and services.

The digitization of the Group's banking activities has made client access to banking services seamless and the banking experience effortless. The Bank remains the first in Kenya to receive Payment Card Industry-Data Security Standard (PCI-DSS) certification.

In executing its strategy, the Group is faced with economic, financial and other types of risk. These risks are interdependent and require a holistic approach to risk management. The key highlights within the year were as follows:

REGULATORY LANDSCAPE

IT Risk and Information Security

As the Group's strategic initiatives under Equity 3.0 strategy are undertaken, the IT risk and information security landscape has been changing. Focus on technology by the industry players has altered existing information supply chains, created data types and data models and expanded IT infrastructure risk and security perimeter. Emerging risks around IT programme and change execution and IT operational resilience have joined cybercrime, data security and third party management as being the most pressing IT risks identified over the recent past.

The Group is currently coming up with an internal policy to ensure compliance with the Data Protection Act, 2019 that came into effect in November 2019.

The Group continues to be vigilant of the emerging IT Risk threat landscape by continuously implementing the IT Risk Management Policy and Information Security Management Framework Policy as well as the IT governance structure for effective risk control.

Impairment of Financial Instruments

The Group in 2018 implemented a Financial Instruments Policy adopting the IFRS 9 International Financial Reporting Standard that provides guidance on the recognition, classification and measurement of financial instruments. Full adoption of the standard has led to an increase in provisioning that has impacted the capital position of the Group. Equity Bank Kenya is observing the 5-year CBK transitional IFRS-9 arrangement issued to allow banks to be fully compliant without significant disruption to their capital

CONTROL ENVIRONMENT (continued)

REGULATORY LANDSCAPE (continued)

base and business models. Equity Bank Tanzania was also granted a three-year forbearance on capital ratios from 31st December, 2018 to ensure compliance with the standard without eroding capital. The Group continues to engage KPMG as well as leverage on internal resources in order to be fully compliant with the standard.

AML/CTF Programs

As a key player in the financial system, the Group is alive to the fact that it is imperative upon it to adhere to local and international obligations in the management of money laundering, financing of terrorism and sanctions risks. Subsequently, the Group has a robust Anti-Money Laundering and Counter-Terrorism Financing Program (AML/CTF) which aims to identify, manage and mitigate the money laundering and terrorism financing risks faced by the Group.

Though AML/CTF falls under the umbrella of Compliance function, the AML/CTF program is given special focus due to considerable reputational risk that this component holds. The program is divided into three distinct components: Customer acceptance and identification program, robust automated information technology solutions as well as reporting and record keeping.

In addition, the program is supported by four pillars to enable proper execution and compliance: an independent reporting officer, risk awareness programs, independent assurance and internal policies and procedures. The Board has the oversight responsibility in ensuring that AML/CTF programs are carried in strict adherence to applicable laws, regulations, statutes and internal controls.

There is an approved Anti-Money Laundering Policy for the Group and subsidiaries, which are reviewed annually. There exists a structured AML training program which is taken by all staff upon induction. Subsequent trainings to agents and staff are done to ensure they remain updated. The responsibility to manage AML/CTF risks rests upon all staff from both our business and support units to protect the Group's assets, the interests of our customers and shareholders.

Internal Capital Adequacy Assessment Process (ICAAP)

Internal Capital Adequacy Assessment Process (ICAAP) is a process to estimate capital requirements through an enterprise-wide quasi-quantitative methodology as part of a detailed risk-based business and capital planning process. It is a formal process through which a bank identifies, measures, aggregates and monitors material risks to ultimately build a risk profile that becomes a basis for capital allocation. ICAAP documents are reviewed by CBK through Supervisory Review Process (SREP) to ensure that banks understand the risk that they take or might be exposed to.

The Group has an approved ICAAP policy in line with the ICAAP Guidance Note issued in 2016 by the CBK. In 2018, the 5-year ICAAP plan for the Group and the Bank was prepared and submitted before April as per the guidance note. The Group shall continue to assess its capital requirements on a regular basis.

Self-Regulation Standards

The Group is aware of its responsibility on ensuring it carries out its business in a sustainable manner. Considering this it adopted an Environmental and Social Risk framework that seeks to ensure compliance with IFC exclusion list requirements and Performance Standards by committing itself against conducting or funding any business, which may culminate in the deterioration or degradation of the environment.

Sustainable finance initiatives by Kenya Bankers Association reinforce the Group's thinking towards undertaking its business sustainably. Internally, the Group has a 'Speak-Up' policy intended to encourage staff to provide both positive and negative feedback without fear of retaliation. The Group continues dispensing its CSV activities in the society by championing economic, social and environmental changes through the Equity Group Foundation.

CONTROL ENVIRONMENT (continued)

BUSINESS ENVIRONMENT

Liquidity Risk

The Group constantly reviews the business environment against its strategic objectives. Liquidity management remained a key focus in 2019 and shall be monitored closely on a forward-looking basis. The Group's subsidiaries, particularly the banking entities, had to constantly monitor their liquidity profiles on a regular basis. This also involved relooking at the adequacy of their liquidity contingency plans. The Group maintained adequate liquidity buffers. Notwithstanding, the Group regularly monitored the results of 3-day liquidity stress tests to assess resilience in case of bank runs.

Credit Risk

The banking industry performance improved in 2019. Private sector credit grew by 7.3% in the 12 months to November 2019. In November 2019, the interest rate cap was repealed paving the way for Equity Bank Kenya to progress implementation efforts of a risk-based pricing framework for new credit disbursements in consultation with the CBK. The Group continued to leverage on its early warning framework and early collection recoveries strategy to maintain a relatively low Portfolio at Risk (PaR) compared to the industry.

RISK APPETITE

The Group has a risk appetite for various types of businesses and various forms of risks. It's the policy of the Group, however, to set a more conservative appetite where a regulatory ratio or best practice is given. Examples:

- **Credit risk –** Ratio of non-performing assets, Concentration of assets per product, sector, currency, counterparty etc.
- **Market risk –** Leverage ratios, return on assets, liquidity, value at risk, durations of investment securities etc.

Stress Testing

The primary objective of stress testing is to assess the impact of "exceptional but plausible" bank specific or macro-economic variables on crucial elements of business sustenance such as liquidity, profitability and capital adequacy, to ensure that the bank can withstand such shocks and mitigating management action is taken, preventing business failure.

The stress testing activity goes through the following process:

1. Identification of stress components involving the different types of material risks and stress factors;
2. Identification of methodology for application of stress;
3. Estimation of the impact of stressed conditions on the profitability, asset quality and capital adequacy;
4. Identification of remedial plans/ actions; and
5. Reporting of the stress test results and identified remedial plans to the Board and regulators.

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS

Credit Risk

The Group's credit management framework is defined by the Group's Integrated Risk Management Policy and customized in Credit Risk Policies by each of the Banking Subsidiaries. Credit risk is generally evaluated in terms of Portfolio at Risk (PaR) and concentration. The year 2019 was characterized by downward PaR trends in the Banking industry backed by increased repayments and enhanced recovery efforts by banks. To closely monitor the associated risks;

- The Group has set PaR targets at product level.
- PaR trends are monitored on a monthly basis and drivers and possible solutions discussed in Credit Risk and ALCO Committees.
- Evaluation of credit risk is conducted at customer, product and sector level.
- The Group employs a proactive approach to credit risk management by gathering market trends that inform customer, product or sector credit outlooks.
- The credit book growth strategies are aligned to expectation in the macro-economic environment.
- Underwriting risks are closely managed through credit committees that start from the branch level to the Board.
- For large credit exposures, the Corporate Strategic and Advisory Committee (COSAC) provides strategic guidance in the underwriting process to ensure consistency with the overall Group strategy.

CONTROL ENVIRONMENT (continued)

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS (continued)

Credit Risk (continued)

The Group continues to leverage on technology in delivery of credit products. Credit scores have been done for the Group's retail customers. Comprehensive model validation is done on a quarterly basis to confirm suitability of the model. The qualitative validation involves evaluation of the effectiveness of the governance model and consistency with the overall Group strategy. The quantitative validation involves assessment of model efficiency, discriminatory power, predictive power, model stability and concentration. The Group has embarked on automation of micro and SME products to enhance efficiency and service delivery.

As the Group seeks to deliver on its financial inclusion objective, investment in solutions and systems to enhance data quality and breadth will continue. This is expected to improve prediction of probability of default, loss given default and recovery rates for both the existing and potential customers.

Market Risk

The Group's market risk management is defined in the Group's Integrated Risk Management Policy and customized through Market Risk Policies by various subsidiaries. The policies define the risk appetite and risk metrics for the Group. Market risk is monitored through the following:

1. **Return on assets –** This reflects how well assets are managed. The Group's return on assets has remained largely within target.
2. **Liquidity –** The Group ensures compliance with liquidity ratios as stipulated by regulators and regularly compares its liquidity position against international standards as provided by Basel III.
3. **Efficiency –** This is evaluated in several ratios, key one being interest rate spread. Interest rate spread decomposition is intended to indicate how stable the spread is, based on the components.
4. **Stop loss limits –** Ensure that trade does not proceed if losses being realised exceed the set limits.
5. **Trader limits –** Ensure that the Group traders do not take excessive risks that would expose the Group.
6. **Risk measures -** The Group measures the sensitivity to changes on interest rates using the PV01 measure. Market risk is also tracked using Value at risk measure (defined as the maximum amount of loss of the portfolio measured at certain level of confidence).

Operational & Compliance Risks

The Group operational risk management gets authority from the Group's Integrated Risk Management Policy. This is customized through Operational Risk Policy by different subsidiaries. The subsidiary Operational Risk Management policies were reviewed in 2019 defining governance structures, operational risk department/ unit, roles and responsibilities and operational risk appetite.

The operational risk and compliance departments have built capacity to carry out their mandate covering: Compliance, agency, fraud, systems and products, business process management, AML/CTF and business continuity planning.

The Group operational risk management involves measurement and analysis tools such as:

i. Key Risk Indicators

ii. Risk Controls Self Assessments tools and frameworks

iii. Risk library

iv. Scenario analysis covering external research, trends of internal losses or subjective scenario analysis

v. Stress Testing

vi. Business Process Mapping

vii. Capital Computation Framework

viii. Linkage of tools to decision making and controls

ix. Robust and reliable MIS

Compliance department has developed comprehensive compliance tool kits guided by existing policies, laws and regulations for compliance assessments. Risk-based compliance programs have been developed to ensure identification of significant rules, policies and regulations where weak enforcement or non-compliance would threaten the Group's assets. The Group has zero tolerance to regulatory breaches.

CONTROL ENVIRONMENT (continued)

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS (continued)

Operational & Compliance Risks (continued)

The Group also maintains Business Continuity Planning and Data Recovery (BCP-DR) Policies. These policies incorporate:

- Business impact analyses
- Recovery strategies
- Periodic testing
- Communication, training and awareness programs
- Crisis management programs

The BCP-DR policy and processes involve identification of:

1. Critical business operations
2. Key internal and external dependencies
3. Appropriate resilience levels
4. Plausible disruptive scenarios are assessed for their financial, operational and reputational impact on a continuous basis

Risk Culture

Whereas there is the tangible appreciation of tools to help in the identification, assessment, setting of appetites, mitigation and monitoring (the 'what' of risk management), we recognize that "the how" of risk management contributes towards success or otherwise of risk management initiatives. The Group's risk culture, "the set of individual and corporate values, attitudes, competencies and behaviours that determine our commitment to and style of risk management" provides reference against which our conduct is evaluated.

The Group's risk culture is founded on four pillars, namely:

Transparency;

1. Level of insight (knowledge of the risks)
2. Tolerance (how much risk to be taken on account of control effectiveness)
3. Communication (purposeful and deliberate sharing of risk events)

Acknowledgement

i. Confidence, that we are vulnerable and risks can crystallize

ii. Challenge, of behaviours not consistent with those ascribed

iii. Openness, as regards experiences of control failures / weaknesses

Respect

i. Adherence to rules; following laid down procedures

ii. Coordination; acknowledging that controls are not self-standing

Response

1. Calling for speedy response
2. Diligence in response, to ensure that weaknesses are effectively addressed.
3. The aim is to achieve a "strong risk-culture" through creating awareness and competency of the risks around us and driving the goal of consistency in how we react to them. This emphasizes on;

   i. Setting the "Tone at the Top", using the Board and senior management to walk the talk on risk management

   ii. Data mining and analysis; use of data to inform on progress or otherwise

   iii. Compensation and reward; honouring good risk behaviour and discouraging / punishing the opposite

   iv. Communication; deliberate sharing of lessons learnt to shape values and behaviours.

To enhance the Group's risk culture, risk culture policies that define the frameworks of achieving socio-economic transformation of the people of Africa have been developed. These include the Group's Corporate Responsibility Policy that articulates our role as a responsible corporate citizen. The Social and Environmental Risk Management framework sets the Group's approach in achieving triple bottom lines targets.

The Consumer Protection Policy provides customers with a sense of goodwill and comfort in the Group's character and integrity as a corporate citizen. It enables the Group to comply with regulatory Guidelines on Consumer Protection and the Consumer Protection Act and in extension cushion the Group from legal risks, reputational risks and liquidity risks among others.

CONTROL ENVIRONMENT (continued)

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS (continued)

Future Risk Priorities

The Group's operating environment continues to experience changes that increase the downside risk in the short term. The regulatory landscape has become more dynamic with the regulators seeking to improve resilience of the banking institutions. International standards on accounting and risk management have set the benchmark higher not only in corporate governance, but also systems and processes that enhance performance and improve stability.

Increased automation of services and products under an environment where cyber threats are on the rise will continue to define the Group's priority in risk management. The Group will constantly test its IT operational resilience against the best practices in data security, cyber risks and effective third party risk management.

Cross border operations have been on the rise occasioned by the Group's regional operations. While commodity prices are expected to remain stable in 2020, pandemic risks (Coronavirus), geopolitics (USA – China tariff war), terrorism and civil wars continue to suppress the would-be rosy outlook in global trade. Enhancing sovereign and country risk management will remain a top agenda for the business moving forward.

While regional inflation expectations are largely within central bank target ranges, the Group acknowledges susceptibility of regional prices to external events. Top on the list is currency depreciation. The US Federal Reserve Bank has signalled no plans to cut interest rates in 2020 which will ensure stability of regional currencies. Any significant rise in the cost of crude oil is likely to impact on the regional countries import bill and thus the current account balance and their currencies as well as domestic inflation. The Group will continue to enhance its market risk management practice and frameworks to guarantee balance sheet agility.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

"Corporate governance continues to advance, with the focus currently being on environmental, social and governance (ESG) factors and the role of corporates in their attainment. The Code emphasizes the need for boards to adopt an ESG lens in guiding performance thereby promoting sustainable practices."

(2019 Capital Market Authority Report on the state of Corporate Governance of issuers of securities to the Public in Kenya – Former Capital Markets Authority CEO- Mr. Paul Murithi Muthaura, MBS).

The Group has diversity in its board and hence it has ensured that the board is well equipped to the new advancement in Corporate Governance in respect to environmental, social and governance (ESG). The Group has ensured its product offerings are aligned with the global best practices on ESG.

Corporate Governance is the backbone to any organization's strategy and success. It provides a framework within which corporate objectives are set and performance monitored, as well as providing assurance to investors that they will receive a return on their investment. Governance has proven from time immemorial to be paramount to the success of any institution. Good corporate governance is critical in the banking industry because with good corporate governance, financial fraud that could lead to financial distress and bankruptcy is avoided.

The Group has complied with all the aspects of the 2015 CMA Code of Corporate Governance as highlighted under the following broad topics:

- Board operations and control;
- Rights of shareholders;
- Stakeholder Relations;
- Ethics and social responsibility;
- Accountability, risk management and internal control; and
- Transparency and disclosure.

BOARD OPERATIONS & CONTROL

Principle on appointment, composition, size and qualifications of Board members.

The Governance, Nominations and Compensation Committee proposes new nominees for appointment to the Board. In making the proposals for appointment, the Committee ensures diversity in the Board composition, as well as ensuring a balance of executive and non-executive Directors, with the majority being non-executive and at least one-third of the total number of Board members being Independent non-executive Directors. The Group avails information relating to those nominated for Board positions to shareholders, to ensure only credible persons who can add value to the Group's business are elected to the Board. The principles for board appointments are outlined below:

a) Diversity

The Group is committed to having a great 'mix' of qualified individuals appointed to the Board, as diversity is not only a strength but also provides great competitive edge. Diversity is observed through differentiation in the age of Directors, their gender, professional qualifications, as well as their nationality. Additionally, there is diversity in terms of the highest education (academic) level achieved; with 3 members of the Group Board having received presidential awards, 3 hold honorary doctorates, 2 hold PhDs, 4 hold Master's Degrees and the rest hold Bachelor's degrees. Many are members of professional bodies.

b) Principle on structure of the Board

To ensure effectiveness and value addition to the Group, the Group always has a minimum of at-least 7 Directors and a maximum of 12 Directors. Additionally, the Board has established Committees, with written terms of reference, to provide guidance on broad functions of the Group such as audit, risk management, remuneration, finance, investment and governance. The Board ensures that the Committees are appropriately constituted with members who have the necessary skills and expertise to handle the responsibilities allocated to them.

c) Principle on the functions of the Board

To enhance accountability to its shareholders, the Group has ensured that:

- It has distinguished the roles reserved for the Board and those delegated to the Management;

CORPORATE GOVERNANCE (continued)

BOARD OPERATIONS & CONTROL (continued)

- The functions of the Chairperson and the Chief Executive Officer are not exercised by the same individual;
- The Chairperson of the Board is a non-executive director;
- It is assisted by a qualified and competent company secretary of good standing with the Institute of Certified Public Secretaries of Kenya (ICPSK);
- The Group's strategies are sustainable;
- It has clearly identified the Directors' fiduciary duties; and
- It has established a Conflict of Interest Policy.

d) Principle on Board independence

The Group Board assesses the independence of Board members on an annual basis, to ensure that the Board always benefits from independent and objective judgment.

e) Principle on age limit for Board members

The Group has prescribed 70 years as the age limit for its Directors. Any Director who has reached the age of 70 years resigns from the office of Director at the following Annual General Meeting and Shareholders are informed of such resignation at each Annual General Meeting. If any Director wishes to continue serving in the office of Director, he/she must seek the approval of the Shareholders at an Annual General Meeting.

f) Principle on Board tools

The Group has formulated a Code of Ethics and Conduct, which has been cascaded down to all employees, as well as established a Board Charter, to guide in the activities of the Board. The Code and the Charter are reviewed from time to time and have been disclosed in the Group's website.

Further, the Board develops a work plan and an evaluation toolkit annually, to ensure effectiveness.

g) Principle on governance and legal audit

The Group in 2019 has been implementing the Audit recommendations of the 2018 Governance Audit proactively. The Group has also, after lodging an application with the Capital Markets Authority (CMA), become eligible for the two (2) year cycle of conducting governance audits and will conduct the next governance audit in 2020.

h) Principle on insider dealings/ trading

In line with the Group's continuing listing obligations, the Group prohibits insider trading, as it enables persons who have access to non-public information to potentially profit or avoid loss unfairly. The Group has developed and enforced an insider trading and market abuse policy. In the year 2019, there were no known insider dealings.

Rights of Shareholders

The Group Board recognizes, respects and protects the rights of shareholders through:

- Availing information on the Group's performance through distribution of integrated reports annually, as well as convening investor briefings on a quarterly basis;
- Disseminating information concerning the date, location and agenda of the Annual General Meeting (AGM) at least 21 calendar days before the AGM;
- Ensuring that every shareholder has a right to participate and vote at the AGM;
- Ensuring equitable treatment of all holders of the same class of issued shares;
- Ensuring that institutional investors hold meetings with the Management, to discuss the Group's performance; and
- Engaging the media on dissemination of important Group information.

STAKEHOLDER RELATIONS

The Board has identified at least 9 categories of stakeholders as follows: depositors, development partners, employees, financiers, government, regulators, shareholders, suppliers and the wider community. Before making its decisions, the Board takes into account the interests of all stakeholders and ensures that engagement with stakeholders is deliberate and planned and that communication is always transparent and effective.

ETHICS & SOCIAL RESPONSIBILITY

The Group's Board has identified the following four ethical values, which underpin good corporate governance, to guide all its deliberations, decisions and actions:

CORPORATE GOVERNANCE (continued)

ETHICS & SOCIAL RESPONSIBILITY (continued)

- **Responsibility:** The Board assumes responsibility for the assets and actions of the Group and is willing to take corrective actions to keep the Group on a strategic path that is ethical and sustainable;
- **Accountability:** The Board justifies its decisions and actions to Shareholders and other Stakeholders;
- **Fairness:** The Board ensures that it considers the legitimate interests and expectations of all Stakeholders; and
- **Transparency:** The Board discloses information in a manner that enables Stakeholders to make an informed analysis of the Group's performance and sustainability.

The Board has developed the Code of Ethics and Conduct to ensure that its business is conducted according to the highest ethical standards and in compliance with all the applicable laws and regulations governing the banking industry. The provisions of the Code apply to all Directors and the Board ensures that all the Directors, Senior Management and staff adhere to it.

Additionally, the Board has put in place a Speak Up Policy to encourage feedback towards improving the Group's procedures in line with market developments, organisation's strategies and business process optimization. The Policy enables stakeholders to speak up on their experiences, observations and opinions on products, service delivery, expectations and challenges, as well as encouraging employees and other relevant stakeholders to report any perceived act of impropriety without fear of retaliation.

The Board has established the Social and Environmental Risk Management Policy and the Social and Environmental Management System for Credit Exposures to ensure that its activities lead to good corporate citizenship. Additionally, the Group observes:

- IFC exclusion list in credit activities;
- NEMA Regulations;
- Code of Ethics for businesses in Kenya; and
- Sustainable banking initiatives by Kenya Bankers Association.

Division of Role of Chairperson and Chief Executive Officer

The Chairperson

The Chairperson of the Board is an Independent Non-Executive Director. The Chairperson leads and manages the work of the Board and ensures that decisions are taken on a sound and well-informed basis. The Chairperson provides leadership to the Board and is responsible for the Board's effective overall functioning.

The Chairperson also ensures:

a. The smooth functioning of the Board, the governance structure and instils a positive culture in the Board;

b. Guidelines and procedures are in place to govern the Board's operation and conduct;

c. All relevant issues are on the agenda for Board meetings and all Directors are able to participate fully in the Board's activities;

d. The Board debates strategic and critical issues; and

e. The Board receives the necessary information on a timely basis from the management.

The Chief Executive Officer

The Chief Executive Officer is wholly responsible to the Board for the day to day running of the Group. The collective responsibility of the Group's management is vested in the Chief Executive Officer and bears ultimate responsibility for all management functions.

The Chief Executive Officer undertakes the following key responsibilities:

a. Ensures that the policies spelt out by the Board in the Group's overall corporate strategy of the institution are implemented;

b. Identifies and recommends to the Board competent officers to manage the operations of the Group;

c. Establishes and maintains efficient and adequate internal control systems;

d. Ensures that the Board is frequently and adequately appraised about the operations of the Group;

e. Co-ordinates the operations of the various departments within the Bank; and

f. Designs and implements the necessary management information systems in order to facilitate efficient and effective communication within the Bank.

CORPORATE GOVERNANCE (continued)

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is licensed by Central Bank of Kenya as a non-operating holding company listed on the Main Investment Market Segment of the Nairobi Securities Exchange (the Exchange) and as such, is bound by and complies with:

- The Capital Markets Act and all subsidiary legislation made thereunder;
- The NSE rules and guidelines issued by the Capital Markets Authority (the Authority), the Exchange and any requirements, decisions, or directions given by the Authority and the Exchange;
- The Banking Act and all prudential guidelines and directions given by the Central Bank of Kenya and other regional regulators;
- The Companies Act 2015, its regulations and amendments thereto; and
- All other applicable laws and regulations governing the various lines of businesses it is engaged in.

TRANSPARENCY & DISCLOSURE

Policy on Conflict of Interest

The Group's Board has established a Conflict of Interest Policy, in recognition that excessive activities, gratuities and access to information may lead to actual or potential conflicts of interest between the interests of the Group and those of its relevant persons. The Policy identifies the activities which may compete or conflict with the Group's interests and outlines the steps to manage conflict of interest, should it arise.

Policy on IT

The Group's Board has developed various IT policies, so as to enable the Group to realise its digitization agenda. The policies provide in-depth coverage and guidance on IT-related matters such as: SLA management, project management, branch server room management, business partnerships, database procedures, incident management, invoice processing, quality assurance, security procedures and software design, development and testing.

Policy on Procurement

The Group's Board has developed a Group Procurement Policy, so as to:

- Promote best practices, transparency and professionalism in all acquisition processes within the Equity Group fraternity;
- Ensure that suppliers of goods and services are subjected to a competitive tendering process in order to achieve quality, price competitiveness and reliability;
- Ensure that all expenditure is in accordance with prior approved budget and procurement plan; and
- Ensure compliance with applicable regulations and legislations.

DIRECTORS' REMUNERATION REPORT

The Board reviews and recommends the remuneration structure of Directors annually, subject to Shareholder's approval. Directors' remuneration is linked to performance but is competitively structured to attract and retain the best talent to effectively develop the Group's business.

Executive Directors

The Executive Directors' remuneration package comprises core fixed elements (base salary, pension and other benefits). Executive Directors are eligible to participate in the Group's bonus scheme which is anchored on achievement of key business performance indicators but are not entitled to earn fees or sitting allowances.

CORPORATE GOVERNANCE (continued)

DIRECTORS' REMUNERATION REPORT (continued)

Non-Executive Directors

Non-Executive Directors are appointed for a renewable term of 3 years, subject to regulatory approval and shareholder ratification. They are obligated to act reasonably, in good faith and in the best interests of the Group and its Shareholders. Non-Executive Directors are vested with the following key responsibilities:

a. To constructively challenge and contribute to the development of strategy and extend the business of the Group;

b. To monitor the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance; and

c. To ensure that financial information is accurate, and that financial controls and systems of risk management are robust and defensible.

Non-Executive Directors are entitled to sitting allowances for attending Board and Committee meetings, as well as an out of station per diem for attending to Group's business outside their usual place of business. Non-Executive Directors do not earn a salary and they do not participate in the Group's bonus schemes nor the Group's pension plan.

Upon retirement or termination, Non-Executive Directors are entitled to any accrued but unpaid Director's fees or reasonably incurred expenses but not to any other compensation.

Insurance

The Group provides Directors' and Officers' Liability Insurance for all Directors of the Group during the entire duration of their tenure.

Share Options

There are currently no share options issued by the Group to the Executive and the Non-Executive Directors. Particulars of compensation of directors and key personnel are disclosed to the public in the audited financial statements under Note 28.

See remuneration report on pages 108 - 110. Governance, Legal and Compliance Audits will henceforth from 2018 and be conducted by the Group bi-annually (after every two years). The Group, Governance, Legal and Compliance Audit report was first undertaken in 2018 and is available in the Equity Group Holdings Plc and Subsidiaries integrated report and financial statements for the year ended 31st December, 2018.

CORPORATE GOVERNANCE (continued)

Equity Group Holdings Plc Board members

Name	Expertise	Executive/ Independent	Non-Executive Independent	Gender	Meeting Attendance	Nationality
Mr. David Ansell	Management of financial institutions, strategic planning and business development	Non-Executive Chairman	Independent	Male	3/5	Kenyan
Prof. Isaac Macharia	Medical, strategic planning, leadership and business development	Non-Executive Vice Chairman	Independent	Male	5/5	Kenyan
Dr. James Mwangi	Banking and financial experience, leadership and management of financial institutions	Group Managing Director & Chief Executive Officer	Non-independent	Male	5/5	Kenyan
Mr. Deepak Malik	Accounting, banking, financial investment experience, leadership and management of financial institutions	Non-Executive Director	Non-Independent	Male	4/5	Indian
Mrs. Evelyn Rutagwenda	Accounting, auditing, leadership and management	Non-Executive Director	Independent	Female	5/5	Rwandese
Dr. Edward Odundo	Strategic Management & Marketing. Finance & Accounting, pension and tax	Non-Executive Director	Independent	Male	5/5	Kenyan
Dr. Helen Gichohi	Leadership and international management of social impact and transformational programs	Non-Executive Director	Independent	Female	5/5	Kenyan
Mr. Vijay Gidoomal	Finance, operations, strategic planning and business development	Non-Executive Director	Independent	Male	5/5	Kenyan
Mrs. Mary Wamae	Legal, company secretarial, strategic planning, leadership and business development	Executive	Non-Independent	Female	5/5	Kenyan

CORPORATE GOVERNANCE (continued)

THE GROUP BOARD

The Board meetings were held on a quarterly basis in the month of March, April, July and November. There was 1 ad hoc meeting in August. The Committee meetings on the other hand were held on a quarterly basis in March, April, July and November.

The key areas of focus during the Board meetings are as follows:

- Review of the macro-economic environment and developments in the banking industry;
- Review of financial and management performance and approval of accounts;
- Review of compliance with Anti-Money Laundering/ Combating the Financing of Terrorism Regulations;
- Review of Board Evaluation Report;
- Review of the Subsidiaries' Performance;
- Review of preliminary Inspection Report; and
- Review proposed strategic investments.

BOARD COMMITTEES

The Group Board has established Board Committees in each of the Subsidiaries, governed by charters and aligned to the Group's delivery of its vision and mission. The secretary to each Board Committee is the head of the relevant function within the Group and Company.

The Group Board has four significant committees which supports it in discharging its responsibilities. These are: The Audit Committee, Governance, Nominations and Compensation Committee, Strategy and Investments Committee, Risk & Assets and Liabilities Management Committee (ALCO).

NB: The member constitution of the March committee meetings was different from that of April, July and November. Some members did not therefore attend all meetings because they had not yet been appointed to their respective committees.

The Group Audit Committee

The Group Audit Committee is appointed by the Board and is responsible for providing independent oversight on:

- The integrity of the financial statements of the Group;
- The effectiveness of the Group's financial reporting, internal control and risk management systems;
- The effectiveness of the Group internal audit function; and
- The external auditors' qualifications, independence and performance.

The Committee is currently composed of 4 Independent and Non-Executive Directors, 1 of whom is a Certified Public Accountant. The following is the current membership and attendance to the Committee meetings:

Mrs. Evelyn Rutagwenda	Chairperson	(4/4)
Dr. Edward Odundo	Member	(3/4)
Dr. Helen Gichohi	Member	(3/4)
Mr. Vijay Gidoomal	Member	(4/4)

The key areas of focus for the meetings was as follows:

- Review of the External Audit Plan for the year ending 31st December 2019;
- Consideration and recommendation of financial statements;
- Status of issues raised in previous Internal Audit Reports, Management Letters and Central Bank Onsite Examination Reports;
- Significant internal audit findings and coverage of audit plans;
- Consideration and approval of the Group Internal Audit Plan; and
- Consideration and recommendation of the Board Audit Committee Charter.

Governance, Nominations and Compensation Committee

The Committee derives its mandate from the Board and its purpose is to:

- Recommend to the Board the remuneration packages offered to its Executive Directors, including bonuses, deferred awards and long-term incentive awards, pension rights and any compensation arrangements, taking account of the Group's compensation and risk framework and appraisal structures;
- Recommend general staff remuneration and human resource related practices;

CORPORATE GOVERNANCE (continued)

BOARD COMMITTEES (continued)

Governance, Nominations and Compensation Committee (continued)

- Periodically review the completeness and effectiveness of the Group's corporate governance initiatives and policies; and
- Regularly reviewing the required mix of skills and experience, so as to determine the effectiveness of the Board and making recommendations to the Board for new appointments.

The Committee is composed of 7 members, three of whom are Independent Non-Executive Directors. All Committee members have extensive experience in business management in key positions and have adequate understanding of the impact of compensation practices on the Group's risk profile. The following is the current membership and attendance to the Committee meetings:

Prof. Isaac Macharia	Chairman	(4/4)
Mrs. Evelyn Rutagwenda	Member	(4/4)
Dr. James Mwangi	Member	(3/4)
Mrs. Mary Wamae	Member	(3/4)
Dr. Edward Odundo	Member	(3/4)
Dr. Helen Gichohi	Member	(3/4)
Mr. Deepak Malik	Member	(4/4

The key areas of focus for the meetings was as follows:

- Review and recommend appointment of new board directors for nomination;
- Responsible for Board Evaluation;
- Guide HR Strategy; and
- Guide on Compensation and Remuneration of staff & Board directors.

Strategy & Investment Committee

The Strategy and Investments Committee derives its authority from the Board, and it considers the various strategic options available to the Group and makes recommendations to the Board regarding the development of the Group's long-term strategic plans.

