2020 Integrated Report & 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 2020** to **31st December 2020**. 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.

Purpose of 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.

Key Concepts

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. It is 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

At the core of our existence is our corporate purpose of "transforming lives, giving dignity and expanding opportunities for wealth creation". Right from inception, we set out on a journey to provide integrated financial services as a means of empowering businesses, people and communities to improve their lives and livelihoods. With over 37 years in operation, we remain dedicated to improving the wellbeing of the people of Africa by providing financial and non-financial services, products and tools that empower them to pursue socio-economic prosperity.

We are the largest financial services provider in East and Central Africa by customer numbers and assets with a total of over 14 million customers in the region and assets valued at over one trillion shillings. We have physical presence in seven countries - Kenya, Uganda, South Sudan, Tanzania, Rwanda, the Democratic Republic of the Congo (DRC) and a commercial representative office in Ethiopia (the "regions"). We are cognisant of the responsibility bestowed on us by our leadership position and we aspire to use it to empower people and communities to create wealth.

We are driven by our social and commercial objectives ensuring that our business creates positive impact for all stakeholders while remaining profitable. In this regard, a foundational pillar to our business model is our Social and Economic engines that catalyse each other whereby our social programmes build and enhance capacity in the value chains and ecosystems that we provide financial services to. This is illustrated as follows:

1. Our Financial Literacy programs enable today's unbanked to be tomorrow's bank customer
2. Our Entrepreneurship Training and Development programmes support today's workforce to be tomorrow's employers and accelerates transition of business owners up the value curve
3. Our Food and Agriculture interventions transform subsistence farmers into agri-businesses
4. Our Education and Leadership Development programmes support today's learners to become tomorrow's productivity gains
5. Our Energy and Environment interventions help households, institutions, industries and farmers in mitigation and adaption of the effects of climate change and reduce their carbon footprint
6. Our Social Protection interventions provide a bridge to a better tomorrow for the vulnarable people and marginalized communities
7. Our Health interventions help minimize shocks to disposable income and business resources

We are executing our "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 experience, disciplined operational controls and societal good.

In line with our intention to be a leading Pan-African financial services provider, we are undertaking a business transformation process that will position us to better 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. This will be achieved by offering differentiated, high quality services driven by segmentation and cross-selling initiatives and responsiveness to the needs of the customers across the different segments and regions.

Technology is a key driver of our business model offering widespread access, convenience and affordability. Most significantly, our ideals drive us since we believe that true progress is only possible if we are connected to people and for this reason, placing our customers and communities at the centre of everything we do is of utmost importance.

As a key driver of development in our region, we operate in the sectors where we can have the greatest impact on society, while being profitable. Additionally, through the Equity Group Foundation (EGF), we support social programs on Education and Leadership Development, Food and Agriculture, Health, Enterprise Development and Financial Inclusion, Energy and Environment and Social Protection. We align our decisions with the United Nations (UN) Sustainable Development Goals (SDGs) with a special focus on youth, women, enterprise development, climate change, environmental stewardship and community empowerment.

Our social programs continue to uplift lives in the regions where we operate. In 2020, we were decisive in our actions to address the COVID-19 pandemic. We continue to support vulnerable members of society as well as frontline workers in stemming the spread of the virus, while also supporting distressed customers to weather the challenges of the economic slowdown and in many cases reengineer their businesses.

We are witnessing greater depth in the convergence of our social and commercial engines making us a truly double bottom line business.

ABOUT US

OUR PHILOSOPHIES

Purpose
Transforming lives, giving dignity and expanding opportunities for wealth creation.

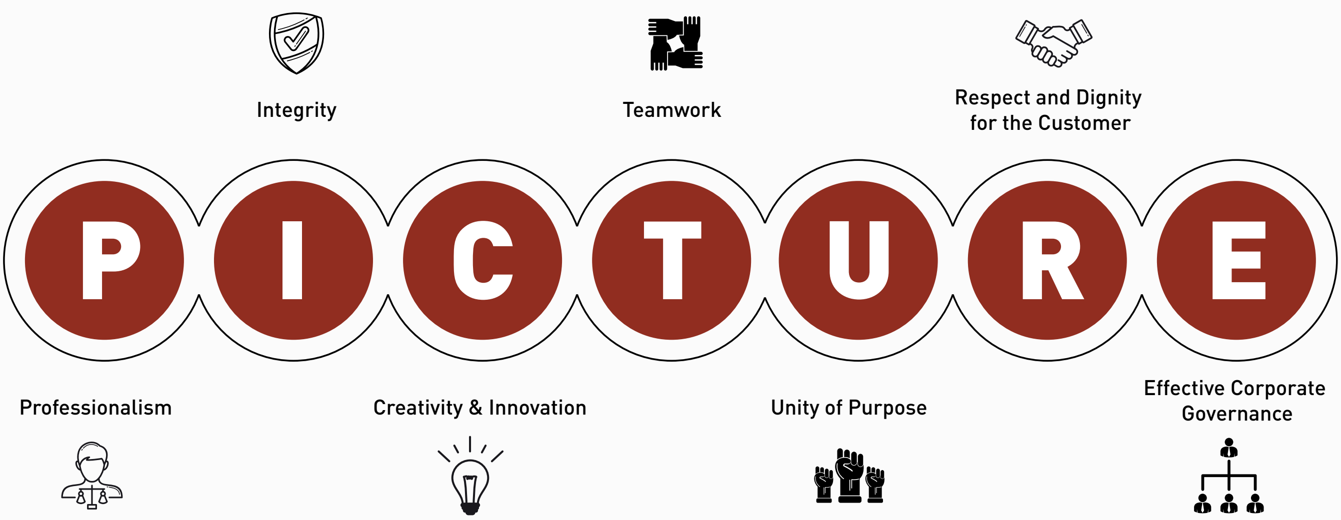
Vision
To be the champion of the socio-economic prosperity of the people of Africa.

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.

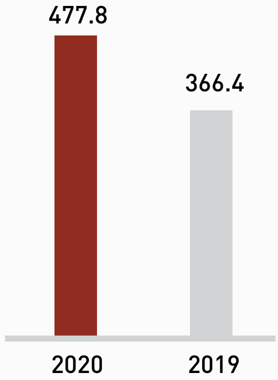
Tagline
Your Listening, Caring Partner.

Motto
Growing Together in Trust.

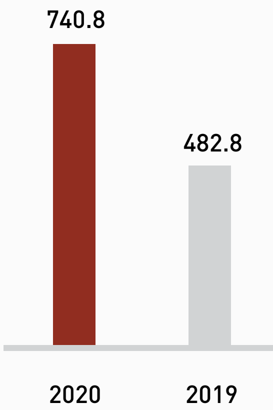


KEY GROUP HIGHLIGHTS

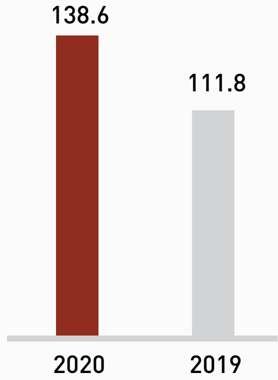
Loans (Shs Billions)



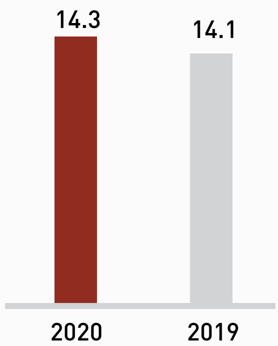
Deposits (Shs Billions)



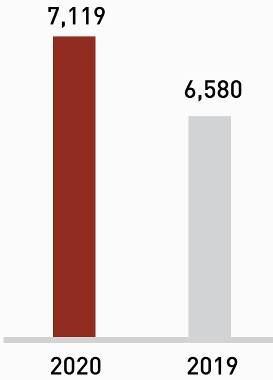
Shareholders Funds (Shs Billions)



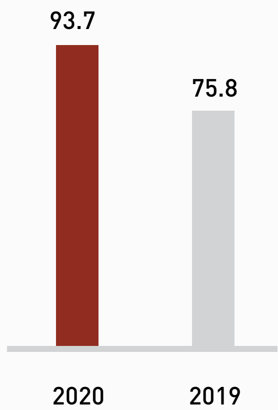
Customer Numbers (in Millions)



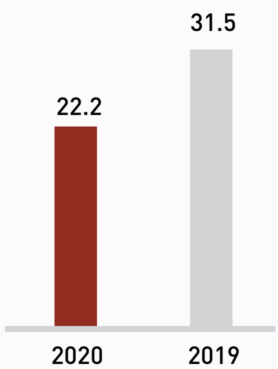
Employee Numbers



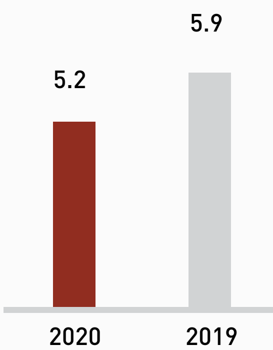
Total Revenue (Shs Billions)



Profit Before Tax (Shs Billions)



EPS



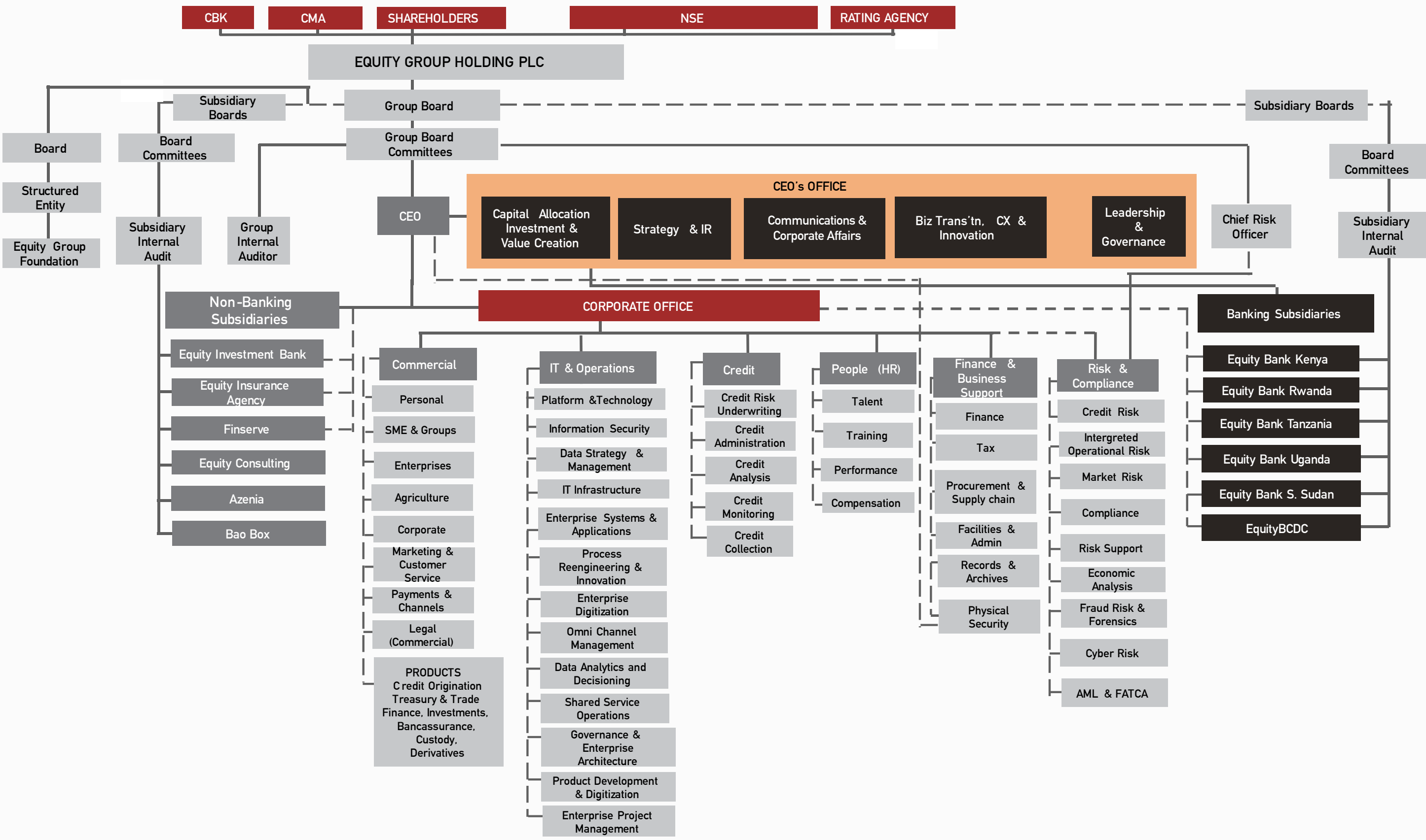
Total revenue = Net Interest Income + Fee and Commission Income + Net FX Income + Loan Recoveries + Other Income

GROUP STRUCTURE

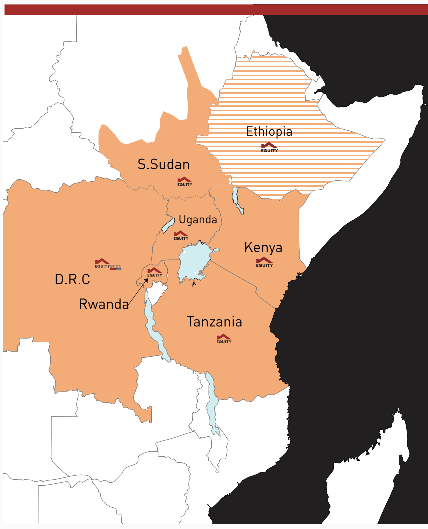
We carry out our operations within Eastern and Central Africa, with units strategically located in Kenya, Uganda, Tanzania, South Sudan, Rwanda and Democratic Republic of the Congo. We also have a Commercial Representative Office in Addis Ababa, Ethiopia. Our regional presence creates important synergies, 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.

Breadth and Depth of the Management Team

- Each of our subsidiaries has its own Board of Directors compliant with local regulation
- Management structure has continued to proactively evolve as the Group operations become more complex and diversified
- Deepening of skills to deliver on products, channels, risk mitigation and operational efficiency
- Breadth and diversification reflected in Group's Corporate Office to support subsidiaries and expanded leadership at subsidiary level
- Alignment of strategy and execution reflected by close interaction between the CEO's office and the Corporate Office



OUR FOOTPRINT



BRANCHES	**336**	**CAPITAL CITY**	**124**
Branches in Kenya	190	Nairobi	52
Branches in Uganda	43	Kampala	21
Branches in S. Sudan	5	Juba	4
Branches in Tanzania	14	Dar es Salaam	1
Branches in Rwanda	14	Kigali	8
Branches in DRC	70	Kinshasa	38
Representative Office	1	Addis Ababa	1

AGENT OUTLETS	**53,151**
POINT OF SALE TERMINALS (POS)	**34,862**
ATMs	**725**

Digital channels

EazzyBanking App

EQUITY USSD (*247#)

Pay With Equity

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:

Deposit products	Loan products	Services and transactions
• Remittance accounts • Super Junior accounts • Jijenge accounts • Business savings • Current account • Fixed deposits • Call accounts	• 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	• 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

Global Ratings and Accolades

Moody's

Equity Bank Credit Rating
- National Rating: B2
- Global Rating: Aaa.ke/KE-1
- Rating Outlook: Negative

Same as the sovereign rating

Business for Peace Foundation

2020 Oslo Business for Peace Award
Dr. James Mwangi

The Banker Top 1000 World Banks 2020

- Position 20 globally on Return on Assets
- Position 62 globally on Soundness (Capital Assets Ratio)
- Position 55 globally on Profits on Capital
- Position 754 largest bank globally

The Banker Top 100 African Banks 2020

- Position 7 overall
- Position 5 on soundness
- Position 9 on growth performance
- Position 8 on return on risk
- Position 6 on leverage category
- Position 6 on profitability

Global SME Finance Awards

Africa's SME Bank of the Year, 2018, 2019 & 2020

Euromoney Awards for Excellence 2020

- Best Bank in Africa
- Best Digital Bank in Africa
- Excellence in Leadership in Africa

abla

African Business Leadership Awards 2020
- African CEO of the Year - Dr. James Mwangi

GCR Global Credit Rating Co. 2020 – Local Expertise • Global Presence

Equity Bank Credit Rating
- Long Term Rating: AA-
- Short Term Rating: A1
- Rating Outlook: Negative

Brand Finance

Africa's top 150 most valuable brands
- Position 2 - in Kenya
- Position 69 - in Africa

African Banker Awards

- Socially Responsible Bank in Africa, 2020
- Best Regional Bank - East Africa - Equity Bank 2020
- African Bank of the Year, 2018
- African Banker of the Year, 2018 (Dr. James Mwangi)
- Best Retail Bank in Africa, 2017

The Banker – Bank of the Year 2019 & 2020

- Bank of the Year- Kenya 2019
- Bank of the Year - Uganda 2019
- Bank of the Year - Rwanda 2020
- Bank of the Year - DRC 2020
- Bank of the Year- South Sudan 2019 & 2020

Kenya Bankers Association

Customer Satisfactory Survey 2020
- Best Tier 1 (3rd place) - Customer Responsiveness and Satisfactory Digital Experience

Superbrands

Equity Bank has been recognised for the last 13 years since 2007 as the Top Banking Superbrand in Kenya.