The Strategy and Investments Committee, in conjunction with the Group's Senior Management is responsible for:

- Regularly reviewing, discussing and suggesting revisions to the Group's vision and mission;
- Establishing procedural guidelines with the Senior Management for the development of the Group's corporate and investments strategy and its implementation and clearly identifying the goals and expectations for the Group's strategic planning process;
- Providing ongoing critical evaluation of, and accountability for performance within, the corporate and investments strategy, financial limits and operating objectives approved by the Board;
- Understanding, identifying and discussing key issues, assumptions, risks and opportunities that impinge upon the development and implementation of appropriate corporate and investments strategies; and
- Ensuring Group-wide risk discussion and management are key components of the strategic planning process, including consideration of risk and opportunities relating to the economy, the environment, ethics, finance, leadership, operations, politics, reputation, strategy, competition, technology and other types.

The Committee comprises eight members, six of whom are Non-Executive, with four being Independent.

The current membership of the Committee together with attendance is as follows:

Mr. Deepak Malik	Chairman	(4/4)
Dr. James Mwangi	Member	(4/4)
Dr. Helen Gichohi	Member	(4/4)
Mr. Vijay Gidoomal	Member	(4/4)
Prof. Isaac Macharia	Member	(3/4)
Dr. Edward Odundo	Member	(3/4)
Mrs. Mary Wamae	Member	(3/4)
Mrs. Evelyn Rutagwenda	Member	(3/4)

The key areas of focus for the meetings was as follows:

- Proposal on Employee Share Ownership Plan;
- Discussion on culture and brand;
- General funding needs;
- Proposal on expansion;
- Impact of IFRS9, and
- Strategic initiatives and investments

Risk & Assets and Liabilities Management Committee

The Risk & Assets and Liabilities Management Committee derives its authority from the Board and is responsible for:

- Reviewing and assessing the quality, reliability and integrity of risk management;
- Ensuring that the Group risk policies and strategies are effectively managed;

Corporate Governance (continued)

BOARD COMMITTEES (continued)

Risk & Assets and Liabilities Management Committee (continued)

- Ensuring the optimisation of the Group's assets and liabilities;
- Ensuring compliance with statutory and legal requirements and Group's policies and procedures; and
- Reviewing on an annual basis the effectiveness of the Group's risk management practices.

The Committee consists of six members, four of whom are Non-Executive, with three being Independent. The current membership of the Committee together with attendance is as follows:

Mr. Vijay Gidoomal	Chairman	(3/4)
Dr. James Mwangi	Member	(4/4)
Mr. Deepak Malik	Member	(4/4)
Mrs. Evelyn Rutagwenda	Member	(3/4)
Dr. Edward Odundo	Member	(3/4)
Mrs. Mary Wamae	Member	(3/4)

The key areas of focus for the meetings was as follows:

- The review of leading risk issues as defined in the Group Risk Management Policy;
- Enterprise Information, Risk and Security;
  - » Cyber security strategy
  - » Review of Business Continuity Management Strategy
- Global and Regional Macro-Economic Outlook Review;
- Review of Internal Capital Adequacy Assessment Process; and
- Review of compliance with AML/CTF Laws, Regulations and Standards.

MANAGEMENT COMMITTEES

The Group has established the following Management Committees:

Management Credit Risk Committee

The Management Credit Risk Committee is vested with the following responsibilities:

- To periodically monitor concentrations in credit portfolio and assess efficacy of thresholds and action plans in case of threshold breach in the Group;
- To review and monitor the credit portfolio quality;
- To review credit vintages; and
- To ensure implementation and adherence to credit policies.

Management Risk & ALCO Committee

The responsibilities of the Management Risk & ALCO Committee are as follows:

- To recommend the risk philosophy, strategy and policies to the Board;
- To monitor and ensure optimal composition of assets and liabilities within the Group;
- To monitor the liquidity positions for the banking and non-banking subsidiaries against regulatory requirements, as well as conduct stress tests;
- To ensure effective management of a high-quality loan portfolio; and
- To review and ensure that the Group's capital adequacy is within the regulatory requirements.

Compliance & Operational Risk Committee

The Compliance & Operational Risk Committee is vested with the following responsibilities:

- To ensure implementation of operational policies;
- To monitor compliance with internal policies and procedures and the regulatory environment;
- To review operation risk management tools, procedures, methodologies, as well as to understand and discuss emerging trends in operational risk profile;
- To review and ensure effective implementation of a robust Business Continuity and Disaster Recovery framework; and
- To review and discuss operational risk appetite, trends and composition of operational risk loss data, risk control self-assessment results, key risk indicator breaches and risk library maintenance and usage.

Corporate Governance (continued)

COMPANY SECRETARY MANDATE AND ROLE

The Company Secretary is appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit; and any Company Secretary so appointed may be removed by them.

The Company Secretary is an integral senior officer of the Company, with many varied roles such as:

- Providing dedicated support for the Board and is a point of reference and support for all Directors;
- Regularly reviewing, along with the Chairperson, the Board and the Group's governance processes, with a view to ensuring that they are fit for purpose and recommending or developing initiatives to strengthen the governance of the Group;
- Monitoring and putting in place procedures which allow for compliance with the Constitution, all the applicable regulatory and legal requirements, national and international standards, as well as the Memorandum and Articles of Association of the Company and all internal policies;
- Maintaining and updating all statutory registers, ensuring that any filing with the Registrar of Companies is done on time and coordinating the publication and distribution of the Group's Integrated Report and Financial Statements as well as interim statements;
- Handling all matters affecting shareholding, queries and requests from shareholders, as well as capital issues and restructuring; and
- Roles relating to conduct of Board and annual general meetings and compliance with continuous listing obligations including disclosures transparency and managing relations with investors and regulators.

BOARD CHANGES

The following changes occurred in the Group Board and subsidiary Company Boards:

Appointments to the Board

- Mr. Gerald Warui was appointed as the Managing Director of Equity Bank (Kenya) Limited;
- Mrs. Jane Ngige was appointed to the Board of Equity Bank (Kenya) Limited;
- Mr. Erastus J.O. Mwencha was appointed to the Board of Equity Bank (Kenya) Limited;
- Mr. Dino Stengel and Professor Honest Ngowi were appointed to the Board of Equity Bank (Tanzania) Limited;
- Mr. Steven Mutabazi was appointed to the Board of Equity Bank Rwanda PLC.

Retirements from the Board

- Dr. Julius Muia retired from the Boards of Equity Bank (Kenya) Limited and Equity Investment Bank Limited;
- Mr. Polycarp Igathe retired as Managing Director, Equity Bank (Kenya) Limited;
- Ms. Joanna Bichsel retired from the Board of Equity Bank Rwanda PLC;
- Dr. Mark Schwiete retired from the Board of Equity Bank Congo S.A.;
- Mr. Bhartesh Shah retired from the Boards of Equity Bank Congo S.A. and Equity Bank (Kenya) Limited; and
- Dr. Peter Kahara Munga and Mr. Dennis Aluanga retired from the Group Board;
- Mr. Julius Kayoboke retired from the Board of Equity Bank Rwanda PLC.

Appointment of Board Chairperson

- Mr. David Ansell was appointed as the Chairman of the Group and retired from all subsidiary boards.

BOARD EVALUATION

Board evaluation is performed on an annual basis for each of the banking subsidiaries in the Group, as required by the Central Bank of Kenya, regional regulators and the Capital Markets Authority. For the financial year 2019, Board evaluation was conducted by an independent consultant, whereby evaluation was performed on the Chairman of the Board, Board members including the CEO, Board Committees and Company Secretary by means of one on one interviews, as well as questionnaires. The Board evaluation questionnaire focused on the following key areas:

- Board Structure;
- Board Composition;
- Board Role and Responsibilities;
- Key Board Functions and Processes;
- Board Information;
- Board Meetings;
- Board Relationships;

CORPORATE GOVERNANCE (continued)

BOARD EVALUATION (continued)

- Board Development; and
- Overall Performance and Contribution.

The resultant reports were filed with the regulators as required.

TRAINING

Training of Directors is undertaken to ensure that Directors keep abreast with modern management trends, as well as familiarise themselves with changes in legislation. Some of the training programs provided to Directors in 2019 were as follows:

- Financial Risk Management;
- International Financial Reporting Standards 9 (IFRS 9);
- Environmental and Social Risk Management;
- Anti-Money Laundering Laws & Regulations (AML);
- Blockchain; and
- New Directors underwent extensive induction.

This is in accordance with the Group Code that states that on appointment to the Board and to Board Committees, all Directors will receive a comprehensive induction on their individual requirements (where applicable) in order to become as effective as possible in their role within the shortest practicable time.

The induction process is intended to achieve the following:

- Build an understanding of the nature of the Group, its business and the markets in which it operates;
- Build a link with the Group's staff;
- Build an understanding of the Group's main relationships; and
- Ensure an understanding of the role of a Director and the framework within which the Board operates.

INDEPENDENCE OF THE CHAIRMAN

To ensure independence, the Group has appointed a Non-Executive Chairman. Additionally, the Chairperson does not act as the chairperson of more than 2 public listed companies at any one time in order to ensure effective participation in the Board.

MEMBERSHIP ASSOCIATIONS

The Group and the Bank are also members of the following network associations and forums:

1. Association of Microfinance Institutions (AMFI);
2. Kenya Bankers Association (KBA);
3. Women's World Banking (WWB);
4. Global Network for Banking Innovation (GNBI);
5. Small Business Banking Network (SBBillion);
6. Micro Finance Network (MFN);
7. Global Agenda Council on Emerging Multinationals 2010;
8. World Economic Forum;
9. Clinton Global Initiative;
10. African Leadership Network (ALN);
11. UN Economic and Social Council;
12. G8 New Alliance for Food Security & Nutrition;
13. Agenda Council on New Models of Economic Thinking of the World Economic Forum;
14. Aspen Network of Development Entrepreneurs (ANDE);
15. Invest in Africa (IIA);
16. Kenya Healthcare Federation; and
17. East Africa Humanitarian Private Partnership Platform.
18. Tent Partnership for Refugees; and
19. Smart Communities Coalition.

REPRESENTATION OF RETAIL SHAREHOLDERS

The Group employs diverse channels and mechanisms to communicate and disseminate information to its various stakeholders, including shareholders. These channels and mechanisms include collection of investor feedback and communication via the investor relations function, financial information on the Group is available on the Group's website and latest results are provided on a quarterly basis across a number of national publications. In addition, interaction with senior management is also afforded at the Group's results presentations. Lastly, shareholders have access to senior management during the Annual General Meeting and at any other time on request.

CORPORATE GOVERNANCE (continued)

PARTICULARS OF SHAREHOLDING

The Group complies with the provisions of the Capital Markets Act and all the Rules, Regulations and Guidelines made there under. Monthly reports are made to the Capital Markets Authority (CMA) and the Nairobi Securities Exchange (NSE) on the particulars of the shareholders as required by the law.

The top ten largest shareholders as at 31st December 2019 were:

SHAREHOLDERS NAME	NUMBER OF SHARES	% OF SHAREHOLDING
ARISE B.V.	452,581,275	11.99
JAMES NJUGUNA MWANGI	127,809,180	3.38
BRITISH-AMERICAN INVESTMENTS COMPANY KENYA LIMITED	118,890,750	3.15
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	108,855,100	2.88
STANBIC NOMINEES LTD A/C OWNERSHIP PLAN	108,516,255	2.87
FORTRESS HIGHLANDS LIMITED	101,010,000	2.67
EQUITY NOMINEES LIMITED A/C 00104	94,444,584	2.50
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.38
MAEWA HOLDINGS LTD	64,371,200	1.70
EQUITY NOMINEES LIMITED A/C 00161	64,142,900	1.69
OTHER SHAREHOLDERS	2,442,938,648	64.73
TOTAL	**3,773,674,802**	**100%**

EGH Plc Director Shareholding as at 31st December 2019

DIRECTOR	NO. OF SHARES	OWNERSHIP % (100%)
Mr. David Ansell	Nil	Nil
Dr. James Mwangi	127,809,180	3.38
Prof. Isaac Macharia	346,950	0.0092
Dr. Helen Gichohi	13,200	0.0003
Mrs. Evelyn Rutagwenda	Nil	Nil
Mr. Vijay Gidoomal	Nil	Nil
Mr. Deepak Malik	Nil	Nil
Mrs. Mary Wamae	Nil	Nil
Dr. Edward Odundo	Nil	Nil

By virtue of his shareholding and units in British American Investments Company (Kenya) Limited and Employee Share Ownership Plan (ESOP) respectively, Dr. James Mwangi's total direct and indirect shareholding is 4.38%.

The following is the shareholding structure as at 31st December 2019

SHAREHOLDING	NO. OF SHAREHOLDERS	NO. OF SHARES	% SHARES HELD
1 to 500	9,988	2,401,518	0.06
501 - 5,000	10,914	20,105,297	0.53
5,001 - 10,000	1,700	13,038,705	0.34
10,001 - 100,000	2,149	62,577,537	1.65
100,001 - 1,000,000	527	190,556,594	5.04
1,000,001 and above	334	3,484,995,151	92.35
Total:	**25,612**	**3,773,674,802**	**100**

CORPORATE GOVERNANCE (continued)

THE LARGEST SHAREHOLDERS OF EQUITY GROUP HOLDINGS PLC

1. ARISE B.V

Arise is a leading African investment company that partners with sustainable, locally owned Financial Services Providers (FSPs) in Sub-Saharan Africa. The company was founded by four cornerstone investors namely Rabobank, Norfund, NorFinance and FMO and manages assets in excess of USD 950 million and is operational in 9 countries.

Their vision is to contribute to the economic growth in Africa and the prosperity of its people by increasing financial inclusion and employment, strengthening rural development and reducing poverty alleviation. Arise takes and manages minority stakes in Sub-Saharan African FSPs with the core aim of building strong and stable institutions that will serve retail, Small and Medium Enterprises (SMEs), the rural sector and clients who have not previously had access to financial services.

The company supports the growth and development of FSPs through providing among others technical assistance and management services in the field of banking development, governance, management, marketing, innovation, compliance and risk management. Arise aims to increase the availability of financial services to SMES and provide a platform for people in Sub-Saharan Africa to empower themselves by opening bank accounts and taking loans; in turn building a better life for their families.

a. Rabobank

Rabobank is a Dutch cooperative bank that was founded by farmers in the late 19th century. In the Netherlands, Rabobank is an all-finance bank with a strong local presence, providing a variety of products and services to individuals and companies. Rabobank serves in excess of 7.4 million clients in the Netherlands.

b. Norfund

Norfund, the Norwegian Investment Fund for Developing Countries, was established by the Norwegian Parliament in 1997. Norfund's objective is to contribute to reducing global poverty through contributing to the growth of sustainable commercial enterprises in developing countries. It offers equity, venture capital and other loans to companies in selected countries and business areas where the private sector lacks sufficient capital to grow and develop viable businesses.

c. FMO

FMO is the Dutch development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a proven track-record of empowering people to employ their skills and improve their quality of life.

2. BRITAM HOLDINGS LIMITED

Britam is a leading diversified financial services group, listed on the Nairobi Securities Exchange. The group has interests across the Eastern and Southern Africa region, with operations in Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi. Britam offers a wide range of financial products and services which include Asset Management, Life Assurance, Retirement Planning, General Insurance, Health Insurance, Banking and Property. These financial solutions enable our customers to create and protect their wealth and lives every step of the way.

CORPORATE GOVERNANCE (continued)

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

Directors have a statutory duty to promote the success of the Company for the benefit of its stakeholders. In promoting the success of the Company, Directors must have due regard to the long term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that the Company is in compliance with the laws, regulations and standards applicable to it. The Board ensures high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance for Issuers of Securities in Kenya ("the Code") as well as the Companies Act, 2015 ("the Act") are adhered to.

The Board has established internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards. The Board is also supported by duly qualified legal and compliance professionals to guide and focus the Company's compliance efforts.

In this regard, the Group during the period under review has been implementing the recommendations of the 2018 Governance Audit. The Capital Markets Authority (CMA) undertook extensive stakeholder consultation to consider the frequency, cycle, cost and scope of governance audits as a result of which CMA advised all Issuers of a revision in the cycle of governance audits to at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach. Consequently, CMA approved the Group's request to adopt the 2-year cycle. The next governance audit is therefore scheduled to commence in 2020.

FINANCIALS 2019

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GROUP AND COMPANY INFORMATION

REGISTERED OFFICE

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Off Eldama Ravine Road, Westlands
P.O. Box 200 - 00606
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Nairobi, Kenya

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South Sudan Associated Advocates
Chamber of Commerce Complex
Summer Palace Business Hotel Close
Juba, South Sudan

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Kampala, Uganda

Cabinet Kalongo Mbikayi
Apartment 14 B, New Presidential Galleries
Kinshasa, Democratic Republic of Congo

BANKERS

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Nairobi, Kenya

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Kigali, Rwanda

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P.O. Box 136
Juba, South Sudan

Bank of Tanzania
P.O. Box 2939
Dar es Salaam, Tanzania

Central Bank of Congo
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Kinshasa, Democratic Republic of Congo

Bank of Uganda
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Kampala, Uganda

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
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Nairobi, Kenya

COMPANY SECRETARY

Christine Browne
CPS Registration No. 1485
9th Floor, Equity Centre
P.O. Box 75104 - 00200
Nairobi, Kenya

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 December 2019, in accordance with section 22 of the Banking Act (Cap 488) Laws of Kenya and section 653 of the Companies Act, 2015, which discloses the state of affairs of the Company and its subsidiary companies.

PRINCIPAL ACTIVITIES

The principal activities of Equity Group Holdings Plc are:

a. To carry on the business of a non-operating holding company as defined under the Banking Act;

b. To employ the funds of the Group in the development and expansion of the business of the Group and all or any of its Subsidiaries; and

c. To co-ordinate the administration of and to provide advisory, administrative, management and other services in connection with the activities of its Subsidiaries.

A detailed business review, including an overview of the Group's macro-economic environment and principal risks and challenges facing the Group is included in the Integrated Report on pages 42 - 56.

RESULTS AND RECOMMENDED DIVIDEND

Profit for year of Shs 22,561 Million (2018: Shs 19,824 Million) has been added to retained earnings. The Directors recommend the approval of a dividend of Shs 2.50 per share amounting to Shs 9,434 Million (2018: Shs 2.00 per share amounting to Shs 7,547 Million).

DIRECTORS

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

Dr. James Njuguna Mwangi*
(Group Chief Executive Officer & Managing Director)

David Ansell**
(Appointed Chairman on 30 April 2019)

Helen Gichohi

Dr. Peter Munga
(Retired as Chairman on 30 April 2019)

Dennis Aluanga
(Retired on 30 April 2019)

Evelyn Rutagwenda***

Deepak Malik****

Prof. Isaac Macharia
(Vice Chairman)

Vijay Gidoomal

Mary Wangari Wamae*

Dr. Edward Odundo

*	Executive Director
**	American and Kenyan
***	Rwandese
****	Indian

Article 100 of the Memorandum and Articles of Association of the Company provides for retirement of Directors by rotation. Clause 2.5 of the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 provides for retirement of Directors on attaining the age of seventy years.

A. Mrs. Evelyn Rutagwenda retires from office by rotation in accordance with Article 100 of the Company's Articles of Association and offers herself for re-election;

B. Mr. Christopher Newson appointed by the Board as a new Director on 4th March 2020, offers himself for appointment in accordance with Article 101 of the Company's Articles of Association, subject to regulatory approvals.

C. Mr. David Ansell, a Director, having attained the age of seventy years retires in terms of Clause 2.5 of the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and does not offer himself for re-election;

D. Mr. Deepak Malik retires from office by rotation in accordance with Article 100 of the Company's Articles of Association and does not offer himself for re-election.

DIRECTORS' REPORT (continued)

STATEMENT AS TO DISCLOSURE TO THE GROUP'S AUDITOR

With respect to each Director at the time this report was approved:

a. There is, so far as each Director is aware, no relevant audit information of which the Group's auditor is unaware; and

b. The Director had taken all steps that ought to have been taken as a Director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Company's Articles of Association and Section 721 of the Companies Act, 2015.

By order of the Board

CHRISTINE BROWNE

SECRETARY

19th March 2020

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Board reviews and recommends the remuneration structure of Directors annually, subject to Shareholder's approval. Directors' remuneration is linked to performance and is competitively structured to attract and retain the best talent to effectively develop the Group's business.

Executive Directors

The Executive Directors remuneration package comprises core fixed elements (base salary, pension and other benefits). Executive Directors are eligible to participate in the Group's bonus scheme which is anchored on achievement of key business performance indicators, but are not entitled to earn fees or other allowances.

Non-Executive Directors

Non-Executive Directors are appointed for a renewable term of 3 years, subject to regulatory approval and shareholder ratification. They are obligated to act reasonably, in good faith and in the best interests of the Group and its shareholders. Non-Executive Directors are vested with the following key responsibilities:

a. To constructively challenge and contribute to the development of strategy and extend the business of the Group;

b. To monitor the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance; and

c. To ensure that the financial information is accurate and that financial controls and systems of risk management are robust and defensible.

Non-Executive Directors are entitled to fees for attending Board and Committee meetings, as well as an out of station per diem for attending to Group's business outside their usual place of business. Non-Executive Directors do not earn a salary and they do not participate in the Group's bonus schemes nor the Group's pension plan.

Upon retirement or termination, Non-Executive Directors are entitled to any accrued but unpaid Director's fees or reasonably incurred expenses but not to any other compensation.

Insurance

The Group provides Directors' and Officers' Liability Insurance for all Directors of the Group during the entire duration of their tenure.

Share Options

There are currently no share options issued by the Group to the Executive and the Non-Executive Directors. Particulars of compensation of Directors and key personnel are disclosed in Note 28.

DIRECTORS' REMUNERATION REPORT (continued)

Audited information

The following table shows a single figure remuneration for the Chairman, Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2019 together with the comparative figures for 2018. The aggregate Directors' emoluments are shown on Note 28 (e).

	Salary	Fees	Pension	Bonus	Other allowances	Estimated value for non-cash benefits	Total
Year ended 31 December 2019	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**
Dr. James Mwangi*	56,734	-	2	-	3,756	4,702	65,194
Mrs. Mary Wamae*	38,972	-	2,081	-	-	-	41,053
Dr. Peter Munga**	-	52,502	-	-	-	-	52,502
Mr. Deepak Malik	-	2,239	-	-	-	-	2,239
Mr. David Ansell	-	5,109	-	-	-	-	5,109
Mrs. Evelyn Rutagwenda	-	3,660	-	-	-	-	3,660
Mr. Vijay Gidoomal	-	3,261	-	-	-	-	3,261
Prof. Isaac Macharia	-	2,642	-	-	-	-	2,642
Dr. Helen Gichohi	-	2,752	-	-	-	-	2,752
Dr. Edward Odundo	-	4,270	-	-	-	-	4,270
	95,706	**76,435**	**2,083**	**-**	**3,756**	**4,702**	**182,682**

*Executive Directors: Executive Directors are not entitled to receive fees or allowances for attending meetings of the Company's Board and those of any subsidiary Company of which they may be a Director.

** The fees received by Dr. Peter Munga include a one-off gratuity of Shs 50 million in consideration of his length of service, commitment and dedication to the Group spanning over 35 years.

DIRECTORS' REMUNERATION REPORT (continued)

Audited information (continued)

Year ended 31 December 2018	Salary Shs' 000	Fees Shs' 000	Pension Shs' 000	Bonus Shs' 000	Other allowances Shs' 000	Total Shs' 000
Dr. James Mwangi*	56,734	-	-	-	3,744	60,478
Mrs. Mary Wamae*	35,212	-	1,760	-	-	36,972
Dr. Peter Munga	-	7,417	-	-	-	7,417
Mr. Deepak Malik	-	2,425	-	-	-	2,425
Mr. David Ansell	-	1,825	-	-	-	1,825
Mrs. Evelyn Rutagwenda	-	5,263	-	-	-	5,263
Mr. Vijay Gidoomal	-	2,124	-	-	-	2,124
Prof. Isaac Macharia	-	2,328	-	-	-	2,328
Mr. Dennis Aluanga	-	1,114	-	-	-	1,114
Dr. Helen Gichohi	-	2,022	-	-	-	2,022
	91,946	**24,518**	**1,760**	**-**	**3,744**	**121,968**

On behalf of the Board

Mary Wamae **Signature:**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their profit or loss for that year. The Directors are responsible for ensuring that the Group and Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and the Company; disclose with reasonable accuracy at any time the financial position of the Group and the Company; and that enables them to prepare financial statements of the Group and of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and the Company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

i. Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

ii. Selecting suitable accounting policies and applying them consistently; and

iii. Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the Directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 19 March 2020 and signed on its behalf by:

Dr. James Mwangi

Group CEO & Managing Director

Mary Wamae

Group Executive Director

Independent auditor's report to the shareholders of Equity Group Holdings Plc

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Equity Group Holdings Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 116 to 224, which comprise the consolidated statement of financial position at 31 December 2019 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, together with the separate statement of financial position of the Company at 31 December 2019 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances at amortised cost Loans and advances to customers comprise a significant portion of the Group's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • We obtained and read the Group's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9;

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti

Key audit matter	How our audit addressed the key audit matter
The policies for estimating ECL are explained in notes 2 (i), 3 (a) and 4 (b) of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • The assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments; • The judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan book; • The relevance of forward-looking information used in the models; and • For Equity Bank Kenya Limited (EBKL), the top 50 loans and advances are individually assessed by the Board Credit Committee (BCC). Judgement is exercised in the consideration of quantitative and qualitative factors, and the mapping of these loans to external ratings. Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	• We tested how the Group extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Group's IT system and the respective customer files; • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis; • For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested, on a sample basis, the reasonableness of EAD for both on and off-balance sheet exposures; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; • For the EBKL top 50 loans and advances, we discussed with management and reviewed the appropriateness of their assessment and mapping to external ratings; and • We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.
Valuation of loan note measured at fair value	
As described in Notes 3 (b) and 20 (d) of the financial statements, the Group holds a loan note which is measured at fair value. The loan note was issued to the Group in 2017 following the restructure of facilities to a customer (original borrower company). To determine the fair value of the loan note, management use a complex discounted cash flow (DCF) model. Significant judgement was exercised in: • The selection of the DCF valuation approach and consideration of alternative modelling approaches; and • The assumptions applied in deriving the model inputs which include the projected cash flows of the original borrower company, the weighted average cost of capital (WACC) of the original borrower company and the growth rate assumptions. Changes in the valuation approach and the underlying assumptions could result in material variations in the carrying amount of the asset at year-end.	We performed the following procedures: • In conjunction with our valuation experts, we assessed the appropriateness of the modelling approach used by management; • We verified the key valuation inputs and assessed the reasonableness of key assumptions used in estimating the value of the loan note. We also tested the mathematical accuracy of the model computation; • We tested the reasonableness of the fair values using sensitivity analysis based on the most critical assumptions as disclosed under note 20 (d) of the financial statements; and • We assessed the adequacy of the disclosure of the key valuation assumptions in terms of International Financial Reporting Standards (IFRS) requirements.

Independent auditor's report to the shareholders of Equity Group Holdings Plc

Other information

The other information comprises Group and Company information, Directors' report, Directors' remuneration report and Statement of Directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Integrated Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Integrated Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Company to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

Independent auditor's report to the shareholders of Equity Group Holdings Plc (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the Directors

In our opinion the information given in the Directors' report on pages 106 to 107 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the Directors' remuneration report on pages 108 to 110 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers LLP

Certified Public Accountants

Nairobi

20 March 2020

FCPA Richard Njoroge, Practising certificate P/1244

Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2019 Shs' millions	2018 Shs' millions
Interest income	6	59,723	53,230
Interest expense	6	(14,740)	(11,808)
Net interest income		**44,983**	**41,422**
Fee and commission income	7 (a)	20,857	18,264
Fee and commission expense	7 (b)	(3,687)	(2,993)
Net fee and commission income		**17,170**	**15,271**
Net foreign exchange income	8	3,493	3,822
Other operating income	9	5,585	2,998
Fair value loss on loan note at FVTPL	20 (d)	(1,000)	-
Credit impairment losses	11	(3,458)	(2,936)
		4,620	**3,884**
Net operating income		**66,773**	**60,577**
Employee benefits	12	(12,952)	(11,544)
Operating lease expenses	13	(425)	(2,257)
Depreciation and amortisation	10	(6,021)	(4,441)
Other operating expenses	16	(15,142)	(13,632)
Loss on net monetary position	35	(755)	(240)
Operating expenses		**(35,295)**	**(32,114)**
Profit before income tax		**31,478**	**28,463**
Income tax expense	18	(8,917)	(8,639)
Profit for the year		**22,561**	**19,824**
Profit attributable to:			
Owners of the parent		22,386	19,691
Non-controlling interest		175	133
		22,561	**19,824**
Earnings per share (basic and diluted) (Shs)	**29**	**5.93**	**5.22**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 Shs' millions	2018 Shs' millions
Profit for the year		**22,561**	**19,824**
Other comprehensive income:			
Items that will be reclassified to profit or loss:			
Fair value gains/ (losses) on investments in financial instruments measured at FVOCI	21	3,757	(944)
Deferred income tax	23	(1,127)	310
		2,630	**(634)**
Exchange differences on translation of foreign operations		(824)	(1,035)
Other comprehensive income for the year		**1,806**	**(1,669)**
Total comprehensive income for the year, net of tax		**24,367**	**18,155**
Total comprehensive income attributable to:			
Owners of the parent		24,192	18,022
Non-controlling interest		175	133
		24,367	**18,155**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 Shs' millions	2018 Shs' millions
Interest income	6	182	212
Dividend income	28 (h)	12,500	10,450
Other operating income	9	59	44
Operating income		**12,741**	**10,706**
Credit impairment losses	11	(1)	(35)
Employee benefits	12	(87)	(55)
Operating lease expenses	13	(2)	-
Other operating expenses	16	(321)	(51)
Operating expenses		**(411)**	**(141)**
Profit before income tax		**12,330**	**10,565**
Income tax expense	18	(67)	(18)
Profit for the year		**12,263**	**10,547**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**12,263**	**10,547**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2019 Shs' millions	2018 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19 (a)	86,434	74,619
Derivative financial assets	33	472	225
Investment securities	21	172,208	160,952
Due from related parties	28 (f)	19	24
Current income tax	18	152	632
Loans and advances to customers	20	366,440	297,227
Other assets	22	12,745	12,395
Property and equipment	14 (a)	11,031	10,276
Right-of-use assets	14 (c)	7,342	-
Intangible assets	15	10,347	10,466
Deferred income tax	23	6,492	6,117
Prepaid leases	14 (b)	-	451
Total assets		**673,682**	**573,384**
Liabilities			
Deposits from customers	24	482,752	422,758
Borrowed funds	26	56,714	45,101
Other liabilities	25	12,865	10,343
Lease liabilities	14 (c)	7,496	-
Current income tax	18	1,928	185
Deferred income tax	23	150	40
Total liabilities		**561,905**	**478,427**
Equity			
Share capital	27 (a)	1,887	1,887
Share premium	27 (b)	16,063	16,063
Retained earnings		99,150	85,034
FVOCI reserve	27 (c)	2,514	(116)
Loan loss reserve	27 (d)	739	16
Foreign currency translation reserve	27 (f)	(9,521)	(8,697)
Other reserves	27 (e)	(113)	(113)
Equity attributable to owners of the Company		**110,719**	**94,074**
Non-controlling interests		1,058	883
Total equity		**111,777**	**94,957**
Total equity and liabilities		**673,682**	**573,384**

The financial statements on pages 116 to 224 were approved for issue by the Board of Directors on 19 March 2020 and signed on its behalf by:

Dr. James Mwangi

Group CEO & Managing Director

Mary Wamae

Group Executive Director

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 Shs' millions	2018 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19	12,694	7,675
Due from related parties	28(f)	61	95
Other assets	22	159	236
Current income tax	18	37	11
Property and equipment	14(a)	12	-
Investments in subsidiary companies	17(a)	66,786	66,786
Deferred income tax	23	85	83
Total assets		**79,834**	**74,886**
Liabilities			
Due to related parties	28(g)	619	422
Other liabilities	25	38	3
Total liabilities		**657**	**425**
Equity			
Share capital	27(a)	1,887	1,887
Share premium	27(b)	16,063	16,063
Retained earnings		61,227	56,511
Total equity		**79,177**	**74,461**
Total equity and liabilities		**79,834**	**74,886**

The financial statements on pages 116 to 224 were approved for issue by the Board of Directors on 19 March 2020 and signed on its behalf by:

Dr. James Mwangi

Group CEO & Managing Director

Mary Wamae

Group Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent									
	Notes	Share capital	Share premium	Retained earnings	Loan loss reserve	FVOCI reserve	Foreign currency translation reserve	Other reserves	Total	Non-controlling interests	Total equity
		Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Year ended 31 December 2019											
At start of year		**1,887**	**16,063**	**85,034**	**16**	**(116)**	**(8,697)**	**(113)**	**94,074**	**883**	**94,957**
Total comprehensive income:											
Profit for the year		-	-	22,386	-	-	-	-	22,386	175	22,561
Other comprehensive income		-	-	-	-	2,630	(824)	-	1,806	-	1,806
		-	**-**	**22,386**	**-**	**2,630**	**(824)**	**-**	**24,192**	**175**	**24,367**
Loan loss reserve transfers		-	-	(723)	723	-	-	-	-	-	-
Final 2018 dividend declared and paid	27 (g)	-	-	(7,547)	-	-	-	-	(7,547)	-	(7,547)
At end of year		**1,887**	**16,063**	**99,150**	**739**	**2,514**	**(9,521)**	**(113)**	**110,719**	**1,058**	**111,777**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to owners of the parent									
	Notes	Share capital	Share premium	Retained earnings	Loan loss reserve	FVOCI reserve	Foreign currency translation reserve	Other reserves	Total	Non-controlling interests	Total equity
		Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Year ended 31 December 2018											
At start of year		**1,887**	**16,063**	**79,082**	**2,617**	**518**	**(7,662)**	**(113)**	**92,392**	**750**	**93,142**
Changes on initial application of IFRS 9, net of tax		-	-	(8,809)	-	-	-	-	(8,809)	-	(8,809)
Transfer on initial application of IFRS 9		-	-	2,617	(2,617)	-	-	-	-	-	-
Changes on initial application of IFRS 15, net of tax		-	-	16	-	-	-	-	16	-	16
		1,887	**16,063**	**72,906**	**-**	**518**	**(7,662)**	**(113)**	**83,599**	**750**	**84,349**
Total comprehensive income:											
Profit for the year		-	-	19,691	-	-	-	-	19,691	133	19,824
Other comprehensive income		-	-	-	-	(634)	(1,035)	-	(1,669)	-	(1,669)
		-	-	**19,691**	**-**	**(634)**	**(1,035)**	**-**	**18,022**	**133**	**18,155**
Loan loss reserve transfers		-	-	(16)	16	-	-	-	-	-	-
Final 2017 dividend declared and paid	27 (g)	-	-	(7,547)	-	-	-	-	(7,547)	-	(7,547)
At end of year		**1,887**	**16,063**	**85,034**	**16**	**(116)**	**(8,697)**	**(113)**	**94,074**	**883**	**94,957**

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital Shs' millions	Share premium Shs' millions	Retained earnings Shs' millions	Total equity Shs' millions
Year ended 31 December 2019				
At start of year	**1,887**	**16,063**	**56,511**	**74,461**
Total comprehensive income:				
Profit for the year	-	-	12,263	12,263
Dividends (Note 27(g)):				
Final 2018 dividend declared and paid	-	-	(7,547)	(7,547)
At end of year	**1,887**	**16,063**	**61,227**	**79,177**
Year ended 31 December 2018				
At start of year	**1,887**	**16,063**	**53,513**	**71,463**
Changes on initial application of IFRS 9, net of tax	-	-	(2)	(2)
Total comprehensive income:				
Profit for the year	-	-	10,547	10,547
Dividends (Note 27(g)):				
Final 2017 dividend declared and paid	-	-	(7,547)	(7,547)
At end of year	**1,887**	**16,063**	**56,511**	**74,461**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2019 Shs' millions	2018 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		31,478	28,463
Adjustments for:			
Depreciation and amortisation	10	6,021	4,441
Gain on disposal of property and equipment		(5)	(29)
Credit impairment charge	11	4,323	3,714
Fair value loss	20(d)	1,000	-
Interest expense on term borrowings	6	3,394	2,691
Interest expense on lease liabilities	6	857	-
Prepaid leases	14(b)	-	(205)
Revaluation of derivatives		(216)	28
Effect of foreign exchange differences		(403)	(450)
Operating profit before changes in operating assets and liabilities		**46,449**	**38,653**
Movements in:			
Loans and advances		(74,536)	(32,950)
Other assets		(350)	(2,209)
Deposits from customers		59,994	49,615
Related party balances		5	425
Other liabilities		2,522	(513)
Movement in restricted cash balances	19	(1,608)	(3,007)
Cash generated from operations		**32,476**	**50,014**
Income taxes paid	18	(8,487)	(6,723)
Net cash generated from operating activities		**23,989**	**43,291**
INVESTING ACTIVITIES			
Purchase of property and equipment	14(a)	(3,591)	(2,754)
Additions to right-of-use of assets	14(c)	(340)	-
Additions to lease liabilities	14(c)	340	-
Purchase of intangible assets	15(a)	(1,199)	(1,593)
Proceeds from sale of property and equipment		149	7
Purchase of investment securities	21	(128,321)	(154,624)
Proceeds from sale / maturity of investment securities	21	120,564	120,674
Net cash used in investing activities		**(12,398)**	**(38,290)**
FINANCING ACTIVITIES			
Dividend paid	27(g)	(7,547)	(7,547)
Proceeds from long term borrowings	26	24,139	124
Repayment of long term borrowings	26	(12,526)	(2,896)
Interest paid on term borrowings	6	(3,394)	(2,691)
Interest expense on leases	6	(857)	-
Principal elements of lease payments	14(c)	(1,199)	-
Net cash used in financing activities		**(1,384)**	**(13,010)**
Net increase/ (decrease) in cash and cash equivalents		**10,207**	**(8,009)**
Cash and cash equivalents at start of year		60,573	68,582
Cash and cash equivalents at end of year	**19**	**70,780**	**60,573**

COMPANY STATEMENT OF CASH FLOWS

	Notes	2019 Shs' millions	2018 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		12,330	10,565
Adjustments for:			
Dividend received		(12,500)	(10,450)
Credit impairment loss charge	11	1	35
Operating (loss)/ profit before changes in operating assets and liabilities		**(169)**	**150**
Other assets		76	(271)
Related party balances		231	(2,029)
Other liabilities		35	(256)
Cash generated from/(used in) operations		**173**	**(2,406)**
Income taxes paid	18	(95)	(115)
Net cash from operating activities		**78**	**(2,521)**
INVESTING ACTIVITIES			
Dividend received		12,500	10,450
Purchase of property and equipment		(12)	-
Net cash from investing activities		**12,488**	**10,450**
FINANCING ACTIVITIES			
Dividend paid	27(g)	(7,547)	(7,547)
Additional capital injected into subsidiaries		-	(1,025)
Net cash used in financing activities		**(7,547)**	**(8,572)**
Net increase/(decrease) in cash and cash equivalents		**5,019**	**(643)**
Cash and cash equivalents at start of year		7,675	8,318
Cash and cash equivalents at end of year	**19**	**12,694**	**7,675**

NOTES

NOTES

1.Corporate information

Equity Group Holdings Plc (the "Company") is incorporated under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The Company is licensed under the Kenyan Banking Act (Chapter 488). The Company has subsidiaries in Kenya, Uganda, South Sudan, Rwanda, Tanzania and Democratic Republic of Congo and a representative office in Ethiopia. Its shares are listed on the Nairobi Securities Exchange, Uganda Securities Exchange and Rwanda Stock Exchange.

2.Significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for fair value through other comprehensive income investments, derivatives and loan notes at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group and Company

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2019:

IFRS 16 – Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The New Standard has been applied using the modified retrospective approach with no effect on the retained earnings. Prior periods have not been restated. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition plus provision for restoration costs.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

NOTES (continued)

2.Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group and Company (continued)

IFRS 16 – Leases (continued)

a. Practical expedients applied

The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application or those identified as low value.

On transition to IFRS 16, the weighted average incremental borrowing rates applied to lease liabilities recognised under IFRS 16 were as shown below;

	Local CCY	US$
EBKL	13%	-
EBUL	10%	4.5%
EBTL	15%	7%
EBRL	8%	-
EBCL	-	13.9%
EBSSL	-	1.5%

b. Measurement of lease liabilities

	Shs' millions
Operating lease commitments disclosed as at 31 December 2018	11,128
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(2,773)
Lease liability recognised as at 1 January 2019	**8,355**
Of which are:	
Current lease liabilities	1,288
Non-current lease liabilities	7,067
	8,355

c. Measurement of right of use

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

NOTES (continued)

2.Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

i) New and amended standards adopted by the Group and Company (continued)

IFRS 16 – Leases (continued)

d. Adjustments recognised in the balance sheet on 1 January 2019

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	Shs' millions
Right-of-use assets	8,715
Lease liabilities	8,355
Provision for restoration costs	118
Prepayments	65

The following standards and interpretations applied for the first time to the Group and did not have a significant impact:

Interpretation 23 uncertainty over income tax treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

Prepayment features with negative compensation – Amendments to IFRS 9

The narrow-scope amendments made to IFRS 9 Financial Instruments in October 2017 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

Long-term interests in associates and joint ventures – Amendments to IAS 28

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28 Investments in Associates and Joint Ventures.

NOTES (continued)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

i) New and amended standards adopted by the Group and Company (continued)

Annual improvements to IFRS Standards 2015 – 2017 Cycle

The following improvements were finalised in December 2017:

- IFRS 3 Business Combinations – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 Joint Arrangements – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 Disclosure of Interests in Other Entities – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 Borrowing Costs – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Plan amendment, curtailment or settlement – Amendments to IAS 19

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- Recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- Separately recognise any changes in the asset ceiling through other comprehensive income.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group and Company. These standards are not expected to have a material impact on the Group and Company in the current or future reporting periods and on foreseeable future transactions.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred including acquisition cost, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

NOTES (continued)

2. Significant accounting policies (continued)

(b) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

In the Company's financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

(c) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional Currency"). The consolidated financial statements are presented in Kenya Shillings, which is the Company's functional and presentation currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the group entities at their respective Functional Currency prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the Functional Currency at the spot rate of exchange at the reporting date. All differences arising from non-trading activities are taken to other operating income in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition.

(ii) Group companies

On consolidation, the assets and liabilities in foreign operations whose functional currencies are not the currency of a hyperinflationary currency are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at average rates.

The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(iii) Hyperinflationary economies

The Group considers an economy to be hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100%. The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated from historical cost into the measuring unit current at the end of the reporting period by applying a general price index.

The corresponding figures for the previous period and any information in respect of earlier periods is also stated in terms of the measuring unit current at the end of the reporting period. The restatement is based on conversion factors derived from Consumer Price Indices (CPI) (refer to note 35).

For the purpose of consolidation, the results and financial position of a subsidiary whose functional currency is the currency of a hyperinflationary economy are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date. However, the comparative amounts are those that were presented in the prior year financial statements.

(d) Recognition of interest income, dividend and interest expense

Revenue is recognised as control is passed, either over time or at a point in time. The Group recognises revenue over time after each performance obligation is fulfilled.

Interest income and expense are recognised in profit or loss on the Effective Interest Rate (EIR) method. Interest income and expense presented in the statement of profit or loss include:

NOTES (continued)

2.Significant accounting policies (continued)

(d) Recognition of interest income, dividend and interest expense (continued)

- Interest on financial assets and liabilities measured at amortised cost and debt instruments classified as FVOCI, calculated using the effective interest rate (EIR). The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
- Dividend income is recognised when the Company's right to receive that payment is established.

(e) Fee and commission income and expense

Fees and commissions charged for services provided or received by the Group are recognised as the services are provided or received, for example on completion of an underlying transaction.

(f) Net foreign exchange income

Net foreign exchange income arises from both the sale and purchase of investment securities, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates and other market variables.

Gains or losses on assets or liabilities are included in profit or loss under net foreign exchange income.

(g) Leases

(i) Determination

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(ii) Group as a lessee

The Group leases various offices and are typically made for fixed periods of 6 months to 10 years but may have extension options. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable by the Group under residual value guarantees.
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES (continued)

2.Significant accounting policies (continued)

(g) Leases (continued)

(ii) Group as a lessee (continued)

To determine the incremental borrowing rate, the Group:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Group, which does not have recent third party financing; and
- Makes adjustments specific to the lease.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group's accounting policy for leases under which the Group was lessee was, up to 31 December 2018, as follows:

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rent payable is recognised as an expense in the period in which it is incurred. Prepaid operating leases are accounted for as an asset using the straight-line method of amortisation over the period of the lease.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(h) Income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES (continued)

2.Significant accounting policies (continued)

(h) Income tax (continued)

(ii) Deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Financial assets and liabilities

(i) Classification and subsequent measurement

Financial assets

Except for trade receivables that do not have a significant financing component, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price.

The Group classifies its financial assets into three principal classification categories based on the cash flow characteristics of the asset and the business model assessment:

- Measured at amortised cost;
- FVOCI; and
- FVTPL.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group recognises cash, deposits and balances due from financial institutions including items in the course of collection, amounts due from related parties, loans and advances to customers, certain investment securities, and other assets at amortised cost.

Fair Value through Other Comprehensive Income (FVOCI) – Debt

A financial asset which is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies certain investments it has in government securities at FVOCI.

Fair Value through Other Comprehensive Income (FVOCI) – Equity

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by investment basis. The Group currently has no equity investments held at FVOCI.

Fair Value through Profit or Loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

NOTES (continued)

2.Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Financial assets (continued)

Fair Value through Profit or Loss (FVTPL) (continued)

The Group classifies derivative financial assets and loan notes at FVTPL.

A financial asset is classified into one of these categories on initial recognition. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. The definition of principal reflects the economics of the financial asset from the perspective of the current holder. This means that an entity assesses the asset's contractual cash flow characteristics by comparing the contractual cash flows to the amount that it actually invested.

'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considered the contractual terms of its financial assets.

The Group, through the Credit, Finance and Treasury departments will from time to time review the contractual terms of existing instruments and also review contractual terms of new products the Group develops or invests in going forward. This includes assessing whether the financial asset contained a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group shall consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- Features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Contractual features that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, give rise to contractual cash flows that do not meet the SPPI criterion.

The prevailing rates are generally based on a regulator's rate and include a discretionary spread (Margin). In these cases, the Group will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- The borrowers are able to prepay the loans without significant penalties;
- The market competition ensures that interest rates are consistent between banks; and
- Any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Interest rate on loans made by other banking subsidiaries within the Group are based on the prevailing market rates depending on the specific country of operation.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Financial assets (continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) (continued)

Some of the Group's loans may contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

De minimis

A contractual cash flow characteristic may not affect the classification of a financial asset if it could have only a de minimis effect on the financial asset's contractual cash flows. To make this determination, the Group considers the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial asset.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The table below summarises the key features of each type of business model and the resultant measurement category:

NOTES (continued)

2.Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Financial assets (continued)

Business model assessment (continued)

BUSINESS MODEL	KEY FEATURES	CATEGORY
Held to collect	The objective of the business model is to hold assets to collect contractual cash flows. • Sales are incidental to the objective of the model. • This model typically involves the lowest level of sales in comparison with other business models (in frequency and volume).	Amortised cost (1)
Both held to collect and for sale	Both collecting contractual cash flows and sales are integral to achieving the objective of the business model. This model typically has more sales (in frequency and volume) than the held-to-collect business model.	FVOCI (1)
Other business models, including: • Trading, • Managing assets on a fair value basis and • Maximising cash flows through sale	• The business model is neither held-to-collect nor held to collect and for sale. • The collection of contractual cash flows is incidental to the objective of the model.	FVTPL (2)

Notes

1. Subject to meeting the SPPI criterion.
2. The SPPI criterion is irrelevant - i.e. assets in all business models are measured at FVTPL.

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Deposits from customers, borrowed funds and other liabilities are also classified at amortised cost.

Reclassification

The Group only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent, and are determined by the Group's senior management as a result of external or internal changes.

Derecognition and contract modification

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. However, when the modification of a financial instrument not measured at FVTPL does not result in derecognition, the Group has recalculated the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Derecognition and contract modification (continued)

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Write-off

The Group writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity
- Where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Interest income recognition

According to IFRS 9 paragraph 5.4.1 interest revenue shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

According to IFRS 9 paragraph 5.4.2 an entity that, in a reporting period, calculates interest revenue by applying the effective interest method to the amortised cost of a financial asset in accordance with paragraph 5.4.1(b) (see (b) above), shall, in subsequent reporting periods, calculate the interest revenue by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the requirements in paragraph 5.4.1(b) were applied (such as an improvement in the borrower's credit rating). In the context of the Central Bank regulations, credit impaired accounts would refer to the substandard, doubtful and loss risk classifications, and interest on these accounts is calculated on the gross carrying amount and not recognised in profit or loss but rather suspended in the statement of financial position.

Assets that are credit-impaired on initial recognition

According to IFRS 9 (7A.8.340) Purchased or Originated Credit Impaired (POCI) assets are assets that are credit-impaired on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract - e.g. a default or past-due event;

NOTES (continued)

2.Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Assets that are credit-impaired on initial recognition (continued)

- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event that caused the asset to be credit-impaired. Instead, the combined effect of several events may cause financial assets to become credit-impaired.

Measurement on initial recognition

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate.

Subsequent measurement

The ECLs for POCI assets are always measured at an amount equal to lifetime ECLs. However, the amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset. Favourable changes in lifetime ECLs are recognised as an impairment gain, even if the favourable changes are more than the amount, if any, previously recognised in profit or loss as impairment losses.

Modifications

When the contractual cash flows of a POCI asset are modified and the modification does not result in derecognition, the calculation of the modification gain or loss is the difference between:

- the gross carrying amount of the asset before the modification; and
- the recalculated gross carrying amount

The recalculated gross carrying amount is the present value of the estimated future cash payments or receipts through the expected life of the modified financial asset discounted using the credit-adjusted effective interest rate before the modification

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts

The impairment model applies to the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments – this applies to the Group's loans and advances to customers, Investment in Government securities measured at amortised cost and FVOCI, balances due to group companies and other assets;
- Lease and trade receivables – this applies to the Group's finance lease and trade receivables; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets) - this applies to the Group's off balance sheet exposures where credit intervention is not required for the counterparty to access the credit facility.

No impairment loss is recognised on equity investments and financial assets measured at FVPL.

The Group recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group has recognised loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

- Debt investment securities that are determined to have low credit risk at the reporting date. The Group has considered a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade and lease receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 are complex and require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- Assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- Incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and have been measured as follows:

- Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- Financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract - e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

For purposes of IFRS 9 there will generally be no difference between credit impaired and non-performing financial loans as defined by the regulator.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

ECL = PD x LGD x EAD

NOTES (continued)

2.Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

Expected credit losses (continued)

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach

The simplified approach is applied for trade receivables or contract assets resulting from transactions in the scope of IFRS 15 Revenue from customer contracts or lease receivables resulting from transactions in the scope of IAS 17 Leases. The Group has therefore applied the general approach.

The General Approach

Under the general approach, at each reporting date, an entity recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss. Essentially, an entity must make the following assessment at each reporting date:

Stage 1 - For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs, i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below).

ECL12m = PD12m x LGD12m x EAD12m x D12m

Stage 2 - For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

ECL LT = LT∑T=1 PDt x LGDt x EADt x Dt

Stage 3 – For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs. However the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

The table below shows the link between the regulator risk classifications and the IFRS 9 stage allocation for assets for Equity Bank Kenya Limited.

CBK PG/04 Guidelines	Days past due	Stage allocation
Normal	0-30	1
Watch	31-90	2
Substandard	91-180	3
Doubtful	181 - 365	3
Loss	Over 365 or considered uncollectible	3

NOTES (continued)

2.Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

Definition of default

The Group will consider a financial asset to be in default when:

- The borrower is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to the Group. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group; or
- If it meets the definition of the local regulator of default, if in the future the local regulator prescribe the criteria of default for IFRS 9 purposes.

This definition is largely consistent with the regulator definition that will be used for regulatory purposes. In assessing whether a borrower is in default, the Group will consider indicators that are:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract - e.g. a default or past-due event;
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Group has not rebutted the 90 Days Past Due (DPD) rule for identifying defaults.

Significant increase in credit risk (SICR)

The Group in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group identifies a significant increase in credit risk where

- Exposures have a regulatory risk rating of 'WATCH';
- An exposure is greater than 30 days past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
- An exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period);or
- By comparing an exposures:

  - credit risk quality at the date of reporting; with
  - the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

Credit risk classification

The Group allocates each exposure to a credit risk classification based on the regulatory requirements of the regulator which requires the prediction of the risk of default and applying experienced credit judgement. The Group shall use these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using the regulator's guidance, days past due, management assessment, qualitative and quantitative factors that are indicative of the risk of default.

These factors may vary depending on the nature of the exposure and the type of borrower. The Group shall undertake a thorough credit appraisal process and determine the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk classification.

Determining whether credit risk has increased significantly

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework has been aligned with the Group's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies by portfolio and will include a backstop based on delinquency (30 DPD presumption).

Quantitative factors

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Group has developed an internal rating model going forward and movement in rating grades between the reporting period and initial recognition date/ the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk.

Qualitative factors

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. The management view and judgement has included the following assessments:

- Classification of exposures by any other Banks and Financial institutions or local Credit Reference Bureau (CRB);
- Unavailable/inadequate financial information/ financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff in the organization;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation;
- Deterioration in credit worthiness due to factors other than those listed above.

As a backstop, and as required by IFRS 9, the Group will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

NOTES (continued)

2.Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

SICR at transition to IFRS 9

Under IFRS 9, assessment of SICR requires comparison of default risk at the reporting date with the risk at origination or initial recognition of the asset. However the standard also states that if the Group cannot measure default risk at initial recognition for SICR purposes without undue cost or effort, then it should recognize lifetime ECL on that instrument. The Group at transition has used past due information to determine whether there have been significant increases in credit risk since initial recognition.

Backward transitions

Backward transitions define the criteria for moving a financial asset back from Stage 2 to Stage 1 or Stage 3 to Stage 2. The Group applies the considerations of the central bank prudential guidelines to determine whether a financial asset should be upgraded from Stage 3 to Stage 2 and then Stage 1. Where an account in Stage 3 is regularised (i.e. all past due principal and interest is repaid in full) it may be upgraded to Stage 2 subject to observation of the cooling off period as defined by prudential guidelines. A facility which meets the above condition and has been classified as Stage 2 may be reclassified to Stage 1 if a sustained record of performance is maintained for a period of six (6) months.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

Restructuring

The Group renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximise collection opportunities and minimise the risk of default. Under the Group's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Group's Credit Committee regularly reviews reports on restructuring activities.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

The Group applies the requirements of the Central Bank prudential guidelines where an account in Doubtful or Sub-standard category (Stage 3) will be upgraded to Watch if principal and interest payments are fully regularised at the point of restructure, the account is re-classified to Watch (Stage 2) and observed for six (6) months. Where the account continues to perform appropriately for an additional six (6) months the account is upgraded to normal and the Group reverts to measuring 12-month ECLs. Where the account is restructured with the customer having not regularized overdue principal and interest, the account shall remain in Substandard for six (6) months or if in Doubtful category, twelve (12) months for observation. If the restructured account performs as per the new contract during the observation period, the account can be then upgraded to Watch (stage 2) and observed for another six (6) months where it can be further upgraded to Normal (stage 1) if good performance is sustained.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

Restructuring (continued)

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

ECL model

Segmentation

In order to determine the ECL by modelling the PD, LGD and EAD for different loan accounts, the Group has segmented the loan book into five segments namely Corporate, SME, Mortgage, Unsecured and Eazzy (short term mobile loans). The PDs are determined at segment level, LGD at customer or segment level (based on collateral and collections respectively) and EAD at account level. Where a borrower has been in several segments historically the Group uses the borrower's current segmentation. In addition to the on-balance sheet facilities, the Group considered treasury products (investment securities and placements with other banking institutions) and the off balance sheet facilities offered by the Group such as guarantees, letters of credit, overdrafts and credit cards where an exposure is present. The EAD for these facilities is based on whether there is a commitment by the Group to fund a customer and the rate of conversion of such facilities (Credit Conversion Factor – CCF).

Risk parameters in measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- PD;
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters has been derived from internally developed statistical models and other historical data that leverage regulatory models. They have been adjusted to reflect forward-looking information as described below.

Probability of default

Probability of Default ("PD") refers to the likelihood of a default occurring and is a measure of the risk of default. In order to calculate IFRS 9 PD, there is a need to develop a PD term structure for calculating ECL (forward looking and lifetime PDs). PD estimates for loans and advances are estimates at a certain date, which has been calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and has been assessed at portfolio level for portfolios of assets that have similar characteristics. PDs have been estimated based on the theory of Markov Chain process. The method requires information regarding transitions among credit states. Credit states are defined by rating classes. The Group reviews and updates the portfolio PDs on an annual basis.

The Group has drawn yearly transition matrix of ratings to compute a value or transaction based PD over the one year horizon for the past 3-5 years. The Group has built data to 5 years and update every year thereafter for new data. The PDs are approved by the relevant Board committees for them to take effect. Transition probabilities are determined from the actually observed number of transitions over the observed period of time. These PDs have been classified as per stage 1 and 2 which is driven by the central bank risk classifications, management view and DPD. This rating migration captures the movement of obligors into default at yearly intervals.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

ECL model (continued)

Probability of default (continued)

An average default rate of 5 years is used. Based on the transitions of counterparties within the stages in value terms, the default estimation is done by the transition matrix.

The top 50 customers for Equity Bank Kenya Limited have been individually assessed. The PDs for these loans and advances have been determined by mapping management view of the relevant quantitative and qualitative factors to external ratings and taking the PDs determined for those external rating.

PD estimates for other exposures are estimates at a certain date, which will be calculated based on statistical rating tools and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data has also been used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. Lifetime PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates. Lifetime PDs are calculated using the Matrix Multiplication method utilising the Markov Chain method.

LGD

LGD is the forecast of the magnitude of the likely loss if there is a default. The Group has estimated LGD parameters based on collateral available for secured debt instruments against exposures and the history of recovery rates of claims against defaulted counterparties for unsecured portfolios.

LGD by collateral

The LGD models have considered the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Group will consider the eligibility of collateral. Collateral is eligible if the following can be demonstrated:

- Legal certainty and enforceability
- History of enforceability and recovery

LGD estimates have been calibrated for different collateral types. To reflect possible changes in property prices, the forced sale value (FSV) shall be considered for all collateral types.

The collateral values to consider have been calculated on a discounted cash flow basis using the effective interest. The table below highlights the Group's acceptable collateral types;

No.	Collateral Type
1.	Cash Under Lien
2.	Corporate Guarantees
3.	Debenture/Land
4.	Government Guarantee
5.	Hire Purchase Agreement
6.	Land & Buildings-Commercial
7.	Land & Buildings-Residential
8.	Logbooks
9.	Shares
10.	Treasury Bonds/Bills

LGD by Collections

For the purpose of LGD estimation on its non-collateralized portfolio, the Group shall compute LGD based on actual recoveries on its defaulted portfolio over a period of at least 3- 5 years prior to the assessment date. To determine this recovery rate, the Group has identified the point in time when accounts first go into default in half year periods, filter out any non-performing loan (NPL) accounts that cure and for the remaining accounts obtain data on amounts collected. The difference between the value of the NPL accounts that do not cure and the collections from these accounts as a percentage of the original NPL accounts (NPL accounts that cured and did not cure) is determined as the LGD. For individually assessed unsecured accounts, the LGD is assessed based on the particular circumstances of the facility.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group has derived the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is measured as:

EAD = Outstanding exposure + (CCF*undrawn portion)

For lending commitments and financial guarantees, the EAD has considered the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on behavioural study of historical patterns and forward-looking forecasts.

For revolving off-balance sheet positions, the CCF to be applied to the undrawn commitments have been derived from a behavioural study of historical patterns. In the case of undrawn commitments (i.e. undrawn portions of the Group's commitments for off-balance sheet items), if the terms of the contract clearly state that the commitment is unconditionally cancellable for any reason, the committed amounts for such arrangements has not be considered as EAD.

Term of loan in calculating Lifetime ECL and determining the EAD

As described previously in this document, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group will measure ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group will consider a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee. For overdrafts, guarantee facilities and other revolving facilities that include both a loan and an undrawn commitment component, the Group will measure ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

Forward-looking information

Under IFRS 9, the Group has incorporated forward-looking information in its measurement of ECLs. The Group has formulated a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Group's Executive Risk Committees (ALCO & CORC) and economic experts and consideration of a variety of external actual and forecast information. This process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in East Africa, supranational organisations such as the World Bank and the International Monetary Fund and selected private sector and academic forecasters. The base case represents a most-likely outcome and be aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include, among others, inflation rates, GDP forecasts, balance of trade, unemployment rates and interest rates. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets shall be developed based on analysing historical data over the previous 5 years. The economic scenarios used have been approved by the Group's Credit and Risk Committees.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(iii) Fair value measurement

The Group measures financial instruments such as derivatives, loan Notes (continued) at FVTPL and FVOCI investment securities at fair value at each reporting date. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

Gains or losses on valuation of FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

NOTES (continued)

2.Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(iii) Fair value measurement (continued)

The table below shows the various asset classes.

<table>
<tr><th>Category
(as defined by IFRS 9)</th><th colspan="2">Class (as determined by the Group)</th><th colspan="2">Subclasses</th></tr>
<tr><td rowspan="14">Financial assets</td><td rowspan="2">Financial assets at fair value through profit or loss (FVTPL)</td><td>Financial assets held for trading</td><td colspan="2">Derivative financial assets</td></tr>
<tr><td>Financial assets designated at fair value through profit or loss</td><td colspan="2">Loan note at FVTPL</td></tr>
<tr><td rowspan="11">Amortised cost</td><td colspan="3">Deposits and balances due from financial institutions</td></tr>
<tr><td colspan="3">Due from Group companies</td></tr>
<tr><td rowspan="7">Loans and advances to customers</td><td rowspan="4">Loans to individuals (Agriculture and consumer)</td><td>Term loans</td></tr>
<tr><td>Mobile loans</td></tr>
<tr><td>Credit cards</td></tr>
<tr><td>Mortgages</td></tr>
<tr><td rowspan="3">Loans to micro, SME and large enterprises</td><td>Term loans</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td>Others</td></tr>
<tr><td colspan="3">Settlement and clearing accounts</td></tr>
<tr><td colspan="3">Cash balances with central banks</td></tr>
<tr><td colspan="3">Other assets</td></tr>
<tr><td>Financial assets at fair value through other comprehensive income (FVOCI)</td><td colspan="3">Investment securities</td></tr>
<tr><td rowspan="5">Financial liabilities</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="3">Financial liabilities at amortised cost</td></tr>
<tr><td colspan="3">Deposits from customers</td></tr>
<tr><td colspan="3">Other liabilities</td></tr>
<tr><td colspan="3">Borrowed funds</td></tr>
<tr><td colspan="3">Due to Group companies</td></tr>
<tr><td rowspan="2">Off-balance sheet financial instruments</td><td colspan="4">Loan commitments</td></tr>
<tr><td colspan="4">Guarantees, acceptances and other financial liabilities</td></tr>
</table>

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 5 to the financial statements.

NOTES (continued)

2. Significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and bank balances held with central banks in the countries in which the Group operates and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are classified and carried at amortised cost in the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks, unrestricted balances with central banks in the countries in which the Group operates and money market placements.

(k) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes any other costs directly attributable to bringing the asset to a working condition for its intended use and the present value of the estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

After initial recognition, property and equipment are measured at cost less accumulated depreciation and impairment losses.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as they are incurred.

(ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment in order to write down the carrying amount over its useful life to its residual value. Freehold land is not depreciated.

The annual rates of depreciation (2.5% - 33.3%) in use are as follows:

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

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

The assets' residual values, useful lives and methods of depreciation are reassessed at each financial year-end and adjusted prospectively, as a change in an estimate, if appropriate.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in profit or loss in the year the asset is derecognised.

(l) Intangible assets

The Group's intangible assets include the value of computer software. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;

NOTES (continued)

2. Significant accounting policies (continued)

(l) Intangible assets (continued)

- Adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are amortised over the useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The intangible assets have a maximum useful life of ten years.

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(n) Provisions

Provisions are recognised when the Group and Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

(o) Employee benefits

(i) Defined contribution plans

The Group contributes to statutory defined contribution pension schemes (the National Social Security Fund (NSSF)), for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

NOTES (continued)

2.Significant accounting policies (continued)

(o) Employee benefits (continued)

(i) Defined contribution plans (continued)

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the schemes are held in a separate trustee administered funds, which are funded by contributions from both the Group and employees.

The Group contributions to both the defined contribution schemes are charged to the statement of comprehensive income in the year to which they relate.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus and leave if the group has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Group Strategy and Investment Committee that makes strategic decisions.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

(r) Dividends

Dividends are recognised as a liability and deducted from equity in the year in which they are declared when they are approved by the Company' Shareholders. Proposed dividends are disclosed as part of Note 27 (g).

(s) Deposits from customers

Deposits from customers are recognized and accounted for on receipt basis as liabilities. Interest expense is accrued on the deposits on a daily basis.