VISA

Top Acquirer 2019 Award

Business Excellence Awards

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

Catalyst Awards 2019

- Best Overall Winner – 1st Runners Up
- Most Innovative Bank – Winner
- Best in Sustainable Finance – 2nd Runners Up

The Bloomberg 50

Dr. James Mwangi, named to the 3rd Annual 2019 Bloomberg 50 list

BUSINESS VALIDATION (continued)

2020 National Banking Awards and Accolades

Brand	1. Best Overall Bank - 9 years running 2. Best Bank in Tier 1 - 6 years running 3. Best Bank in Sustainable CSR - 4 years running 4. Most customer-centric bank - 3 years running 5. Bank with the lowest charge for individuals - 4 years running
Franchise Segment	1. Best Bank in SME Banking - 2 years running 2. Best Bank in Retail 3. Best Bank in Agency Banking - 6 years running 4. Best Bank in Mobile Banking- 3 years running 5. Best Commercial Bank in Microfinance - 6 years running 6. Best Bank in Internet Banking – 1st Runner Up 7. Best Bank in Corporate Banking – 1st Runner Up 8. Bank with the lowest charge for loans – 1st Runner Up
Product	1. Best Bank in Mortgage Finance 2. Best Bank in Agriculture and Livestock Financing - 2 years running 3. Special Judges Award for Product Innovation – Elimu Scholarship 4. Best Bank in Product Marketing – 1st Runner Up 5. Best Bank in Product Innovation – 1st Runner Up 6. Best Bank in Trade Finance – 1st Runner Up - 3 years running
Leadership	1. CEO of the Year – Dr. James Mwangi - 4 years running 2. Corporate Banker of the Year – Moses Ndirangu 3. Outstanding Young Banker – Dennis Maranga

Global Ratings and Accolades

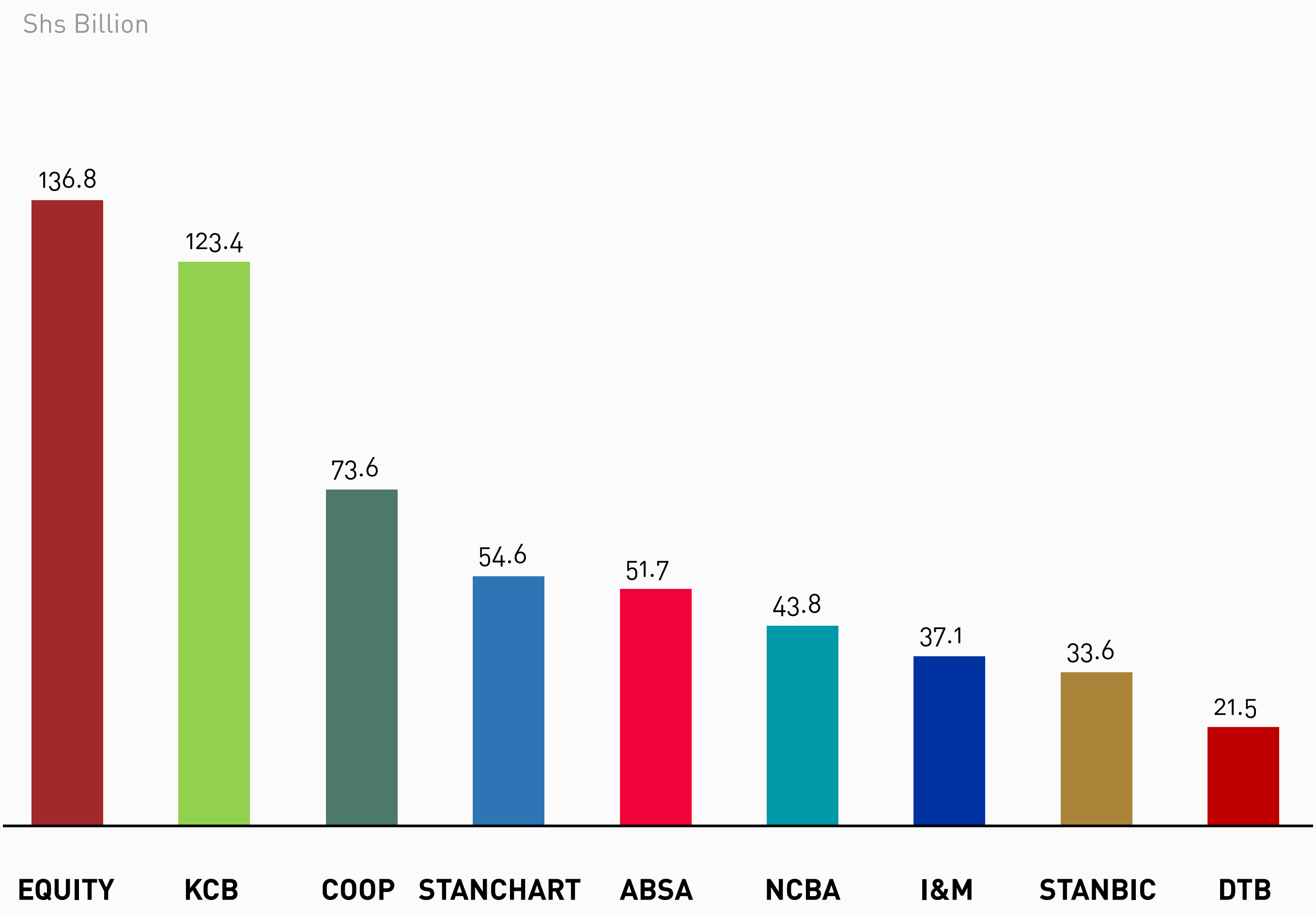
Dr. James Mwangi honouree, 2020 Oslo Business for Peace Award

Honourees are chosen by a prestigious Award Committee consisting of past Nobel Prize winners in Peace and Economics.

"Dr. James Mwangi receives the Award for his businessworthy values in championing financial inclusion for all in East and Central Africa. Dr. Mwangi helped achieve a social revolution by bringing banking services to people who previously had limited access to them, bolstering Kenya's GDP. Dr. Mwangi is an exceptional entrepreneur and humanitarian. The committee sees him as a shining example of how business leaders can accelerate change and help solve the world's problems," said Per Saxegaard, Founder of the Oslo Business for Peace Awards.

MARKET VALIDATION

Market Capitalization as at 31st December 2020



Source: Business Daily January 5th, 2021

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING

Notice is hereby given to Shareholders that, the **Seventeenth Annual General Meeting (AGM)** of **Equity Group Holdings PLC ("the Company")** will be held virtually on **Thursday 24th June 2021** at **10.00am** 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) will be proposed as ordinary resolutions and resolutions 3 a. 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, 2020.**

   To receive, consider and if thought fit, adopt the Audited Financial Statements and Directors' Remuneration Report for the year ended 31st December, 2020, together with the Chairman's, Directors' and Auditors' reports thereon.

ii. **Dividend**

   To note that the Directors do not recommend payment of a dividend for the financial year ended 31st December, 2020.

iii. **Remuneration of Directors**

   To approve the remuneration of the Directors for the year ended 31st December, 2020.

iv. **Election of Directors**

   a) To approve the appointment of Dr. Helen Gichohi, 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. Vijay Gidoomal, who in accordance with Article 100 of the Company's Articles of Association, retires from office by rotation and being eligible, offers himself for re-election; and

   c) To note the retirement of Mr. Christopher Newson, 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.

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) Dr. Edward Odundo;

   b) Mrs. Evelyn Rutagwenda;

   c) Mr. Vijay Gidoomal; and

   d) Dr. Helen Gichohi.

vi. To pass an ordinary resolution pursuant to section 721 of the Companies Act, 2015 to appoint PricewaterhouseCoopers LLP as auditors of the Company and to authorize the Directors to fix their remuneration for the year ending 31st December, 2021.

3. SPECIAL BUSINESS

a. SPECIAL RESOLUTIONS

   i. To amend Articles 1 and 79 of the Articles of Association of the Company by the insertion of a new Article 79A of the Articles of Association of the Company to provide for (i) the ability to nominate a director for any shareholder holding more than 12.5% of the Company's issued shares; (ii) ability to nominate a director for the Equity Group Foundation; and (iii) the appointment of Executive Directors (as defined below).

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING (continued)

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

1. *Amendment of Article 1 of the Articles of Association of the Company by insertion of the following new definitions:*
   i. *"Executive Director" after the definition of "The Directors"*

      *"**Executive Director** means a member of the Board who is an employee of the Company and also serves as a senior manager of the Company and includes the Managing Director and the term **"Executive Directors"** shall be construed accordingly";*

   ii. *"Equity Group Foundation" after the definition of "Board"*

      ***Equity Group Foundation** means Equity Group Foundation, a company limited by guarantee and incorporated in the Republic of Kenya with Company Number C.150117.*

2. *Amendment of Article 79 of the Articles of Association of the Company by insertion of a new Article 79A of the Articles of Association of the Company immediately after Article 79 of the Articles of Association of the Company.*

   Article 79A

   i. *Each shareholder shall be entitled to nominate for appointment, in accordance with the process under applicable law and the Company's Board charter, one (1) Director for each complete twelve-point five percent (12.5%) of shares held by the shareholder in the Company provided always that the total number of Directors so nominated for appointment by Shareholders pursuant to this Article 79A shall not exceed four (4) Directors.*
   ii. *The Equity Group Foundation shall be entitled to nominate for appointment in accordance with the process under applicable law and the Company's Board charter, one (1) Director.*
   iii. *The number of Executive Directors shall not exceed three (3).*

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 Browne
Company Secretary
P.O. BOX 75104-00200
NAIROBI.
26th May, 2021

NOTES

1. The Company has convened and is conducting this virtual general meeting in the manner prescribed in Article 54A of its Articles of Association.
2. Registration for the AGM shall open on Monday, 31st May 2021 at 9:00 am and will close on Tuesday, 22nd June 2021 at 5:00 pm.
3. Any Shareholder wishing to participate in the meeting should register for the annual general meeting by dialling *483*903# on their Safaricom, Airtel or Telkom mobile telephone lines or *370# 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 8:00 am to 5:00 pm on a working day.
4. 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.

NOTICE OF THE SEVENTEENTH ANNUAL GENERAL MEETING (continued)

5. 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, s/he shall key in the code received via SMS and proceed to follow the prompts.
6. 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 and the Proxy Form; (ii) the Company's Integrated Report for the financial year ended 31st December, 2020.
7. 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 EGHAGM2021@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 Tuesday, 22nd June 2021 at 1:00 pm for those requiring responses ahead of the AGM, but Shareholders can continue forwarding questions thereafter and responses will be provided for during and after the AGM.

    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 Wednesday, 23rd June 2021. 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 Wednesday, 23rd June 2021.
8. 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 EGHAGM2021@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, email address EquityAGM@image.co.ke not later than 5.00 pm on Tuesday, 22nd June 2021. Any person appointed as a proxy should submit his/her mobile telephone number to the Company not later than 5.00 pm on Tuesday, 22nd June 2021. Any proxy registration that is rejected shall be communicated to the Shareholder concerned no later than 10.00 am on Wednesday, 23rd June 2021 to allow time to address any issues.
9. 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.
10. 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.
11. Results of the AGM voting shall be published within 24 hours following conclusion of the AGM.
12. Time indicated on this Notice is East African Time (EAT).

PROF. ISAAC MACHARIA

NON-EXECUTIVE CHAIRMAN

BOARD OF DIRECTORS

EQUITY GROUP HOLDINGS PLC

MESSAGE FROM GROUP CHAIRMAN

2020 – THE UNPRECEDENTED YEAR

Dear Shareholders,

I am pleased to present to you my statement on my first year of service to you since I took leadership as your Chairman. 2020 was a year like no other. The world was confronted with the COVID-19 pandemic. It has been over 100 years since the Spanish flu of 1918, the last truly global pandemic. While COVID-19 is not the first major pandemic, it is unprecedented in its scope and rapid transmission across regions, fostered by advances in transport across the globe. The impact of this pandemic including the containment measures by governments, is an estimated 4.4% decline in the global economy, the worst since the Great Depression of the 1930s, the loss of millions of jobs, approximately 3 million deaths and over 150 million infections as at May 2021.

In this exceptional environment, our essence of social and economic transformation was severely tested and our resolve to remain a catalyst of social and economic transformation has only become stronger. In 2020, we positioned our business to be a safe harbour to absorb the economic shock brought by the pandemic through a number of defensive initiatives that not only aimed to minimize the impact of the pandemic on our business and staff but also on all other stakeholders including our customers, the communities in which we operate and frontline workers. At the same time, we moved boldly to expand our business in a year of increased conservatism. Consequently, in 2020, our inner strength and character was strongly tested. We are impressed by the ensuing results, which have validated our corporate philosophies, values and strategy. Thriving in this challenging environment has showcased our agility and resilience, and our innate capacity to respond and rebound to contextual challenges. Most significantly though, our social purpose and relevance proved to be the foundational anchor on which our business is established, endearing us to our customers who in turn provided us with impressive votes of confidence through increased deposits.

Directors of various Equity Group Holdings Plc subsidiaries attend training conducted at the Group's Head Office in Nairobi, Kenya.

In 2020, we reached the one trillion shilling milestone as our assets grew organically as well as through mergers and acquisitions. In this respect, I am pleased to welcome Banque Commerciale du Congo (BCDC) into the Equity family. Through this merger, Equity Bank Congo and BCDC are now EquityBCDC, the second largest bank in the Democratic Republic of Congo (DRC). This was a strategic investment that enabled the Group to seize a rare opportunity to expand operations into DRC. Our operations in the DRC now constitute 28% of the Group by asset size signaling our positive sentiment on the future outlook of the Country. By virtue of the acquisition we also became the largest bank by asset size at the Nairobi Securities Exchange. Since 2019, political mechanisms have been put in place to bring political stability to the nation. The Banking Sector in the country needs agility and a bank whose model is anchored in financial inclusion and shared prosperity in order to support the growth of the economy where bank assets to GDP is only 7%, perhaps among the lowest of any country in the world. Furthermore, banking penetration ranks at the bottom of regional peers, with only 6% of the population holding a bank account. This presents a great opportunity for the Group to leverage on its digital platform and inclusive products to penetrate the market and generate high returns.

Our financial performance in 2020 showcases our resilience as a business. On several of our key performance indicators, we experienced growth in a year of severe economic headwinds. Our profit reduced on account of a five-fold increase in our loan loss provision driven by the need to account for the uncertainty that arose in the performance of the COVID-accommodated book. This increase of provisions was to provide our investors with comfort on the safety of the balance sheet and certainty into our future earnings as the Group continues to grow. Non-funded and net interest income improved and our business remained highly liquid, while our capital position strengthened. Our development finance partners signalled their confidence in our business providing us with additional Tier 2 capital to the tune of Shs 11 Billion to support SME businesses in the region.

Our strategic response

Our overarching business strategy focuses on leveraging technology and innovation, convergence of various financial products and services for focused strategic delivery, scaling of the brand visibility and loyalty, regional expansion, enhancing customer experience, business transformation and exercising strict operational control. 2020 provided us with the opportunity to enhance these aspects despite the

MESSAGE FROM GROUP CHAIRMAN (continued)

Our strategic response (continued)

unpredictable environment, entrenching our use of digital channels, improving customer experience and loyalty, extending our footprint and brand visibility and improving our cost efficiency and productivity. Predominantly, we thrived because of our commitment to our people, which was more than ever proven as the core foundation on which our sustainable business is built.

One of the marked changes instituted through our Business Continuity Plan was the work from home policy. Approximately 45% of our employees continue to work from home. We view this as a precursor to a bolder transformation of work and the workplace. A combination of disruptive forces that are global in their scope such as expanded freelancing and the rising "gig" economy are transforming the traditional work model as well as technological forces like big data, human-machine collaboration, remote crowdsourcing, and automation; meaning we are adopting new ways of delivering value, including rethinking the workplace and the idea of work. The financial services workplace of the future will be agile, avoiding legacy challenges of traditional models, while capitalizing on new technologies and new employment models.

Our corporate purpose of transforming lives, giving dignity and expanding opportunities for wealth creation was authenticated in this tumultuous period. Our team, under the leadership of our Group CEO and Managing Director Dr. James Mwangi, responded with intentionality to the pandemic ensuring that employees and customers were protected, shareholder value preserved and communities supported. This included repayment holidays, fee waivers and loan restructuring for customers enabling them to weather the economic downturn in 2020. In a bid to protect the health of our customers, we have redirected them to mobile banking and enhanced contactless payments. For COVID-19 impacted customers, who accounted for 32% of our loan portfolio, we offered them repayment moratoriums of up to 3 years depending on sector and impact. We also waived loan restructuring fees amounting to Shs 1.2 Billion. These actions illustrate our commitment to supporting our customers in their times of need in alignment with our tagline of being a listening and caring partner.

Despite the pandemic, the Group experienced massive deposit growth, with our customers increasing the Group's deposits by 53% to Shs 740.8 Billion. However, it takes time to deploy these funds into private sector lending and the Group is therefore expecting growth in 2021, especially in lending to the real economy. These assets require capital to support the growth and the Board once again made a resolution to withold dividends to support this future growth. We are confident the investment to fund this growth is now complete and the provisions and credit risk guarantees held against the loan book are adequate enough to cover any future uncertainty. The Group is confident of returning to payment of dividends in 2021, with its payout policy of 30% - 50% of profit after tax and because of the investment made in this growth, this percentage is expected to be a higher amount than it has been in the past. We have invested in high growth subsidiaries that are increasingly demonstrating transition into high returns. We however continue to work with management to refine the capital allocation strategy and get the optimal balance between growth and returns. We thank our Shareholders for their patience and understanding. We are committed to ensuring Shareholder value maximization through dividends, appreciation of share value and capital gains.

One of the unforeseen outcomes of the pandemic has been the increased pace of adoption of technology solutions that has helped to enforce the health protocols of social distancing, minimised interaction with cash and reduced movement. We have noted a marked increase in the use of our digital channels, with 98% of all transaction now being conducted outside our bank premises. We envisage that this trend will continue and will influence the way we work and conduct our business in an unparalleled manner. With this in mind, we have strengthened our technology capabilities through increased investments in specialist human and technological resources to ensure that we offer cutting edge products and services. We have also enhanced our use of data analytics and Artificial Intelligence to develop specialised and tailored services that are relevant and consumer driven.

Equity Group Holdings Plc. Chairman Prof. Isaac Macharia (right) and Equity Bank (Kenya) Limited Non-Executive Director Shem Migot-Adholla (left) during a Board of Directors training session held at Equity Centre in Nairobi, Kenya.