(t) Work in progress

Work-in-progress includes assets paid for but are not yet ready for the intended use and include software, computers and equipment. These are not depreciated and are capitalized when they get in the location and condition necessary for them to be capable of operating in the manner intended by management.

(u) Fiduciary assets

The Group entities provide trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the Group (note 34).

(v) Derivative financial assets and liabilities

The Group enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration.

The Group may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The Group uses the following derivative instruments:

NOTES (continued)

2. Significant accounting policies (continued)

(v) Derivative financial assets and liabilities (continued)

Currency forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. The Group has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and result in market risk exposure.

Currency swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency.

Currency spots

Spot contracts are contractual agreements between two parties to exchange streams with immediate settlement (payment and delivery) on the spot date, which is normally two business days after the trade date.

(w) Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

(x) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions, and others on behalf of customers to secure loans, overdrafts, and other banking facilities.

Financial guarantees contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of loss allowance and;
- The premium received on initial recognition less recognition in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

NOTES (continued)

3.Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product / market and associated ECL;
- Establishing groups of similar assets for the purposes of measuring ECL; and
- Determining LGDs of individually assessed loan accounts.

The expected credit loss allowance on loans and advances is disclosed in more detail in Notes 11 and 20 (b).

(b) Valuation of loan note held at fair value

As per IFRS 13, where the Group measures a financial instrument at fair value, the fair value should represent the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market-based measurement, which uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

The Group hold a loan note that contains an embedded derivative and has therefore been measured at fair value through profit or loss. Fair value is composed of two key cashflow components, being the interest receivable on the mandatorily convertible component of the loan note and proceeds from sale of underlying shares upon whose sale the principal debt amount will be realised. Any shortfall from the above cashflow streams is covered, albeit partially, by a government guarantee.

To determine the value of the shares, the Group uses a complex discounted cash flow (DCF) valuation model that incorporates inputs including the projected cash flows of the borrower company, the weighted average cost of capital and growth rate assumptions. The selection and application of this model and the related inputs is judgmental.

(c) Accounting for leases under IFRS 16

i) Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of branches and office premised, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).

NOTES (continued)

3.Critical accounting estimates and judgements (continued)

(c) Accounting for leases under IFRS 16 (continued)

i) Determining the lease term (continued)

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

ii) Incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The incremental borrowing rate is determined on the commencement date of the lease. As a result, it will incorporate the impact of significant economic events and other changes in circumstances arising between lease inception and commencement.

Judgement may be needed to estimate an incremental borrowing rate in the context of a right-of-use asset, especially when the value of the underlying asset differs significantly from the value of the right-of-use asset.

4.Financial risk management

(a) Introduction and overview

The Group and Company have exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Capital risk

This note presents information about the Group's and Company's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. There were no changes in the risk and capital management policies during the current financial year.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has established the Board Risk Management Committee, which is responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES (continued)

4. Financial risk management (continued)

(a) Introduction and overview (continued)

Risk management framework (continued)

The Risk Management Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Board Risk Management Committee is assisted in these functions by Risk Management Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Risk Management Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks, and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to Group management through the Chief Executive Officer. Management has delegated this responsibility to head office and branch credit committees as prescribed in the Group's credit charter. A separate Group Credit Committee, reporting to the Chief Executive Officer, is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees as stipulated in the Group's Credit Charter.
- Reviewing and assessing credit risk - The Group Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by Group's credit risk department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit department on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Group in the management of credit risk.

Each branch is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit committee. Each branch has a credit risk manager who reports on all credit related matters to local management who report to Group management and the Group Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of branches and Group credit processes are undertaken by Internal Audit.

NOTES (continued)

4.Financial risk management (continued)

(b) Credit risk (continued)

Management of credit risk (continued)

The maximum exposure to credit risk for the components of the statement of financial position at 31 December is their carrying amount as illustrated in the tables below:

Group		2019		2018	
	Note	Shs' millions	%	Shs' millions	%
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions*	19	62,134	10%	54,742	10%
Derivative financial assets	33	472	0%	225	0%
Investment securities	21	172,208	28%	160,952	31%
Due from related parties	28 (f)	19	0%	24	0%
Loans and advances to customers at amortised cost	20(a)	362,373	60%	292,136	56%
Loans and advances to customers at FVTPL	20(d)	4,067	1%	5,091	1%
Other assets**	22	8,358	1%	8,966	2%
		609,631		**522,136**	
Off-balance sheet items					
Guarantees and standby letters of credit	30	53,325		44,171	
Letters of credit, acceptances and other credits	30	33,283		29,114	
		86,608		**73,285**	
		696,239		**595,421**	
Company					
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions	19	12,694	98%	7,675	96%
Due from related parties	28 (f)	61	1%	95	1%
Other assets	22	159	1%	236	3%
		12,914		**8,006**	

*Balances and deposits due from financial institutions excludes cash at hand as disclosed under Note 19 (a) as this does not pose a credit risk.

The credit risk on balances and deposits due from financial institutions, investment securities and derivative financial assets is limited as the counterparties are all recognised financial institutions with good reputation.

**Other assets are made up of settlement and clearing accounts, refundable deposits and other receivable balances. The balances are settled no more than 12 months after the reporting date. All the balances are non-interest bearing.

None of the other assets and balances due from related parties are past due or impaired. Management has established a related entity risk management framework including mandatory credit checks with counter parties.

Letters of credit, acceptances, guarantees and performance bonds are issued by the Group, on behalf of customers, to guarantee performance by customers to third parties. The Group will only be required to meet these obligations in the event of default by the customers.

NOTES (continued)

4.Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Amortised cost	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Individually and collectively impaired				
Grade 3: Substandard	-	-	11,080	11,080
Grade 4: Doubtful	-	-	14,962	14,962
Grade 5: Loss	-	-	8,667	8,667
Gross amount	**-**	**-**	**34,709**	**34,709**
Provision for impairment losses	-	-	(14,033)	(14,033)
Carrying amount	**-**	**-**	**20,676**	**20,676**
Individually and collectively impaired				
Grade 1: Normal	313,002	-	-	313,002
Grade 2: Watch	-	37,397	-	37,397
Gross amount	**313,002**	**37,397**	**-**	**350,399**
Provision for impairment losses	(4,773)	(3,929)	-	(8,702)
Carrying amount	**308,229**	**33,468**	**-**	**341,697**
Total carrying amount				**362,373**
Fair value through profit or loss				
Loans note				5,067
Fair value loss				(1,000)
				4,067
Total carrying amount				**366,440**

NOTES (continued)

4.Financial risk management (continued)

(b) Credit risk (continued)

Exposure to credit risk (continued)

	2018			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Amortised cost	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Individually and collectively impaired				
Grade 3: Substandard	-	-	8,152	8,152
Grade 4: Doubtful	-	-	11,718	11,718
Grade 5: Loss	-	-	3,006	3,006
Gross amount	**-**	**-**	**22,876**	**22,876**
Provision for impairment losses	-	-	(9,452)	(9,452)
Carrying amount	**-**	**-**	**13,424**	**13,424**
Individually and collectively impaired				
Grade 1: Normal	251,105	-	-	251,105
Grade 2: Watch	-	37,638	-	37,638
Gross amount	**251,105**	**37,638**	**-**	**288,743**
Provision for impairment losses	(2,992)	(7,039)	-	(10,031)
Carrying amount	**248,113**	**30,599**	**-**	**278,712**
Total carrying amount				**292,136**
Fair value through profit or loss				
Loans note				5,091
Fair value loss				(1,000)
Total carrying amount				**297,227**

Grade 1 and Grade 2 represent loans and advances that are not impaired. Grade 3, Grade 4 and Grade 5 refer to loans and advances that have been impaired in line with the Group's credit policy and internal model. These represent the loans and advances that the Group cannot collect according to contractual terms of the loan agreements.

Impaired loans

Impaired loans are loans which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group.

NOTES (continued)

4.Financial risk management (continued)

(b) Credit risk (continued)

Allowances for impairment

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stages 1, 2 and 3 reflective of significant increases (or decreases) of credit risk or loans and advances becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;

- Allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

- Impacts on the measurement of ECL due to changes made to models and assumptions; and

- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.

Write-off policy

The Group writes off a loan balance when the credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding. For smaller balance standardised loans, write-off decisions are generally based on a product specific past due default history.

Collateral on loans and advances

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

Before attaching value to collateral, the business holding approved collateral must ensure that they are legally perfected devoid of any encumbrances. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

The principal collateral types held by the Group for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Valuation of collateral taken is within agreed parameters. The valuation is performed on origination, periodically in line with the Group policy and in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation.

NOTES (continued)

4.Financial risk management (continued)

(b) Credit risk (continued)

Collateral on loans and advances (continued)

The Group has considered all relevant factors, including local market conditions and practices, before any collateral is realized.

The collateral held by the Group against loans and advances is as below;

	Group	
	2019	2018
	Shs' millions	Shs' millions
Property	443,573	359,528
Equities	127	117
Other	152,537	41,242
Total	**596,237**	**400,887**

*Other includes log books, cash cover, debentures and Directors' guarantees.

The Group monitors concentration of credit risk by sector. The credit risk concentrations are controlled wherever they are identified in particular, to individual counterparties and groups of borrowers, countries, and to industry segments. An analysis of concentrations of credit risk at the reporting date is shown below:

	Group	
	2019	2018
	Shs' millions	Shs' millions
Concentration by sector		
Loans and advances at amortised cost		
Small and medium enterprises	229,232	188,518
Consumer	87,383	71,211
Large enterprises	46,575	35,585
Micro enterprises	11,396	9,196
Agriculture	10,522	7,109
Total	**385,108**	**311,619**

NOTES (continued)

4. Financial risk management (continued)

(c) Liquidity risk

The definition of liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for customer lending, trading activities and investments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events which can result in: – an inability to support normal business activity; and – a failure to meet liquidity regulatory requirements.

During periods of market dislocation, the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Group. In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:

- Maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk framework as expressed by the Board;
- Maintain market confidence in the Group;
- Set limits to control liquidity risk within and across lines of business;
- Accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- Set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- Project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- Maintain a contingency funding plan ("CFP") that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and borrowings due to mature within the next month.

NOTES (continued)

4.Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Board Risk Management Committee.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

Details of the reported Group ratios of net liquid assets to deposits at the reporting date and during the reporting period were as follows:

	Kenya	Uganda	South Sudan	Rwanda	Tanzania	DRC
At 31 December 2019						
At 31 December	55%	30%	136%	381%	49%	162%
Average for the year	59%	27%	144%	210%	50%	183%
Maximum for the year	62%	38%	163%	365%	57%	194%
Minimum for the year	55%	20%	133%	125%	40%	161%
Minimum statutory requirement	20%	20%	20%	100%	20%	100%
At 31 December 2018						
At 31 December	58%	38%	134%	110%	43%	187%
Average for the year	58%	34%	136%	157%	37%	156%
Maximum for the year	60%	44%	166%	281%	43%	187%
Minimum for the year	54%	27%	125%	108%	31%	142%
Minimum statutory requirement	20%	20%	20%	100%	20%	100%

NOTES (continued)

4.Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 December.

Group 2019	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Totals
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Financial assets						
Balances and deposits due from financial institutions	86,434	-	-	-	-	86,434
Loans and advances to customers	52,875	18,173	41,047	209,486	173,980	495,561
Investment securities	31,835	15,421	11,102	61,350	120,426	240,134
Amounts due from related parties	19	-	-	-	-	19
Derivative financial assets	472	-	-	-	-	472
Other assets	8,358	-	-	-	-	8,358
Total financial assets	**179,993**	**33,594**	**52,149**	**270,836**	**294,406**	**830,978**
Financial liabilities						
Deposits from customers	188,284	26,831	41,328	265,673	1,808	523,924
Borrowed funds	6,862	627	7,588	22,676	23,097	60,850
Other liabilities	12,865	-	-	-	-	12,865
Lease liabilities	515	468	968	6,312	1,037	9,300
Total financial liabilities	**208,526**	**27,926**	**49,884**	**294,661**	**25,942**	**606,939**
Liquidity gap at 31 December 2019	**(28,533)**	**5,668**	**2,265**	**(23,825)**	**268,464**	**224,039**

	0 - 3 months	3-6 months	6-12 months	1-5 years	Totals
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Off-balance sheet items					
Guarantees and standby letters of credit	10,736	8,687	12,273	21,629	53,325
Letters of credit, acceptances and other documentary credits	6,028	17,361	8,567	1,327	33,283
Capital commitments	-	-	578	-	578
Loans approved but not disbursed	9,853	2,982	4,200	3,597	20,632
Total commitments and guarantees	**26,617**	**29,030**	**25,618**	**26,553**	**107,818**

NOTES (continued)

4.Financial risk management (continued)

(c) Liquidity risk (continued)

Group 2018	Less than 3 months Shs' millions	3-6 months Shs' millions	6-12 months Shs' millions	1-5 years Shs' millions	More than 5 years Shs' millions	Totals Shs' millions
Financial assets						
Balances and deposits due from financial institutions	75,852	-	-	-	-	75,852
Loans and advances to customers	48,434	14,405	29,914	185,346	150,571	428,670
Investment securities	25,578	16,495	43,612	81,307	72,496	239,488
Amounts due from related parties	24	-	-	-	-	24
Derivative financial assets	225	-	-	-	-	225
Other assets	8,358	-	-	-	-	8,358
Total financial assets	**158,471**	**30,900**	**73,526**	**266,653**	**223,067**	**752,617**
Financial liabilities						
Deposits from customers	194,759	21,985	29,408	207,911	39	454,102
Borrowed funds	8,217	1,119	8,308	29,068	4,474	51,186
Other liabilities	10,343	-	-	-	-	10,343
Total financial liabilities	**213,319**	**23,104**	**37,716**	**236,979**	**4,513**	**515,631**
Liquidity gap at 31 December 2018	**(54,848)**	**7,796**	**35,810**	**29,674**	**218,554**	**236,986**

	0 - 3 months Shs' millions	3-6 months Shs' millions	6-12 months Shs' millions	1-5 years Shs' millions	Totals Shs' millions
Off-balance sheet items					
Guarantees and standby letters of credit	7,523	8,889	10,221	17,538	44,171
Letters of credit, acceptances and other documentary credits	13,941	8,720	6,442	11	29,114
Capital commitments	73	-	245	-	318
Loans approved but not disbursed	3,692	4,253	2,418	1,661	12,024
Total commitments and guarantees	**25,229**	**21,862**	**19,326**	**19,210**	**85,627**

NOTES (continued)

4.Financial risk management (continued)

(c) Liquidity risk (continued)

Company 2019	Less than 3 months Shs' millions	Totals Shs' millions
Financial assets		
Balances and deposits due from financial institutions	12,694	12,694
Amounts due from related parties	61	61
Other assets	159	159
Total financial assets	**12,914**	**12,914**
Financial liabilities		
Amounts due to related parties	619	619
Other liabilities	38	38
Total financial liabilities	**657**	**657**
Liquidity gap at 31 December 2019	**12,257**	**12,257**
Company 2018		
Financial assets		
Balances and deposits due from financial institutions	7,675	7,675
Amounts due from related party	95	95
Other assets	236	236
Total financial assets	**8,006**	**8,006**
Financial liabilities		
Amounts due to related parties	422	422
Other liabilities	3	3
Total financial liabilities	**425**	**425**
Liquidity gap at 31 December 2018	**7,581**	**7,581**

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk includes non-traded market risk which is the risk of the Group being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates. Non-trading portfolios also consist of foreign exchange and price risks arising from the Group's amortised and FVOCI financial assets.

Exposure to market risks – trading portfolios

Currently, the Group does not hold a trading portfolio and is, therefore, not exposed to market risks associated with such portfolios.

NOTES (continued)

4.Financial risk management (continued)

(d) Market risk (continued)

Management of market risk

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Group's Treasury is responsible for the development of detailed market risk management policies and for day-to-day implementation of those policies.

Furthermore it includes the protection and enhancement of the statement of financial position and statement of profit or loss and other comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

All foreign exchange risk within the Group is managed by the Treasury department. Accordingly, the foreign exchange position is treated as part of the Group's trading portfolios for risk management purposes (refer to Note 33).

Overall authority for market risk management is vested in the Board Risk Management Committee. The Finance and Treasury departments in collaboration with the Risk Management department are responsible for the development of detailed market risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation.

Market risk measurement techniques

(i) Value at risk

The Group applies a 'value at risk' (VAR) methodology to its foreign currency trading to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for each banking subsidiary, which are monitored on a daily basis by the Treasury department of each banking subsidiary.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the banking subsidiary might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate.

The VAR model assumes a certain 'holding period' until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 1-day periods in the past. The Group's assessment of past movements is based on data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

VAR constitutes an integral part of the Group's market risk control regime. VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits is reviewed daily by the Treasury department of each banking subsidiary and centrally by Group Treasury.

(ii) Stress tests

The Group applies a 'stress test' methodology to its non-trading book. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by heads of business unit and by the Board. The stress testing is tailored to the business and typically uses scenario analysis.

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Board Risk Management Committee is the monitoring body for compliance with these limits and is assisted by Treasury Back Office and Finance Department in the day-to-day monitoring activities, while Risk Management Department carries out regular reviews. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

NOTES (continued)

4.Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

Financial assets and liabilities subject to interest rate fluctuations.

Included in the table below are financial assets and financial liabilities at carrying amount categorised by earlier of contractual repricing or maturity date.

31 December 2019	Carrying amount Shs' millions	Non-interest bearing Shs' millions	Less than 3 months Shs' millions	3-6 months Shs' millions	6-12 months Shs' millions	1-5 years Shs' millions	More than 5 years Shs' millions
Assets							
Balances and deposits due from financial institutions	86,434	50,230	36,204	-	-	-	-
Loans and advances to customers	366,440	-	366,440	-	-	-	-
Investment securities	172,208	70	30,578	13,811	6,432	33,028	88,289
	625,082	**50,300**	**433,222**	**13,811**	**6,432**	**33,028**	**88,289**
Liabilities							
Deposits from customers	482,752	363,980	27,955	24,301	40,537	25,439	540
Borrowed funds	56,714	-	5,833	546	7,158	25,676	17,501
Lease liabilities	7,496	-	416	377	780	5,087	836
	546,962	**363,980**	**34,204**	**25,224**	**48,475**	**56,202**	**18,877**
Interest rate sensitivity gap	**78,120**	**(313,680)**	**399,018**	**(11,413)**	**(42,043)**	**(23,174)**	**69,412**

31 December 2018	Carrying amount Shs' millions	Non-interest bearing Shs' millions	Less than 3 months Shs' millions	3-6 months Shs' millions	6-12 months Shs' millions	1-5 years Shs' millions	More than 5 years Shs' millions
Assets							
Balances and deposits due from financial institutions	74,619	36,242	38,377	-	-	-	-
Loans and advances to customers	297,227	-	297,227	-	-	-	-
Investment securities	160,952	-	23,736	13,860	39,422	29,659	54,275
	532,798	**36,242**	**359,340**	**13,860**	**39,422**	**29,659**	**54,275**
Liabilities							
Deposits from customers	422,758	282,230	42,247	40,126	33,871	24,277	7
Borrowed funds	45,101	-	6,036	1,017	8,418	27,384	2,246
	467,859	**282,230**	**48,283**	**41,143**	**42,289**	**51,661**	**2,253**
Interest rate sensitivity gap	**64,939**	**(245,988)**	**311,057**	**(27,283)**	**(2,867)**	**(22,002)**	**52,022**

NOTES (continued)

4.Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

The Group closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee (ALCO) monitors compliance with the set interest rate gaps.

Company interest rate risk

31 December 2019	Carrying amount Shs' millions	Less than 3 Months Shs' millions
Assets		
Cash and cash equivalents	12,694	12,694
Interest rate sensitivity gap at 31 December 2019	**12,694**	**12,694**
31 December 2018		
Assets		
Cash and cash equivalents	7,675	7,675
	7,675	**7,675**

During the year, a 5% increase / decrease (2018: 5%) of the annual interest rate would have the following effect on profit or loss and equity:

	Sensitivity	Group impact on profit or loss Shs' millions	Company impact on profit or loss Shs' millions	Group impact on equity Shs' millions	Company impact on equity Shs' millions
2019	+/-5%	+/-2,242	+/-2	+/-1,570	+/-1
2018	+/-5%	+/-2,071	+/-2	+/-1,450	+/-1

Exposure to other market risks – non-trading portfolios

Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Treasury and price risk is subject to regular monitoring by Board Risk Management Committee. Currently, the exposure to other market risks on non-trading portfolio is not significant in relation to the overall results and financial position of the Group.

Foreign currency exposure – Group

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on foreign currency positions. The foreign currency positions are monitored on daily basis and strategies used to ensure that positions are maintained within the established limits.

NOTES (continued)

4.Financial risk management (continued)

(d) Market risks (continued)

Foreign currency exposure – Group (continued)

The amounts below summarize the foreign currency exposure position as at 31 December.

	US$ Shs' millions	GBP Shs' millions	Euro Shs' millions	ZAR Shs' millions	Others Shs' millions	Total Shs' millions
31 December 2019						
Cash and cash equivalents	39,034	506	2,431	52	539	42,562
Loans and advances to customers	137,245	35	320	-	-	137,600
Investment securities	16,514	-	-	-	3,473	19,987
Other assets	1,995	-	683	-	-	2,678
Total assets	**194,788**	**541**	**3,434**	**52**	**4,012**	**202,827**
Customer deposits	116,858	499	2,839	1	31	120,228
Borrowed funds	53,534	-	-	-	27	53,561
Other liabilities	12,882	2	39	59	8	12,990
Total liabilities	**183,274**	**501**	**2,878**	**60**	**66**	**186,779**
Net financial position	**11,514**	**40**	**556**	**(8)**	**3,946**	**16,048**
31 December 2018						
Cash and cash equivalents	24,250	455	1,521	39	48	26,313
Loans and advances to customers	106,204	39	192	-	-	106,435
Investment securities	14,337	-	-	-	5,328	19,665
Other assets	1,710	-	119	10	217	2,056
Total assets	**146,501**	**494**	**1,832**	**49**	**5,593**	**154,469**
Customer deposits	94,844	486	2,312	4	40	97,686
Borrowed funds	38,378	-	-	-	58	38,436
Other liabilities	5,922	2	136	24	12	6,096
Total liabilities	**139,144**	**488**	**2,448**	**28**	**110**	**142,218**
Net financial position	**7,357**	**6**	**(616)**	**21**	**5,483**	**12,251**

		Effect on profit before income tax Shs' millions	Effect on equity Shs' millions
	Changes in EUR		
2019	+/-2%	+/-23	+/-16
2018	+/-7%	+/-43	+/-30
	Changes in US$		
2019	+/-1%	+/-9	+/-6
2018	+/-2%	+/-147	+/-103
	Changes in GBP		
2019	+/-3%	+/-1	+/-1
2018	+/-8%	+/-1	+/-1

NOTES (continued)

4. Financial risk management (continued)

(d) Market risks (continued)

Foreign currency exposure – Group (continued)

The analysis calculates the effect of a reasonably possible movement of the currency rate against other currencies profit or loss and equity. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a net potential increase.

The Company did not have significant foreign currency denominated assets or liabilities as at 31 December 2019.

(e) Capital management

Capital risk is the risk that the Group is unable to maintain adequate levels of capital which could lead to an inability to support business activity or to meet regulatory requirements. Changes to credit ratings, could result in increased costs or reduced capacity to raise funding.

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. This is done by the Board of Directors. The Group Board manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group Board may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Primary objectives and core practices are:

- Provide a viable and sustainable business offering by maintaining adequate capital to cover the Group's current and forecast business needs and associated risks;
- Meet minimum regulatory requirements;
- Ensure the Group maintains adequate capital to withstand the impact of the risks that may arise under the stressed conditions;
- Perform internal and regulatory stress tests;
- Maintain capital buffers over regulatory minimum;
- Develop contingency plans for severe (stress management actions) to support the Group's and Company's growth and strategic options; and
- Maintain a capital plan on a short-term and medium term basis aligned with strategic objectives.

We adopt a forward-looking, risk based approach to capital risk management. Capital demand and supply is actively managed taking into account the regulatory, economic and commercial environment in which the Group operates.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised, and the Group and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group has complied with all externally imposed capital requirements throughout the year except for Equity Bank Tanzania Limited (EBTL). The Group Board of Directors has approved measures to restore EBTL's capital above regulatory minimum.

NOTES (continued)

4.Financial risk management (continued)

(e) Capital management (continued)

The regulatory capital position at 31 December was as follows:

	Shs 'millions					
	EBKL	EBCL	EBTL	EBUL	EBRL	EBSSL
31 December 2019						
Risk Weighted Assets	475,760	46,258	20,766	39,515	18,943	732
Core Capital	63,434	7,273	887	5,592	4,055	2,000
Total Capital	83,704	7,273	910	5,592	4,055	2,000
Core capital / TRWA	13.3%	15.7%	4.3%	14.2%	21.4%	273.2%
Statutory minimum	10.5%	6.0%	12.5%	10.0%	10.0%	8.0%
Excess	2.8%	9.7%	(8.2%)	4.2%	11.4%	265.3%
Total capital / TRWA	17.6%	15.7%	4.4%	14.2%	21.4%	273.2%
Statutory minimum	14.5%	10.0%	14.5%	12.0%	15.0%	12.0%
Excess	3.1%	5.7%	(10.1%)	2.2%	6.4%	261.2%
Core capital / deposits	16.7%	11.4%	5.6%	16.2%	18.6%	38.5%
Statutory minimum	10.5%	8.0%	8.0%	10.0%	8.0%	8.0%
Excess	6.2%	3.4%	(2.4%)	6.2%	10.6%	30.5%
31 December 2018						
Risk Weighted Assets	400,289	26,462	20,805	25,284	17,952	766
Core Capital	55,864	6,111	2,217	4,615	3,390	2,984
Total Capital	55,864	6,111	2,795	4,615	3,390	2,984
Core capital / TRWA	15.3%	23.1%	10.7%	18.3%	18.9%	389.6%
Statutory minimum	10.5%	8.0%	12.5%	10.5%	10.5%	10.5%
Excess	4.8%	15.1%	(1.8%)	7.8%	8.4%	379.1%
Total capital / TRWA	15.3%	23.1%	13.4%	18.3%	18.9%	389.6%
Statutory minimum	14.5%	10.0%	14.5%	14.5%	14.5%	14.5%
Excess	0.8%	13.1%	(1.1%)	3.8%	4.4%	375.1%
Core capital / deposits	17.9%	14.0%	13.6%	19.2%	16.8%	56.8%
Statutory minimum	10.5%	8.0%	8.0%	8.0%	8.0%	8.0%
Excess	7.4%	6.0%	5.6%	11.2%	8.8%	48.8%

NOTES (continued)

4.Financial risk management (continued)

(e)Capital management (continued)

	Group	
	2019	2018
	Shs' Millions	Shs' Millions
Total risk-weighted assets	601,744	493,817
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	20.5%	19.1%
Total tier 1 capital expressed as a percentage of risk-weighted Assets	17.0%	19.1%

5.Financial assets and liabilities

The fair value of financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of cash and cash equivalents, loans and advances, customer deposits and borrowed funds are evaluated by the Group based on parameters such as interest rates, specific country factors and individual creditworthiness of the customer. The valuation is performed on a discounted cash flow basis. Based on this evaluation, allowances are taken to account for the expected losses of the receivables.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair values of loans and advances, borrowings and other financial liabilities, are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

	Valuation technique	Significant observable input	Range (Weighted average)
Level 2			
FVOCI investment securities	Fair value at closing rate	Quoted yields	7%-13.5%
Amortised cost investment securities	Fair value at closing rate	Quoted yields	9.5%-12.5%
Level 3			
Currency swaps and forwards	Forward pricing model	Interest curve	2%-4%
Loans note at FVTPL	Discounted cash flows	Growth rate assumption	0 - 4%
		Long-term debt equity ratio in determining WACC	57:43
Financial liabilities			
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	5%-9%
Borrowed funds	Discounted cash flow	Expected cashflows	4%-6%

The fair values of remaining FVOCI financial assets are derived from quoted market prices in active markets. There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2019 (2018: Nil).

The table below shows certain financial assets and financial liabilities that have been measured at either fair value, or for which fair value has been disclosed in the financial statements, analysed by the level of valuation method.

NOTES (continued)

5.Financial assets and liabilities (continued)

Fair value measurement hierachy (continued)

Group At 31 December 2019	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions	Total Shs' millions
Financial assets fair value disclosures:				
Investment securities – FVOCI	-	150,128	-	150,128
Loan note at FVTPL	-	-	4,067	4,067
Derivative financial assets	-	472	-	472
Investment securities - FVTPL	-	507	-	507
Total financial assets at fair value	**-**	**151,107**	**4,067**	**155,174**
At 31 December 2018				
Financial assets fair value disclosures				
FVOCI investment securities	-	142,435	-	142,435
Derivative financial assets	-	255	-	255
Loan note at FVTPL	-	-	5,091	5,091
Total financial assets at fair value	**-**	**142,690**	**5,091**	**147,781**

The movement in the loan note at FVTPL is attributable to fair value changes.

The following summarises the carrying amount of those assets and liabilities not held at fair value. Except for amortised cost investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

Group At 31 December 2019	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions
Cash balances and deposits in financial institutions	86,434	86,434	-	-	86,434
Investment securities – Amortised cost	21,573	19,811	-	19,811	-
Loans and advances at amortised cost	362,373	362,373	-	-	362,373
Due from related parties	19	19	-	-	19
Other assets	8,358	8,358	-	-	8,358
Total financial assets	**478,757**	**476,995**	**-**	**19,811**	**457,184**
Deposits from customers	482,752	482,752	-	-	482,752
Borrowed funds	56,714	56,714	-	-	56,714
Lease liabilities	7,496	7,496	-	-	7,496
Other liabilities	12,865	12,865	-	-	12,865
Total liabilities	**559,827**	**559,827**	**-**	**-**	**559,827**

NOTES (continued)

5.Financial assets and liabilities

Fair value measurement hierarchy (continued)

Group At 31 December 2018	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions
Balances and deposits due from financial institutions	74,619	74,619	-	-	74,619
Investment securities – Amortised cost	16,469	16,469	-	16,469	-
Loans and advances at amortised cost	292,136	292,136	-	-	292,136
Due from related parties	24	24	-	-	24
Other assets	9,157	9,157	-	-	9,157
Total financial assets	**394,453**	**392,405**	**-**	**16,469**	**375,936**
Deposits from customers	422,758	422,758	-	-	422,758
Borrowed funds	45,101	45,101	-	-	45,101
Other liabilities	10,343	10,343	-	-	10,343
Total liabilities	**478,202**	**478,202**	**-**	**-**	**478,202**

Company At 31 December 2019	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions
Cash balances and deposits in financial institutions	12,694	12,694	-	-	12,694
Due from related parties	61	61	-	-	61
Other assets	159	159	-	-	159
Total financial assets	**12,914**	**12,914**	**-**	**-**	**12,914**
Due to related parties	619	619	-	-	619
Other liabilities	38	38	-	-	38
Total liabilities	**657**	**657**	**-**	**-**	**657**

Company At 31 December 2018	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions
Cash balances and deposits in financial institutions	7,675	7,675	-	-	7,675
Due from related parties	95	95	-	-	95
Other assets	236	236	-	-	236
Total financial assets	**8,006**	**8,006**	**-**	**-**	**8,006**
Due to related parties	422	422	-	-	422
Other liabilities	3	3	-	-	3
Total liabilities	**425**	**425**	**-**	**-**	**425**

NOTES (continued)

6.Interest income

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Interest income				
Loans and advances to customers	41,648	36,503	-	-
Cash and cash equivalents	1,181	431	182	212
Investment securities at amortised cost	10,218	10,400	-	-
Investment securities at FVOCI	6,676	5,896	-	-
	59,723	**53,230**	**182**	**212**
Interest expense				
Deposits from banks	(120)	(557)	-	-
Deposits from customers	(10,369)	(8,560)	-	-
Borrowed funds (Note 26)	(3,394)	(2,691)	-	-
Lease liabilities (Note 14)	(857)	-	-	-
	(14,740)	**(11,808)**	**-**	**-**
Net interest income	**44,983**	**41,422**	**182**	**212**

7.Net fee and commission income

(a) Fee and commission income

	Group	
	2019	2018
	Shs' millions	Shs' millions
Service fees and commission	15,129	13,053
Credit related fees	5,597	5,117
Custodial fee income	131	94
	20,857	**18,264**
(b) Fee and commission expense		
Fee and commission expense	(3,687)	(2,993)
Net fee and commission income	**17,170**	**15,271**

8.Net foreign exchange income

	Group	
	2019	2018
	Shs' millions	Shs' millions
Net foreign exchange gain	3,493	3,822

NOTES (continued)

9.Other operating income

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Bonds trading income	1,074	1,034	-	-
Profit on disposal of property and equipment	5	12	-	-
Rental income	42	27	-	-
Other income	4,464	1,925	59	44
	5,585	**2,998**	**59**	**44**

10.Depreciation and amortisation

	Group	
	2019	2018
	Shs' millions	Shs' millions
Depreciation on property and equipment (Note 14 (a))	3,042	3,139
Amortisation of intangible assets - Software (Note 15 (a))	1,266	1,016
Amortisation of prepaid operating lease rentals (Note 14 (b))	-	286
Depreciation of right-of-use assets (Note 14 (c))	1,713	-
	6,021	**4,441**

11.Credit impairment losses

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Increase in stage 3	5,652	7,094	-	-
(Decrease)/ increase in stage 1 & 2	(1,329)	(3,381)	1	35
Net increase in impairment provision	**4,323**	**3,713**	**1**	**35**
Loan recoveries	(865)	(777)	-	-
Statement of profit or loss	**3,458**	**2,936**	**1**	**35**

Additional disclosures on provisions for credit losses are set out in Notes 19, 20 and 21.