MESSAGE FROM GROUP CHAIRMAN (continued)

Sustainability

Our twin engine approach enables us to run a viable commercial business engine while also creating social and environmental value for our stakeholders. Our social engine, the Equity Group Foundation (EGF), continues to scale up the impact and significance of our purpose driven social initiatives. Our six pillars of Education and Leadership Development, Food and Agriculture, Health, Enterprise Development and Financial Inclusion, Energy and Environment and Social Protection, have grown in scale and scope reaching new milestones in 2020. Significantly, in the face of the COVID-19 pandemic, EGF, The Mastercard Foundation and the family of Dr. James Mwangi, contributed funds totalling Shs 1.7 Billion to support frontline workers, businesses and communities respond to the pandemic.

Working with leading Business Membership Organisations, including the 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), we formed a partnership with support from the Mastercard Foundation, to collaborate in mitigating the adverse effects of the economic slowdown, and to provide capacity and resilience building to preserve and create 5 million jobs.

A Wings to Fly scholar (right) during a demonstration of how the solar-powered lamp cum transistor radio is recharged using a solar panel. Equity Group Foundation (EGF) in partnership with the Mastercard Foundation rolled out an initiative to assist 14,600 Wings to Fly and Elimu Scholars.

We are excited by the progress of the Young Africa Works program, our flagship initiative focusing on enabling 500 million young people in Africa to secure employment that is dignified and fulfilling. In Kenya, the program seeks to catalyse the creation of 810,000 jobs by facilitating 150,000 MSMEs access to finance, grow their capital and improve their business models. Thus far, we estimate that businesses supported by the program have created more than 344,820 jobs, as well as supported to retain 72,049 jobs. We are in the process of rolling out the program in the other countries we operate in including Uganda, Rwanda and DRC, ensuring the benefits are accessible across our footprint.

Due to the closure of schools, we supported our *Wings to Fly* and Elimu Scholars to continue schooling at home by providing them with the necessary tools which included a solar powered radio, lamp and a mobile charging unit. We also provided them and the *TVET* Scholars a monthly stipend to support their upkeep and that of their families.

The Board

In 2020, the Board worked tirelessly to oversee implementation by the management of the Business Continuity Plan (BCP). We opted to proactively support the business in the complex and ever-changing pandemic environment, providing oversight and counsel as required. We kept sight of the evolving global and regional economic environment ensuring our business approach was responding appropriately. We also gave cognisance to emerging challenges and risks as well as our leadership role as a key financial institution in the region in supporting businesses and communities in this challenging period.

The Group is growing in complexity and it requires broad diversity in the board to ensure we execute our mandate expeditiously. To this end, new board members are vetted in line with our Board Charter to ensure they compliment the existing Board composition. A board diversity and skill matrix has been adopted (details of changes in Board Membership are contained in the Corporate Governance Report).

Looking forward

These are challenging times. While there are many uncertainties in respect to the pandemic, it is clear that businesses will survive based on their ability to adapt to ever changing circumstances and in many instances through repurposing. How we work and deliver value for stakeholders is also changing and inexorably progressing. Technological progress, boosted by the pre-eminence of technology solutions during this pandemic, has received an unprecedented impetus threatening business models and value chains, especially brick and mortar approaches. People and communities are also changing with expectations of businesses to participate in social progress and display greater empathy and support to communities. Demographic changes mean a younger generation of employees and customers with greater affinity for social causes and a stronger societal impulse, are seeking to support those businesses that reflect their values and perspectives.

MESSAGE FROM GROUP CHAIRMAN (continued)

Looking forward (continued)

In this complex context, our corporate philosophies will continue to be the true anchor of our business, enabling us to play a leading role in wealth creation and the transformation of lives. These ideals have proven valid in this unprecedented year and we are confident that they will provide us with the relevance required to continue creating meaningful value for our stakeholders. We remain confident with the leadership of Dr. James Mwangi and the Equity management team, who have shown exceptional competence and character in these turbulent times, to steer the Group resolutely and to position us as the largest Bank in the region. The Board also commends the Group's employees who have weathered the storm with determination, increasing productivity and ensuring that operations continued uninterrupted. The Group has a robust succession policy to ensure the skills of this exceptional management team are carried forward for years to come. This succession policy covers the entire team, including the CEO and Board membership. Our regulators and investors have been highly supportive and we appreciate their continued counsel and backing.

Prof. Isaac Macharia
Chairman
Board of Directors
Equity Group Holdings Plc

DR. JAMES MWANGI, CBS

GROUP MANAGING DIRECTOR & CEO

EQUITY GROUP HOLDINGS PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT

2020 was characterised by one phenomenon, the COVID-19 pandemic. An occurrence that has made an indelible mark in our lives through the immense changes it has fostered. A new language of social distancing, sanitizing, wearing masks and washing hands has become our mainstay and even coughing in public has gained new significance. But while our personal context has changed inextricably, it is the profound social and economic impact which the pandemic added to the health complexities that have had the greatest impact on humanity.

The story of Equity Group in the time of COVID-19 is in line with our philosophies and our corporate purpose. From the onset, we prioritised the need to support lives and livelihoods and ensured that we preserved people's dignity. We determined key actions that would enable our stakeholders to mitigate the impact of the pandemic and rolled out several initiatives in this respect. Our overarching intention was to maintain our social licence to operate by accompanying vulnerable customers and businesses as they address the impact of the pandemic, enhance resilience and rebuild stronger. We determined that the human aspect of the pandemic would be our focus and our performance portrays this social outcome. We were rewarded for our empathy and support for customers, employees, communities and other stakeholders.

Chair Health Committee, Kenya COVID-19 Fund Board and Equity Group MD and CEO Dr. James Mwangi (centre) and Kenya COVID-19 Fund Board Chairperson, Jane Karuku (2nd right) flag off the first consignment of locally manufactured PPE valued at Shs 237 M. Looking on is Kenya COVID-19 Fund Board Health Technical Committee Chair Prof. Isaac Macharia (left) and Kenya COVID-19 Fund Board Procurement Committee Chair, Phyllis Wakiaga (2nd left).

The Group mobilized a total investment of Shs 1.7 Billion to support COVID-19 response initiatives in the region. In Kenya, funds totalling Shs 1.1 Billion that included donations of Shs 500 Million from the Mastercard Foundation through its Mastercard Foundation COVID-19 Recovery and Resilience Program, Shs 300 Million from my family and a similar amount from Equity Bank (Kenya) Limited were committed to purchasing Personal Protective Equipment (PPE) and psycho-social support for frontline workers in 68 public hospitals. We also supported 60,000 health workers through an online platform, providing case management content and updated information as the pandemic evolved.

In Rwanda, Equity Bank Rwanda supported the Government initiative with a contribution of 22,225 testing kits worth RWF 1 Billion (USD 1.06 Million); while in Uganda, Equity Bank Uganda Limited contributed a total of UGX 500 Million (USD 131,500) in the form of two brand new vehicles valued at UGX 400 Million (USD 105,000) and PPE worth UGX 100 Million (USD 26,500) to the Government of Uganda's COVID-19 response. Similarly, in the Democratic Republic of Congo, Equity Bank Congo supported the Government's response initiative with Congolese Franc 1.9 Billion (USD 1 Million) towards the purchase of PPEs for all public hospitals.

Offensive and defensive approach

For our employees, we determined that they would need support to enable them to adapt to the new context especially the need to work from home. We developed workplace policies to protect employees in our premises, ensured that our workplace was clean and hygienic and provided masks and sanitizers and enhanced medical cover. Through Equity Afia, our associate health franchise, employees received COVID-19 awareness health education on prevention measures and coping mechanisms. The Bank ensured job security for all employees without subjecting them to salary freezes or reductions, while accommodating over 45% of employees working from home.

Our customers were a key priority right from the onset of the pandemic. We took cognisance of the fact that certain sectors would be more impacted by the pandemic and the resultant containment measures taken by governments in the region. These were the tourism, travel and hospitality industry, construction, education (particularly private schools), oil and gas sectors. In addition, with supply chain disruptions, manufacturing, trade, commerce and agriculture sectors would also be affected. This would inevitably have an effect on our business prompting us to implement our Business Continuity Plan (BCP). We adopted a twin approach of an offensive and defensive strategy to protect the business. The defensive approach focused on preserving the capital base of the Bank, focusing on execution, managing the cost structure, digitising the Bank and supporting customers through loan restructuring and fee waivers. Waivers worth Shs. 1.2 Billion in rescheduled fees on restructured loans

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Offensive and defensive approach (continued)

and Shs. 1.2 Billion waivers on mobile charges were offered in the year. In addition, loans worth Shs. 171 Billion were rescheduled with a moratorium of a maximum of three years. While our approach stands out in the industry, this was a result of studying the effects of the last pandemic, the Spanish Flu, and its effects on the world economy. All evidence pointed to economies only starting to bounce back after 3 to 5 years. One year later, our view is being validated, with the pandemic still ravaging the world as new strains arise. This approach ensured not only that customers are supported throughout and beyond the crisis, but the balance sheet of the Group is secure and safe to ensure bounce back and preserve long-term value for our Shareholders. We are glad that our strategy has proven effective, with the loans whose moratoriums have expired returning to repayment terms and showing strong performance. We are confident that this trend will continue and a majority of our customers will not only survive this crisis, but thrive.

(From left) Kenya Association of Manufacturers CEO, Phyllis Wakiaga, Equity Group CEO and MD, Dr. James Mwangi, Equity Group Chairman, Prof. Isaac Macharia and EPZ Shona Director Isaac Maluki inspect some of the PPEs produced at the factory.

The offensive strategy sought to support customers to repurpose and retool their businesses in view of changing business realities. We also focused on growth opportunities including organic growth as well as merger and acquisition opportunities. We worked closely with businesses to enable them to expand their opportunities in the health sector enabling the manufacturing of face masks and Personal Protective Equipment locally, lowering mask prices by 70% and enabling these businesses to repurpose and redefine themselves. We experienced marked growth as we filled the gap left by other financiers who took a more conservative approach resulting to growth of deposits by 31% in Kenya and 41% in Uganda.

Performance

During the year, customer deposits grew by 53%, an emphatic vote of confidence in our approach to support them through a difficult year. Loans to customers grew 30% while profit before provisions also grew 30%. Net interest income grew by 23% to Shs 55 Billion while non-funded income increased by 27% to reach Shs. 38 Billion up from Shs. 30 Billion in 2019 and contributing 41% of total income. In response to the challenging environment, we raised provisions to Shs 26.6 Billion up from Shs 5.3 Billion the previous year, to increase Non-Performing Loans (NPL) coverage to 89.4%. Core capital was enhanced by withdrawing the 2019 declared dividends amounting to Shs 9.5 Billion and raising Shs 11 Billion in Tier 2 Capital to support our growth. Our cost to income ratio declined from 51% to 48%, validating our efforts at cost efficiency while Profit after Tax (PAT) was Shs. 20.1 Billion, a decline of 11% Year on Year. We are the most profitable Bank and most digitised online banking business in the region.

On our regional subsidiaries, Equity Bank Uganda grew profit before tax (PBT) by 55% and Equity Bank Rwanda grew by 11%. Uganda and Rwanda are now transitioning into the high return phase as their return on assets is expected to be above 4% in 2021. We completed the integration of BCDC into the group and EquityBCDC grew PBT before provisions by 30%. These subsidiaries will continue to be high growth subsidiaries with all their returns expected to surpass their cost of capital in 2021. Equity Bank South Sudan continues to self-sustain and grew PBT by 76% in 2020. We are confident that Equity Bank Tanzania will turn around in 2021 and post a profit in the year. Meanwhile, Equity Bank Kenya continues to be a high returning business that is still experiencing growth, with the PBT before provisions growing by 25% in 2020. This signals management's ability to adjust the business model in the face of interest rate caps and to build non-funded income contribution to total income to 41%. The cost to income ratio also reduced from 46.4% to 41.5%, showing that management's strategy of focusing on digitization and variable cost channels is paying off. This trend of expansion in returns is expected to continue in the coming year.

Our performance showcases that we are a resilient and trusted business. It validates our strategy to provide relevant products and services that respond to the needs of stakeholders. Meticulous execution, responsiveness to customers, agility and adaptability were key factors for our performance. Our willingness to self-disrupt and reposition our business to assertively pursue opportunities in such challenging times has proven worthwhile. Most of all, our

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Performance (continued)

willingness to do good by providing our infrastructure and resources to support communities and businesses has been soundly rewarded. Our results show that purpose creates value and a company can do well, while still doing good.

Our strategy

We are a highly digitised bank offering a wide array of digital channels. COVID-19 provided a major impetus for enhancing our digital self-service platforms as we moved more transactions to contactless channels. We have expanded the capabilities of these self-service platforms to ensure that they are versatile, accessible and available resulting to service availability of 98.9% and uptime connectivity at 90% while system uptime and availability was at 99.9%.

Our Eazzy suite of products and services continue to offer customers services through digital channels covering an extensive array of transactions and products. Thousands of individuals use these channels daily, attesting to improved accessibility and convenience. As a digital bank, we are keen to enable the digitisation of MSME businesses. Our payment platforms – Jenga Payment and Jenga API – have grown in popularity and usage as they enable SMEs to automate their backend processes and focus on delivering value added products and services for our clients. We had over 76 businesses using these channels by December 2020 with 996,000 transactions valued at Shs. 13.5 Billion.

Equity's mobile virtual network operator (MVNO), Equitel, 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 31% to 779.2 million transactions, up from 595.1 million in 2019.

Our business transformation is still on track with our brand relaunch having been conducted in our subsidiary markets including Uganda, Rwanda, Tanzania and South Sudan in 2020. These subsidiaries now don the new look in all their physical outlets and digital banking platforms, social media assets, websites, mobile applications, mobile banking platform, online banking portals and ATM screens. The refreshed brand identity across our markets reflects our One Equity strategic focus on our customer centric approach and the future we envision, and communicates

***Left to Right:** Equity Rwanda Managing Director Hannington Namara; Board Director Eugene Haguma; Board Director Dr. Uwizeye Patrick; Bank client Mukeshimana Eugenie; Board Director Steven Mutabazi; Board Director Ambassador George W. Kayonga and Kigali Branch Manager, Jean Havugimana during the unveiling of Equity's new look.*

our global capability, strong heritage, innovative culture and agile business model, providing us with the brand momentum required to scale up our strengths across Africa and the world.

We are the second largest Bank in two major markets, Kenya and DRC, and top five in Rwanda, Uganda and South Sudan. The brand is increasingly becoming regional and iconic. Our organisational culture continues to evolve in line with our brand while remaining true to our core values and corporate philosophies.

2020 was marked by important strides in Ecosystem banking which is an important approach to leveraging on our strong capital base including significant tier 2 capital to finance entire value chains. We can now place our infrastructure at the disposal of a wide array of value chain players enabling them to transact with certainty as we provide liquidity for the movement of goods and services within the entire business ecosystem.

Equity Group Foundation

2020 was a definitive year for our social engine, the Equity Group Foundation (EGF). The Foundation was integrally involved in COVID-19 initiatives across its six pillars ensuring the mitigation of impacts and enhancement of resilience in communities. With schools closed, the Foundation supported 14,600 *Wings to Fly* and Elimu scholars to cope with the prolonged closure by providing them with solar powered radios and lamps that allowed them to continue learning, and a monthly stipend of Shs. 3,000 per scholar per month that contributed to household needs for food and other essentials, with the support of the Mastercard Foundation.

CHIEF EXECUTIVE OFFICER'S STATEMENT (continued)

Equity Group Foundation (continued)

The Young Africa Works initiative continued in earnest. The aim of this initiative is to enable the financing of 140,000 qualifying and underserved MSMEs, provide financial literacy and entrepreneurship training for 150,000 MSMEs owners and tailored business development support to 15,000 entrepreneurs. Overall, the initiative seeks to create 810,000 jobs for young Africans, particularly women and youth. In 2020, Young Africa Works had cumulative loans valued at Shs 57.7 Billion and created approximately 344,820 as well as supported to retain 72,049 jobs.

Looking forward

We recognise that our leadership position in the financial and technology sector requires us to provide clear standards in the way financial services are provided and to be a role model. We believe that business should be purpose led creating resilience and supporting global reconstruction to build back better in a post-COVID era. Purpose, executed properly, is profitable providing both business, societal and environmental benefits and value. Finance, for us, is a tool to enable people and communities to create wealth and rise out of poverty.

We realise that the spectre of COVID-19 is not fully resolved. Vaccines provide an important step to stem the extreme effects of the virus, but overall recovery will be in the medium-term. We are therefore cautious in our approach, capitalising on key opportunities as we observe global occurrences, local realities and economic impacts. We will work to deepen our product and service offerings as we take advantage of our extensive digital capabilities and burgeoning customer numbers. We are driving the One Equity approach, ensuring that customers receive the same type of service irrespective of where or how they access those services in the regions we operate in. We will therefore support replication of capabilities across the region to provide uniformity in customer experience.

Looking into the future, we foresee strong growth and expanding Return on Equities (ROEs) in an improved macroeconomic environment, in 2021 despite the many challenges that the economies are still facing.

The private and public sectors must work together and turn the current crisis into opportunities by keenly focusing on food security; re-imagining our health care and social protection systems; putting measures in place to nurture the small and medium-sized enterprises and women-led firms; by harnessing and better managing the natural resources' revenue streams; operationalizing the Africa Continental Free Trade Area; by paying greater attention to climate change and resilience in the region.

As effective vaccines against the virus become available, we need to work together to build back better with inclusivity and resilience.

I am grateful to the Board, Shareholders, management, staff and customers for the confidence and trust bestowed in me and for the support provided in growing the business and look forward to our collective effort in empowering and creating wealth for our communities across Africa.