NOTES (continued)

12.Employee benefits

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Salaries and other staff costs	12,306	11,057	87	55
Contributions to defined contribution plans	646	487	-	-
	12,952	**11,544**	**87**	**55**

The average number of staff in the Group for the year was 6,580 (2018: 6,318).

13.Operating lease expenses

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Operating lease rentals	425	2,257	2	-

The Group leases a number of branch and office premises under operating leases. The leases typically run for a year up to ten years, with an option to renew the lease after that date. Lease payments are increased accordingly to reflect market lease rentals as detailed in Note 30. From 1 January 2019, the Group has recognised right-of-use assets for these leases as per IFRS 16, except for short-term and low-value leases.

14.(a) Property and equipment – Company

	2019	2018
	Shs' millions	Shs' millions
Furniture and fittings		
Additions during the year	12	-
Depreciation charge for the year*	-	-
At the end of the year	**12**	-

*The depreciation charge of Shs 354,000 when converted to Shs millions is less than 1 million and has not been presented above.

NOTES (continued)

14.(a) Property and equipment – Group

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Village cell banking vans	Work-in- pro- gress	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
31 December 2019								
Cost								
At start of year	1,573	11,604	487	7,511	13,940	103	294	35,512
Translation differences	16	319	(3)	(28)	(21)	-	(22)	261
Additions	14	476	135	624	1,033	-	1,309	3,591
Transfers	-	59	-	-	151	-	(210)	-
Disposals	-	(745)	(52)	(1,077)	(342)	-	-	(2,216)
At end of year	**1,603**	**11,713**	**567**	**7,030**	**14,761**	**103**	**1,371**	**37,148**
Accumulated depreciation								
At start of year	82	8,042	-	4,822	11,825	103	-	25,236
Translation differences	3	(62)	(2)	(21)	(7)	-	-	(89)
Charge for the year	33	956	63	804	1,186	-	-	3,042
Transfers	-	13	-	(13)	-	-	-	-
Disposals	-	(744)	(52)	(972)	(304)	-	-	(2,072)
At end of year	**118**	**8,205**	**371**	**4,620**	**12,700**	**103**	**1,371**	**26,117**
Net book value at end of year	**1,485**	**3,508**	**196**	**2,410**	**2,061**	**-**	**1,371**	**11,031**

NOTES (continued)

14.(a) Property and equipment – Group (continued)

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Village cell banking vans	Work-in-progress	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
31 December 2018								
Cost								
At start of year	1,367	10,732	469	7,165	13,082	103	279	33,197
Translation differences	95	150	2	(87)	19	-	(77)	102
Additions	131	717	50	661	978	-	217	2,754
Transfers	(13)	38	4	42	52	-	(123)	-
Disposals	(7)	(33)	(38)	(270)	(191)	-	(2)	(541)
At end of year	**1,573**	**11,604**	**487**	**7,511**	**13,940**	**103**	**294**	**35,512**
Accumulated depreciation								
At start of year	115	6,945	267	4,278	10,624	103	-	22,332
Translation differences	(56)	202	77	45	2	-	-	270
Charge for the year	26	923	56	747	1,387	-	-	3,139
Transfers	(3)	-	-	(14)	17	-	-	-
Disposals	-	(28)	(38)	(234)	(205)	-	-	(505)
At end of year	**82**	**8,042**	**362**	**4,822**	**11,825**	**103**	**-**	**25,236**
Net book value at end of year	**1,491**	**3,562**	**125**	**2,689**	**2,115**	**-**	**294**	**10,276**

NOTES (continued)

14.(b) Prepaid operating lease rentals

	Group	
	2019	2018
	Shs' millions	Shs' millions
Cost		
At start of year	1,121	1,278
Transfer to right-of-use assets	(1,121)	-
Translation differences	-	(362)
Additions	-	205
At end of year	**-**	**1,121**
Amortisation		
At start of year	670	724
Transfer to right-of-use assets	(670)	-
Translation differences	-	(340)
Amortisation	-	286
At end of year	-	670
Net carrying amount at end of year	**-**	**451**

14.(c) Right of use assets and lease liabilities

(i) Right-of-use assets - Group

	2019	2018
	Shs' millions	Shs' millions
At start of year	8,715	-
Additions	340	-
Depreciation	(1,713)	-
At end of year	**7,342**	**-**

Additions to the right-of-use assets during the 2019 financial year were Shs 340 Million.

(ii) Lease liabilities - Group

	2019	2018
	Shs' millions	Shs' millions
Current	1,312	-
Non-current	6,184	-
	7,496	**-**

NOTES (continued)

14.(c) Right of use assets and lease liabilities (continued)

(ii) Lease liabilities – Group (continued)

	2019 Shs' millions	2018 Shs' millions
At start of year	8,355	-
Additions	340	-
Interest expense	857	-
Interest paid	(857)	-
Principal elements of lease payments	(1,199)	-
	7,496	**-**
Amounts recognised in the statement of profit or loss - Group		
Depreciation charge of right-of-use assets	1,713	-
Interest expense	857	-
	2,570	**-**
The total cash outflow for leases was as follows:		
Cash paid for amounts included in:		
Financing cash flows from operating leases	**1,199**	**-**

15.(a) Software - Group

31 December 2019	Software Shs' millions	Work in progress Shs' millions	Total Shs' millions
Cost			
At start of year	12,200	633	12,833
Translation differences	(173)	(13)	(186)
Additions	679	520	1,199
Transfers	382	(382)	-
Disposals	(133)	-	(133)
At end of year	**12,955**	**758**	**13,713**
Amortisation			
At start of year	5,470	-	5,470
Translation differences	(143)	-	(143)
Amortisation	1,266	-	1,266
Disposal	(124)	-	(124)
At end of year	**6,469**	**-**	**6,469**
Net book value at end of year	**6,486**	**758**	**7,244**

NOTES (continued)

15.(a) Software - Group (continued)

31 December 2018	Software Shs' millions	Work in progress Shs' millions	Total Shs' millions
Cost			
At start of year	9,024	2,244	11,268
Translation differences	160	(188)	(28)
Additions	124	1,469	1,593
Transfers	2,892	(2,892)	-
At end of year	**12,200**	**633**	**12,833**
Amortisation			
At start of year	4,272	-	4,272
Translation differences	183	-	183
Amortisation	1,016	-	1,016
Disposal	(1)	-	(1)
At end of year	**5,470**	**-**	**5,470**
Net book value at end of year	**6,730**	**633**	**7,363**

The Group's intangible assets include the value of computer software.

The work-in-progress is composed of software in development. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the costs can be measured reliably. The transfers relate to projects completed in the course of the year.

15.(b) Goodwill

	Group	
	2019 Shs' millions	2018 Shs' millions
Equity Bank Uganda Limited	887	887
Equity Bank Congo S.A.	2,216	2,216
	3,103	**3,103**

NOTES (continued)

15.(b) Goodwill (continued)

The goodwill of Shs 887 Million arose from the acquisition of Equity Bank Uganda Limited (formerly Uganda Microfinance Limited) in April 2008, which was determined in accordance with IFRS 3. It represents the difference between the total purchase consideration (including acquisition costs) paid to acquire 100% stake in Equity Bank Uganda Limited and the fair value of the net tangible assets and the separable identifiable intangible assets.

On 30 September 2015, Equity Group Holdings Plc acquired 79% of the net assets of Equity Bank Congo S.A. The Group increased its stake to 86% in 2016 following the acquisition of an additional 13%.

The goodwill arising from acquisition consists largely of the synergies and economies of scale expected from combining the operations of Equity Group Holdings Plc and Equity Bank Congo S.A., as well as Equity Bank Uganda Limited.

Management carried out an impairment assessment in respect of goodwill at year end. Since the goodwill arose on purchase of Equity Bank Uganda Limited and Equity Bank Congo S.A. as subsidiaries, the whole amount is allocated to the subsidiaries which the Group considers as a cash generating unit (CGU). The table below shows the various variables used in management's impairment assessment:

	Equity Bank Uganda Limited		Equity Bank Congo S.A.	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Value in use	45,740	17,345	26,195	14,549
Projected Return on Assets (ROA) – 2019	11%	8%	9%	11%
Projected Return on Assets (ROA) – 2020	14%	14%	9%	11%
Projected growth in profit margins – 2019	21%	38%	17%	21%
Projected growth in profit margins – 2020	20%	23%	15%	19%
Projected growth in non-interest income – 2019	24%	45%	22%	20%
Projected growth in non-interest income - 2020	24%	45%	22%	20%
Weighted average cost of capital	18%	18%	23%	23%

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

- Budgeted EBITDA – Budgeted EBITDA has been based on past experience adjusted for efficiencies expected from implementation of Group initiatives.
- Budgeted capital expenditure – The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditures. Capital expenditure includes cash outflows for purchase of property, equipment and computer software.
- Long term growth rate is based on an annual growth rate in EBITDA estimated by management for each subsidiary.
- Pre-tax risk adjusted discount rate is generally based on the risk free rate of government securities in the respective country adjusted for a risk premium to reflect the increased risk of investing in equities and the systemic risk of the specific Group operating company.
- An assumed terminal value based on a historical performance of the CGUs and Pre-tax risk adjusted discount rate.

Sensitivity analysis

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

NOTES (continued)

16.Other operating expenses

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Software licencing and other IT related costs	3,986	3,339	-	-
Consultancy, legal and professional fees	2,117	1,709	263	-
Electricity, water and repairs and maintenance	1,198	1,292	-	-
Travel and accommodation	1,115	859	21	-
Marketing, advertising and sponsorship	930	957	1	-
Publications, stationery and communications	861	700	28	-
Auditors' remuneration	51	54	2	2
Other expenses	4,884	4,722	6	49
	15,142	**13,632**	**321**	**51**

17.(a) Investment in subsidiary companies

	Country of incorporation	Shareholding	2019	2018
			Shs' millions	Shs' millions
Banking				
Equity Bank (Kenya) Limited	Kenya	100%	40,733	40,733
Equity Bank Congo S.A.	DRC	86%	6,748	6,748
Equity Bank (South Sudan) Limited	South Sudan	100%	5,712	5,712
Equity Bank Uganda Limited	Uganda	100%	5,005	5,005
Equity Bank Tanzania Limited	Tanzania	100%	3,839	3,839
Equity Bank (Rwanda) Limited	Rwanda	100%	2,807	2,807
Telecommunication				
Finserve Africa Africa Limited	Kenya	100%	1,001	1,001
Investment banking				
Equity Investment Bank Limited	Kenya	100%	420	420
Insurance brokerage				
Equity Insurance Agency Limited	Kenya	100%	100	100
Consultancy				
Equity Consulting Group Limited	Kenya	100%	0.5	0.5
Equity Investment Services Limited	Kenya	100%	420	420
Custodial services				
Equity Nominees Limited	Kenya	100%	0.1	0.1
Total			**66,786**	**66,786**

On 14 November 2018, additional capital of 226,000 new shares with a par value of TShs 100,000 was issued and paid by EGH Plc to Equity Bank Tanzania Limited for a consideration of US$ 10 Million (Shs 1.025 Billion).

The Company has assessed impairment of the investment in subsidiaries using the Net Asset Value (NAV) and Discounted Cash Flow (DCF) methods as appropriate and concluded there's no impairment.

NOTES (continued)

17.(b) Non-controlling interests (NCI)

Set out below is the summarised financial information of Equity Bank Congo S.A. which has non-controlling interest that is material to the Group.

	Group	
	2019	2018
	Shs' millions	Shs' millions
Summarised statement of financial position		
Total assets	80,076	57,965
Total liabilities	72,294	51,269
Equity	7,782	6,696
Accumulated NCI	1,058	883
Summarised statement of comprehensive income		
Operating income	5,949	5,258
Profit for the period	1,229	952
Other comprehensive income	-	-
Total comprehensive income	1,229	952
Profit allocated to NCI	175	133
Summarised statement of cash flows		
Cash flows from operating activities	14,803	8,088
Cash flows to investing activities	(4,042)	(1,010)
Cash flows from financing activities	245	2,565
Net increase in cash and cash equivalents	**11,006**	**9,643**

17.(c) Interests in unconsolidated structured entity

Equity Group Holdings Plc does not consolidate the results of Equity Group Foundation (the "Foundation") which was incorporated on 12 February 2008 under the Companies Act (Cap 486) as a company limited by guarantee. It is a charitable organization set up to provide a platform to development partners, government, the private sector as well as local and international organizations for the implementation of high impact development programs which include Wings to Fly Scholarship Program.

The programs of the Foundation are primarily funded by third party donors under donor agreements. The Group's contributions to the Foundation are in monetary terms but mainly in-kind in the form of utilising the Group's extensive branch network and staff in driving the achievement of the goals/activities of the Foundation in communities. On the basis that the donors provide majority of the funding and direct the activities of the Foundation through the donor agreements, the Group does not control the Foundation.

NOTES (continued)

17.(c) Interests in unconsolidated structured entity (continued)

The table below summarises EGF's source of funding:

	2019 Shs' millions	2018 Shs' millions
Donors	1,306	1,170
Equity Group Holdings Plc	102	123
Total donations income	**1,408**	**1,293**

The Group does not earn income from EGF and is not exposed to loss arising from its involvement with the Foundation.

Consistent with previous years, the Group will continue providing support to the Foundation primarily as regards the use of the Group's branch network and staff to carry out its program activities.

18.Income tax

Recognised in profit or loss

	Group		Company	
	2019 Shs' millions	2018 Shs' millions	2019 Shs' millions	2018 Shs' millions
Current income tax:				
Current year charge	10,233	8,058	71	106
Prior year overstatement	(228)	(162)	(2)	(6)
Deferred income tax (Note 23):				
Current year (credit)/charge	(1,088)	743	(2)	(82)
Income tax expense	**8,917**	**8,639**	**67**	**18**

NOTES (continued)

18.Income tax (continued)

Reconciliation of effective tax rate:

The tax on the Group's and Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Profit before income tax	**31,478**	**28,463**	**12,330**	**10,565**
Income tax using the enacted corporation tax rate	9,443	8,539	3,699	3,170
The effect of differential tax rate in South Sudan (20% (2018: 25%))	61	12	-	-
Prior year overstatement	(228)	(162)	(2)	(6)
Other differences	(359)	250	(3,630)	(3,146)
	8,917	**8,639**	**67**	**18**
Current income tax liability/ (asset)				
At start of year	(447)	(1,782)	(11)	3
Charge for the year	10,233	8,058	71	107
Prior year overstatement	(228)	(162)	(2)	(6)
Translation differences	705	162	-	-
Paid during the year	(8,487)	(6,723)	(95)	(115)
At end of year	**1,776**	**(447)**	**(37)**	**(11)**
Made up of:				
Tax payable	1,928	185	-	-
Tax recoverable	(152)	(632)	(37)	(11)
	1,776	**(447)**	**(37)**	**(11)**

NOTES (continued)

18.Income tax (continued)

Tax rates are as follows:

2019	Group Shs' millions	EGH Plc Shs' millions	EBKL Shs' millions	EBCL Shs' millions	EBUL Shs' millions	EBRL Shs' millions	EIAL Shs' millions	EBTL Shs' millions	EBSSL Shs' millions	Others* Shs' millions
Profit before tax	**31,478**	**12,330**	**25,974**	**1,644**	**1,494**	**1,504**	**675**	**(411)**	**606**	**161**
Enacted tax rate	30%	30%	30%	30%	30%	30%	30%	30%	20%	30%
Income tax using the enacted corporation tax rate	9,443	3,699	7,792	493	448	451	203	(123)	121	48
2018										
Profit before tax	**28,463**	**10,565**	**24,382**	**1,358**	**1,345**	**1,008**	**547**	**(559)**	**241**	**26**
Enacted tax rate	30%	30%	30%	35%	30%	30%	30%	30%	25%	30%
Income tax using the enacted corporation tax rate	8,539	3,170	7,315	475	404	302	164	(168)	60	8

EGH Plc – Equity Group Holdings Plc, EBKL – Equity Bank Kenya Limited, EBCL – Equity Bank Congo S.A., EBUL – Equity Bank Uganda Limited, EBRL – Equity Bank Rwanda Plc, EIAL – Equity Insurance Agency Limited, EBTL – Equity Bank Tanzania Limited, EBSSL – Equity Bank South Sudan Limited.

*Others relate to Equity Investment Bank Limited, Finserve Africa Africa Limited, Equity Nominees Limited, Equity Investment Services Limited and Equity Consulting Group Limited.

NOTES (continued)

19.(a) Cash, deposits and balances due from financial institutions

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Cash in hand	24,300	19,877	12,697	7,675
Unrestricted balances with central banks	24,936	13,958	-	-
Money market placements	15,040	20,649	-	-
Cash balances with banks	6,663	6,289	-	-
	70,939	**60,773**	**12,697**	**7,675**
12-month ECL:				
At 1 January/ Initial re-measurement	(200)	(242)	-	-
Re-measurement during the year	41	42	(3)	-
	(159)	**(200)**	**(3)**	**-**
Included in cash and cash equivalents	70,780	60,573	12,694	7,675
Restricted balances with central banks	15,654	14,046	-	-
Net carrying amount	**86,434**	**74,619**	**12,694**	**7,675**
Movement in restricted balances:				
At start of year	14,046	11,039	-	-
Movement during the year	1,608	3,007	-	-
At end of year	**15,654**	**14,046**	**-**	**-**

The restricted funds with the Central Banks in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Democratic Republic of Congo are not interest earning and are based on the value of deposits as adjusted by Central Banks' requirements from time to time. These funds (restricted balances with Central Banks) are not available for use by the Group in its day-to-day operations.

19.(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Group	2019	2018
	Shs' millions	Shs' millions
Cash and cash equivalents (Note 19(a))	70,780	60,573
Liquid investments:		
FVOCI and FVTPL investment securities (Note 21)	150,635	142,435
Borrowed funds - repayable within one year (Note 26)	(13,537)	(11,792)
Borrowed funds - repayable after one year (Note 26)	(43,177)	(33,309)
Net cash	**164,701**	**157,907**
Cash and liquid investments	221,415	203,008
Gross debt - fixed interest rates	(11,070)	(8,652)
Gross debt - variable interest rates	(45,644)	(36,449)
	164,701	**157,907**

NOTES (continued)

20.Loans and advances to customers - Group

	2019 Shs' millions	2018 Shs' millions
Loans and advances at armotised cost	362,373	292,136
Loans and advances at fair value through profit or loss	4,067	5,091
	366,440	**297,227**

a) Loans and advances at amortised cost

At 31 December 2019	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Gross loans and advances	313,002	37,397	34,709	385,108
Loss allowance	(4,773)	(3,929)	(14,033)	(22,735)
Net loans and advances	**308,229**	**33,468**	**20,676**	**362,373**

At 31 December 2018	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Gross loans and advances	251,105	37,638	22,876	311,619
Loss allowance	(2,992)	(7,039)	(9,452)	(19,483)
Net loans and advances	**248,113**	**30,599**	**13,424**	**292,136**

	Gross		Net	
	2019 Shs' millions	2018 Shs' millions	2019 Shs' millions	2018 Shs' millions
Current portion	82,212	70,438	74,846	62,432
Non-current portion	302,896	241,181	287,527	229,704
	385,108	**311,619**	**362,373**	**292,136**

NOTES (continued)

20.Loans and advances to customers - Group (continued)

(b) Impairment on financial assets

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Loss allowance as at 1 January	2,992	7,039	9,452	19,483
Transfer to 12 months ECL	292	(233)	(59)	-
Transfer to lifetime ECL not credit impaired	(66)	155	(89)	-
Transfer to lifetime ECL credit impaired	(154)	(1,528)	1,682	-
Net remeasurement	967	(1,220)	4,046	3,793
Net financial assets originated	1,760	1,069	971	3,800
Financial assets derecognised	(1,006)	(1,166)	(928)	(3,100)
Translation differences	(12)	(187)	29	(170)
	1,781	**(3,110)**	**5,652**	**4,323**
Write offs	-	-	(1,071)	(1,071)
Loss allowance as at 31 December	**4,773**	**3,929**	**14,033**	**22,735**

	2018			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Loss allowance as at 1 January	2,513	10,900	6,170	19,583
Transfer to 12 months ECL	386	(228)	(158)	-
Transfer to lifetime ECL not credit impaired	(132)	273	(141)	-
Transfer to lifetime ECL credit impaired	(63)	(2,407)	2,470	-
Net remeasurement	(504)	(86)	2,640	2,050
Net financial assets originated	1,606	1,207	4,922	7,735
Financial assets derecognised	(814)	(2,619)	(2,639)	(6,072)
	479	**(3,859)**	**7,094**	**3,713**
Write offs	-	(1)	(3,812)	(3,813)
Loss allowance as at 31 December	**2,992**	**7,039**	**9,452**	**19,483**

NOTES (continued)

20. Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

	2019			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross carrying amount as at 1 January	251,105	37,638	22,876	311,619
Transfer to 12 months ECL	3,957	(3,674)	(283)	-
Transfer to lifetime ECL not credit impaired	(10,072)	10,779	(707)	-
Transfer to lifetime ECL credit impaired	(6,650)	(9,656)	16,306	-
Net remeasurement	(24,882)	(3,870)	1,244	(27,508)
Net financial assets originated	181,169	10,232	2,033	193,434
Financial assets derecognised	(74,846)	(9,965)	(6,783)	(91,594)
Translation differences	(6,779)	5,913	23	(843)
Loss allowance as at 31 December	**313,002**	**37,397**	**34,709**	**385,108**

	2018			
	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross carrying amount as at 1 January	206,622	56,932	17,817	281,371
Transfer to 12 months ECL	4,701	(4,211)	(490)	-
Transfer to lifetime ECL not credit impaired	(9,781)	9,861	(80)	-
Transfer to lifetime ECL credit impaired	(2,158)	(4,049)	6,207	-
Net remeasurement	(15,257)	(5,134)	9,146	(11,245)
Net financial assets originated	138,311	9,742	1,045	149,098
Financial assets derecognised	(69,849)	(25,094)	(10,641)	(105,584)
Translation differences	(1,484)	(409)	(128)	(2,021)
Gross carrying amount as at 31 December	**251,105**	**37,638**	**22,876**	**311,619**

NOTES (continued)

20.Loans and advances to customers (continued)

(c)Movements per sector - Mortgage, Corporate and SME

31 December 2019	Mortgage sector				Corporate sector				SME sector			
	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Gross carrying amount as at 1 January	**38,457**	**3,949**	**2,478**	**44,884**	**91,654**	**27,467**	**3,537**	**122,658**	**43,610**	**4,096**	**8,944**	**56,650**
Transfer to 12 months ECL	949	(826)	(123)	-	1,432	(1,432)	-	-	743	(650)	(93)	-
Transfer to Lifetime ECL not credit impaired	(1,788)	2,052	(264)	-	(5,495)	5,495	-	-	(1,428)	1,767	(339)	-
Transfer to Lifetime ECL credit impaired	(1,158)	(694)	1,852	-	(2,042)	(6,952)	8,994	-	(1,956)	(1,399)	3,355	-
Net remeasurement	(5,859)	(544)	(149)	**(6,552)**	(3,040)	(2,033)	1,501	**(3,572)**	(6,502)	(723)	379	**(6,846)**
Net financial assets originated	20,017	559	898	**21,474**	63,776	6,275	399	**70,450**	25,315	1,281	375	**26,971**
Financial assets derecognised	(4,994)	(856)	(675)	**(6,525)**	(19,496)	(6,597)	(4,385)	**(30,478)**	(12,801)	(1,478)	(1,015)	**(15,294)**
Translation differences	917	54	1,837	**2,808**	(7272)	5,881	5,168	**3,777**	(347)	(23)	(1,099)	**(1,469)**
Gross carrying amount as at 31 December	**46,541**	**3,694**	**5,854**	**56,089**	**119,517**	**28,104**	**15,214**	**162,835**	**46,634**	**2,871**	**10,507**	**60,012**
Loss allowance as at 1 January	**152**	**402**	**950**	**1,504**	**1,279**	**5,479**	**1,802**	**8,560**	**354**	**270**	**5,284**	**5,908**
Transfer to 12 months ECL	57	(57)	-	-	63	(63)	-	-	58	(35)	(23)	-
Transfer to Lifetime ECL not credit impaired	(7)	11	(4)	-	(35)	35	-	-	(9)	39	(30)	-
Transfer to Lifetime ECL credit impaired	(5)	(33)	38	-	(31)	(1,334)	1,365	-	(30)	(101)	131	-
Net remeasurement of loss allowance	(58)	70	340	**352**	1,202	(1,148)	1,767	**1,821**	(72)	(158)	816	**586**
Net financial assets originated	88	34	227	**349**	591	774	172	**1,537**	237	71	(80)	**228**

NOTES (continued)

20.Loans and advances to customers (continued)

(c) Movements per sector – - Mortgage, Corporate and SME (continued)

	Mortgage sector				Corporate sector				SME sector			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2019	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Financial assets derecognised	(23)	(32)	(160)	**(215)**	(413)	(956)	(833)	**(2,202)**	(124)	(79)	(74)	**(277)**
Write offs	-	-	(167)	**(167)**	-	-	(178)	**(178)**	-	-	(162)	**(162)**
Translation differences	16	(183)	(31)	**(198)**	(9)	478	3,485	**3,954**	21	158	(2,816)	**(2,637)**
Loss allowance as at 31 December	**220**	**212**	**1,193**	**1,625**	**2,647**	**3,265**	**7,580**	**13,492**	**435**	**165**	**3,046**	**3,646**
Net loans and advances	**46,321**	**3,482**	**4,661**	**54,464**	**116,870**	**24,839**	**7,634**	**149,343**	**46,199**	**2,706**	**7,461**	**56,366**

NOTES (continued)

20.Loans and advances to customers (continued)

(c)Movements per sector - Unsecured and Eazzy

	Unsecured sector				Eazzy sector			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2019	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross carrying amount as at 1 January	**69,385**	**1,953**	**7,650**	**78,988**	**7,999**	**173**	**267**	**8,439**
Transfer to 12 months ECL	795	(728)	(67)	-	38	(38)	-	-
Transfer to Lifetime ECL not credit impaired	(1,256)	1,360	(104)	-	(105)	105	-	-
Transfer to Lifetime ECL credit impaired	(1,316)	(548)	1,864	-	(178)	(63)	241	-
Net remeasurement	(8,752)	(501)	(405)	**(9,658)**	(729)	(69)	(82)	**(880)**
Net financial assets originated	66,123	1,790	153	**68,066**	5,938	327	208	**6,473**
Financial assets derecognised	(30,818)	(823)	(458)	**(32,099)**	(6,737)	(211)	(250)	**(7,198)**
Translation differences	(20)	(1)	(5,879)	**(5,900)**	(57)	2	(4)	**(59)**
Gross carrying amount as at 31 December	**94,141**	**2,502**	**2,754**	**99,379**	**6,169**	**226**	**380**	**6,775**
Loss allowance as at 1 January	**1,086**	**821**	**1,193**	**3,100**	**121**	**67**	**223**	**411**
Transfer to 12 months ECL	112	(76)	(36)	-	2	(2)	-	-
Transfer to Lifetime ECL not credit impaired	(12)	67	(55)	-	(3)	3	-	-
Transfer to Lifetime ECL credit impaired	(15)	(49)	64	-	(73)	(11)	84	-
Net remeasurement of loss allowance	(170)	14	1,028	**872**	65	2	95	**162**
Net financial assets originated	698	162	365	**1,225**	146	28	287	**461**

NOTES (continued)

20.Loans and advances to customers (continued)

(c) Movements per sector - Unsecured and Eazzy (continued)

	Unsecured sector				Unsecured and Eazzy			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2019	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Financial assets derecognised	(323)	(87)	(174)	**(584)**	(123)	(12)	313	**178**
Write offs	-	-	(64)	**(64)**	-	-	(500)	**(500)**
Translation differences	(66)	(585)	(818)	**(1,469)**	26	(55)	209	**180**
Loss allowance as at 31 December	**1,310**	**267**	**1,503**	**3,080**	**161**	**20**	**711**	**892**
Net loans and advances	**92,831**	**2,235**	**1,251**	**96,317**	**6,008**	**206**	**(331)**	**5,883**

NOTES (continued)

20. Loans and advances to customers (continued)

(c) Movements per sector - Mortgage, Corporate and SME

	Mortgage sector				Corporate sector				SME sector			
31 December 2018	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross carrying amount as at 1 January	**35,244**	**3,341**	**3,592**	**42,177**	**69,379**	**46,786**	**3,937**	**120,102**	**40,649**	**4,650**	**6,532**	**51,831**
Transfer to 12 months ECL	647	(462)	(185)	-	2,675	(2,666)	(9)	-	775	(601)	(174)	-
Transfer to Lifetime ECL not credit impaired	(2,625)	2,756	(131)	-	(3,720)	3,689	31	-	(2,400)	2,305	95	-
Transfer to Lifetime ECL credit impaired	(410)	(730)	1,140	-	(261)	(1,999)	2,260		(699)	(1,012)	1,711	-
Net remeasurement	(3,852)	(440)	3	**(4,289)**	1,200	(3,394)	180	**(2,014)**	(5,880)	(889)	3,367	**(3,402)**
Net financial assets originated	15,793	380	(184)	**15,989**	42,337	6,579	497	**49,413**	25,972	1,684	168	**27,824**
Financial assets derecognised	(6,087)	(872)	(1,731)	**(8,690)**	(19,458)	(21,192)	(3,331)	**(43,981)**	(14,515)	(2,008)	(2,708)	**(19,231)**
Translation differences	(253)	(24)	(26)	**(303)**	(498)	(336)	(28)	**(862)**	(292)	(33)	(47)	**(372)**
Gross carrying amount as at 31 December	**38,457**	**3,949**	**2,478**	**44,884**	**91,654**	**27,467**	**3,537**	**122,658**	**43,610**	**4,096**	**8,944**	**56,650**
Loss allowance as at 1 January	**343**	**279**	**928**	**1,550**	**1,110**	**10,071**	**863**	**12,044**	**572**	**308**	**2,330**	**3,210**
Transfer to 12 months ECL	61	(28)	(33)	-	62	(60)	(2)	-	115	(69)	(46)	-
Transfer to Lifetime ECL not credit impaired	(10)	91	(81)	-	(93)	93	-	-	(19)	110	(91)	-
Transfer to Lifetime ECL credit impaired	(6)	(71)	77	-	(1)	(399)	400	-	(7)	(90)	97	-
Net remeasurement of loss allowance	(278)	27	309	**58**	(390)	94	860	**564**	(419)	55	4,302	**3,938**
Net financial assets originated	58	23	265	**346**	894	654	216	**1,764**	243	104	196	**543**

NOTES (continued)

20. Loans and advances to customers (continued)

(c) Movements per sector - Mortgage, Corporate and SME (continued)

	Mortgage sector				Corporate sector				SME sector			
31 December 2018	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12 month ECL	**Lifetime ECL**	**Lifetime ECL**		**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**		**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**
Financial assets derecognised	(16)	82	(344)	**(278)**	(303)	(4,974)	(464)	**(5,741)**	(131)	(148)	(346)	**(625)**
Write offs	-	(1)	(171)	**(172)**	-	-	(71)	**(71)**	-	-	(1,158)	**(1,158)**
Loss allowance as at 31 December	**152**	**402**	**950**	**1,504**	**1,279**	**5,479**	**1,802**	**8,560**	**354**	**270**	**5,284**	**5,908**
Net loans and advances	**38,305**	**3,547**	**1,528**	**43,380**	**90,375**	**21,988**	**1,735**	**114,098**	**43,256**	**3,826**	**3,660**	**50,742**

NOTES (continued)

20.Loans and advances to customers (continued)

(c) Movements per sector – Unsecured and Eazzy

	Unsecured sector				Eazzy sector			
31 December 2018	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Gross carrying amount as at 1 January	**56,006**	**2,031**	**3,495**	**61,532**	**5,344**	**124**	**261**	**5,729**
Transfer to 12 months ECL	618	(496)	(122)	**-**	(14)	14	-	**-**
Transfer to Lifetime ECL not credit impaired	(985)	1,111	(126)	**-**	(51)	-	51	**-**
Transfer to Lifetime ECL credit impaired	(787)	(297)	1,084	**-**	(1)	(11)	12	**-**
Net remeasurement	(6,757)	(412)	5,597	**(1,572)**	32	1	(1)	**32**
Net financial assets originated	48,001	940	382	**49,323**	6,208	159	182	**6,549**
Financial assets derecognised	(26,309)	(909)	(2,635)	**(29,853)**	(3,480)	(113)	(236)	**(3,829)**
Translation differences	(402)	(15)	(25)	**(442)**	(39)	(1)	(2)	**(42)**
Gross carrying amount as at 31 December	**69,385**	**1,953**	**7,650**	**78,988**	**7,999**	**173**	**267**	**8,439**
Loss allowance as at 1 January	**395**	**236**	**1,925**	**2,556**	**93**	**6**	**124**	**223**
Transfer to 12 months ECL	149	(70)	(79)	**-**	(1)	(1)	2	**-**
Transfer to Lifetime ECL not credit impaired	(11)	91	(80)	**-**	1	(112)	111	**-**
Transfer to Lifetime ECL credit impaired	(11)	(44)	55	**-**	(38)	(1,803)	1,841	**-**
Net remeasurement of loss allowance	171	501	1,437	**2,109**	412	(763)	(4,268)	**(4,619)**
Net financial assets originated	751	301	176	**1,228**	(340)	125	4,069	**3,854**

NOTES (continued)

20.Loans and advances to customers (continued)

(c) Movements per sector – Unsecured and Eazzy (continued)

	Unsecured sector				Eazzy sector			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
31 December 2018	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Financial assets derecognised	(358)	(194)	(296)	**(848)**	(6)	2,615	(1,189)	**1,420**
Write offs	-	-	(1,945)	**(1,945)**	-	-	(467)	**(467)**
Loss allowance as at 31 December	**1,086**	**821**	**1,193**	**3,100**	**121**	**67**	**223**	**411**
Net loans and advances	**68,299**	**1,132**	**6,457**	**75,888**	**7,878**	**106**	**44**	**8,028**

NOTES (continued)

20.Loans and advances to customers (continued)

(c) Movements per sector

The terms and conditions normally provided for the loans and advances to customers are as follows:

Retail loans – Retail loans are comprised of consumer loans, micro-enterprises and agriculture. These are interest bearing facilities to retail customers. Collateral is required except for scheme loans to salaried customers. On average, the contractual tenor is between 6 months and 5 years. These loans are charged processing fees.