Dr. James Mwangi, CBS
Group Managing Director & Chief Executive Officer
Equity Group Holdings Plc

GROUP BOARD OF DIRECTORS

Vijay Gidoomal
Non-Executive Director

Dr. Helen Gichohi
Non-Executive Director

Dr. Edward Odundo
Non-Executive Director

Mary Wamae
Group Executive Director

Profile of the Directors are available on pages 240 - 251

Prof. Isaac Macharia
Non-Executive Chairman

Dr. James Mwangi
Managing Director and
Chief Executive Officer

Evelyn Rutagwenda
Non-Executive Director

Christopher Newson
Non-Executive Director

Christine Browne
Company Secretary

GROUP EXECUTIVE MANAGEMENT

Dr. James Mwangi, CBS
Group Managing Director & Chief Executive Officer

Mary Wamae
Group Executive Director

Polycarp Igathe
Group Chief Commercial Officer

Olanrewaju Bamisebi
Group Director, IT and Operations

Sam Gitwekere
Group Director Credit Risk

Christine Browne
Group Director Legal Services and Company Secretary

Brent Malahay
Group Director Strategy, Strategic Partnerships and Investor Relations

Gloria Byamugisha
Group Chief Human Resources Officer

David Ngata
Group Finance Director

Profile of the Group Executive Management are available on pages 252 - 256

GROUP EXECUTIVE MANAGEMENT (continued)

James Mutuku
Group Director,
Treasury and Trade Finance

Elizabeth Gathai
Director, Digitization and Automation

John Wilson
Group Chief Risk and Compliance Officer

Joy DiBenedetto
Group Director Communications

Bildard Fwamba
Chief Internal Auditor

Gerald Warui
Managing Director,
Equity Bank Kenya

Emmanuel Deh
Executive Director,
Equity Bank Kenya

Samuel Kirubi
Managing Director,
Equity Bank Uganda

Anthony Kituuka
Executive Director,
Equity Bank Uganda

Addis Ababa Othow
Managing Director,
Equity Bank South Sudan

Hannington Namara
Managing Director,
Equity Bank Rwanda

Robert Kiboti
Managing Director,
Equity Bank Tanzania

Esther Kitoka
Executive Director,
Equity Bank Tanzania

Célestin Muntuabu
Managing Director,
EquityBCDC S.A.

Jean-Claude Tshipama
Deputy Managing Director,
EquityBCDC S.A

Profile of the Group Executive Management are available on pages 252 - 256

OUR BUSINESS

OUR BUSINESS

OUR BUSINESS MODEL

Our business is anchored by a corporate philosophy that is centred around social and economic transformation and this has moulded our business model that is grounded on 4 foundational pillars:

1. Social and economic engine that catalyse each other
2. Financial inclusion that drives our value chain approach
3. Shared prosperity that ensures a symbiotic relationship with our stakeholders
4. Technology that allows us to be relevant and scalable

We execute on this business model through an ecosystem approach whereby our Social Engine builds capacity in the value chains that we provide financial services, whilst our Economic Engine provide financial service solutions to these value chains.

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 up of the brand visibility and loyalty. This will be done by increasing access and enhancing customer experience.
3. Exercising strict operational control that 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:

i. We have developed numerous third-party infrastructures to foster growth and scale up our operations without increasing our cost structure.

   a. The agency network that has 53,151 agents with a 16% growth in the volume of transactions.

   b. Our investment in Equitel which is now the 2nd largest money transfer system in Kenya and handled Shs 934 Billion in 2020.

   c. Our merchant network, which now has 34,862 POS merchants and 86,337 EazzyPay merchants on board.

ii. Execution of digital banking through an enhanced offering on our different digital platforms such as EazzyNet, Eazzy API, EazzyBiz, EazzyBanking 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.

iii. 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 in the region.

iv. 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 2020

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 efficiency
03	Geographical expansion and Business Diversification
04	Balance Sheet Efficiency, Optimization and Agility
05	Asset Quality, Distribution and Risk Mitigation
06	Business Transformation - Innovation and Digitization
07	Efficiency and Cost Optimization
08	Impact Investment & 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 region we operate in.

1. CAPITAL

All organizations depend on inputs (or capitals) for their success. We use a wide range of inputs that are related to raising finances and managing 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 provision of products and services to our customers. These resources are obtained through funding from development partners (DFI), owner's equity and internally generated capital through operations (retained earnings).

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
- 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 concern raised by Shareholders was 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 up to 15 countries by 2025. An increasing number of Shareholders are also interested in how we are embedding sustainability considerations into our business practices.

- The allocation of capital as we expand.
- Sustainable payment of dividends, especially after withdrawal of 2019 dividends and the recommendation of no dividends in 2020.
- Asset quality, especially in a COVID environment, touching on loan rescheduling and adequacy of provisions.
- Increased relevance of our presence in DRC.
- Presence of interest rate capping.
- Sustainability considerations of the business.

Value we create

- Delivering value to our Shareholders by increasing net asset value and net earnings.
- Continuous engagement to ensure full disclosure and open communication to inform their investment decisions.
- Management adhering to a disciplined process of capital allocation that ensures we venture into growth markets where Equity's model of shared prosperity would be profitable and sustainable.
- Returning to payment of dividends, with the Group's dividend payout policy of 30% - 50% of profit after tax, after accounting for the uncertainty of the COVID-environment and investment in growth in 2019 and 2020.
- Maintaining a safe balance sheet by holding adequate provisions and keeping a high coverage of non-performing loans

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. Customers would like funding from the Group to grow their businesses and live up to our promise to transform their lives and allow them to take advantage of opportunities for wealth creation.

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 underbanked.
- 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 to 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.

OUR BUSINESS (continued)

STAKEHOLDERS (continued)

Employees (continued)

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.

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.
- Social development initiatives under Equity Group Foundation aimed at transforming lives and livelihoods through six pillars, Education & Leadership development, Food and Agriculture, Health, Enterprise development and Financial Inclusion, Energy and Environment and Social Protection including flagship programs such as *Wings to Fly*, Elimu Scholarship and Equity Afia.

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.

OUR BUSINESS (continued)

MATERIAL ISSUES

These are the factors, which in our view, could materially impact our ability to serve our customers, deliver on 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 Group.

	The risks and their impact	How we are responding
Addressing the challenges and impacts of COVID-19	COVID-19 poses a critical challenge for the way we do business affecting both our operations and customers. Inevitably, COVID-19 has also changed the way banking and business is conducted posing new challenges while also creating opportunities for the Bank.	• Business Continuity Plan operationalised to ensure we sustain operations without interruptions while protecting the health of our stakeholders. • We support our employees, enabling them work remotely and ensuring high productivity. • Client facing employees have been provided with a wide range of protective equipment and clear guidelines to safeguard their wellness. • Distressed customers have been supported through varied mechanism on a case-by-case basis enabling them to remain operational in these challenging times. • Regulator and government requirements and protocols have been cascaded throughout the Bank. • Providing COVID-19 awareness health education on prevention measures and coping mechanisms to customers and staff through our associate health franchise Equity Afia.
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. 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 is industry leading. • We invest in productivity to optimise our cost base and continue to remain competitive for our customers.
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 cyberattacks, political instability, unfavourable business conditions 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.

OUR BUSINESS (continued)

MATERIAL ISSUES (continued)

	The risks and their impact	How we are responding
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.
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 customers' 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 consistent 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 impacts 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 do 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 CONTEXT

The first cases of COVID-19 in the region we operate in, were announced in March 2020. Each of the country governments instituted a wide range of regulations, legislation, measures, requirements and health protocols in a bid to stem the spread of the virus. These measures were inevitable given the risk to health and life posed by the pandemic, though they resulted into severe economic slowdown, creating a challenging environment for businesses globally and in the region.

	Some measures taken by countries in the region
Kenya	• Nationwide curfew and restrictions on travel to most affected areas. • Allocated 0.4% of GDP for health, social protection and cash transfers. • Tax measures designed to increase cash in the economy. • Central Bank released additional liquidity, encouraged flexibility with borrowers and reduced banking fees. • Adopted containment measures including banning all public gatherings (except for houses of worship).
Ethiopia	• State of emergency declared in August 2020 and elections postponed. • Travel restrictions and restrictions on layoffs. • Allocated 0.15% of GDP for health spending and announced additional 1.6% of GDP stimulus package. • Additional measures for enterprises and citizen support under discussion with donors and multi-lateral institutions.
Uganda	• Full lockdown in effect in April/May 2020, with travel restrictions into Uganda. • House-to-house food distribution drive to the vulnerable in Kampala. • Increased health spending and announced a package of measures to mitigate the social and economic impact of the pandemic. • Bank of Uganda reduced the central bank rate; put measures in place to support the financial and private sector and foreign exchange market intervention.
Rwanda	• Full lockdown in effect until August 2020 reopening to international travel. • Government distributed food and other essentials to all vulnerable citizens. • Tax relief measures including softening of arrears collections. • Banking liquidity support measures and relaxing of loan repayment conditions for impacted borrowers.
DRC	• State of emergency declared. • Exemption or suspension of a wide range of taxes, duties, levies and fees. • Prohibition of any mass employee dismissals based on lockdown measures. • Creation of a fund to support spending measures relating to the crisis.

BUSINESS PERFORMANCE (continued)

OPERATING CONTEXT (continued)

EQUITY BOOSTS GOVERNMENT EFFORTS AGAINST COVID-19 PANDEMIC

Kes 4.1 billion to complement Government's health and social responses as well as support our **customers**

Health Response
Waived fees on mobile banking transactions to discourage use of cash and leveraged off our health clinics to support educational awareness. Transaction fee foregone amounted to **Shs 1.2 Billion.**

Social Response
Equity Group Foundation, Mastercard Foundation and Dr. James Mwangi's family contribution to the COVID-19 fund totalling **Shs 1.7 Billion.**

Loan restructuring
In response to the challenging operating environment for customers, we have identified borrowers impacted by COVID-19 who account for **32%** of our loan portfolio. Loan restructuring fees waived amounted to **Kes 1.2 Billion.**

Capital buffers
In response to the global and regional uncertain operating environment, we have enhanced core capital buffers by withdrawal of 2019 dividend amounting to **Shs 9.5 Billion**, not recommending a dividend for the year 2020 and raised USD 100 Million of Tier 2 capital.

Risk management
In response to a challenging operating outlook we partnered with development institutions to obtain partial credit guarantee on select borrowers and enhanced our provisioning intensity to proactively manage emerging risks.

Liquidity buffers
In response to the potential liquidity risk arising from accommodation of our customers and the challenging environment, the Group secured DFI funding amounting to **USD 350M** in the year to strengthen liquidity; liquidity levels now rising to **59%** from **52%.**

BUSINESS PERFORMANCE (continued)

OPERATING CONTEXT (continued)

COVID-19 infection prevention and management initiatives for our employees

- COVID-19 awareness
- Promotion of good respiratory hygiene in the workplace
- Promotion of regular and thorough hand-washing and sanitizing
- Coronavirus prevention masks
- Workplaces cleanliness and hygiene
- Staff screening
- Business Continuity Plan including work from home policy
- Equity staff meeting and travel policy
- COVID-19 emergency response
- Equity Staff Hotlines
- Equity COVID-19 surveillance team
- Paid leave
- Equity internal infectious disease preparedness task force
- Medical insurance cover enhancement
- Decontamination of cash
- New staffs sitting arrangements to comply with social distancing measures

COVID-19 support initiatives for the Society/Community

i. **COVID-19 awareness, knowledge of infection prevention and screening**

- COVID-19 Awareness
- Distribution of health education material
- Decontamination of cash
- Promotion of electronic money channels to avoid hard cash
- Providing COVID-19 medical trainers to the communities
- COVID-19 Screening and referral to designated Coronavirus isolation and treatment facilities in Kenya

Lamu Governor Fahim Twaha (right) looks on as a medic tries on PPEs donated to the local public hospital by Equity Group Foundation and Kenya COVID-19 Fund Board.

ii. **Supporting health care system**

- Increased access to quality and affordable health services through Equity Afia clinics
- Ensuring availability of a mental wellness support system for frontline health workers

iii. **Building communities resilience and sustaining their livelihoods in our financial intermediation role during COVID-19**

iv. **Supporting the local economies to avert looming (deeper) economic crisis and recession**

BUSINESS PERFORMANCE (continued)

OPERATING ENVIRONMENT

The global health crisis of COVID-19 presented a myriad of challenges to businesses globally. The banking sector remained resilient in the face of the pandemic with strong liquidity and strong capital ratios. The governments and banking regulators in the countries we operate, intervened by instituting measures and policies to spur economic growth. These include:

- Encouraged financial institutions to accommodate loan restructuring for their customers
- Promoted use of e-payments by reducing and waiving transaction fees to reduce risk of contaminated bank notes
- Reduced the Cash Reserve Ratio (CRR) to boost bank's liquidity
- Enacted legislations aimed at giving relief to affected populations through tax incentives and;
- 2020/2021 budgets aiming to support recovery of critical sectors

Kenya's GDP was estimated to grow by 1.1% in 2020 while Sub-Saharan Africa economy was projected to contract by 2.6% due to economic disruptions occasioned by the global health pandemic. Inflation rates remained below double digits except in DRC and South Sudan. There was increased pressure on local currencies to US Dollar for all currencies except for Uganda Shillings (UGX).

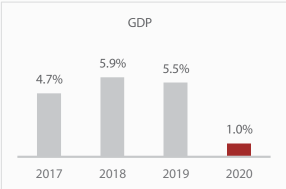
Country	Interest Rates December 2020		FX (Local Currency to USD)		Inflation	GDP Growth
	CBR	Changes in CBR	31 Dec 2020	% Change (12 Months)	Dec 2020	IMF Projected 2021
Kenya	7.0%	- 150 Basis Points	109.3	8%	5.6%	4.7%
Tanzania	7.0%	0 Basis Points	2,322	1%	3.2%	3.6%
Uganda	7.0%	- 200 Basis Points	3,660	0%	3.6%	4.9%
Rwanda	4.5%	- 50 Basis Points	972	5%	3.9%	5.7%
DRC	-	-	1,966	18%	23.4%	3.6%
S. Sudan	-	-	177	10%	11.5%	4.9%

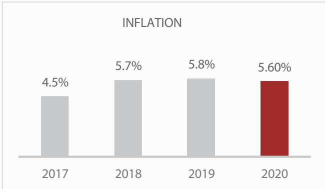
BUSINESS PERFORMANCE (continued)

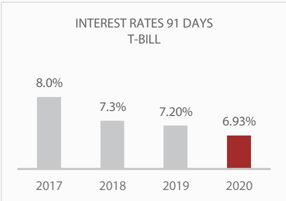
OPERATING ENVIRONMENT (continued)

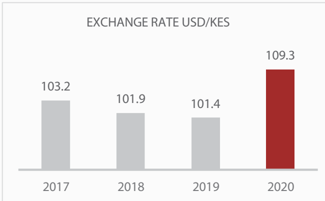
KENYA

KEY HIGHLIGHTS









Kenya's economy was projected to grow at 5.4% in 2020, pre-Covid, but this was revised to 1.1%. The outbreak of COVID-19 in March including measures taken to stem the spread of the virus, resulted into a marked slowdown in business and economic activities. Key sectors especially in the service and manufacturing industries where heavily impacted by COVID-19 particularly tourism, trade, transport, real estate, financial services and export agriculture. The authorities responded with expansionary fiscal, monetary policy measures, supporting loan restructuring and support for distressed bank customers, tax rate cuts, fee waivers and support for vulnerable groups. Due to the pandemic, an estimated 900,000 jobs were lost and nearly 2 million people fell into poverty.

An Equity customer receives keys for a pickup truck from Equity Group Chief Commercial Officer, Polycarp Igathe. Equity and Toyota signed a partnership agreement that will see customers get up to 95% financing payable within 60 months on the single cab Hilux pickup truck.

Budget constraints were inevitable given the reduction in tax revenue and increased health sector expenditure leading to a fiscal deficit estimated at 8.3%. The Kenya Shilling deteriorated marginally to major currencies, weakening by an estimated 7.8% closing at 109.3 to the US dollar down from 101.4 in 2019. Public debt increased from 62% of GDP in 2019 to 72% in 2020 due to public investment in infrastructure, debt-management and the pandemic. As a large part of the debt is owed to international creditors in foreign currency, public finances are vulnerable to exchange rate movements. Inflation at 5.6% remained within the Central Bank's target band of 2.5% to 7.5%.

The COVID-19 pandemic heavily impacted the banking sector in Kenya and the ensuing measures aimed at reducing the spread of the virus. Business and economic slowdown impacted the sector through distressed customers resulted to loan restructuring estimated at 47% of the industry loan book worth Shs 1.38 Trillion with banks responding through increased provisioning. More encouragingly, the sector noted an increase in the uptake of digital products with Shs 5.21 Trillion transacted in 2020 on mobile phones predominantly between bank accounts and digital wallets.

Economic recovery is predicted in 2021 with GDP growth projected at between 5% and 7.2%. The rebound assumes global economy post-pandemic recovery, normalized economic activity through full reopening of the Kenyan economy, economic recovery investments and precedes the third pandemic wave announced in March 2021. It is anticipated that these projections will be revised downwards as the pandemic's impacts are better assessed.

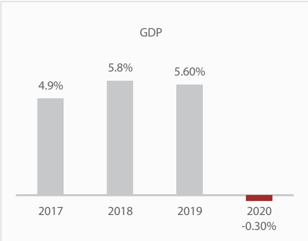
Coca Cola Distributors Financing Day: Floyd Mashemo, Equity Nairobi West Regional Manager Digital Lending (right) explains to customers about working capital loans that SMEs can access as part of their stock purchase, business expansion and capital injection support.

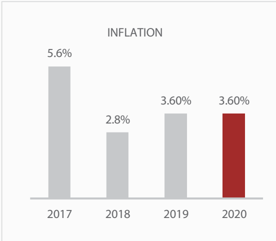
BUSINESS PERFORMANCE (continued)

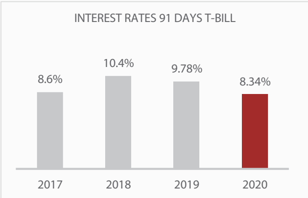
OPERATING ENVIRONMENT (continued)

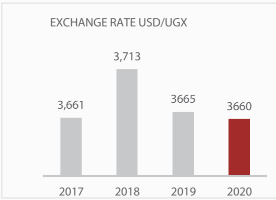
UGANDA

KEY HIGHLIGHTS









Uganda's economy declined by 0.3% against projections of 6.1% and growth of 5.6% in 2019, due to the measures imposed to address the COVID-19 pandemic including domestic lockdown that lasted more than four months and border closures for all but essential cargo. The pandemic affected the economy especially the sectors of tourism, construction, and agriculture, and was exacerbated by the spill over effects of disruptions to global demand and supply chains. According to the World Bank, the pandemic could push 3.15 million people deeper into poverty in addition to 8.7 million Ugandans currently living below the poverty line.

In April 2020, Bank of Uganda (BOU) established credit relief measures and guidelines enabling supervised financial institutions to restructure loans affected by the COVID-19 pandemic. BOU also reduced the policy rate in April to 8% and then in June to 7%, to provide stimulus to businesses.

The economy remained resilient with inflation at 3.6%, similar to the previous year, and well within the 5% range set by the Central Bank. The Ugandan shilling remained unchanged in the face of international currencies closing the year at 3660 to the US dollar compared to 3665 in 2019. Public debt-to-GDP ratio increased to 50.9% from the previous 46% in 2019 and the overall fiscal deficit stood at 7.2% in 2020.

Growth is projected in 2021 tempered by the pandemic, spurred by public expenditure investments predominantly in the transport and energy sectors. Uganda is expected to build a pipeline to connect its oil fields to the port of Tanga in Tanzania, a project that is set to commence in March 2021.

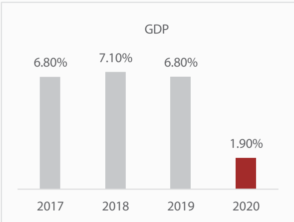
Bank of Uganda Executive Director Bank Supervision Dr. Tumubweine Twinemanzi (left) and Equity Uganda Board Chairman Apollo Makubuya (2nd right) unveil the new Equity logo alongside Equity Uganda Managing Director Samuel Kirubi (right).

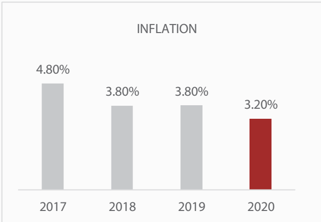
BUSINESS PERFORMANCE (continued)

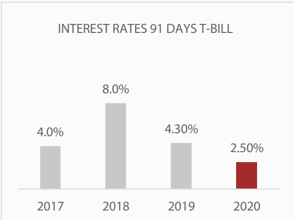
OPERATING ENVIRONMENT (continued)

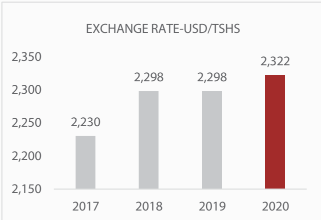
TANZANIA

KEY HIGHLIGHTS









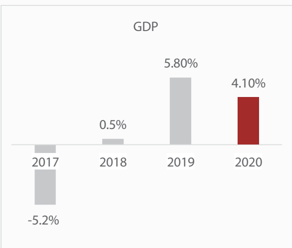
GDP growth slowed to 1.9% in 2020 from 6.8% in 2019 due to the effects of the pandemic particularly impacts on tourism and external demand. Growth was mainly driven by construction and public investments with flagship projects such as the Crude oil pipeline project from Uganda to Chongoleani in Tanga Tanzania and the upgrade of the central railway line to Standard Gauge railway. The exchange rate remained stable while inflation declined to 3.2% from 3.8% in the previous year due to declining food prices.

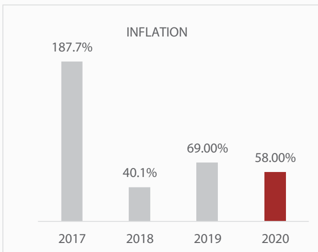
The Monetary policy has been accommodative to support credit and economic growth, with a reduction in the policy rate from 7% in 2019 to 5% in 2020. Public debt increased slightly from 38.2% of GDP in 2019 to 38.5% in 2020. The government's fiscal consolidation has helped to reduce recurrent expenditures, but the adverse effect of Covid–19 on revenues increased the fiscal deficit slightly from 2% of GDP in 2019 to 2.3% of GDP in 2020. This is still lower than the government threshold of 5%.

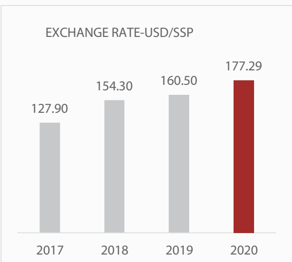
Equity Tanzania Managing Director, Robert Kiboti and Equity Tanzania Chairman, Eng. Raymond Mbilinyi, during the unveiling of the Bank's new logo.

SOUTH SUDAN

KEY HIGHLIGHTS







Following the Revitalized Peace Agreement of 2018, South Sudan's economy improved anchored on resumption of oil production underpinned by rising global oil prices. This emerging recovery was stemmed by the COVID-19 pandemic, floods, locust invasions and a decline in global oil prices in 2020. This combination of occurrences impacted on the key sectors particularly oil production which accounts for 70% of GDP, the services sector and agriculture. As a result, GDP growth declined from 5.8% in 2019 to 4.1% in 2020.

Containment measures introduced to curtail the spread of COVID-19 including restriction of movement and business operating hours caused an economic slowdown with declining public and private consumption. Inflation stood at 58% on account of supply shocks induced by flooding and locust invasions, COVID-19 disruptions and currency depreciation. The Bank of South Sudan published rates, the South Sudan Pound (SSP), depreciated to SSP 177.3 to the US dollar from SSP 160.5 in 2019 a 10.5% decline.

BUSINESS PERFORMANCE (continued)

OPERATING ENVIRONMENT (continued)

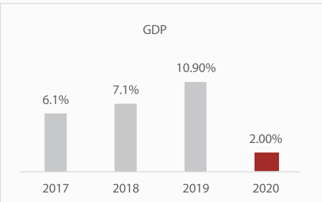
SOUTH SUDAN (continued)

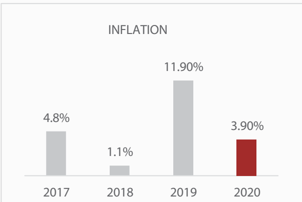
Falling global oil prices have reduced government revenues by 40%, increasing the fiscal deficit to 4.9% of GDP in 2020 from 2.5% in 2019. Reduced oil export receipts and a slowdown in financial inflows, mainly remittances and foreign direct investment, widened the current account deficit to 4.5% of GDP in 2020 from 2.7% in 2019. Credit to the private sector, which fell by 20% in 2019, dropped another 40% in 2020, reflecting subdued economic activity and the high cost of finance.

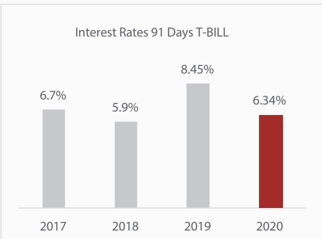
Bank of South Sudan Director-General for Banking Supervision Hon Moses Makur (centre), Equity South Sudan Non-Executive Director Dr. Kenyi Spencer (right) and Equity South Sudan Managing Director Dr Addis Ababa Othow (left) cut the commemorative cake to mark the unveiling of the new Equity identity in line with the Group's ongoing journey of transformation.

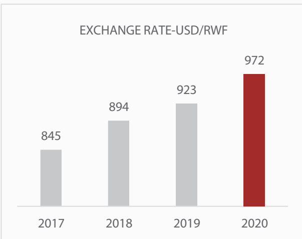
RWANDA

KEY HIGHLIGHTS









Rwanda's economy was adversely affected by the pandemic with GDP growth declining from 10.9% in 2019 to 2% in 2020. Trade, transportation and tourism were the sectors most impacted by the pandemic. With regional trade disrupted by border closures and interruption of key supply chains, food prices increased, though inflation stood at 3.9%, well within the Central Bank's target range of 5%. The exchange rate deteriorated leading to a depreciation of the Rwanda Franc (RWF) by 5.3% against the US dollar, moving from 923 RWF to the dollar in 2019 to 972 in 2020 on account of lower inflows.

The National Bank of Rwanda reduced the key policy rate to 4.5% in April 2020 from 5.0% in 2019 to stimulate growth, but private sector credit remained subdued, expanding by 10.2% in 2020, compared with 12.6% in 2019. Tax revenue remained low while health and social protection spending were elevated resulting in growth of the fiscal deficit to 8.3% of GDP in 2020, compared with 7.3% in 2019. The current account deficit stood at 16.5% of GDP in 2020, compared with 9.3% in 2019. Investments declined 47.1 per cent to USD 1.3 Billion in 2020 from USD 2.46 Billion in 2019, due to the pandemic.

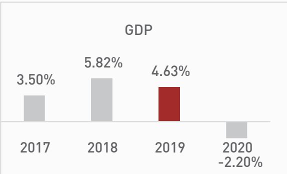
Equity Rwanda MD, Hannington Namara and Board Director, Dr. Patrick Uwizeye (both cutting cake) join customers at Equity Kigali Branch in celebrating the unveil of the Bank's new logo.

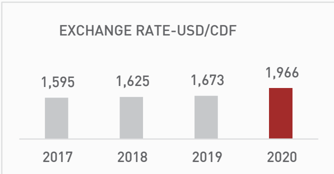
BUSINESS PERFORMANCE (continued)

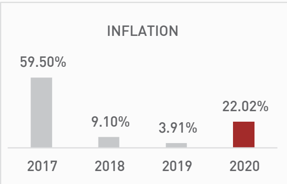
OPERATING ENVIRONMENT (continued)

DEMOCRATIC REPUBLIC OF CONGO (DRC)

KEY HIGHLIGHTS







The Democratic Republic of the Congo (DRC) economy declined by 2.2% in 2020 after increasing 4.6% in the prior year. This decline was caused by measures taken to contain the spread of COVID-19 as well as global economic slowdown, impacting on the extractive, manufacturing, construction, transport, commerce and retail sectors. Private consumption and government investment fell in 2020 by an estimated 1% and 10.2%, respectively. Social spending increased combined with reduced tax revenue led to a slight worsening of the public deficit from 0.8% of GDP in 2019 to 1.2% of GDP inflation rose from 3.9% in 2019 to 22% in 2020.

Improving government policy and governance: This is affirmed by the US reinstating the DRC eligibility for trade preferences under the African Growth and Opportunity Act (AGOA) in January 2021. The US government highlighted that "The reinstatement recognizes the DRC's progress towards establishing a market-based economy, rule of law, political pluralism, and the right to due process, as well as eliminating barriers to US trade and investment, and enacting policies

Total stock of both external public debt and domestic debt rose in 2020 to an estimated 15.9% and 8.9% of GDP respectively, while the Congolese Franc depreciated 17.5% against the US dollar between 2019 and 2020, exchanging at 1966 Congolese Francs to the dollar down from 1673 in 2019. Despite high prices for mining products, the current account deficit deteriorated from 3.8% of GDP in 2019 to 5.4% of GDP in 2020. The central bank raised the policy rate from 7.8% to 18.5% to address inflation and the depreciation of the Congolese Franc.

Minister of Portfolio, Clement Kwete (left) and Equity Group CEO & MD, Dr. James Mwangi unveil the new logo for the new bank, EquityBCDC after the successful merger of Equity Bank Congo and Banque Commerciale du Congo (BCDC).

to reduce poverty and protect human rights". Furthermore, the IMF 2019 reengagement in scrutinizing economic and financial policies (through Article IV consultations) further demonstrates the DRC government's commitment to economic and financial reforms and scrutiny.

Resource endowment: DRC's significant resource wealth is geared towards a greener and technology-oriented global economy and reflected in critical resources such as: (i) largest reserves of Coltan/tantalite – estimated at 60-80% of global reserves (Coltan is used in many electronic devices including mobile phone); (ii) significant high grade copper reserves and largest cobalt reserves – copper and cobalt demand will be accelerated by increased usage of electric vehicles and charging stations (5x more than gas car), renewable energy and storage systems, 5G base stations. With improving government policy and governance, DRC's resource endowment should benefit the domestic real economy over the long-term. In this regard, the government has announced closer scrutiny on mining contracts.

BUSINESS PERFORMANCE (continued)

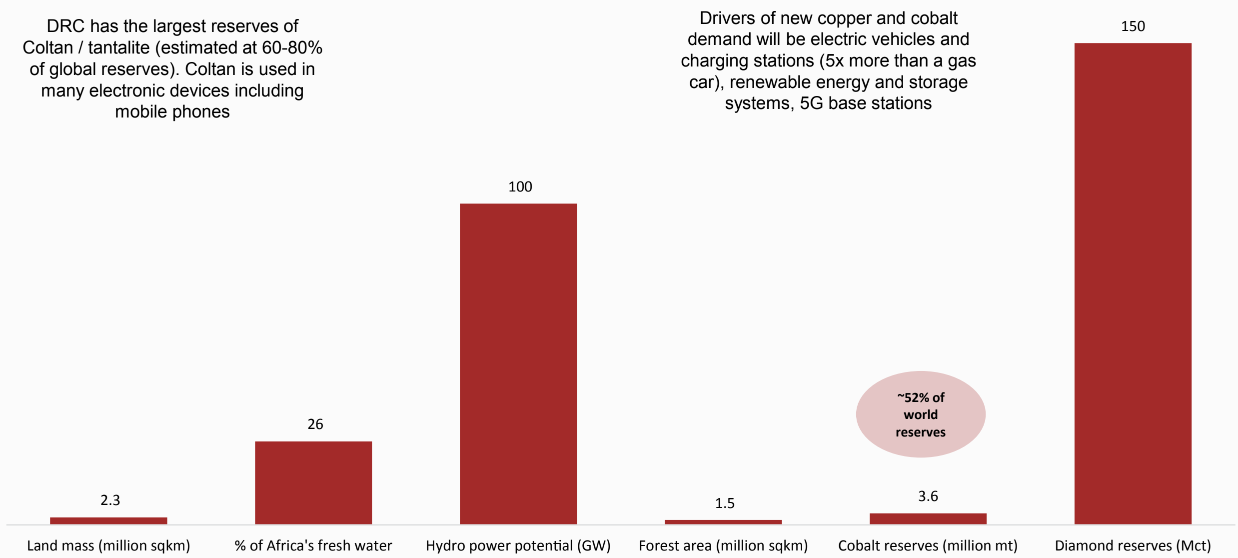
OPERATING ENVIRONMENT (continued)

DEMOCRATIC REPUBLIC OF CONGO (DRC) (continued)

Demographic dividend to drive secular consumption opportunities: DRC has a large young population, over 100m, with 45% of the population in urban centres presenting consumption opportunities

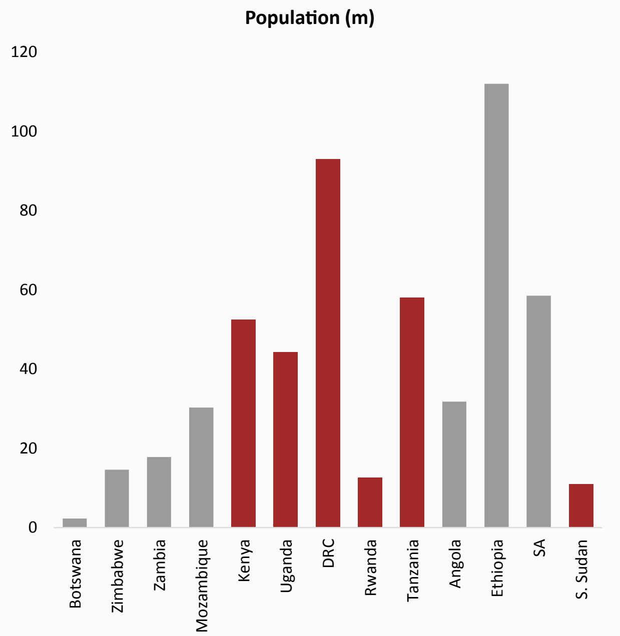
Key regional trade partner: DRC has made an application to join the East African Community which will foster trade in the region. At the same time improving regional trade relations across East and Central Africa bodes well for regional cross border trade opportunities for scale financial players like Equity Group that has four operations that border the DRC.