Corporate loans - These are loans to small medium and large customers and they are all interest bearing. Collateral is a requirement for all facilities. The contractual tenor is between 6 months and 10 years. These loans are charged processing fees.

Overdrafts - These are short-term facilities to customers with urgent need of cash. Collateral is required for all these facilities and the tenor is 6 to 12 months. The only charge on these facilities is the overdrafts arrangement fee.

(d) Financial asset at fair value through profit or loss

	Group	
	2019	2018
	Shs' millions	Shs' millions
Loan note	5,067	5,091
Fair value loss	(1,000)	-
Non-current	**4,067**	**5,091**

The financial asset at fair value through profit or loss relates to long term note issued to the Group in 2017 following a restructure of facilities to a customer in the airline industry (original borrower company). The loan note earns a coupon rate of interest, is partly guaranteed by the Government of Kenya and is secured by shares held by the issuer in the original borrower company. The ultimate amount recoverable on the loan note will depend on the value realised when the underlying shares are disposed of (including any upswing) and any guarantee called in the event of loss. The instrument is considered a loan instrument with an embedded derivative and has therefore been classified as an asset at fair value through profit or loss.

The Group has used a discounted cash flow (DCF) model to compute the fair value of the instrument. The significant assumptions applied in the DCF model include:

- *The projected cash flows of the original borrower company* - In arriving at free cash flows, management has used projected earnings before interest, tax, depreciation and amortisation (EBITDA). The projections take into account past performance and management view on measures being undertaken to turn around the performance of the original borrower company;
- *The weighted average cost of capital (WACC) of the original borrower company* - WACC is the sum of the cost of debt and the cost of equity. The cost of debt has been determined using the original borrower company's current medium to long term debt. In determining the cost of capital, management has assumed 60: 40 long term debt to equity ratio which is consistent with the ratio for airlines in emerging markets and included a specific, judgmental risk premium. The WACC is applied on the post-tax cash flows before adjusting for the original borrower company's net debt; and
- *The growth rate assumptions* - Management has used the EBITDA growth rate achieved in the past. In addition, the model includes the long-term US$ projected inflation rate in determining the original borrower company's terminal value.

NOTES (continued)

20.Loans and advances to customers (continued)

Sensitivity analysis

Changes in the above assumptions could affect the reported fair value of the loan note. We have summarized in the table below the increases/decreases in fair value for each of the below factors while holding all other factors constant.

- A 5% change in the projected cash flows of the original borrower company (2018: 5%)
- A 5% change in the WACC of the original borrower company (2018: 5%)
- A 5% change in EBITDA growth rate assumption of the original borrower company (2018: 5%)

	2019		2018	
	Increase Shs' millions	Decrease Shs' millions	Increase Shs' millions	Decrease Shs' millions
Projected cash flows: +/-5%	560	658	-	38
Change in WACC: +/-5%	628	642	-	-
Change in EBITDA growth rate: +/-5%	48	145	-	746

In addition to the above, the value of the loan note would be impacted by qualitative, judgemental analysis of developments at the original borrower company and in the airline industry, and the future actions of the Government of Kenya and other shareholders.

NOTES (continued)

21.Investment securities – Group

	2019 Shs' millions	2018 Shs' millions
Government securities at amortised cost		
At start of year	18,527	20,532
Purchase of securities	5,638	2,778
Maturity of securities	(2,526)	(4,837)
Translation differences	(55)	54
At end of year	**21,584**	**18,527**
12-month ECL:		
At 1 January/ Initial re-measurement	(10)	(13)
Re-measurement during the year	(1)	3
At 31 December	**(11)**	**(10)**
Net carrying amount	**21,573**	**18,517**
Government securities at FVOCI		
At start of year	142,501	107,470
Purchase of investment securities	120,905	151,846
Sale / maturity of investment securities	(116,674)	(115,837)
Net gain / (loss) on fair valuation	3,757	(944)
Translation differences	(297)	(34)
At end of year	**150,192**	**142,501**
12-month ECL:		
At 1 January/ Initial re-measurement	(66)	(48)
Re-measurement during the year	2	(18)
	(64)	**(66)**
Net carrying amount	**150,128**	**142,435**
FVTPL		
At start of year	-	-
Purchase of investment securities	1,778	-
Sale of investment securities	(1,364)	-
Net gain on fair valuation	93	-
Net carrying amount	**507**	**-**
Total investment securities	**172,208**	**160,952**
Current	50,891	74,941
Non-current	121,317	86,011
Total	**172,208**	**160,952**

The weighted average effective interest rate on investment securities at 31 December 2019 was 10.34% (2018: 10.58%).

NOTES (continued)

22.Other assets

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Settlement and clearing accounts	1,783	1,749	-	-
Prepaid expenses	4,387	3,429	-	-
Refundable deposits	584	548	-	-
Sundry debtors	2,835	2,757	-	-
Other assets	3,586	4,375	434	511
	13,175	**12,858**	**434**	**511**
12 month ECL:				
1 January / Initial re-measurement	(463)	(439)	(275)	(240)
Re-measurement during the year	33	(24)	-	(35)
	(430)	**(463)**	**(275)**	**(275)**
Net carrying amount	**12,745**	**12,395**	**159**	**236**

Other assets are settled no more than 12 months after the reporting date. All the balances are non-interest bearing.

NOTES (continued)

23.Deferred income tax

The net deferred income tax movement computed at the enacted tax rates, is attributable to the following items:

Group For the year ended 31 December 2019	At start of year Shs' millions	Recognised in profit or loss Shs' millions	Translation differences Shs' millions	Recognised in OCI Shs' millions	At end of Year Shs' millions
Property, equipment and software	773	(80)	116	-	809
Loan impairment provision	5,593	395	216	-	6,204
Provision for accrued leave	99	(4)	2	-	97
Other temporary differences	-	1,088	-	-	1,088
Deferred income	(497)	(311)	-	-	(808)
FVOCI reserves	109	-	(30)	(1,127)	(1,048)
	6,077	**1,088**	**304**	**(1,127)**	**6,342**
Company					
Loan impairment provision	**83**	**2**	**-**	**-**	**85**

Group For the year ended 31 December 2018	At start of year Shs' millions	IFRS 9 day 1 adjustment Shs' millions	Recognised in profit or loss Shs' millions	Translation differences Shs' millions	Recognised in OCI Shs' millions	At end of Year Shs' millions
Property, equipment and software	798	-	(201)	176	-	773
Loan impairment provision	1,670	4,067	(66)	(78)	-	5,593
Provision for accrued leave	89	-	10	-	-	99
Unrealised exchange losses	70	-	-	(70)	-	-
Deferred income	-	-	(497)	-	-	(497)
Tax losses	204	-	11	(215)	-	-
FVOCI reserves	(189)	-	-	(12)	310	109
	2,642	**4,067**	**(743)**	**(199)**	**310**	**6,077**
Company						
Loan impairment provision	**-**	**1**	**82**	**-**	**-**	**83**

The deferred tax asset and deferred tax liability at Group level in the statement of financial position have been separated as required by IAS 12, since they relate to different tax jurisdictions.

NOTES (continued)

23.Deferred income tax (continued)

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
The balance at 31 December is made up of:				
Deferred income tax asset	6,492	6,117	85	83
Deferred income tax liability	(150)	(40)	-	-
	6,342	**6,077**	**85**	**83**

The Group has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group is expected to continue generating taxable income.

24.Deposits from customers

	Group	
	2019	2018
	Shs' millions	Shs' millions
Retail customers		
Savings deposits	129,323	126,584
Current deposits	35,756	46,765
Term deposits	33,495	23,114
Transactional deposits	31,353	28,786
	229,927	**225,249**
Corporate customers		
Term deposits	102,764	116,691
Current deposits	116,404	58,011
Transactional deposits	24,973	19,628
Savings deposits	6,904	1,458
Margin on guarantees	1,780	1,721
	252,825	**197,509**
	482,752	**422,758**
Current	234,549	205,400
Non-current	248,203	217,358
Total	**482,752**	**422,758**

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2019 was 8.79% (2018: 6.12%). The carrying value of customer deposits approximates their fair value.

NOTES (continued)

24.Deposits from customers (continued)

The summary of terms and conditions for the various categories of deposits are below:

a. Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified term periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

b. Current accounts - These are non-interest-bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.

c. Savings accounts - These are deposits accounts designed for the average income earner that enables one to save some money and earn interest. The more one saves, the higher the interest. Interest on minimum monthly balances is paid into the account bi-annually.

d. Transaction deposits - These are non-interest-bearing accounts that can be used directly as cash without withdrawal limits or restrictions.

25.Other liabilities

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Short term employee benefits	288	363	-	-
Settlement and clearing accounts	3,387	3,160	-	-
Accounts payable and sundry creditors	2,796	3,941	-	-
Accrued expenses	2,993	1,945	38	3
Other	3,401	934	-	-
	12,865	**10,343**	**38**	**3**

NOTES (continued)

26.Borrowed funds

	Group	
	2019	2018
	Shs' millions	Shs' millions
Equity Bank (Kenya) Limited (EBKL)		
African Development Bank	10,723	13,875
International Finance Corporation (IFC)	17,403	10,417
ResponsAbility	2,559	4,130
European Investment Bank	358	1,568
KFW DEG	10,408	-
KFW (Ministry of Finance) - SIPMK	86	114
Inter-bank money market borrowings:		
Equity Bank (Kenya) Limited (EBKL)	540	165
Equity Bank Rwanda Plc (EBRL)	3,052	2,539
Equity Bank Tanzania Limited (EBTL)	-	665
Equity Bank Uganda Limited (EBUL)	68	1,293
Equity Bank Uganda Limited (EBUL)		
European Investment Bank	1,855	1,039
Equity Bank Tanzania Limited (EBTL)		
European Investment Bank	4,551	4,532
Equity Bank Congo S.A. (EBCL)		
European Investment Bank	1,984	2,236
FPM, Democratic Republic of Congo (DRC)	328	488
BCDC	2,799	1,020
TMB	-	1,020
	56,714	**45,101**
Current	13,537	11,792
Non-current portion	43,177	33,309
	56,714	**45,101**
Movement during the year:		
At 1 January	45,101	47,873
Proceeds from borrowed funds	24,139	124
Repayment of borrowed funds	(12,526)	(2,896)
Interest charged on borrowed funds	3,394	2,691
Interest paid on borrowed funds	(3,394)	(2,691)
	56,714	**45,101**

NOTES (continued)

26.Borrowed funds (continued)

31 December 2019 – Group

Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
African Development Bank, EBKL	Long term loan	10,723	Directors' guarantee	USD	LIBOR +2.85%	1 February 2023	633
International Finance Corporation (IFC), EBKL	Medium term loan	7,049	Directors' guarantee	USD	LIBOR +3.15%	15 March 2023	457
International Finance Corporation (IFC), EBKL	Medium term loan	10,354	Directors' guarantee	USD	LIBOR+ 2.75%	15 March 2026	645
ResponsAbility	Medium term loan	2,559	Directors' guarantee	USD	LIBOR+ 3.07%	31 March 2021	241
European Investment Bank, EBKL	Medium term loan	358	Directors' guarantee	SHS	2.95%	15 December 2020	61
KFW DEG	Long term loan	10,408	Directors' guarantee	USD	LIBOR+ 3.3%	15 August 2026	335
KFW (Ministry of Finance) - SIPMK	Long term loan	86	Directors' guarantee	Shs	4.00%	30 December 2024	4
Money market borrowings by EBKL	Short term	540	Directors' guarantee	SHS	Various	Less than 3 months	134
Money market borrowings by EBRL	Short term	3,052	Directors' guarantee	RWF	8%	Less than 3 months	216
Money market borrowings by EBUL	Short term	68	Directors' guarantee	USHS	Between 3.72% to 10%	Less than 3 months	6
European Investment Bank, EBUL	Medium term loan	1,855	Directors' guarantee	USHS	10.83%	20 April 2020	205
European Investment Bank, EBTL	Medium term loan	4,551	Directors' guarantee	USD	LIBOR +4.5%	20 October 2027	247
European Investment Bank, EBCL	Medium term loan	1,984	Directors' guarantee		Between 4.67 % to 5.23%	20 April 2027	102
FPM, EBCL	Medium term loan	328	Directors' guarantee	USD	6.0%	16 September 2021	30
Money market borrowings, EBCL	Short term	2,799	Directors' guarantee	USD	Between 2.85% to 3.5%	Less than 3 months	78
		56,714					**3,394**

NOTES (continued)

26.Borrowed funds (continued)

31 December 2018 – Group

Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
African Development Bank	Long term loan	13,875	Directors' guarantee	USD	LIBOR +2.85%	1 February 2023	727
International Finance Corporation (IFC)	Medium term loan	10,417	Directors' guarantee	USD	LIBOR +3.15% LIBOR+ 2.75%	15 March 2023 15 March 2019	641
ResponsAbility	Medium term loan	4,130	Directors' guarantee	USD	LIBOR+ 3.07%	23 September2019	249
European Investment Bank, EBKL	Medium term loan	568	Directors' guarantee	USD	LIBOR +2.95%	17 November 2020	27
European Investment Bank, EBKL	Medium term loan	1,000	Directors' guarantee	SHS	6.7% 6.85% 7.04%	15 December 2019 17 December 2019 17 June 2019	112
KFW	Long term loan	-	Directors' guarantee	USD	LIBOR+ 3.3%	14 December 2018	106
KFW (Ministry of Finance) - SIPMK	Long term loan	114	Directors' guarantee	SHS	4.00%	30 December 2024	6
Money market borrowings by EBKL	Short term	165	Directors' guarantee	SHS	6.85% 7.04%	Less than 3 months	182
Money market borrowings by EBRL	Short term	2,539	Directors' guarantee	RWF	8%	Less than 3 months	105
Money market borrowings by EBTL	Short term	665	Directors' guarantee	TSHS	Between 2.5% to 7%	Less than 3 months	28
Money market borrowings by EBUL	Short term	1,293	Directors' guarantee	USHS	Between 3.72% to 10%	Less than 3 months	84
European Investment Bank, EBUL	Medium term loan	1,039	Directors' guarantee	USHS	10.83%	15 April 2019	112
European Investment Bank, EBTL	Medium term loan	4,532	Directors' guarantee	USD	LIBOR +4.5%	16 January 2019	162
European Investment Bank, EBCL	Medium term loan	2,236	Directors' guarantee	USD	Between 4.67 % to 5.23%	Less than 3 months	106
FPM, EBCL	Medium term loan	488	Directors' guarantee	USD	6.0%	16 September 2021 24 November 2019 10 October 2020	36
Money market borrowings by EBCL	Short term	2,040	Directors' guarantee	USD	Between 2.85% to 3.5%	Less than 3 months	8
		45,101					**2,691**

NOTES (continued)

27.Share capital and reserves

a) Share capital

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Authorised - 4,114,196,688 (2018: 4,114,196,688) ordinary shares of Shs 0.5 each	2,057	2,057	2,057	2,057
Issued and fully paid - 3,773,674,802 (2018: 3,773,674,802) ordinary shares of Shs 0.5 each	1,887	1,887	1,887	1,887

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Movement in ordinary shares				
At start and end of year (3,773,674,802)	3,774	3,774	3,774	3,774
In monetary terms:				
At start and end of year	1,887	1,887	1,887	1,887

The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Share premium

Share premium arose from the issue of shares at a price higher than the par value of the shares.

(c) FVOCI reserve

The fair value through other comprehensive income (FVOCI) reserve is attributable to marking to market of investment securities classified under the FVOCI category. All unrealised gains and losses are recognised in other comprehensive income and credited to FVOCI reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the FVOCI reserve to profit or loss.

(d) Loan loss reserve

The loan loss reserve represents excess of the loans and advances impairment provision determined in accordance with the Central Banks' of Kenya, Rwanda and Uganda prudential guidelines compared with the requirements of IFRS 9 - Financial instruments: Recognition and measurement. This amount is not available for distribution.

(e) Other reserves

The other reserves represent pre-acquisition reserves from Equity Bank Uganda Limited. This amount is not available for distribution.

(f) Foreign currency translation reserve

The foreign exchange translation reserve represents translation of the financial statements of the subsidiaries from Uganda Shillings, South Sudan Pounds, Tanzania Shillings, Rwanda Franc and US Dollars for Equity Bank Congo S.A. to Kenya Shillings. This amount is not available for distribution.

NOTES (continued)

27.Share capital and reserves (continued)

(g) Dividends

The following dividends were declared and/or paid by the Company.

Cash dividends on ordinary shares declared and paid:

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Final dividend declared and paid in 2019 Shs 2:00 per share (2018: Shs 2.00)	7,547	7,547	7,547	7,547

Proposed dividends on ordinary shares

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Final dividend for 2019; Shs 2.50 per share (2018: Shs 2.00)	9,434	7,547	9,434	7,547

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31st December.

There is no income tax consequence arising from the retention or distribution of the retained earnings during the year (2018: Nil).

28.Related parties and related party transactions

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group (including subsidiaries) and its employees. The Group considers the Board of Directors, executive and non-executive Directors, to be key management personnel for the purposes of IAS 24 - related party disclosures.

The Group enters into transactions, arrangements and agreements involving Directors, senior management and their related concerns in the ordinary course of business.

NOTES (continued)

28.Related parties and related party transactions (continued)

(a) Loans to key management personnel

	Group	
	2019	2018
	Shs' millions	Shs' millions
At start of year	1,514	1,207
Interest charged	75	113
Loans disbursed	373	635
Repayments	(606)	(441)
At end of year	**1,356**	**1,514**
Current	39	443
Non - current	1,317	1,071
Total	**1,356**	**1,514**

(b) Loans to employees

At start of year	5,073	4,895
Interest charged	228	349
Loans disbursed	2,428	1,997
Repayments	(2,245)	(2,168)
At end of year	**5,484**	**5,073**
Current	250	225
Non - current	5,234	4,848
Total	**5,484**	**5,073**

The loans are secured by property mortgage and are repayable in a period of up to 25 years at an average interest rate of 6% to 8% per annum.

(c) Loans to associates of key management personnel

	Group	
	2019	2018
	Shs' millions	Shs' millions
At start of year	2,931	3,103
Interest charged	196	324
Loans disbursed	1,303	61
Repayments	(1,597)	(557)
At end of year	**2,833**	**2,931**
Current	39	820
Non - current	2,794	1,153
Total	**2,833**	**1,973**

NOTES (continued)

28.Related parties and related party transactions (continued)

(c) Loans to associates of key management personnel (continued)

These are loans to associates of executive and non-executive Directors. The total amount of loans and advances granted was in ordinary course of business. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.

(d) Key management personnel compensation

	Group	
	2019	2018
	Shs' millions	Shs' millions
Remuneration to executive Directors:		
Company*	106	97
Group**	646	441
Remuneration to key management	3,054	2,562
	3,806	**3,100**

* Remuneration to the executive Directors of the parent Company, Equity Group Holdings Plc

** Remuneration to the executive Directors of the subsidiary companies in the Group.

	Group	
	2019	2018
	Shs' millions	Shs' millions
Remuneration to key management:		
Salaries and short term benefits	2,896	2,431
Pension	158	131
	3,054	**2,562**

(e) Directors' emoluments

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Directors of EGH Plc				
As executives	106	97	-	-
Fees for non-executive Directors	76	25	76	25
	182	**122**	**76**	**25**
Directors of subsidiaries who are not Directors of EGH Plc				
As executives	646	441	-	-
Fees for non-executive Directors	540	538	-	-
	1,186	**979**	**-**	**-**

NOTES (continued)

28.Related parties and related party transactions (continued)

(e) Directors' emoluments (continued)

In addition to their salaries, the Group also contributes to a post-employment defined contribution plan and the national social security fund for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

(f) Amounts due from related parties

	Group		Company	
	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Equity Group Foundation	19	24	-	-
Equity Bank Congo S.A.	-	-	21	15
Equity Investment Bank Limited	-	-	40	80
	19	**24**	**61**	**95**

(g) Amounts due to related parties

	Company	
	2019	2018
	Shs' millions	Shs' millions
Equity Bank (Kenya) Limited	199	2
Equity Investment Services Limited	420	420
	619	**422**

(h) Dividends received from subsidiaries

Equity Bank (Kenya) Limited	12,000	10,000
Equity Insurance Agency Limited	500	450
	12,500	**10,450**

Related parties are only the subsidiary companies in addition to Equity Group Foundation, which is a related party by virtue of common directorship. Transactions with related parties are carried out in the normal course of business. The outstanding balances as at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. For the year ended 31 December 2019, the Group has not recorded any impairment loss on receivables relating to the amounts owed by related parties (2018: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

NOTES (continued)

29.Earnings per share

The calculation of basic earnings per share for the Group at 31 December 2019 is based on the profit attributable to ordinary shareholders of Shs 22,561 Million (2018: Shs 19,824 million) and the weighted average number of ordinary shares outstanding of 3,774 Million (2018: 3,774 Million).

	Group	
	2019	2018
	Shs' millions	Shs' millions
Profit for the year attributable to equity shareholders	22,386	19,691
Number of shares: (in millions)		
Issued and weighted average number of ordinary shares at start and end of year: 3,773,674,802 (2018: 3,773,674,802))	3,774	3,774
Basic and diluted earnings per share (in Kenya Shillings)	**5.93**	**5.22**

30.Off-balance sheet contingencies and commitments

Group

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	2019	2018	2019	2018
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Guarantees and standby letters of credit	53,325	44,171	-	-
Letters of credit, acceptances and other documentary credits	33,388	29,114	-	-
	86,713	**73,285**	**-**	**-**

Commitments contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group	
	2019	2018
	Shs' millions	Shs' millions
Capital commitments	578	318
Loans approved but not disbursed	20,632	12,024
	21,210	**12,342**

NOTES (continued)

30.Off-balance sheet contingencies and commitments (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

Group – 2019	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Guarantees and standby letters of credit	10,736	8,687	12,273	21,629	53,325
Letters of credit, acceptances and other documentary credits	6,028	17,361	8,567	1,327	33,283
Capital commitments	-	-	578	-	578
Loans approved but not disbursed	9,853	2,982	4,200	3,597	20,632
Total commitments and guarantees	**26,617**	**29,030**	**25,618**	**26,553**	**107,818**
Group - 2018					
Guarantees and standby letters of credit	7,523	8,889	10,221	17,538	44,171
Letters of credit, acceptances and other documentary credits	13,941	8,720	6,442	11	29,114
Capital commitments	73	-	245	-	318
Loans approved but not disbursed	3,692	4,253	2,418	1,661	12,024
Total commitments and guarantees	**25,229**	**21,862**	**19,326**	**19,210**	**85,627**

Group leases

The Group has entered into commercial property leases on a number of branches and office premises under operating leases. These non-cancellable leases have remaining terms of between one and 10 years. All leases include a clause that enables upward revision of the rental charges on an agreed basis according to prevailing market conditions. Some of the leases have extension options. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are as follows:

	2019	2018
	Shs' millions	Shs' millions
Within one year	-	2,089
After one year but not more than five years	-	7,620
More than five years	-	1,419
	-	**11,128**

Contingent liabilities - Litigation

The Group has established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes provisions to account for any adverse effects which the claim may have on its financial standing.

Contingent tax liabilities

The Group has unresolved tax disputes with the Kenya Revenue Authority currently pending at the Tax Appeals Tribunal. Based on professional advice received, the Directors are of the opinion that no significant loss will arise from these matters.

NOTES (continued)

31.Retirement Benefit Obligations

The Group contributes to statutory defined contribution pension schemes (the National Social Security Fund (NSSF)), for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

	Group	
	2019	**2018**
	Shs' millions	**Shs' millions**
National Social Security Fund	93	91
Pension Scheme	430	412
	523	**503**

32.Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(i) Business segments

The Group provides financial services to individuals, small and medium sized enterprises and large enterprises in each of the banking subsidiaries. For management purposes, the results of each business unit (entity) is reviewed separately for the purpose of making decisions. Distinct significant business segments are only considered for loans and advances as presented below:

Group	Consumer	Micro enterprises	Agriculture	Small and medium enterprises	Large enterprises*	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross Loans and advances						
31 December 2019	87,383	11,396	10,522	229,232	51,642	390,175
31 December 2018	71,211	9,196	7,109	188,518	40,676	316,710

*The segment information above includes the loan note carried at fair value disclosed in note 4 (b) and note 20.

The three customer facing lines of businesses include:

Consumer – This segment targets salaried customers or customers receiving other regular remittances like pension. Facilities granted under this segment are for the purposes of empowering such customers to meet their most immediate personal needs or personal development.

Small and Medium Enterprises (SME's) – These are customers with small and medium enterprises. The facilities granted under this segment are for purposes of meeting working capital needs, property development or acquisition of assets.

Corporate – This segment comprises large enterprises. The facilities granted under this segment are designed for purposes of meeting working capital needs, large scale development, property acquisition, large investments and acquisition of assets.

NOTES (continued)

32.Segment information (continued)

(i) Business segments (continued)

The products the Group offers its customers include:

Equi loan **-** a credit facility granted to employees of reputable organizations that the Group has an MOU with. The facility is administered through a check off system from the employer where loan deductions are remitted to the Group for loan instalment due.

Vijana loan **-** meant to cater for the youth majority of whom have business ideas but lack conventional collaterals, the Group set aside some funds to support this clientele. The lending is done through Group methodology.

Fanikisha loan **-** loan products tailored for women clients. They have a characteristic of flexibility on collaterals since majority of women don't have formal collaterals yet have good business ideas.

Farm input **-** facilities granted to customers in the agricultural sector of the economy for inputs and working capital needs.

Mortgage loan **-** facilities granted to customers in pursuit of housing needs. The mortgages are advanced for both residential and commercial purposes. This is available to both salaried and business clients.

Asset finance loan **-** granted to our customers for purchase of both movable and immovable assets. Majority of the customers are in business.

Trade finance **-** products for customers in business and facilitates purchase of goods and services and subsequent payments thereof. Various products are extended under trade finance including Bid bonds, LCs and Guarantees among others.

Development loan **-** a facility granted to customers in the construction to finance the project in terms of materials and other overheads. Majority of customers accessing this product are predominantly in SME and Corporate sectors.

Business loan **-** credit facilities granted to business customers for working capital needs. Biashara Imara - working capital facility provided to micro clients with no conventional collateral.

It is not practicable to segregate revenues from external customers for each product and service as the information is not available and the cost to develop it would be excessive.

There are no other distinct significant business segments within each entity to necessitate detailed disclosures.

(ii) Operating segments

The Group operates in six geographical markets that is Kenya, Uganda, South Sudan, Rwanda, Tanzania and Democratic Republic of Congo. The table below shows the distribution of the Group's total assets, net interest income, total operating income, total expenses and profit before income tax.

NOTES (continued)

32.Segment information (continued)

(ii) Operating segments

	Kenya	Uganda	South Sudan	Rwanda	Tanzania	DRC	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At 31 December 2019							
Total assets	485,663	44,999	8,754	30,333	23,857	80,076	673,682
Total liabilities	397,668	39,027	5,487	25,750	21,679	72,294	561,905
Net interest income	34,727	3,398	10	2,242	996	3,610	44,983
Total operating income	51,551	4,430	1,730	2,890	1,223	5,949	67,773
Depreciation and amortization	4,125	534	171	228	352	611	6,021
Total expenses including impairment of financial assets	22,910	2,937	1,126	1,345	1,634	4,305	34,257
Profit before income tax	26,641	1,494	606	1,504	(411)	1,644	31,478
Additions to property and equipment	2,457	692	11	136	113	182	3,591
Additions to intangible assets	539	1	-	5	11	643	1,199
At 31 December 2018							
Total assets	423,044	32,267	8,560	27,004	24,544	57,965	573,384
Total liabilities	349,187	27,513	5,338	23,222	21,898	51,269	478,427
Net interest income	32,059	2,551	37	1,655	1,402	3,418	41,422
Total operating income	47,467	3,814	980	2,164	894	5,258	60,577
Depreciation and amortization	3,276	252	117	213	134	449	4,441
Total expenses including impairment of financial assets	26,214	2,479	752	1,522	2,674	5,180	38,821
Profit before income tax	25,070	1,345	241	1,008	(559)	1,358	28,463
Additions to property and equipment	1,444	778	4	88	49	391	2,754
Additions to intangible assets	1,531	15	-	13	20	14	1,593

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. No revenue from transactions with a single external customer or counter party amounted to 10% or more of the Group's total revenue in 2019 or 2018. The Group's operating segments are reported based on financial information provided to the Strategy and Investment Committee which is the key management committee and represents the decision making organ.

NOTES (continued)

33. Derivative financial assets and liabilities

The table below shows the fair values of currency forwards and swaps recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	Notional amount asset	Notional amount liability	Fair value of asset	Fair value of liability	Notional amount asset	Notional amount liability	Fair value of asset	Fair value of liability
	2019				2018			
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Forward exchange contracts	28,586	28,589	28,586	28,150	5,084	5,084	5,082	5,032
Swaps	3,819	3,790	3,819	3,783	10,982	10,982	11,164	10,989
Spot	2,980	2,980	2,980	2,980	1,038	1,038	1,102	1,102
	35,387	**35,359**	**35,385**	**34,913**	**17,104**	**17,104**	**17,348**	**17,123**

The Group has netting agreements in place with counterparties to manage the associated credit risks. These netting agreements and similar arrangements generally enable the counterparties to off-set liabilities against available assets received in the ordinary course of business and / or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus reducing credit exposure.

The table below summarises the currency forwards and swaps subject to offsetting and enforceable netting agreements whose net amounts are presented in other assets.

	2019			2018		
	Fair value of asset	Fair value of liability	Net amount presented	Fair value of asset	Fair value of liability	Net amount presented
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Forward exchange contracts	28,586	28,150	436	5,082	5,032	50
Swaps	3,819	3,783	36	11,164	10,989	175
Spot	2,980	2,980	-	1,102	1,102	-
	35,385	**34,913**	**472**	**17,348**	**17,123**	**225**

34. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These financial instruments comprise deposits with financial institutions, government securities and quoted and unquoted securities, among others. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Bank will be accused of maladministration or under-performance. The Group's custodial services department holds assets on behalf of customers with a value of Shs 120.833 Billion (2018 – Shs 142.844 Billion). The income for the period for custodial services was Shs 126.050 Million (2018 - Shs 94.490 Million) while the expenses amounted to Shs 47.564 Million (2018 - Shs 30.295 Million).