DRC significant resource endowment

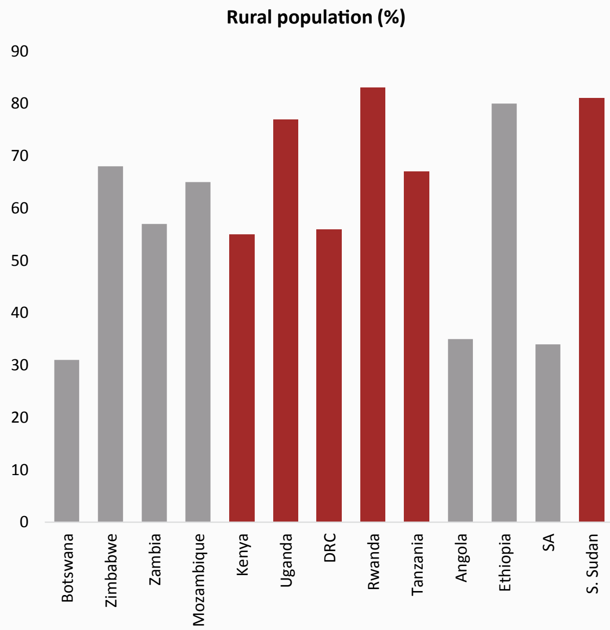


Source: World Bank

Large and young population



Urbanization

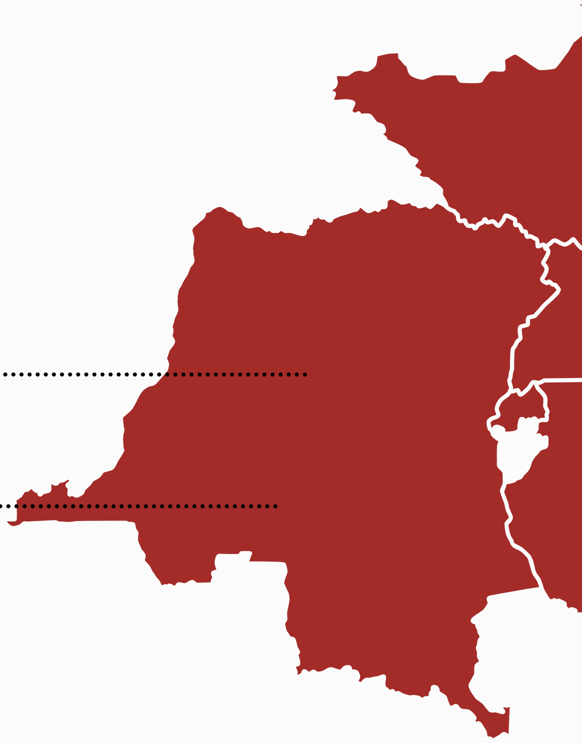


Source: World Bank.*Critical is to develop social challenges

BUSINESS PERFORMANCE (continued)

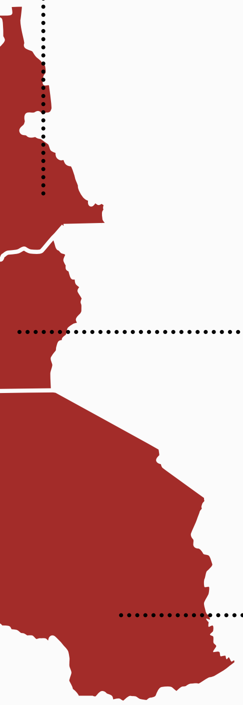
BUSINESS HIGHLIGHTS 2020

ACTIVITIES:	RWANDA
Milestones & Anniversaries in 2020	• Rebrand of the Bank to the new identity
Major Events in 2020 • Sponsorships • Strategic Partnerships • CSR/ community activities	• Mastercard Foundation program on "COVID-19 Recovery and Resilience • EBR - Youth in Business partnership • EBR - Spark Partnership to disburse microloans to 279 farmers • EBR - Hinga Weze - USAID partnership for Approx.10,000 farmers **Internal events** • Global customer service week • International women's day celebration • PPE donations: 22,225 testing kits worth RWF 1 Billion
Awards received so far:	• The Banker Bank of the Year 2020 Award



ACTIVITIES:	DRC
Products that were launched in 2020	• Diaspora account reload • Eazzydirect • Eazzy WhatsApp chat bot • Three new agriculture products - Cooperative credit, AgroLisanga Credit and Collateral Management Agreement (Warrantage).
Milestones & Anniversaries in 2020	• Acquisition of BCDC • Merger with Equity Bank Congo to create EquityBCDC
New branch, agency, digital platforms etc. opened/ rolled out in 2020	• Eazzy WhatsApp chat
Major Events in 2020 • Sponsorships • Strategic Partnerships • CSR/ community activities	• Equity-Zoa DRC working with cooperative and small scale farmers to offer finance to 300 farmers in Luberizi • Partnerships with Mercy Corps for access to financing for 6 agricultural cooperatives in Masisi and Rutshuru in North Kivu **Financial Inclusion** • Classroom trainings in the provinces of Kinshasa and Kongo Central • Awareness raising on financial education via community and rural radios comprising 15 radio stations • Market studies for the deployment of the network of banking agents and financial inclusion in seven provinces
Awards received so far:	• The Banker, Bank of the year 2020 Award

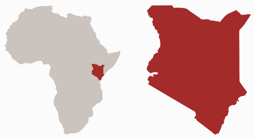
ACTIVITIES:	SOUTH SUDAN
Milestones & Anniversaries in 2020	• Rebrand of the Bank to the new identity
New branch, agency, digital platforms etc. opened/ rolled out in 2020	• 4 agents and 13 POS
Major Events in 2020 **• Sponsorships** **• Strategic Partnerships** **• CSR/ community activities**	• Donations to Universal Network for Knowledge & Empowerment Agency (UNKEA), a national organisation that seeks to address the dire social, economic, livelihoods and health conditions experienced by the South Sudan citizenry
Awards received so far:	• The Banker, Bank of the Year 2020 Award



ACTIVITIES:	UGANDA
Products that were launched in 2020	• Stock financing - Eco system financing (eazzystock)
Milestones & Anniversaries in 2020	• Rebrand of the Bank to the new identity • Internal and external launch successfully done
New branch, agency, digital platforms etc. opened/ rolled out in 2020	• Branches (Masindi, Ishaka, Tororo, Entebbe) • 1,397 Agents outlets opened
Major Events in 2020 • Sponsorships • Strategic Partnerships • CSR/ community activities	• Donation of two vehicles valued at UGX 200,000,000 each and PPE worth UGX 100,000,000 in response to COVID-19. • Equity sponsored the banking and financial services awareness week hosted by the Uganda Institute of Banking & Financial Services. • Collaborative partnership with Young Africa Works Uganda to deliver life skills and financial literacy training for youth, women and refugees.

ACTIVITIES:	TANZANIA
Products that were launched in 2020	• USD Visa Card; • ZOLA Asset Finance
Milestones & Anniversaries in 2020	• Rebrand of the Bank to the new identity
New branch, agency, digital platforms etc. opened/ rolled out in 2020	• 996 new Agency outlets
Major Events in 2020 • Sponsorships • Strategic Partnerships • CSR/ community activities	• Customer Service Week • Internal staff launch townhall • Uchumi wa bluu in Zanzibar - Blue Economy (Blue Economy) in support of sustainable use of ocean resources • Wekundu wa mjengoni (for Simba sports club fans) • Maji week Marathon (Ministry of Water)

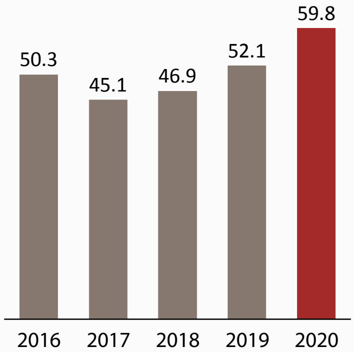
BUSINESS PERFORMANCE (continued)



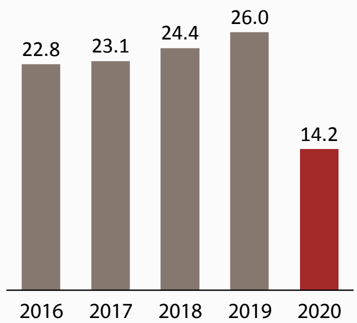
SUBSIDIARY PERFORMANCE

EQUITY BANK (KENYA) LIMITED

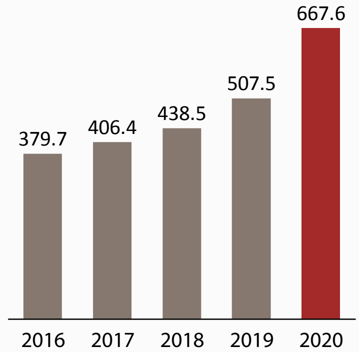
Revenue (Shs Billions)



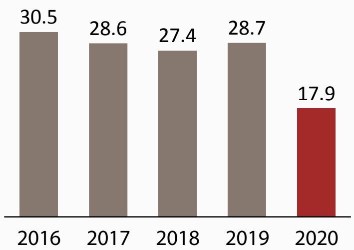
PBT (Shs Billions)



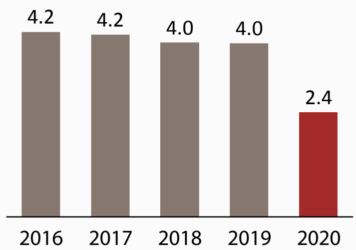
Total Assets (Shs Billions)



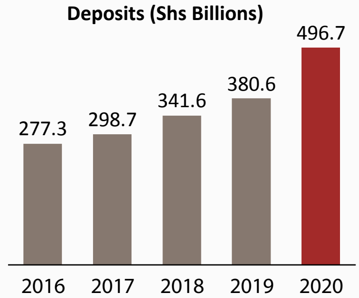
ROAE (%)



ROAA (%)



Deposits (Shs Billions)



Erastus Mwencha
Non-Executive Chairman

Gerald Warui
Managing Director,
Equity Bank Kenya

Mary Wamae
Group Executive Director

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

Adema Sangale
Non-Executive Director

Shem Migot-Adholla
Non-Executive Director

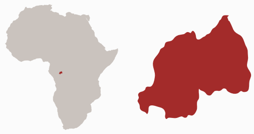
Jane Ngige
Non-Executive Director

Timothy Waema
Non-Executive Director

Samuel Onyango
Non-Executive Director

Profile of the Directors are available on pages 240 - 251

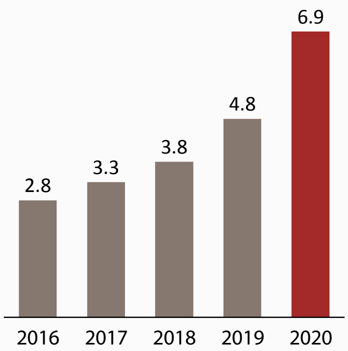
BUSINESS PERFORMANCE (continued)



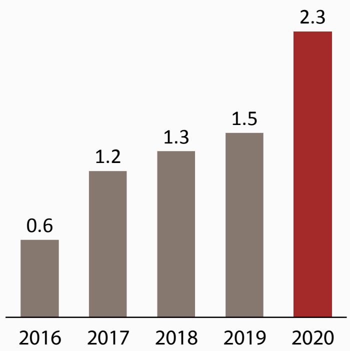
SUBSIDIARY PERFORMANCE (continued)

EQUITY BANK UGANDA LIMITED

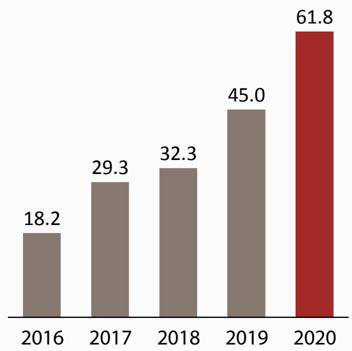
Revenue (Shs Billions)



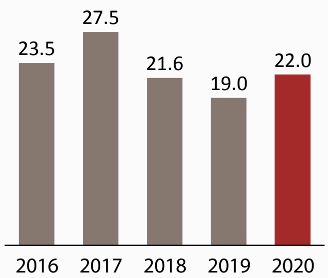
PBT (Shs Billions)



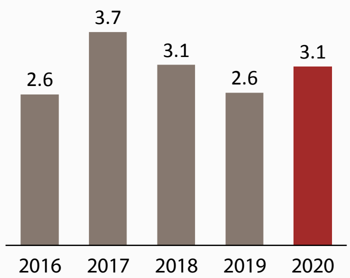
Total Assets (Shs Billions)



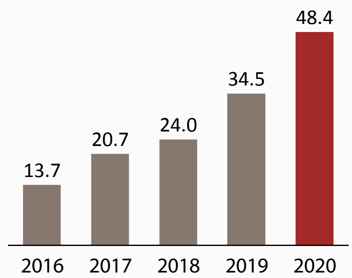
ROAE (%)



ROAA (%)



Deposits (Shs Billions)



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

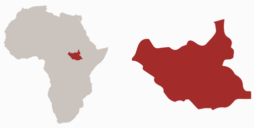
Geoffrey Rugazoora
Non-Executive Director

Simon Lugoloobi
Non-Executive Director

Norah Bwaya
Non-Executive Director

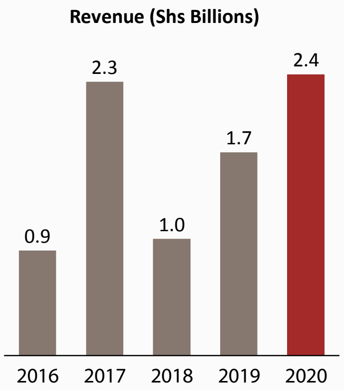
Profile of the Directors are available on pages 240 - 251

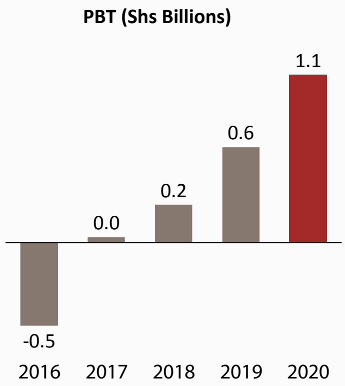
BUSINESS PERFORMANCE (continued)

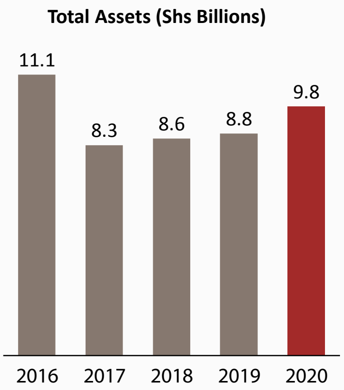


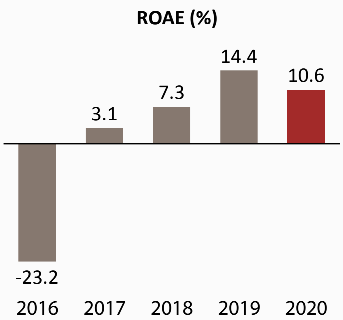
SUBSIDIARY PERFORMANCE (continued)

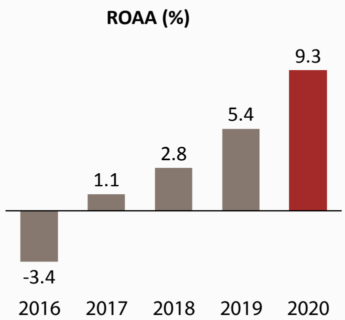
EQUITY BANK SOUTH SUDAN

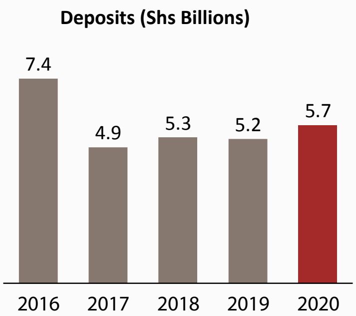












Shem Migot-Adholla
Non-Executive Chairman

Addis Ababa Othow
Managing Director

Mary Wamae
Group Executive Director

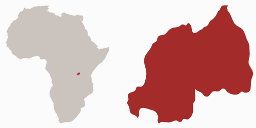
Kenyi Spencer
Non-Executive Director

Mary James Ajith
Non-Executive Director

Allan Waititu
Non-Executive Director

Profile of the Directors are available on pages 240 - 251

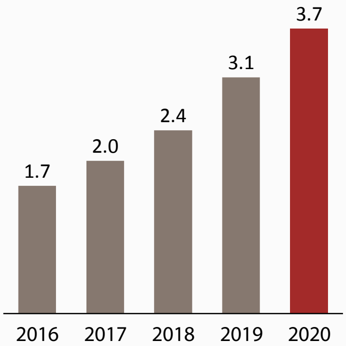
BUSINESS PERFORMANCE (continued)



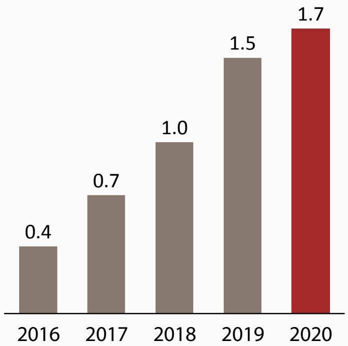
SUBSIDIARY PERFORMANCE (continued)

EQUITY BANK RWANDA PLC

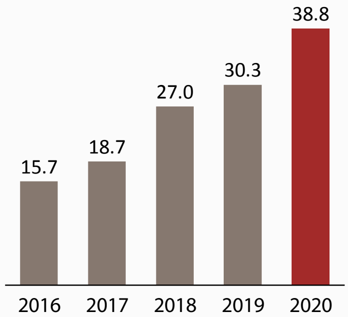
Revenue (Shs Billions)



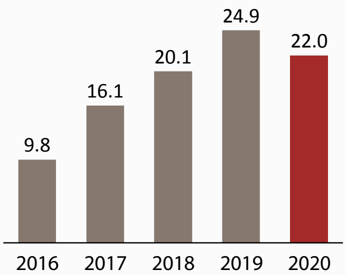
PBT (Shs Billions)



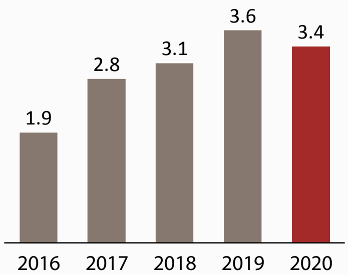
Total Assets (Shs Billions)



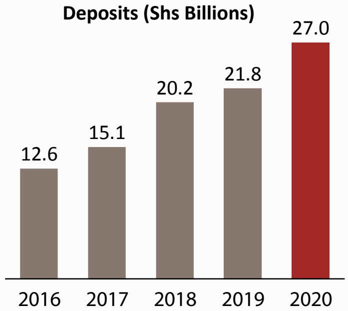
ROAE (%)



ROAA (%)



Deposits (Shs Billions)



Evelyn Rutagwenda
Non-Executive Chairperson

Hannington Namara
Managing Director

Mary Wamae
Group Executive Director

Robert Bafakulera
Non-Executive Director

Emmanuel Butare
Non-Executive Director

Patrick Uwizeye
Non-Executive Director

James Mutuku
Non-Executive Director

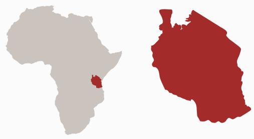
Steven Mutabazi
Non-Executive Director

George Kayonga
Non-Executive Director

Eugene Haguma
Non-Executive Director

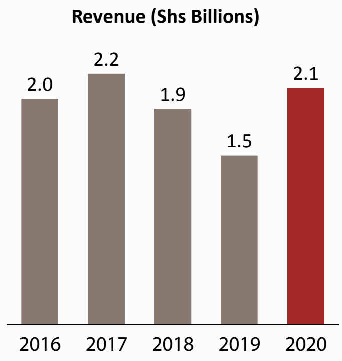
Profile of the Directors are available on pages 240 - 251

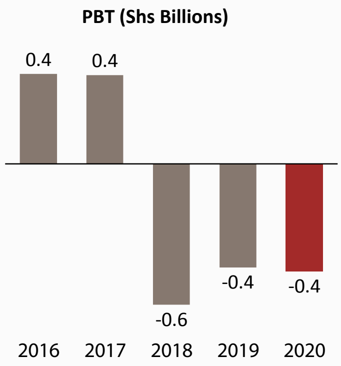
BUSINESS PERFORMANCE (continued)

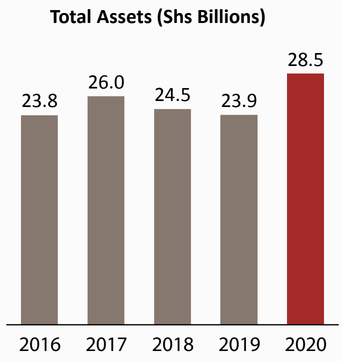


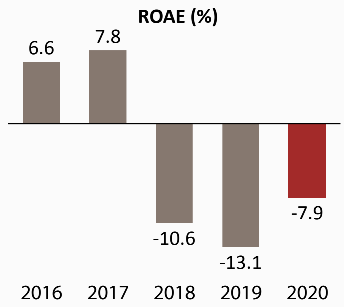
SUBSIDIARY PERFORMANCE (continued)

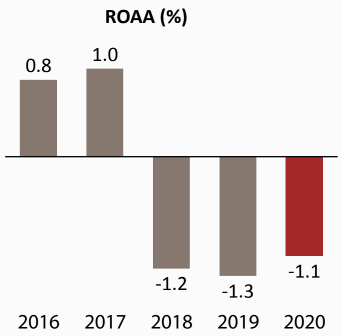
EQUITY BANK (TANZANIA) LIMITED

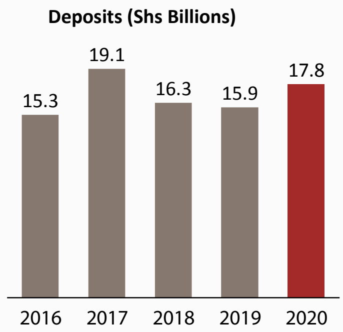












Raymond Mbilinyi
Non-Executive Chairman

Robert Kiboti
Managing Director

Esther Kitoka
Executive Director

Mary Wamae
Group Executive Director

Ahmed Ame
Non-Executive Director

Dino Stengel
Non-Executive Director

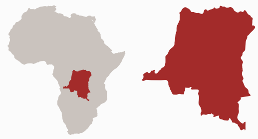
Reuben Mbindu
Non-Executive Director

Honest Ngowi
Non-Executive Director

George Theobald
Non-Executive Director

Profile of the Directors are available on pages 240 - 251

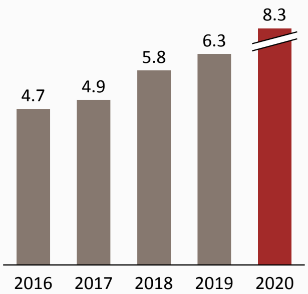
BUSINESS PERFORMANCE (continued)



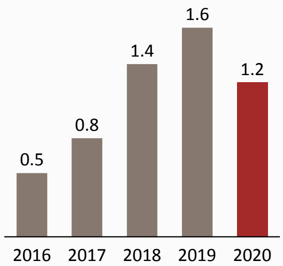
SUBSIDIARY PERFORMANCE (continued)

EQUITY BANK CONGO S.A.R.L

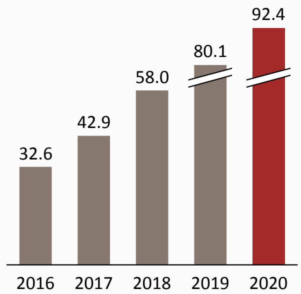
Revenue (Shs Billions)



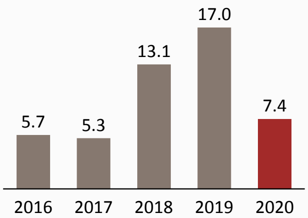
PBT (Shs Billions)



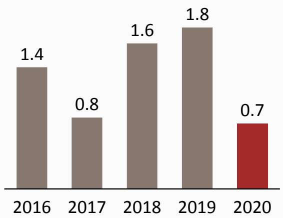
Total Assets (Shs Billions)



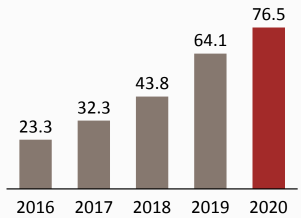
ROAE (%)



ROAA (%)

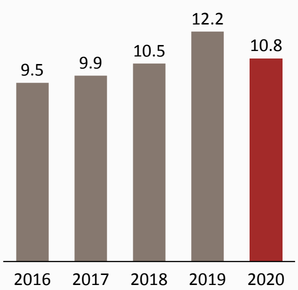


Deposits (Shs Billions)

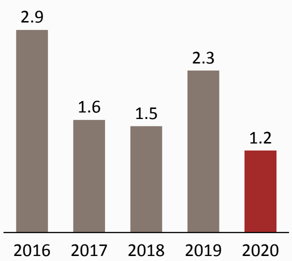


Banque Commerciale Du Congo (BCDC)

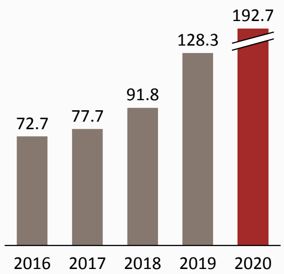
Revenue (Shs Billions)



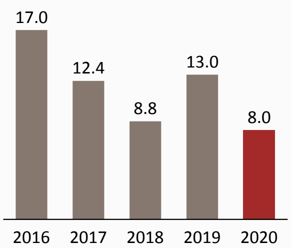
PBT (Shs Billions)



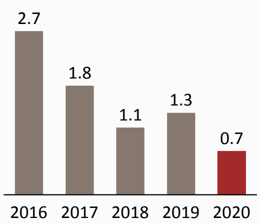
Total assets (Shs Billions)



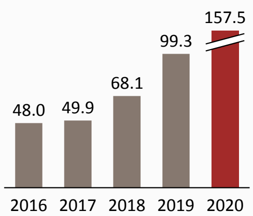
ROAE (%)



ROAA (%)

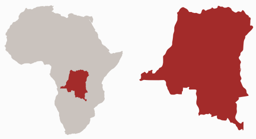


Deposits (Shs Billions)



On 7th August 2020, EGH Plc acquired 66.53% of shareholding in BCDC and merged with EBC. The merged entity was renamed EquityBCDC. More details on note 15 c.

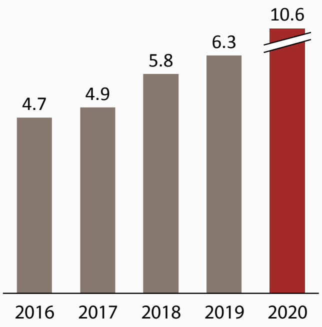
BUSINESS PERFORMANCE (continued)



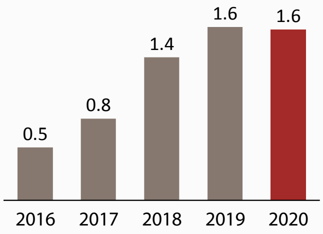
SUBSIDIARY PERFORMANCE (continued)

EQUITY BANQUE COMMERCIALE DU CONGO (EquityBCDC) (2016 - 2019 EQUITY BANK CONGO S.A.R.L)

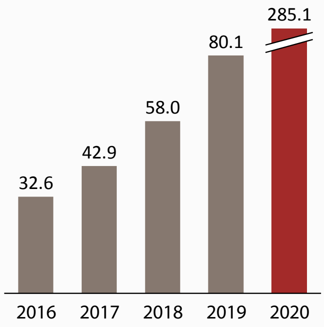
Revenue (Shs Billions)



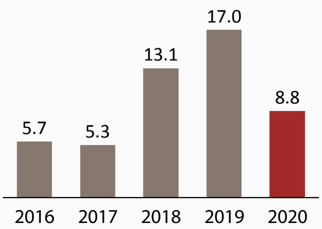
PBT (Shs Billions)



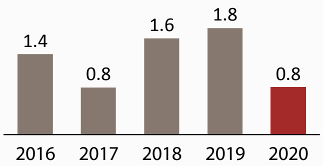
Total Assets (Shs Billions)



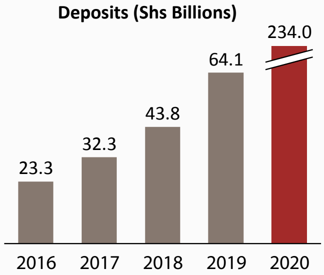
ROAE (%)



ROAA (%)



Deposits (Shs Billions)



Nestor Ankiba
Non-Executive Chairman

Celestin Muntuabu
Managing Director

Jean- Claude Tshipama
Deputy Managing Director

Wolfgang Bertelsmeier
Non-Executive Director

Pierre Chevalier
Non-Executive Director

Marceline Kaozi
Non-Executive Director

Victor Kasongo
Non-Executive Director

Ignace Mabanza
Non-Executive Director

Francis Lugunda
Non-Executive Director

Desire Yav Kat Muchail
Non-Executive Director

Mr. Louis Watum
Non-Executive Director

John Wilson
Non-Executive Director

Brent Malahay
Non-Executive Director

Dr. James Mwangi, CBS
Non-Executive Director

Mary Wamae
Non-Executive Director

James Mutuku
Non-Executive Director

Profile of the Directors are available on pages 240 - 251

BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS

1. Non-Funded Income Growth

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, and mobile banking fees, among others. Alternative channels such as self-service channels and agency account for 98% of all transactions. Non-funded income for the year was Shs 37.8 Billion; a 27% growth compared to 2019 and constituted 41% of total revenue.

Mobile banking transactions grew by 31% year on year to 771 Million transactions in 2020, from 590 Million transactions in 2019 largely due to the transactions fee waiver to curb the spread of COVID-19. Mobile banking offers a wide variety of transactions enabling customers to facilitate 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 and depth of products and services that are availed to our customers.

Our merchant and card business was impacted by COVID-19 mitigation measures with merchant commissions declining by 20% to Shs 1.8 Billion. We however 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 917 Million in 2020. 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 performed well in the year driven by both the expansion of our network and the number and volume of transactions processed through this channel. Agency revenue went up by 25% to Shs 1.3 Billion compared to Shs 1.1 Billion in the same period last year. Foreign exchange (FX) income also grew by 77% to Shs 6.2 Billion in the year, largely driven by the increased demand for major foreign currencies from traders importing both raw and finished goods for the regional markets.

Diaspora banking offers financial solutions to individuals working and living abroad. Leveraging on technology, our local offerings and expertise are availed to a global diaspora community. 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 104% to Shs 279 Billion and income generated grew by 76% to Shs 1.5 Billion.

2. Treasury efficiency

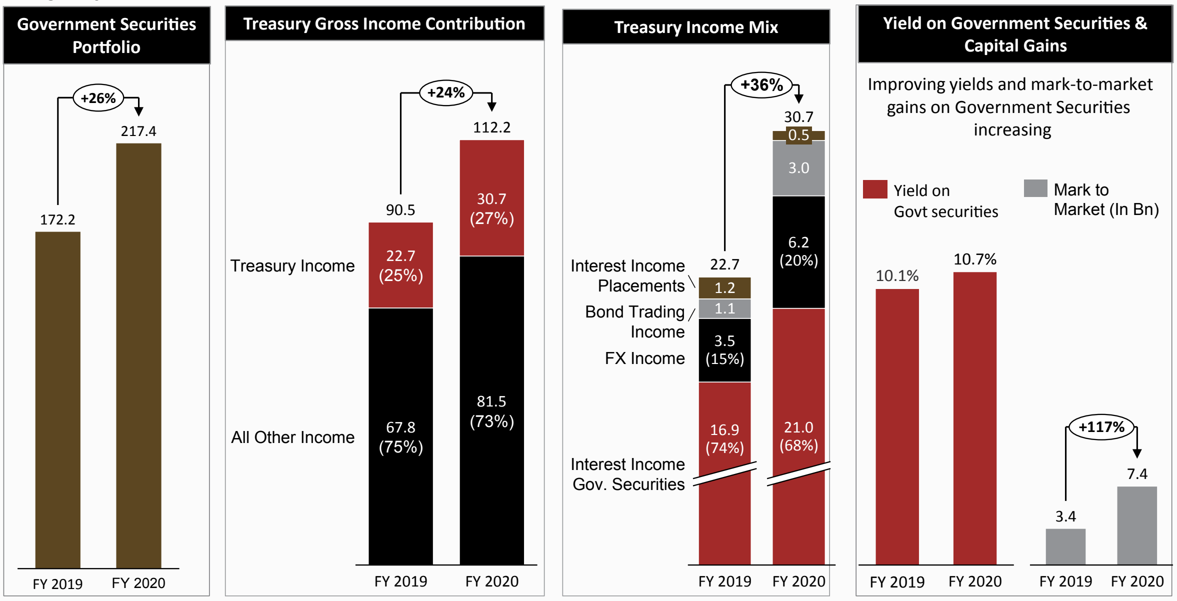
Treasury has increasingly become a strategic business function across all areas of the business, adding value to the operating divisions of the Company. While traditional treasury functions are concerned with balancing and managing the daily cash flow and liquidity of funds within the bank, we have leveraged 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 selling 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 efficiency (continued)

KES Billion



Note: Income calculation above is before funding costs

3. Geographical expansion and Business Diversification

The Group's regional diversification strategy includes replication of capabilities and the creation of a financial services powerhouse across the region. In 2020, the Group acquired Banque Commerciale du Congo (BCDC) and merged it with Equity Bank Congo and renamed it to EquityBCDC. EquityBCDC is now the 2nd largest bank in DRC, further enhancing our regional expansion footprint. 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. The Group closed the year with a balance sheet of One Trillion shillings. Strategic dividends have already been realized as the regional subsidiaries and the local non-banking subsidiaries grew their Profit After Tax (PAT) building up their contribution to the Group to 28% of total PAT; an increase from 18% in 2019.

Kes Billion

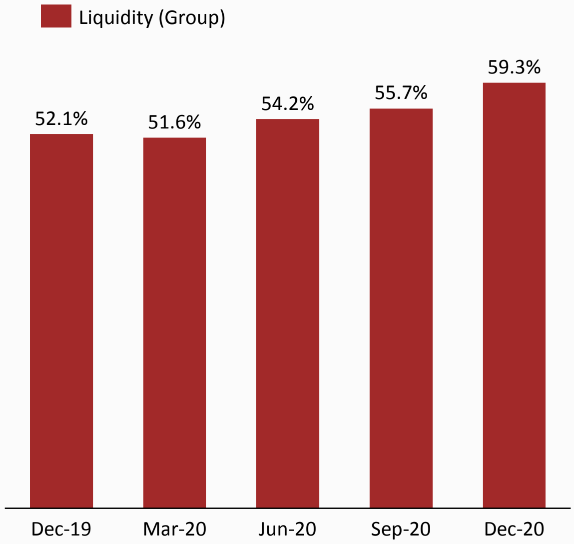
Dec 2020	EBTL	EBRL	EBUL	EBSS	Equity BCDC	EIA	EIB	Finserve	Other Subs Total (% Contribution)	EBKL (% Contribution)	Group (% growth)	Other Subs Contribution Dec 2020	Other Subs Contribution Dec 2019
Deposit	17.8	27.0	48.4	5.68	234.0				**332.9**	**496.7**	**740.8**	40%	27%
YoY Growth	12%	24%	41%	9%	265%				**40%**	**60%**	**53%**		
Loan	15.2	21.3	37.7	0.1	90.5				**164.8**	**313.1**	**477.8**	34%	24%
YoY Growth	16%	24%	35%	8%	189%				**34%**	**66%**	**30%**		
Assets	28.5	38.8	61.8	9.8	285.1	0.5	0.5	2.2	**427.2**	**667.6**	**1,015.1**	39%	27%
YoY Growth	20%	28%	37%	12%	256%	50%	-20%	11%	**39%**	**61%**	**51%**		
Revenue	2.3	4.0	7.1	2.4	12.6	0.9	0.0	1.4	**30.7**	**63.3**	**92.9**	33%	28%
YoY Growth	38%	21%	44%	38%	72%	-4%	-88%	-5%	**33%**	**67%**	**24%**		
Cost before provisions	1.7	2.0	4.0	1.2	10.0	0.3	0.1	1.0	**20.2**	**26.3**	**45.1**	44%	37%
YoY Growth	-9%	24%	34%	11%	89%	25%	17%	-29%	**44%**	**56%**	**18%**		
PBT before provisions	0.6	2.0	3.1	1.1	2.6	0.6	-0.1	0.5	**10.5**	**37.0**	**48.1**	22%	19%
YoY Growth	511%	18%	59%	89%	30%	-15%	-198%	210%	**22%**	**78%**	**34%**		
PBT	-0.4	1.7	2.3	1.1	1.6	0.6	-0.1	0.4	**7.2**	**14.2**	**22.2**	34%	18%
YoY Growth	4%	11%	55%	76%	-2%	-12%	-184%	441%	**34%**	**66%**	**-30%**		
PAT	-0.3	1.2	1.7	0.9	1.3	0.4	0.0	0.3	**5.4**	**14.0**	**20.1**	28%	18%
YoY Growth	-10%	11%	62%	84%	4%	-6%	-140%	871%	**28%**	**72%**	**-11%**		
RoAE	-7.9%	22.0%	22.0%	10.6%	8.8%	260.5%	-7.3%	22.2%	**14.0%**	**17.9%**	**15.3%**	14.0%	15.3%
Cost of Capital	20.0%	19.0%	19.0%	22.0%	22.3%	18.0%	18.0%	18.0%	**20.5%**	**18.0%**	**19.0%**	20.5%	20.5%

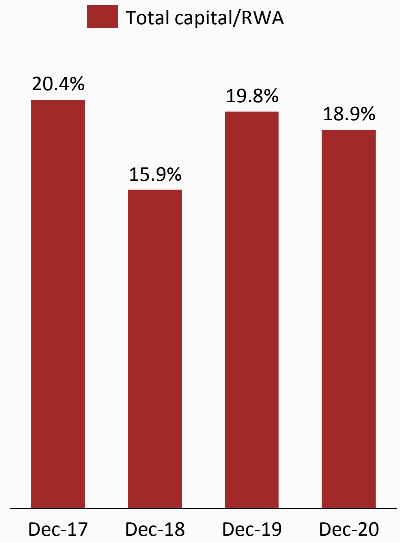
BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

4. Balance Sheet Efficiency, Optimization and Agility

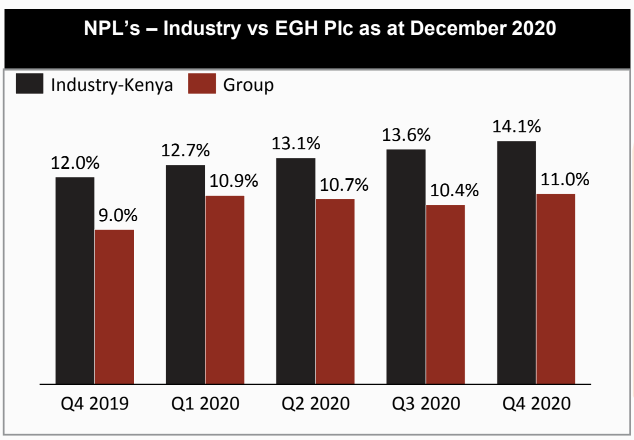
Our balance sheet remains nimble enabling us to invest excess liquidity as opportunities arise. Our liquidity ratio stood at 59.3%, against the banking sector average of 54.6%, providing us with an immense capacity to deliver for customers, particularly borrowers. Added to this strong liquidity, our Tier 2 capital offers additional financial capabilities that we intend to deploy in lending, innovations and enhanced services for customers, 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 angling to a more assertive stance focused on private sector credit.