NOTES (continued)

35.Hyperinflation accounting

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria in IAS 29. Accordingly, adjustments and reclassifications for the purposes of presentation of financial statements include restatements in accordance with IAS 29, for changes in general purchasing power of the South Sudanese Pound.

The financial statements are based on historical cost approach. The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of measuring unit current at the reporting date.

On the application of IAS 29, the Group used conversion coefficients derived from the consumer price index (CPI) in the Republic of South Sudan. CPIs and the corresponding conversion coefficients are presented below:

Year	CPI	Conversion coefficient
31 December 2019		
2014	170	63
2015	357	30
2016	2,799	4
2017	4,502	2
2018	6,306	2
2019	10,657	1
31 December 2018		
2014	170	37
2015	357	18
2016	2,799	2
2017	4,502	1.4
2018	6,306	1

NOTES (continued)

35.Hyperinflation accounting (continued)

The application of IAS 29 resulted in an adjustment for the loss of purchasing power of the South Sudanese Pound recorded in profit or loss. In the current year, Equity Bank South Sudan was holding excess of monetary assets over monetary liabilities which resulted in a loss on the net monetary position. The movement is shown as below:

Group	2019 Shs' millions	2018 Shs' millions
Monetary liabilities at 1 January	5,326	5,662
Increase in net monetary liabilities during the year	2,357	1,347
Monetary liabilities at 31 December	7,683	7,009
Restated monetary liabilities at 31 December	(5,357)	(5,338)
Gain on monetary liabilities (a)	**2,326**	**1,671**
Monetary assets at 1 January	**8,176**	**8,853**
Increase in net monetary assets during the year	3,296	1,240
Monetary assets at 31 December	**11,472**	**10,093**
Restated monetary assets at 31 December	(8,391)	(8,182)
Loss on monetary assets (b)	**3,081**	**1,911**
Net monetary position loss (a - b)	**(755)**	**(240)**

Monetary liabilities and assets at 1 January are based on opening CPI as of that date.

Monetary liabilities and assets at 31 December have been restated using the conversion coefficient of 2 (2018: 1.40).

See also Note 2 (c) (iii).

36.Events after the reporting period

There have been no events after the reporting date that require adjustment to, or disclosure in, these financial statements.

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CONSOLIDATED BOARD OF DIRECTORS' PROFILES

DAVID ANSELL

David holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, a Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business. He has served in various assignments at Citibank in the Emerging Markets, including 16 years in Africa as well as being appointed Managing Director and CEO of Ecobank Transnational Inc.

Boards: *Non-Executive Chairman, Equity Group Holdings Plc.*

PROF. ISAAC MACHARIA

Isaac holds a Master of Medicine in Otorhinolaryngology, Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi and is a Fellow of the College of Surgeons of East, Central and Southern Africa (COSECSA). He is a Professor of ENT, Head and Neck Surgery at the University of Nairobi. Isaac is the East African regional advisor for CBM in Ear and Hearing Care as well as being the Regional Secretary for Africa and the Middle East for the International Federation of Otorhinolaryngological Societies (IFOS). He is a past President of the Pan African Federation of Otorhinolaryngological Societies (PAFOS) and is a member of The Starkey Hearing Foundation Global Initiative Advisory Board. Prof Macharia was the founder Chairman of the Allergy Society of Kenya and the Cochlear Implant Group of Kenya (CIGOK). He is Chairman of Savannah Informatics, Jadala Investments and Co-founder as well as Chairman, Otolaryngology Associates and Nairobi ENT Clinic.

Boards: *Non-Executive Vice Chairman, Equity Group Holdings Plc; Non Executive Chairman, Equity Bank (Kenya) Limited*

DR. JAMES MWANGI, CBS

James holds five honorary doctorate degrees in recognition of his positive impact to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honoured thrice with National Presidential Awards: The First Class Chief of the Order of the Burning Spear (CBS), the Moran of the Burning Spear (MBS) and Head of State Commendation (HSC). On the global front, Dr. Mwangi won the G8 Global Vision Award, 2007. He was named among the Top 50 Emerging Market Business Leaders and the 20 most influential people in Africa in 2011; the World Entrepreneur of the Year by Ernst & Young in 2012; the Forbes Africa Person of the Year in 2012 and was recently named in the Bloomberg 50 list of people who defined 2019 globally.

On the regional front, he was also recognized as the Africa Investor Awards, CEO of the Year in 2009 and 2015; Innovation Leader of the Year in 2012; African Business Leader of the Year in 2013 and African Banker of the Year in 2010, 2011 and 2017 at the African Banker Awards. Dr. Mwangi was also named the Banker of the Year during the Banker Africa (East Africa) Awards in 2017 & 2018. Locally, he has received the Think Business CEO of the Year award for the last 3 years.

James has served on board and advisory roles at the Global Advisory Council for VISA Inc., the Clinton Global Initiative, The G8 New Alliance For Food Security And Nutrition, US President Barack Obama's Initiative for Global Development, the G20 Advisory Board of Agriculture and Initiative for Global Development and The Global Agenda Council on New Economic Thinking of the World Economic Forum from 2003-2007. He served as the Founding Chair of Kenya's Vision 2030 from inception in 2007 to 2019

He currently serves on several international bodies as an advisor and was recently appointed to the Nairobi Advisory Board of Columbia Global Centres. He is a Board member of the Economic Advisory Board of the International Finance Corporation (IFC), The Mastercard MEA Advisory Board, the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition and is the Chancellor of Meru University College of Science and Technology.

He is a guest lecturer at Stanford, Columbia, MIT, Harvard, IESE and Lagos Business School where Equity Bank Business Model is a case study.

Boards: *Managing Director and CEO, Equity Group Holdings Plc; Non-Executive Director, Equity Bank (Kenya) Limited; Non-Executive Director, Equity Bank (Tanzania) Limited; Non-Executive Director in Equity Bank Rwanda PLC; Non-Executive Director, Equity Bank Congo S. A.; Non-Executive Director, Equity Bank Uganda Limited; Non-Executive Director, Equity Bank South Sudan Limited; Non-Executive Director, Finserve Africa; Non-Executive Director, Equity Investment Bank; Executive Chairman, Equity Group Foundation.*

MARY WAMAE

Mary holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and Advanced Management Programme at Harvard Business School.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya, Women Corporate Directors and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and Advanced Management Programme at Harvard Business School. She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 15 years' experience in private legal practice.

Boards: *Group Executive Director, Equity Group Holdings Plc; Executive Director, Equity Bank (Kenya) Limited; Non-Executive Director, Equity Bank (Tanzania) Limited; Non-Executive Director, Equity Bank Congo S.A.; Non-Executive Director in Equity Bank Rwanda PLC; Non-Executive Director, Equity Bank Uganda Limited; Non-Executive Director, Equity*

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

Bank South Sudan Limited; Non-Executive Director, Finserve Africa; Non-Executive Director, Equity Investment Bank, Non-Executive Director, Equity Group Foundation.

EVELYN RUTAGWENDA

Evelyn holds a Bachelor of Commerce degree from Makerere University, Kampala. She is a Certified Public Accountant and member of the Institute of Certified Public Accountants of Rwanda (ICPAR). She previously worked as the Auditor General for the Republic of Rwanda; as the Secretary General of Uganda National Chamber of Commerce and Industry (UNCCI); consultant/project accountant for Decentralization Secretariat (Institutional Capacity Building Project); Ministry of Local Government, Uganda and also as Chief Auditor at UCA Auditing Services among others. Evelyn spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR) and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio and elected member of the Governing Council. In 2009, she received an ACCA Achievements Award for her outstanding contribution to developing the accountancy and finance profession. She is currently the Chair-MTN Rwanda and Crystal Telecom Limited Boards, Vice-Chair, Rwanda Development Board and previously served on the Board of Victoria Motors Rwanda from July 2013 to September 2019.

Boards: *Non-Executive Director, Equity Group Holdings Plc; Non-Executive Chairperson, Equity Bank Rwanda PLC; Non-Executive Director, Equity Bank Uganda Limited.*

VIJAY GIDOOMAL

Vijay qualified as a lawyer from Clifford Chance in the UK in 1992. He has worked in various capacities with Car & General and has seen the company grow regionally with representation in Kenya, Uganda, Tanzania, Rwanda, Burundi, Seychelles, Eritrea, Ethiopia, Djibouti and Somalia. He is an active member of the Young Presidents Association, its past Chairman (Kenya Chapter) and regional board member.

Boards: *Non-Executive Director, Equity Group Holdings Plc; Non-Executive Chairman, Equity Investment Bank.*

DR. HELEN GICHOHI, MBS, OGW

Helen holds a PhD. in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation from the University of Nairobi and a BSc in Zoology from Kenyatta University respectively. Helen is currently serving as the part-time Ambassador for Conservation in Africa for Fauna and Flora International. She has held various positions including Managing Director of Equity Group Foundation, president of African Wildlife Foundation and Managing Director of African Conservation Center. She is a recipient of the Charlotte Wyman Trust's Women in Conservation Program, the Order of Great Warrior and the Moran of the Order of the Burning Spear (MBS). She won the Giai Environmental Award in 2012 at The WIFTs Foundation International Visionary Awards. Helen serves on the boards of Bamburi Cement Limited and OlPejeta Conservancy and previously served on the Africa Wildlife Foundation and Kenya Wildlife Service Boards. She also serves on the Advisory Board of the Stockholm based EAT Forum.

Boards: *Non-Executive Director, Equity Group Holdings Plc.*

DEEPAK MALIK

Deepak holds a Bachelor's Degree in Commerce and is a fellow member of the Institute of Chartered Accountants - India. He is the Chief Executive Officer of Arise and has extensive experience in the financial services sector on the African continent. Previous positions that he has held include being the CEO of the Development Bank of Zambia (DBZ) and serving as the Head of Department of Financial Institutions at Norfund. In addition, he has also held several senior executive positions at Zambia Consolidated Copper Mines Limited (ZCCM) and serves on various boards of financial institutions across Southern and Eastern Africa.

Boards: *Non-Executive Director, Equity Group Holdings Plc.*

DR. EDWARD ODUNDO PhD, MBS

Edward holds a PhD in Business Administration (Strategic Management) from The University of Nairobi, MBA degree in Strategic Management and Marketing and a BSc Degree in Finance and Accounting. He is also an alumnus of Harvard University, John F. Kennedy School of Government (HSB), London School of Economics (LSE) and holds membership in several professional bodies (FCPA, FCPS, FKIM, ICIFA). He is the former Chief Executive Officer of Retirement Benefits Authority (Kenya) and former Director, Nairobi Securities Exchange.

He is the Director, School of Pension and Retirement Studies (SPRS), Chairman of the Public Service Superannuation Scheme, Kenya (PSSS) and a lecturer at the University of Nairobi, School of Business as well as a Consultant in Pensions, Tax, Corporate Governance and Financial Services. He is a recipient of the Moran of the Order of The Burning Spear (MBS). He is a published author having authored a book titled 'The Doctrine of Strategic Planning'.

Boards: *Non-Executive Director, Equity Group Holdings Plc.*

PROF. SHEM MIGOT-ADHOLLA

Shem holds a PhD in Sociology of Development and a Master of Arts in Sociology from University of California. He is a Special Graduate Student in Agricultural Economics from Michigan State University and holds a Bachelor of Arts degree from University of East Africa. He is a private consultant on agriculture and rural development, land policy reform and environmental issues based in Nairobi, Kenya. Previously he was the Lead Specialist on Land Policy and Administration

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

in the World Bank. He also served in the Government of Kenya (on secondment from the World Bank) as Permanent Secretary, Ministry of Agriculture and Rural Development. He served as an Associate Research Professor at the Institute for Development Studies (IDS), University of Nairobi and has numerous publications to his name focusing on land issues, pastoralism, farmers' institutions and rural development. He has working experience in many African countries as well as Haiti, Kyrgyz Republic and several Asian countries. He is currently the Chairman of the Council of Kenyatta University and has also served as Chairman of Kibabii University, Chairman of Board of the Centre for Corporate Governance and was a Director of Housing Finance Company of Kenya Ltd and Vice-Chairman Board of Directors, Kenya Wildlife Service.

Boards: *Non-Executive Chairman, Equity Bank South Sudan Limited; Non-Executive Director, Equity Bank (Kenya) Limited.*

FREDRICK MUCHOKI, OGW

Fredrick is a businessman with vast commercial experience. He is the Managing Director of Continental Business Systems, Presta and Office Equipment Limited, Mugumo Coffee Ltd, Online Mobile Com. Ltd and Summerdale Inn Ltd.

Boards: *Non-Executive Director, Equity Bank (Kenya) Limited.*

ADEMA SANGALE

Adema graduated top of her class at USIU and went on to receive post-graduate degrees from some of the world's top universities. As a Chevening Scholar, she obtained a Master of Business Administration from Oxford University, UK, and thereafter, a Master's in Public Administration & Public Policy from Harvard Kennedy School of Government, US, as an Edward S. Mason Fellow.

She has worked mainly in the private sector for the past 23 years, starting out at Procter & Gamble East Africa where, at 27, she was the youngest regional CEO of a blue chip. She subsequently rose to senior leadership positions across Africa, Europe & North America. She has worked at UNEP as Chief of Brand and as a Senior Vice President Africa for a social impact organization. Most recently she worked in New York as a consultant with UN Women. She is currently the Managing Partner at C.Suite Africa, a management consultancy.

Adema has received several nominations and recognitions. In 2012, she was recognized as a New Generation Leader by the African Leadership Network and has been honored three times as "Top 40 Under 40" by Business Daily. In 2016, she was invited to the Paris-based Institut Choiseul's as one of Africa's top 100 emerging leaders. In 2018 she received the Distinguished Women's Leadership award and has recently been featured in The Journeys of Women Trailblazers in Kenya, a publication of the Kenya Government.

She is passionate about Africa and sits on the Boards of several private and public sector organizations on the continent across various sectors.

Boards: *Non-Executive Director, Equity Bank (Kenya) Limited.*

JANE NGIGE

Jane holds a Food and Agriculture Biotechnology Master's Degree: University of Reading - UK; a post-graduate certificate in International Food Laws: University of Michigan State-USA; Higher Diploma in Food Science and Technology; Kenya Polytechnic and Postgraduate Diploma: Food Processing, Quality Assurance & Marketing from the University of Wageningen.

Jane's professional experience spans across the civil service, private sector, NGO's as well as development agencies. She is the former Chief Executive of the Kenya Flower Council and the Kenya Horticulture Council over a period of 15 years in total. Prior to venturing into horticulture, Jane worked with the hospitality, food processing and manufacturing industries in several countries.

Boards: *Non-Executive Director, Equity Bank (Kenya) Limited.*

ERASTUS J.O MWENCHA, EGH

Erastus holds an MA in Economics from the University of York and a B.A. (Hons) in Economics from the University of Nairobi. He was decorated by the President of the Republic of Kenya with the highest State commendation, "Elder of the Order of the Golden Heart" (EGH), in recognition of his contribution to national and regional development. He is a recipient of several awards.

He is the Chairperson of the Africa Capacity Building Foundation (ACBF) and TradeMark East Africa. In January 2008, he was elected as Deputy Chairperson of the African Union Commission by the Heads of State and Governments of the 55 Member States of the African Union and was re-elected in July 2012. Previously, he served for 10 years as Secretary General for the 21 Member States of the Common Market for Eastern and Southern Africa (COMESA), the first Regional Economic Community to establish a Free Trade Area.

Prior to his regional and continental assignments, Erastus served in the Government of Kenya in various senior positions. He is also a member of several Boards including the Brenthurst Foundation, Trade Policy and Capacity Training Centre (TRAPCA) and Coalition for Dialogue on Africa (CoDA).

Boards: *Non-Executive Director, Equity Bank (Kenya) Limited*

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

JAMES MUTUKU

James holds a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 20 years' experience in Treasury business having worked as a treasury dealer for Co-operative Bank of Kenya, Head of Money Markets and Fixed Income at KCB Kenya and the East Africa Head of Asset Liability Management (ALM) for Standard Chartered Bank Kenya. Before joining Equity Bank, he was the immediate country Head of Financial Markets for Standard Chartered Bank Uganda, where he also doubled up as the Co-Head SCB Uganda Wholesale Bank. He brings a wealth of experience in balance sheet management, fixed income trading and general treasury management. He joined Equity Bank in 2016.

Boards: *Non-Executive Director, Equity Bank Congo S. A.; Non-Executive Director (alternate to Dr. James Mwangi), Equity Bank Rwanda PLC.*

RAYMOND MBILINYI

Raymond holds a BSc Engineering and an MBA (Marketing). He is a professional engineer, a certified project manager, transportation specialist and a professional marketer with over 20 years of experience in Africa. He has gained extensive experience in conducting a wide range of assignments in both public and private organizations. Prior to being appointed as Executive Secretary of TNBC, he was the Acting – Executive Director of Tanzania Investment Centre (TIC), First Project Director of Dar Rapid Transit (DART) at Dar es Salaam City Council, Network Development Manager – Retail of BP (T) Ltd and Vice President of World Investment Promotion Agencies Association (WAIPA). He is a Board Member in Swiss Port Tanzania PLC, Tanga Cement PLC, Tanzania Industries Licensing Board – BRELA and Tanzania Private Sector Foundation (TPSF). Raymond is also Vice Chairman of the National Hunting Block Allocation Advisory Committee under the Ministry of Natural Resources and Tourism.

Boards: *Non-Executive Chairman, Equity Bank (Tanzania) Limited.*

ROBERT KIBOTI

Robert holds a bachelor's degree in Economics and Administration from Maharshi Dayanand University, India. He has attended several professional courses in banking and finance both locally and internationally. He has over 24 years' experience in banking, where he has held various leadership positions. Before joining Equity Bank Tanzania, he was the General Manager in charge of Equity Supreme Centre. Prior to joining Equity Bank, he was in Industrial Development Bank, where he worked for 7 years in various capacities. Robert joined Equity Bank in May 2005.

Boards: *Managing Director, Equity Bank (Tanzania) Limited.*

PROF. AHMED AME

Ahmed holds a Doctor of Philosophy (PhD) in Business Administration from the University of Dar es Salaam; a Licentiate in Business Administration from UMEA University in Sweden; an MBA (with a bias in Production and Operations Management) from the University of Dar es Salaam and a B.A –Statistics (Hons) from the University of Dar es Salaam. He also holds a Statistical training Diploma, with specialization in computer programming and data processing from the International Statistical Education Centre in Calcutta, India. He is an Associate Professor in Business Administration at the University of Dar es Salaam Business School (UDBS). He has undertaken various research projects in the area of banking and is a member of various local and international committees.

Boards: *Non-Executive Director, Equity Bank (Tanzania) Limited.*

DINO STENGEL

Dino holds a Bachelor of Commerce Degree from Rhodes University. He joined Achelis in Bremen, Germany in 1997 and is currently the Managing Director of Achelis (Tanganyika) and shareholder of JohAchelis & Söhne. He has over 20 years of cross functional experience within the group in Eastern and Southern Africa. In Tanzania, he is an active executive committee member of the Young Presidents Organisation, has chaired the German Business Association and founded the European Union Business Group in 2012. He is also a member of various local and International committees.

Boards: *Non-Executive Director, Equity Bank (Tanzania) Limited.*

GODFREY SIMBEYE

Godfrey holds a Bachelor of Commerce and Accounting degree from the University of Dar es Salaam and is a qualified accountant (ACCA). He has a Master of Science degree in Information Systems Management and Technology from the University of Strathclyde in the UK. He has a strong background in Business and Financial Management and has more than 17 years of experience in consultancy and management of finance functions. He is currently the Executive Director of Tanzania Private Sector Foundation (TPSF). His day to day duties at TPSF for over 10 years have earned him a wealth of experience in Public Private Engagement and Dialogue (PPD's) at local and international levels, private sector development, PPP projects and in advocacy for business environment reforms in Tanzania and in the EAC region.

Godfrey is also a member of the Boards of African Capacity Building Foundation (ACBF) based in Zimbabwe, Tanzania Investment Centre and African Trade Insurance (ATI) based in Nairobi.

Boards: *Non-Executive Director, Equity Bank (Tanzania) Limited.*

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

PROF. HONEST PROSPER NGOWI

Professor Ngowi holds a Phd in Economics from the Open University of Tanzania, a Master of Science in Economics and Business Administration from Agder University College, Norway, Advanced Diploma in Economic Planning from the Institute of Development Planning. He is an alumnus of the Norwegian School of Economics and Telemark University College, Norway.

He is Associate Professor of economics, researcher and consults in Economics and Business at Mzumbe University, Tanzania. He has written over 70 major works and published and lectured widely on various areas of economics and business. He is active in the academic, research and consultancy industry with broad international exposures and networks in over twenty countries.

He has been a member of several national and international professional associations and has served as a Director on several boards including the Economic and Social Research Foundation (ESRF), Envirocare, SWISSAID, Southern Agricultural Growth Corridor for Tanzania (SAGCOT), National Entrepreneurship Development Committee (under NEEC) and Stellenbosch University.

Professor Ngowi is the founder of Ngowi TV which is an online television channel dedicated to Economic, Business and Development perspectives. He is also a Partner of Think Global, an international consulting and research company based in Oslo Norway.

Boards: *Non-Executive Director, Equity Bank (Tanzania) Limited*

HANNINGTON NAMARA

Hannington is the Managing Director of Equity Bank Rwanda. He holds a degree in Business Administration (Finance option) from Makerere University Business School, a graduate of Advanced Management Programme from Strathmore Business School. He is a Fellow of the Africa Leadership Initiative-East Africa, a member of the Aspen Global Leadership Network. He has over 19 years of experience in banking and Private Sector Development extensive with knowledge and a track record in Strategic Leadership, Banking and Finance, Management and Communications. He has held various leadership positions while working with different reputable organisations in the past including TradeMark East Africa, Rwanda Private Sector Federation, Commercial Bank of Rwanda (BCR), Rwanda Investment Export Promotion Agency (RIEPA-now known as Rwanda Development Board). He holds several positions of responsibility in Boards of Corporates and Parastatals.

Boards: *Managing Director, Equity Bank Rwanda PLC.*

DR. PATRICK UWIZEYE

Patrick holds a degree of Doctor of Business Administration (DBA) from the Heriot-Watt University, UK, a Master of Science (MSc) in Strategic Planning from the same University, MBA in Financial Management from the University of Hull, UK and Masters in Communications Management (MCM) from Coventry University, UK. He is also a Certified Public Accountant (CPA) and a member of both Institutes of CPA Kenya and Rwanda; a Certified Member of the Institute of Risk Management (CMIRM), UK and Associate Member of Kenya Institute of Management. Patrick has over 28 years working experience in business management and worked for MTN Rwanda and AACC in Nairobi. Dr. Uwizeye is currently the President of the Institute of CPA Rwanda, and a board member of Pan Africa Federation of Accountants (PAFA). Patrick currently serves as the Managing Director of BPU Consulting Ltd, a company he founded more than six year ago.

Boards: *Non-Executive Director, Equity Bank Rwanda PLC; Non-Executive Chairman, Finserve Africa.*

ROBERT BAFAKULERA

Robert holds a Bachelor of Commerce degree from Makerere University, Uganda. He has served as Chairman in several investment and trading companies and has a wealth of experience in entrepreneurship and business. He is currently the Managing Director for Roba General Merchants Limited.

Boards: *Non-Executive Director, Equity Bank Rwanda PLC.*

EMMANUEL BUTARE

Emmanuel holds a Master's Degree in Law from Ottawa University and a Bachelor of Laws degree from the National University of Rwanda. He also holds a Postgraduate Diploma in legal practice from the Institute of Legal Practice and Development (ILPD); A fellow from the London Institute of Chartered Arbitrators (FCIArb) and a Certificate in Global Arbitration from Hamline University of Law in conjunction with School of International Arbitration, Queen Mary University in London. He worked as an Assistant Lecturer at the Law School, a Training Coordinator in the Rwandan Judiciary and Principal State Attorney. He was part of the team that negotiated the launch of the Tripartite Free Trade Area negotiations between the EAC, COMESA and SADC. He served as Vice President, East African Law Society (EALS) and President of the Strategic Litigation Committee of the EALS. He is a member of the Kigali International Arbitration Centre Domestic Arbitrators and has handled several arbitrations. Robert is currently the Managing Partner and one of the founding Partners of MRB Attorneys.

Boards: *Non-Executive Director, Equity Bank Rwanda PLC.*

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

STEVEN MUTABAZI

Steve holds Master of Science in Engineering and Bachelor of Engineering degrees from Monash University, Melbourne, Australia. He has over 30 years' experience in corporate governance, as an Executive Board Member of the two companies he founded and later as Chairman of Broadband Systems Corporation Ltd, KT Rwanda Networks Ltd, and the National Industrial Research and Development Agency as well as being a member of the Australian Institute of Company Directors.

Steve built his entrepreneurial business career in Australia and the Asia Pacific region. He founded and led two technology innovation companies for 20 years. He also held senior positions with Telstra Corporation (Australia) and Hewlett Packard Company.

In 2012, he joined the Rwanda Development Board, where for over 6 years, he led the Government's effort to develop the country's ICT sector. He led the establishment of the Government's joint venture with KT Corporation for the rollout of 4G LTE covering 95% of the population by 2017 and developed Kigali Innovation City flagship initiative.

Boards: *Non-Executive Director, Equity Bank Rwanda PLC*

APOLLO MAKUBUYA

Apollo is a Senior Partner and Head of the Commercial Team of MMAKS Advocates, a position he has held since 2005. He joined MMAKS having been previously ass Managing Partner at Central Law Offices since 1999 and a Senior Law Lecturer at the Faculty of Law in Makerere University for 15 years.

Apollo is the Chairman of the Board of Equity Bank Uganda Ltd; Prudential Insurance Uganda Ltd; Ssanga Courts Ltd and a Cancer Charity known as 'Art with a Cause' based in Uganda.

A graduate of Makerere University (cum laude) and the University of Cambridge, Apollo has written the book: Protection, Patronage or Plunder? British Machinations and Uganda's Struggle for Independence.

For over 25 years, Apollo has served in many senior positions in the Kingdom of Buganda including as its Attorney General and 3rd Deputy Katikkiro (Prime Minister). He is presently the Chief Palace adviser to Kabaka Ronald MuwendaMutebi II.

Boards: *Non-Executive Chairman, Equity Bank Uganda Limited.*

SAMUEL KIRUBI

Samuel holds a Master's Degree in Business Administration (Finance) from Moi University and a Bachelor of Arts degree in Economics and Statistics from Egerton University. He is a graduate of Advanced Management Programme (Strathmore IESE Business School, Barcelona Spain). He joined Equity Bank in 2001 and has gained vast experience in operations, marketing and customer service. Samuel previously served as the Chief Operations Officer in Equity Bank South Sudan and most recently as the Managing Director, Equity Bank Rwanda.

Boards: *Managing Director, Equity Bank Uganda Limited.*

ANTHONY KITUUKA

Anthony holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA) and has completed an Advanced Management Program from Strathmore, Lagos and IESE (Spain) Business Schools as well as several other executive leadership programs at Gordon Institute of Business and INSEAD. He has over 13 years banking experience and has previously worked with Kenya Commercial Bank (KCB) and Barclays Bank Uganda Limited. He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

Boards: *Executive Director, Equity Bank Uganda Limited.*

DR. PETER KIMBOWA

Peter is the team leader CEO Summit Uganda and is an Executive Coach, internationally certified trainer, speaker, consultant and author. He is a Board member in ESKOM (Uganda), in Baylor College of Medicine (Mulago and Texas) and in in Financial Sector Deepening Initiative of Executive Coaching Association for Africa. He is an adjunct faculty member Strathmore Business School, a founding member Association of Management Consultants of Uganda (AMCU) and Uganda Coaches and Mentors. He is a co-founder and Managing Partner at IFE – a Leadership and Management Development consulting firm and also an Associate of National Academy of Sciences as well as American Management Association. Peter is also the Board Chairman of the Transport Management Company (TMC).

Boards: *Non-Executive Director, Equity Bank Uganda Limited.*

GEOFFREY RUGAZOORA

Geoffrey holds a Bachelor of Science degree in Industrial Chemistry (Honours) of Makerere University Kampala and received postgraduate training in the fields of tribology, operations management, leadership and governance at Wits Business School Johannesburg, among other reputable higher institutions of learning. He has held various managerial positions within TOTAL Uganda, sat on various Boards including Uganda Airlines, is currently a member of the Board of Directors of Rushere Community Hospital and the Group Chief Executive Officer of MOGAS.

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

Boards: *Non-Executive Director, Equity Bank Uganda Limited.*

MARK OCITTI

Mark holds a Bachelor of Statistics degree from Makerere University in Uganda, an Advanced Management Program certificate from the London Business School and a Master in Business Administration degree from the Heriot-Watt University, Edinburgh, UK. He has over 26 years of operational and executive experience working in blue chip companies in Downstream Oil, Telecoms and FMCG sectors. He is currently the Managing Director of Serengeti Breweries Limited in Tanzania, a member of the East African Breweries group.

Boards: *Non-Executive Director, Equity Bank Uganda Limited.*

DR. ADDIS ABABA OTHOW

Addis holds a Bachelor of Science degree in Economics, a Master's degree in Economic Development and a PhD degree in political economics from Al-Neelain University, Khartoum, Sudan. He also holds a Bachelor's Degree in Finance and Accounting from Hanze University, Groningen, Netherlands, a PhD degree in Business Administration from Faculty of Business and Economics, Atlantic International University, USA and the Advanced Management Programme (AMP) from Strathmore University, Nairobi, Kenya.

He has a wide range of experience in banking, accounting, finance, and information systems. Prior to joining Equity Bank, he initially worked as a teaching assistant at Al Neelain University, Khartoum and was later appointed as a banking inspector, Central Bank of Sudan in 1997. He also worked as an assistant accountant/ auditor at Dubois & Co Chartered Accountants Amsterdam, The Netherlands, and a consultant at South Sudan Anti-Corruption Commission, a Part-time Lecturer at College of Social & Economics Studies, University of Juba and a Deputy Chairperson of the Board of Trustees of South Sudan Pensions Fund (SSPF). Dr. Othow has also worked as Head of Non-banking Division before he became the Head of Planning, Regulation and Licensing, Central Bank of South Sudan (BSS). He joined Equity Bank in February 2015.

Boards: *Managing Director, Equity Bank South Sudan Limited.*

DR. KENYI SPENCER

Kenyi holds a Professional Certificate in international trade from the International Trade Institute of Southern Africa (Affiliate of International Association of Trade Training Organization), a PhD in Environmental Economics from the University of Geneva in Switzerland, a Master's degree in Environmental Management from the University of the Free State (Bloemfontein) in South Africa, a Post-graduate certificate in Practical Ecology from TechnischeUniversitat in Berlin, Germany and BSc. in Science and Applied Environmental Science from the National University of Lesotho. He previously worked as a Deputy Director in KB Environment & Trade Consultancy in South Africa and has executed many assignments for the World Bank and the Republic of South Sudan (RSS). Kenyi is currently an Executive Chairman of Central Equatoria Vision 2040 Secretariat, Deputy Chairman of Central Equatoria Development Agency (CEDA) and a board member of the Juba Media Group and South Sudan Roads Authority. He is also the Chairman of the South Sudan Media Development Institute. He recently published a world acclaimed novel – "Twisted Gift".

Boards: *Non-Executive Director, Equity Bank South Sudan Limited.*

MARY AJITH

Mary holds an LL.B. degree from EL-Neelian University, Khartoum, Sudan, Certificate in Law from LDC Uganda and a Post Graduate Diploma in Human Rights from the University of Juba. Mary has worked with various Gender and Child Related Organizations and holds a Certificate in Skill for Communicating with Children, Certificate in Gender and Development and an Advanced Certificate in Women, Peace and Security Council Resolution 1325. She serves on the board of the Ethicapl University, Juba and is a member of South Sudan Revenue Authority Board of Directors. She is currently the Head of Directororate of Legislation, Ministry of Justice and Constitutional Affairs for the Republic of South Sudan and holds certificates of Legislative drafting and Bills Scrutiny training with over 16 years' experience.

Boards: *Non-Executive Director, Equity Bank South Sudan.*

ALLAN WAITITU

Allan holds a Bachelor's Degree in Business Information Technology and is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain). He has a Master's in Business Administration from Strathmore University Business School. He has over 30 years' experience in Information Technology and banking having previously served as Equity Bank's General Manager, Operations; Director, ICT and Innovations and Director, Special Projects. He is a member of the World Economic Forum (WEF) Global Future Council on the Future Humanitarian System 2019/2020. He is currently the Director, Operation, Equity Bank Kenya.

Boards: *Non-Executive Director, Equity Bank South Sudan Limited.*

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

WOLFGANG BERTELSMEIER

Wolfgang holds a degree in Business Administration from Frankfurt University. He also has a degree in Banking as well as executive education courses at Harvard Business School, INSEAD and Stanford University. He has worked in various capacities with Deutsche Bank, DEG, the World Bank and the IFC. He has also held various Board Directorships primarily in financial institutions in Europe, Asia and Africa, as well as infrastructure, agribusiness and hospitality companies in *Africa.*

Boards: *Non-Executive Chairman, Equity Bank Congo S. A.*

CÉLESTIN MUNTUABU

Célestin holds a Master's degree in Business Administration and Management from the Protestant University in Congo. Besides his training in leadership, he also holds a degree in Banking Administration from ProCredit Academy – Germany. Prior to joining the banking sector, he worked with the International Training Center, a consulting cabinet specialized in the training of business executives in internal audit and strengthening of the systems of internal control for companies.

Célestin was a Permanent Secretary and Clerk Trainer at the International Training Center. He was Deputy CEO (2008-2014) in ProCredit Bank Congo. He was listed among the Top 100 Young African leaders by Choiseul for two consecutive years (2017 and 2018). Celestin is the current Chairman of the United Nations Global Compact DRC Network.

Boards: *Managing Director, Equity Bank Congo S. A.*

NESTOR ANKIBA YAR

Nestor holds a Bachelor's degree in Business Administration from Kinshasa University in DRC, an MBA in Marketing Communications from Leicester University in UK and has attended Executive Leadership courses at INSEAD in France and Harvard Business School in the US. Nestor has held various positions with ExxonMobil and in the international development field, overseeing projects with NGOs (ACMS and ASF). In ExxonMobil, he served as Managing Director and Executive board member in countries such as Togo, Zambia, Zimbabwe, Cameroon, Chad, Equatorial Guinea and DRC. He also served as Assistant Lecturer at Kinshasa University and is the current Chairman of the National Refinery Company (SOCIR). He also provides consultancy services in Risk Management and Compliance.

Boards: *Non-Executive Director, Equity Bank Congo S. A.*

JEAN-CLAUDE TSHIPAMA

Jean-Claude holds an Executive Master's in Business Administration (MBA) form McGill University and HEC-Montreal. He also has a Master's degree in Economics from the Protestant University in Congo. He has worked in various capacities with Celtel in the DRC, Digicel Group, Microsoft Corporation and Canal+ (a Pay TV company), Zympala. In his last assignment with EUTELSA, he headed EUTELSAT Broadband in Africa, ensuring that their broadband business is successfully deployed across Africa to connect the unconnected.

Boards: *Non-Executive Director, Equity Bank Congo S. A.*

JOANNA BICHSEL

Joanna holds a Bachelor's degree in Computer Science with Honors from Queen's University in Canada and has 20 years of experience as a professional in the technology industry across software engineering, product development, technology business management and technology leadership. She spent 11 years at Microsoft Corporation headquarters working as a software engineer, business leader and a senior leader of an international cybersecurity team. Joanna is the CEO and Founder of Kasha, an ecommerce company for women's health operating in Kenya and Rwanda. Prior to founding Kasha, she was the Principal Technology Advisor for Global Development at the Bill & Melinda Gates Foundation focusing on technology strategy and investments across East and West Africa and South Asia.

Boards: *Non-Executive Director, Finserve Africa.*

ISIS NYONG'O MADISON

Isis holds a Master's Degree in Business Administration from Harvard Business School and a Bachelor of Arts Degree in Human Biology from Stanford University. Isis Nyong'o Madison has made her mark scaling media and digital businesses across Africa. She's passionate about advancing entrepreneurship given her background as both an experienced operator for African businesses of global companies and as a founder of her own enterprises. Isis is the founder of Kenya's leading parenting platform, MumsVillage. Prior to this, she held leadership positions on the Africa teams for InMobi, Google and MTV Networks.

She has been shortlisted on the Forbes Top 20 Youngest Power Women in Africa. She is a Senior Advisor to the Albright Stonebridge Group and serves on the board of the Nairobi Securities Exchange (NSE). The World Economic Forum selected her as a Young Global Leader in 2012.

Boards: *Non-Executive Director, Finserve Africa.*

DR. JOSEPHINE WAPAKABULO

Josephine holds a PhD in Information Science focused on "big data" and published a book on the adoption of data-exchange standards and knowledge management technologies in Defense and Oil & Gas companies. She obtained her Global Executive MBA from INSEAD business school in France. She has over 20 years' professional experience with a focus

CONSOLIDATED BOARD OF DIRECTORS' PROFILES (continued)

on strategy development and implementation, quality and continuous improvement and engineering management in multinational companies, in Oil & Gas, Defence, Aerospace and IT consulting. She obtained her executive level experience in the UK, Germany, Australia, Ghana, Kenya and Uganda. Josephine is currently the founder and Managing Director of TIG Africa DMCC and was the first female CEO founder of a National Oil Company.

Boards: *Non-Executive Director, Finserve Africa.*

DAVID SOMEN

David holds an MBA from Harvard Business School and a BA in Law from Oxford University. After an early stint at McKinsey and Co, he has spent his career founding and leading cutting-edge technology firms across the world. He co-founded and served as CEO of LCR Telecom Group (sold to a NASDAQ listed company in 2000) and co-founded and was Deputy Chairman at AccessKenya, Kenya's leading corporate internet service provider listed on the Nairobi Stock Exchange and sold to Dimension Data in 2013. He also co-founded and serves as Managing Director of Virtual IT one of the UK's leading IT Managed Services Providers, and co-founded and serves as Executive Chairman of Eldama Technologies Limited one of Kenya's leading IT Managed Services Providers. He also serves as a director of Serenity Spa, Kenya's leading spa organisation, and serves as a Non – Executive Director of CIM Group, a leading listed financial services company in Mauritius.

Boards: *Non-Executive Director, Finserve Africa.*

BRENT MALAHAY

Brent holds a Master's degree in Economics and a Bachelor's degree in Commerce from the University of KwaZulu-Natal, South Africa. He has over 16 years' experience in financial services with competencies ranging from commercial banking, credit ratings, investment banking and fund management. He has previously worked at Standard Bank, Fitch Ratings, J.P. Morgan and Investec Asset Management. Brent has worked at Equity Group since 2016.

Boards: *Non-Executive Director, Finserve Africa.*

REUBEN MBINDU

Reuben holds a BSc. in Computer Science from Germany and is a full member of the Institute of Human Resource Management in Kenya. He has over 31 years' work experience, most of which has been in the banking sector as a human capital specialist. He joined Equity Bank in 2013 from Standard Chartered, where he had served at senior management levels in Human Resources for over 15 years. He has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has also served in other senior positions including Head of Corporate Affairs - Standard Chartered, East Africa and Chairman of the Standard Chartered Nairobi Marathon. Reuben joined Equity Group as the Chief Officer, Human Capital and Administration and was additionally appointed to run operations of the Equity Group Foundation as Executive Director in 2018.

Boards: *Executive Director, Equity Group Foundation; Non-Executive Director (alternate to Dr. James Mwangi), Equity Bank (Tanzania) Limited.*

ZAINAB JAFFER

Zainab holds a Bachelor of Science Degree (Honours) in Management with Law from the London School of Economics and Political Science. She is a Director of MJ Group, a leading African port service provider based out of Kenya. She is also overseeing the implementation of the Social Economic Development Initiative for Kenya (SEDIK), which has been launched under the guidance of the Kenyan government to support Kenya's Vision 2030. She serves as Director, Principal and/or Advisor to IFG Port Holdings, a New York based global investment firm. Zainab is also a Board Member of the Coast General Hospital and leads the Jaffer Foundation which focuses on health, education and water services in the Coastal region of Kenya.

Boards: *Non-Executive Director, Equity Group Foundation.*

GROUP EXECUTIVE MANAGEMENT PROFILES

DR. JAMES MWANGI, CBS
Group Managing Director & Chief Executive Officer

James holds five honorary doctorate degrees in recognition of his positive impact to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honoured thrice with National Presidential Awards: The First Class Chief of the Order of the Burning Spear (CBS), the Moran of the Burning Spear (MBS) and Head of State Commendation (HSC). On the global front, Dr. Mwangi won the G8 Global Vision Award, 2007. He was named among the Top 50 Emerging Market Business Leaders and the 20 most influential people in Africa in 2011; the World Entrepreneur of the Year by Ernst & Young in 2012; the Forbes Africa Person of the Year in 2012 and was recently named in the Bloomberg 50 list of people who defined 2019 globally.

On the regional front, he was also recognized as the Africa Investor Awards, CEO of the Year in 2009 and 2015; Innovation Leader of the Year in 2012; African Business Leader of the Year in 2013 and African Banker of the Year in 2010, 2011 and 2017 at the African Banker Awards. Dr. Mwangi was also named the Banker of the Year during the Banker Africa (East Africa) Awards in 2017 & 2018. Locally, he has received the Think Business CEO of the Year award for the last 3 years.

James has served on board and advisory roles at the Global Advisory Council for VISA Inc., The Clinton Global Initiative, The G8 New Alliance For Food Security And Nutrition, US President Barack Obama's Initiative for Global Development, the G20 Advisory Board of Agriculture and Initiative for Global Development, and The Global Agenda Council on New Economic Thinking of the World Economic Forum from 2003-2007. He served as the Founding Chair of Kenya's Vision 2030 from inception in 2007 to 2019

He currently serves on several international bodies as an advisor and was recently appointed to the Nairobi Advisory Board of Columbia Global Centres. He is a Board member of the Economic Advisory Board of the International Finance Corporation (IFC), The Mastercard MEA Advisory Board, the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition and is the Chancellor of Meru University College of Science and Technology.

He is a guest lecturer at Stanford, Columbia, MIT, Harvard, IESE and Lagos Business School where Equity Bank Business Model is a case study.

MARY WAMAE
Group Executive Director

Mary holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya, Women Corporate Directors and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and Advanced Management Programme at Harvard Business School. She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development. She has over 15 years' experience in private legal practice.

BRENT MALAHAY
Group Director, Strategy, Strategic Partnerships and Investor Relations

Brent holds a Master's degree in Economics and a Bachelor's degree in Commerce from the University of KwaZulu-Natal, South Africa. He has over 16 years' experience in financial services with competencies ranging from commercial banking, credit ratings, investment banking and fund management. He has previously worked at Standard Bank, Fitch Ratings, J.P. Morgan and Investec Asset Management. Brent has worked at Equity Group since 2016.

DAVID NGATA
Group Director, Finance

David holds a Bachelor of Commerce degree from the University of Nairobi and a Master's of Science in Business Analytics from Carnegie Mellon University. He is a Certified Public Accountant and a member of Institute of Certified Public Accountants of Kenya. He has over 20 years global working experience in the financial services industry. Prior to joining Equity Bank in 2018, he worked at American Express, where he held various roles including leading the global internal audit data analytics practice. He has also specialized in the audit of banking institutions, leasing companies, investment banks and broker dealers with KPMG in New York and Kenya.

OLANREWAJU BAMISEBI
Group Chief Information Officer

Lanre Bamisebi holds a Bachelor of Science in Accounting, Bachelor of Science (Honours) in Computing & Information Technology from the University of Derby, UK and Masters in Business Administration from Durham Business School, UK. He is currently undertaking a PhD in USIU, Nairobi-Kenya.

He is a seasoned IT professional with over 20 years in management experience. He has vast knowledge and has managed IT in 22 African countries. His work experience in the information systems sector spans across consulting, telcom, oil and gas, banking and fintech.

Before joining Equity, he worked in other capacities across the African region as follows; Chief Information Officer at Access Bank, Group Chief Information Officer at Diamond Bank and United Bank for Africa (UBA), Head of IT Projects at MTN Nigeria and Director, Finance & IT at Starcomms.

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

GLORIA BYAMUGISHA
Group Chief Human Resources Officer

Gloria is a HR professional who holds a BBA in Business Administration and Management, an Msc. in Human Resource Management (PGD Award), an MBA in Finance and Administration and a Certificate in Strategic Business Analysis. She is an alumni of Uganda Martyrs University, the University of Bedfordshire, the University of Westminster and London Business School.

She is professionally certified in the following areas; job evaluation, leadership training, performance management, leadership psychometrics (PI) and change management. With over 19 years of experience in Human Resource Management, she has worked in the following industries; public sector, telecommunications and banking. Additionally, she has work experience in more than 10 countries.

JAMES MUTUKU
Group Director, Treasury and Trade Finance

James holds a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 20 years' experience in Treasury business having worked as a treasury dealer for Co-operative Bank of Kenya, Head of Money Markets and Fixed Income at KCB Kenya and the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya. Before joining Equity Bank, he was the immediate country Head of Financial Markets for Standard Chartered Bank Uganda, where he also doubled up as the Co-Head SCB Uganda Wholesale Bank. He brings a wealth of experience in balance sheet management, fixed income trading and general treasury management. He joined Equity Bank in 2016.

JOHN WILSON
Group Chief Risk Officer

John is a graduate of the Swedish Military Academy and holds a Master of Arts in Economics from Uppsala University and a Master of Public Affairs from Woodrow Wilson School at Princeton University.

John began his career at McKinsey & Co in Europe and the former Soviet Union, focusing on manufacturing, transportation and infrastructure companies. He then joined the World Bank Private Sector Development Department working on privatization in Cameroon, Ghana, Malawi, Russia and Ukraine, and was thereafter seconded to the IFC Global Capital Markets Department. Returning to his native Sweden, John built the Export & Project Finance department at Swedbank, and then headed up Structured Finance, Equity Capital Markets, Investor Relations and Corporate Strategy including M&A. In 2006, he joined Kaupthing Bank as Head of Investment Banking and then returned to IFC in 2008.

Prior to joining Equity Group in August 2019 as Group Chief Operating Officer, John was a Manager in the financial sector in Sub-Saharan Africa for the International Finance Corporation, the private sector development arm of the World Bank Group. Before that, he was responsible for IFC's banking experts and risk management advisory services as global Head of Banking, and before that a Principal Banking Specialist covering sub-Saharan Africa, stationed in Nairobi since 2008.

POLYCARP IGATHE
Group Chief Commercial Officer

Polycarp holds a Bachelor of Arts degree in Economics and Sociology from the University of Nairobi and is a graduate of the Strathmore University's Advanced Management Program (AMP) with IESE Business School in Spain.

Prior to his appointment, he was the Executive Vice President for Sales and Marketing in Africa at Vivo Energy. He has also successfully served in leading corporate entities as MD Equity Bank (Kenya) Limited, Regional MD East Africa of Tiger Brands International, MD of Haco Industries, Wines of the World and Vivo Energy. He has also held senior commercial roles as Sales and Marketing Manager at Coca-Cola SABCO, Africa Online and Marketing Manager at Kenya Breweries Ltd. He has served as Chairman, Kenya Association of Manufacturers (KAM); Chairman, Petroleum Institute of East Africa (PIEA); Director & Trustee, Kenya Private Sector Alliance (KEPSA) and Chair, Board of Management at BG Ngandu Girls High School.

Prior to joining Equity Bank in 2018 he served as the Deputy Governor in the Nairobi County Government. Polycarp is celebrated as a Warrior of the Marketing Society of Kenya (MSK), Savant of Marketing by Marketing Africa Magazine and a Savant of Policy Advocacy by the Kenya Association of Manufacturers (KAM).

CHRISTINE AKINYI BROWNE
Group Director of Legal Services & Company Secretary

Christine is a Chevening alumnus who holds a Master of Laws from UCL - University of London. She is an accomplished legal practitioner and has previously worked at The World Bank and the Industrial Promotion Services (K) Limited (IPS). She joined the Group in 2014 after a six year stint as Principal Counsel at East African Development Bank. Prior to her current position, she was the General Manager for Legal, Corporate Banking, Equity Bank (Kenya) Ltd. Christine is a member of Law Society of Kenya, Institute of Certified Public Secretaries of Kenya and International Commission of Jurists, Kenya Section.

JOY DIBENEDETTO
Group Director, Communications

Joy holds a Bachelor's degree in Speech Pathology and Audiology from Marymount Manhattan College in New York City. She is an award-winning entrepreneurial communications professional; a veteran journalist and media executive whose focus has always been global. She is the Founder of the international content and information company -HUM: Human Unlimited Media, Inc. (AKA, HUMNEWS.COM) and has covered major international events – from the studio and in the field – as a storyteller, producer and diplomat for

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

more than 25 years. A founding partner in the C5 Collective, she has maximized the impact and brand awareness of social innovators, corporations, NGO's, media, academia, and service organizations worldwide.

She is the Immediate Past President/CEO of the Nobel Peace Prize-nominated Friendship Force International (FFI); and was previously the global Vice President of Network Booking and Research for CNN Worldwide; starting her career in Corporate Finance with Turner Broadcasting. Her career squarely spans the media industry as well as humanitarian interests and always builds on the intersection of both for the greatest social impact.

BILDARD FWAMBA
Group Chief Internal Auditor

Bildard holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and is a Certified Public Accountant and a member of ICPAK. He has worked in the banking sector for 22 years, serving in various senior management capacities. He has extensive knowledge and experience in Financial Management, Risk Management, Internal Controls and Regulatory Oversight. He joined Equity Bank in 2004. Before his current role, Bildard served in various capacities in Equity Bank Kenya Limited including Compliance Manager, Head of Internal Audit, General Manager- Finance and General Manager- Internal Audit. He previously worked with Central Bank of Kenya and Britam.

GERALD WARUI
Managing Director, Equity Bank (Kenya) Limited

Gerald holds an Executive Masters of Business Administration degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a Certified Public Accountant CPA(K) and a graduate of Advanced Management Program from Strathmore- IESE Business School, Barcelona Spain and a career banker. Gerald has vast experience in operations and customer service. Prior to his current position, he served as the Director Operations. Before that, he served as the Director Human Resource and Customer Experience. He joined Equity Bank in 1998.

SAMUEL KIRUBI
Managing Director, Equity Bank Uganda Limited

Samuel holds a Master's Degree in Business Administration (Finance) from Moi University and a Bachelor of Arts degree in Economics and Statistics from Egerton University. He is a graduate of Advanced Management Programme (Strathmore IESE Business School, Barcelona Spain). He joined Equity Bank in 2001 and has gained vast experience in operations, marketing and customer service. Samuel previously served as the Chief Operations Officer in Equity Bank South Sudan and most recently as the Managing Director, Equity Bank Rwanda.

ANTHONY KITUUKA
Executive Director, Equity Bank Uganda Limited

Anthony holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA) and has completed an Advanced Management Program from Strathmore, Lagos and IESE (Spain) Business Schools as well as several other executive leadership programs at Gordon Institute of Business and INSEAD. He has over 13 years banking experience and has previously worked with Kenya Commercial Bank (KCB) and Barclays Bank Uganda Limited. He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

DR. ADDIS ABABA OTHOW
Managing Director, Equity Bank South Sudan Limited

Addis holds a Bachelor of Science degree in Economics, a Master's degree in Economic Development and a PhD degree in political economics from Al-Neelain University, Khartoum, Sudan. He also holds a Bachelor's Degree in Finance and Accounting from Hanze University, Groningen, Netherlands, a PhD degree in Business Administration from Faculty of Business and Economics, Atlantic International University, USA and the Advanced Management Programme(AMP) from Strathmore University, Nairobi, Kenya.

He has a wide range of experience in banking, accounting, finance, and information systems. Prior to joining Equity Bank, he initially worked as a teaching assistant at Al Neelain University, Khartoum and was later appointed as a banking inspector, Central Bank of Sudan in 1997. He also worked as an assistant accountant/ auditor at Dubois & Co Chartered Accountants Amsterdam, The Netherlands, and a consultant at South Sudan Anti-Corruption Commission, a Part-time Lecturer at College of Social & Economics Studies, University of Juba and a Deputy Chairperson of the Board of Trustees of South Sudan Pensions Fund (SSPF). Dr. Othow has also worked as Head of Non-banking Division before he gbecame the Head of Planning, Regulation and Licensing, Central Bank of South Sudan (BSS). He joined Equity Bank in February 2015.

HANNINGTON NAMARA
Managing Director, Equity Bank Rwanda PLC

Hannington is the Managing Director of Equity Bank Rwanda. He holds a degree in Business Administration (Finance option) from Makerere University Business School. He is a graduate of Advanced Management Programme from Strathmore Business School. He is a Fellow of the Africa Leadership Initiative-East Africa, a member of the Aspen Global Leadership Network. He has over 19 years of experience in banking and Private Sector Development. He has extensive knowledge and track record in Strategic Leadership, Banking and Finance, Management and Communications. He has held various leadership positions while working with different reputable organisations in the past including TradeMark East Africa, Rwanda Private Sector Federation, Commercial Bank

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

of Rwanda (BCR), Rwanda Investment Export Promotion Agency (RIEPA-now known as Rwanda Development Board). He holds several positions of responsibility in Boards of Corporates and Parastatals.

ROBERT KIBOTI
Managing Director, Equity Bank (Tanzania) Limited

Robert holds a Bachelor's Degree in Economics and Administration from Maharshi Dayanand University, India. He has attended several professional courses in banking and finance both locally and internationally. He has over 24 years' experience in banking, where he has held various leadership positions. Before joining Equity Bank Tanzania, he was the General Manager in charge of Equity Bank Supreme Centre. Prior to joining Equity Bank, he was in Industrial Development Bank, where he worked for 7 years in various capacities. Robert joined Equity Bank in May 2005.

CÉLESTIN MUNTUABU
Managing Director, Equity Bank Congo S.A.

Célestin holds a Master's degree in Business Administration and Management from the Protestant University in Congo. Besides his training in leadership, he also holds a degree in Banking Administration from ProCredit Academy – Germany. Prior to joining the banking sector, he worked with the International Training Center, a consulting cabinet specialized in the training of business executives in internal audit and strengthening of the systems of internal control for companies.

Célestin was a Permanent Secretary and Clerk Trainer at the International Training Center. He was Deputy CEO (2008-2014) in ProCredit Bank Congo. He was listed among the Top 100 Young African leaders by Choiseul for two consecutive years (2017 and 2018). Celestin is the current Chairman of the United Nations Global Compact DRC Network.

REUBEN MBINDU
Executive Director, Equity Group Foundation

Reuben holds a BSc. in Computer Science from Germany and is a full member of the Institute of Human Resource Management in Kenya. He has over 31 years' work experience, most of which has been in the banking sector as a human capital specialist. He joined Equity Bank in 2013 from Standard Chartered, where he had served at senior management levels in Human Resources for over 15 years. He has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has also served in other senior positions including Head of Corporate Affairs - Standard Chartered, East Africa and Chairman of the Standard Chartered Nairobi Marathon. Reuben joined Equity Group as the Chief Officer, Human Capital and Administration and was additionally appointed to run operations of the Equity Group Foundation as Executive Director in 2018.

NOTES

THE SIXTEENTH ANNUAL GENERAL MEETING HELD VIA ELECTRONIC COMMUNICATION ON TUESDAY, 30TH JUNE, 2020

PROXY FORM

I/We____

____

CDS A/C No ____

Of (address) ____

Telephone number ____ and/or email address

____

Being a Shareholder(s) of Equity Group Holdings Plc ("the Company") hereby, appoint ______________________________

____

Of (address) ____

Telephone number ____ and email address

____

or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/ our behalf at the virtual Annual General Meeting of the Company to be held electronically and chaired from the Company's Head Office situated at EQUITY CENTRE, 9TH FLOOR, Hospital Road, Upper Hill, Nairobi on Tuesday, 30th June, 2020 at 10.00 am or at any adjournment thereof.

I/We direct my/our proxy to vote on the following resolutions as I/We have indicated by marking the appropriate box with an "X". If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/We authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote;

RESOLUTIONS

ORDINARY BUSINESS

i. Consideration of the Audited Financial Statements for the financial year ended 31st December, 2019

To receive, consider and if thought fit, adopt the Audited Financial Statements and Directors' Remuneration Report for the year ended 31st December, 2019, together with the Chairman's, Directors' and Auditors' reports thereon, noting that subsequent to the approval by the Directors of the audited financial statements for the financial year ended 31st December, 2019, the Directors withdrew the proposal to declare a dividend as communicated in the Public Notice by the Company dated 26th May, 2020 and reflected in the unaudited financial statements of the Company for the period ended 31st March, 2020.

For: ☐

Against: ☐

Withheld: ☐

ii.Remuneration of Directors

To approve the remuneration of the Directors for the year ended 31st December, 2019.

For: ☐

Against: ☐

Withheld: ☐

THE SIXTEENTH ANNUAL GENERAL MEETING HELD VIA ELECTRONIC COMMUNICATION ON TUESDAY, 30TH JUNE, 2020 (continued)

iii. Election of Directors

a. To approve the appointment of Mrs. Evelyn Rutagwenda, who in accordance with Article 100 of the Company's Articles of Association, retires from office by rotation and being eligible, offers herself for re-election;

b. To approve the appointment of Mr. Christopher Newson, subject to obtaining regulatory approvals, and who having been appointed by the Board on 4th March, 2020 in accordance with Article 101 of the Company's Articles of Association, offers himself for appointment.

For: ☐

Against: ☐

Withheld: ☐

iv. In accordance with the provisions of section 769 of the Companies Act, 2015, to approve the election of the following Directors, being members of the Board Audit Committee to continue to serve as members of the said Committee:

a. Mrs. Evelyn Rutagwenda;

b. Mr. Vijay Gidoomal;

c. Dr. Helen Gichohi; and

d. Dr. Edward Odundo.

For: ☐

Against: ☐

Withheld: ☐

v. To pass an ordinary resolution pursuant to section 721 of the Companies Act, 2015 to appoint PricewaterhouseCoopers (PwC) as auditors of the Company taking note that the auditors have expressed their willingness to continue in office and to authorize the Directors to fix their remuneration.

For: ☐

Against: ☐

Withheld: ☐

1. SPECIAL BUSINESS

a. SPECIAL RESOLUTIONS

i. To amend Article 54 of the Articles of Association of the Company and create a new Article 54A of the Articles of Association of the Company to allow for simultaneous attendance and participation by electronic means for General Meetings including Annual General Meetings and Extraordinary General Meetings.

Pursuant to section 22 of the Companies Act, 2015 the text of the special resolution is set out below:

Amendment of Article 54 of the Articles of Association of the Company

"THAT, by way of special resolution Article 54 of the Articles of Association of the Company be and is hereby amended by including the following words immediately at the end of the first sentence and before the full stop ",provided that the shareholders may participate in General Meetings electronically in accordance with the provisions of Article 54A"

THE SIXTEENTH ANNUAL GENERAL MEETING HELD VIA ELECTRONIC COMMUNICATION ON TUESDAY, 30TH JUNE, 2020 (continued)

Insertion of a new Article 54A of the Articles of Association of the Company immediately after Article 54 of the Articles of Association of the Company

"Article 54A - ELECTRONIC PARTICIPATION IN GENERAL MEETINGS

i. The Directors may decide that the Members shall be able to participate in a general meeting by use of electronic means, including that they may exercise their rights as shareholders electronically.

ii. In the case of any general meeting, the Directors may make arrangements for simultaneous attendance and participation by electronic means allowing Members and proxies not present together at the same place to attend, participate and vote at the meeting. The arrangements for simultaneous attendance and participation at any place at which Members and proxies are participating, using electronic means may include arrangements for controlling or regulating the level of attendance at any particular venue provided that such arrangements shall operate so that all Members and proxies wishing to attend the meeting are able to attend at one or other of the venues, including venues chosen by such Members and proxies individually and provided further that such Members and Proxies may participate via electronic means from any other place as long as they are able to attend and vote from the place at which they are participating via electronic means.

iii. The Members or proxies at the place or places at which persons are participating via electronic means shall be counted in the quorum for, and be entitled to vote at, the general meeting in question, and that meeting shall be duly constituted and its proceedings valid if the Chairman is satisfied that adequate facilities are available throughout the meeting to ensure that the Members or proxies attending at the place or places at which persons are participating via electronic means are able to:

a. participate in the business for which the meeting has been convened; and

b. hear all persons who speak (whether through the use of microphones, loud speakers, computer, audio-visual communication equipment, telephones or otherwise, whether in use when these Articles are adopted or developed subsequently) in the place at which persons are participating and any other place at which persons are participating via electronic means"

For: ☐

Against: ☐

Withheld: ☐

b. ORDINARY RESOLUTIONS

Acquisition of Banque Commerciale du Congo (BCDC)

i. To approve, confirm and ratify, the purchase by the Company of 625,354 ordinary shares in the capital of Banque Commerciale du Congo (BCDC) (comprising 66.53% of the share capital of BCDC, and inclusive of dividends declared after 1st January, 2019 in respect of the financial year ending on 31st December, 2019 i.e. a cum-dividend price per share of USD 167.9 per share) from Mr. George Arthur Forrest for a cash consideration of US Dollars one hundred and five million (USD 105 million) (the BCDC Acquisition).

For: ☐

Against: ☐

Withheld: ☐

THE SIXTEENTH ANNUAL GENERAL MEETING HELD VIA ELECTRONIC COMMUNICATION ON TUESDAY, 30TH JUNE, 2020 (continued)

Incorporation of a non-operating insurance holding company and a subsidiary for purposes of conducting insurance business in Kenya

i. Approving, subject to obtaining the requisite regulatory approvals, the Company setting up a non-operating insurance holding company to serve as a holding company for insurance business (the Holding Company) and a subsidiary in Kenya (the Subsidiary) to conduct and undertake long term insurance business in Kenya and putting in place all the necessary structures, commercial arrangements and any ancillary arrangements relating to the undertaking of long term insurance business in Kenya including the Company providing Kenya Shillings Four Hundred Million (Shs 400,000,000) as share capital for the insurance business as required under the Insurance Act (Chapter 487, Laws of Kenya).

For: ____________

Against: ____________

Withheld: ____________

As witness to my/our hands this________________________day of________________________2020

Signature(s)____

This form is to be used *in favour of/*against/*withheld the resolution (*Strike out whichever is not desired)

NOTES:

1. As a member of the Company you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes and in the notes to the Annual General Meeting Notice.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person and vote, your proxy appointment will automatically be terminated.
3. This proxy form should be completed and signed and sent or delivered by email to EGHAGM2020@equitygroupholdings.com or lodged with and received by the Company Secretary at the Company's Head Office situated at EQUITY CENTRE, 9TH FLOOR, Hospital Road, Upper Hill, Nairobi, or to Image Registrars Ltd, offices, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; postal address at P.O. Box 9287- 00100 GPO, Nairobi (consultant's physical address) not later than 5.00 pm on Friday, 26th June, 2020, failing which it will be invalid.
4. A proxy form must be in writing and in case of an individual shall be signed by the Shareholder or by his attorney, and in the case of a Company, the proxy must be either under the hand of an officer or attorney duly authorized by the Company.
5. Any person appointed as a proxy should submit his/her mobile telephone number to the Company not later than 5.00 pm on Friday, 26th June, 2020. Any proxy registration that is rejected shall be communicated to the Shareholder concerned no later than Monday, 29th June, 2020 to allow time to address any issues.

Clique & Clicks ▶ Get Spotted

Equity Bank Kenya CEO James Mwangi.

Firework displays illuminate Nairobi's skyline.

Central Bank deputy Governor Sheila M'Mbijjewe with Nyandarua Governor Francis Kimemia.

EQUITY HITS 35

by Elly Gitau

Fireworks display illuminated the city's skylines as Equity Group marked 35 years of doing business in Kenya with a major celebration event at the Kenyatta International Convention Centre in Nairobi on Wednesday. The company runs entities such as the Equity Bank and Finserve, a mobile virtual network operator that trades in Kenya under the name Equitel. The event also saw the unveiling of the company's new logo. In attendance were Central Bank deputy Governor Sheila M'Mbijjewe, Equity Bank Kenya chief executive James Mwangi, Nyandarua Governor Francis Kimemia, Head of Anglican Church of Kenya Archbishop Jackson ole Sapit and Treasury PS Julius Monzi.

PD/ JOHN OCHIENG

Dagoretti North MP Simba Arati.

Businessman Fred Muchoki with Treasury PS Julius Monzi.

Brand consultant Martin Miruka with Adam Jones of Mastercard.

The cake-cutting was the apex of the pompous ceremony.

Head of Anglican Church of Kenya Archbishop Jackson ole Sapit.

Gospel artiste Mercy Masika sings her heart out.

Equity Group board members Evelyn Kamagaju and Edward Odundo.

Former Equity Group chair Peter Munga (seated) receives a gift from his successor Isaac Macharia.

Scott the Violinist does his thing.

Our Inspiration

That when years turn our vision dim and gray, we shall still see beauty in the tired wrinkles of our faces and shall take comfort out of the fact and knowledge that when we were given the opportunity we did all we could to empower our people to exploit opportunities and realise their full potential on the road to economic prosperity.

EQUITY

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