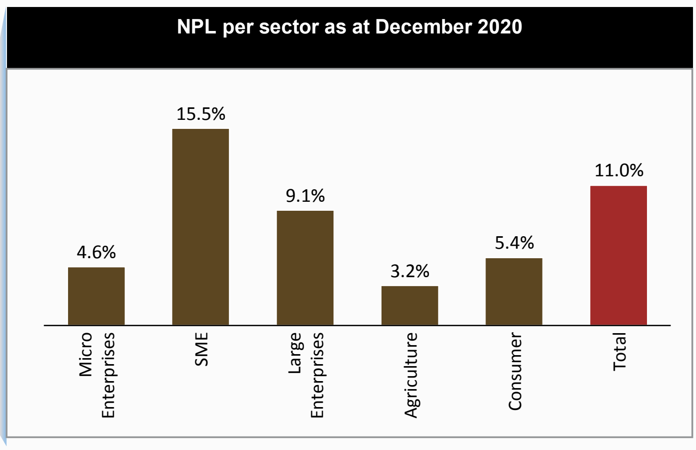


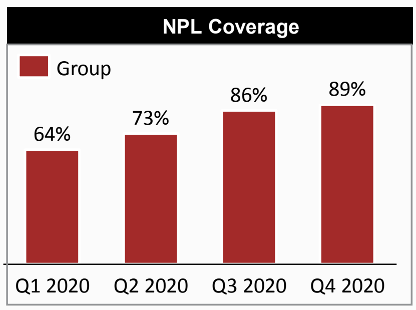


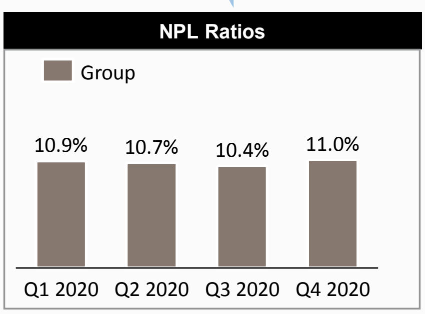
5. Asset Quality, Distribution and Risk Mitigation

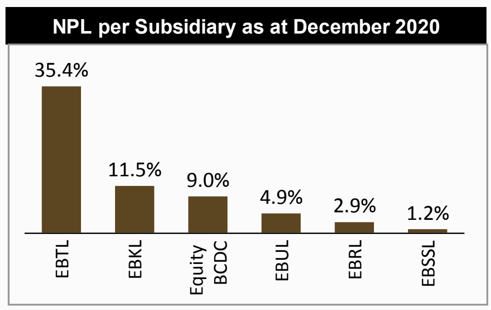
Asset quality moved to double digit range with the Group NPLs ratio at 11.0% against an industry average of 14.1%. This has been achieved through diligent credit risk management and proactive customer relationship oversight which ensures we have in-depth knowledge of their activities and operations. Our NPL coverage closed the year at 89%.









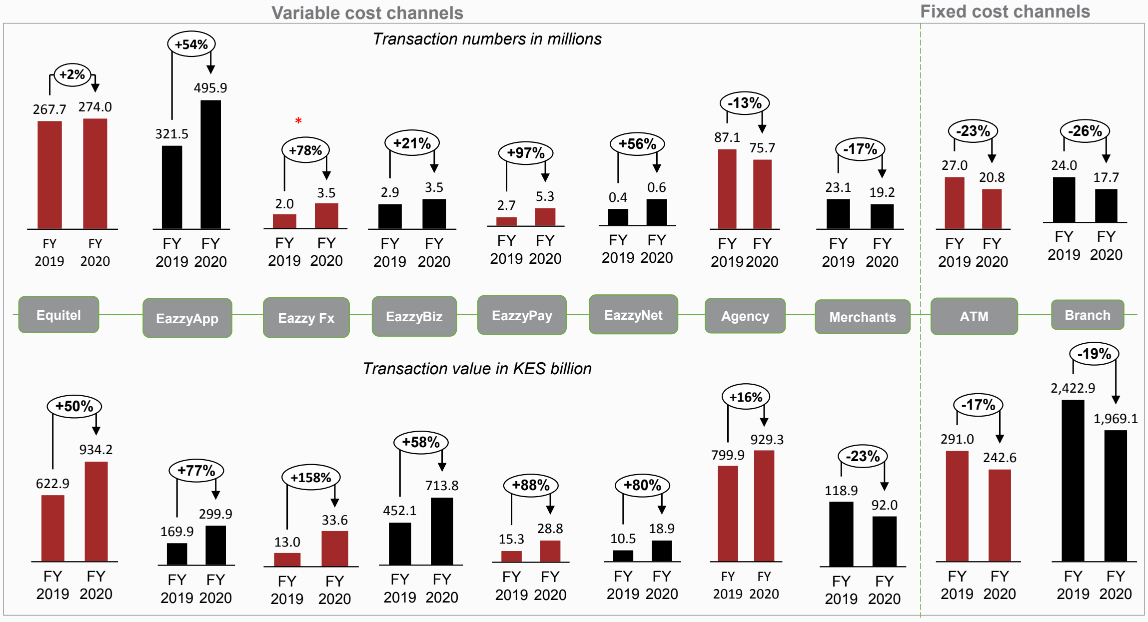


BUSINESS PERFORMANCE (continued)

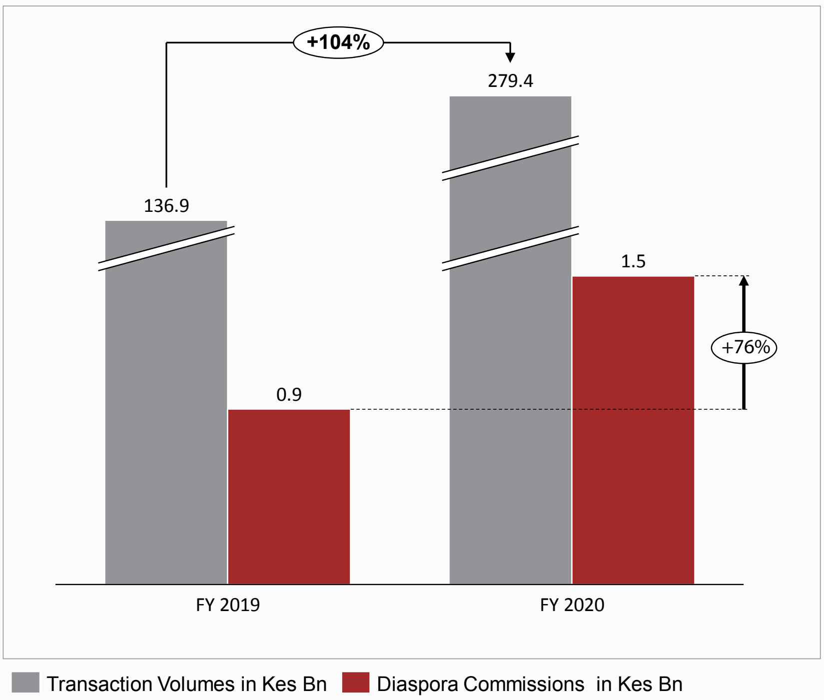
PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

6. Business Transformation - Innovation and Digitization

Our business model is heavily reliant on innovation and digital channels to deliver cutting edge products and services to customers. 2020 witnessed growth in the use of our digital channels in the wake of the COVID-19 pandemic and the ensuing change in customer preferences to using digital solutions. the result has been marked 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. We also launched new innovations and improved our technology infrastructure to enhance system stability and availability while reinforcing security measures to protect our customers.



* Eazzy Fx transaction numbers in thousands



BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

7. Efficiency and Cost Optimization

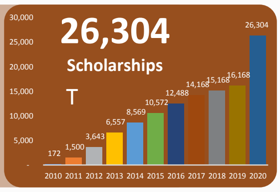
Our strategy focuses on disciplined operational efficiency with key emphasis on cost optimization. Overall, we want to transform our cost structure to manage discretionary costs and incur costs that enhance value for stakeholders and the business. We analyse our costs on a monthly basis to ensure greater discipline and adherence to our cost optimisation agenda. We have also focused on our delivery channels, aiming to move transactions 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 41.5% for the Kenya banking subsidiary without loan loss provision (48.5% for Group) while the Group's total costs increased to Shs 71.0 Billion up from Shs 42.5 Billion in 2019 on account of increased loan loss provisions.

8. Impact Investment & 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 customers and stakeholders both socially and economically. The Bank drives social impact 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 societal 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 465 Million, to which the Bank contributes 2% of its revenue annually. In Education and Leadership Development, 26,304 learners have accessed secondary school education after receiving a comprehensive 4-year scholarship. However, as a result of the closure of schools, from March to October 2020, and the postponement of the National Examinations as part of COVID-19 mitigation efforts, we did not have additional admissions for 2020. In Enterprise Development and Financial Inclusion, 2.2 million women and youth received financial education training linked to financial services and products. Similarly, 121,478 micro, small and medium enterprises received training in Entrepreneurship.

Equity continues to use financial services and non-financial means for social and economic empowerment. With financial support from the Government of Kenya, Equity provided 3,330,195 households with over Shs 77 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 77 Million to more than 79,462 farmers. Equity continued to implement a sustainable, integrated Health model - Equity Afia - that saw a network of clinician entrepreneurs provide standardized and high quality outpatient services through 33 medical clinics (up from 11 in 2019) which saw 305,560 patients visits cummulatively.



2019 Wings to Fly Graduates
- 96% secondary school completion
- 82% attained university entry grades

Equity Leaders Program
- 13,775 University Scholars
- 633 attending or alumni of global universities
- 6,713 Paid Internships

2M
Farmers impacted
39,589
Small and Medium Sized Farmers Supported

2,182,615
Women and Youth Trained in Financial Education

3,330,195
Households Reached with Social Protection Programs
KES 77.4B
Disbursed via Cash Transfers

3.12 Million
Trees planted
243,903
Clean energy products distributed

121,478
MSMEs Trained in Entrepreneurship
KES57.5B
Disbursed to 141,106 MSMEs under the Young Africa Works Program

USD 464,512,524
Total Funds Raised for Programs

33
Equity *Afia* Active Facilities
305,560
Cumulative Patient Visits to Equity Afia Clinics

OUR CAPITALS

OUR CAPITALS

FINANCIAL CAPITAL

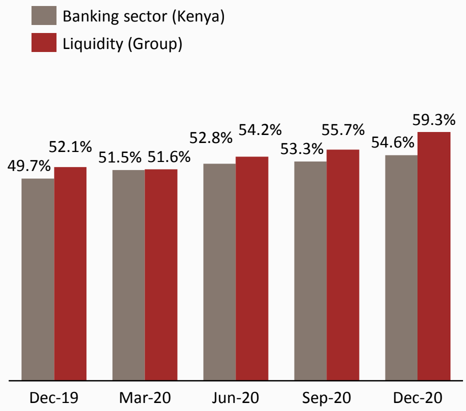
The Group's financial capital sources remain highly diversified comprising Shareholders' funds, debt investors and revenue reserves. Financial capital is made up of paid up and assigned capital (Shs 1.9 Billion), share premium (Shs 15.3 Billion), retained earnings (Shs 115.0 Billion) and minority interest of Shs 6.5 Billion as at 31 December, 2020. We are committed to obtaining funds from diversified sources and to utilizing them in the most effective, strategic and prudent manner as we seek to generate sustainable value. 2020 noted an increase in Tier 2 capital and senior debt. Development Finance Institutions (DFIs) demonstrated confidence by providing us with USD 360 Million in long term facilities. We deploy this capital to productive opportunities to sustain our business, leverage growth, achieve sustainable returns and create value for our stakeholders. Cost efficiency also guides our financial decision making, ensuring we manage our operating costs with necessary rigor and effectiveness.

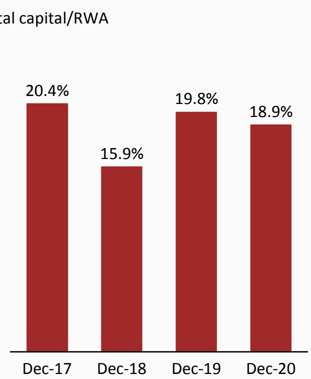
Our approach to financial management is underpinned by prudence. We are concerned with how we raise, control, administer and deploy our finances catering for risks, costs and control while seeking to be profitable. Capital allocation is governed by a comprehensive capital allocation strategy framework through the Internal Capital Adequacy Assessment Process (ICAAP) which ensures 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. The ICAAP process ensures management makes capital allocation decisions with strict discipline, whether to different business lines or to different geographical locations. Regional expansion opportunities are evaluated using this principle to ensure the returns on financial capital are grown and sustained over the long-term. Due to our strong liquidity, with a liquidity ratio of 59.3%, 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 53% to Shs 740.8 Billion on account of improved products and services that enhanced customer experience as well as convenience offered by our digital channels.

Asset quality remained healthy and well above the banking sector's average. Our NPLs for the year stood at 11.0% compared to an industry average of 14.1% in the same period.

Our performance in this regard is anchored on proactive and exceptional relationship management and knowledge of our customers which enables us to derisk these clients as we anticipate potential challenges and mitigate them from the onset. In addition, we have robust risk management measures and credit underwriting policies that underpin our approach to lending.





Our capital allocation approach is focused on strategic, prudent and optimal allocation to areas of our business that boost value creation for not only our Shareholders but all other stakeholders. In 2020, in the face of the impacts of the COVID-19 pandemic, the Group made the decision to conserve capital as a defensive and offensive strategy. Based on the projected growth in 2021 that would require capital to be sustained while remaining within capital regulatory requirement. The Group is however confident that the investment made in 2020 will sustain the growth and fund shareholder returns in the future. 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 business transformation process 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

In 2020, the People Function continued to focus on enhancing staff productivity across the Group, which is a key measure of efficiency, effectiveness, and business continuity. This is in line with our culture of being customer centric and highly performing in all parameters guided by our values and purpose. In this respect, our emphasis in the year was on policy revamp, specifically aimed at enhancing policies that support productivity; performance management; learning & development; BCP and remote working policies in response to the environment. We were able to create a set of standard guidelines, tools for managers and employees to track and reinforce productivity, enhance learning & skills development and support stakeholders in the wake of the pandemic.

COVID-19 Response and Support to Staff

Equity Group CEO, Dr. James Mwangi (4th left) and Equity Group Executive Director, Mary Wamae (3rd right) lead staff and invited guests including Joyce Muchena from Mastercard Foundation (2nd left), Julie Gichuru (3rd left), Kengen MD Rebecca Miano (centre), NIBS Founder, Lizzie Wanyoike and Hon. Justice Isaac Lenaola as well as Board Members Vijay Gidoomal (right) and Dr. Helen Gichohi (2nd right) in displaying the "Each for Equal" sign during celebrations to mark International Women's Day. Equity has rolled out a leadership and coaching program dubbed "Equip"-Equity Inspire Program, to enhance gender equality in the organization.

From the onset, the Group, as a responsible citizen sought to safeguard the health and overall wellness of staff and customers in the face of the pandemic. This led to evoking the Business Continuity Plan (BCP), which provided key guidance on remaining operational while keeping safe, and protecting our stakeholders.

Our immediate approach was to provide staff with information about the pandemic to enable them to identify and practice appropriate behaviours to protect themselves and their families. This was given by trained Doctors, through Equity Afia Clinics, on a continuous basis as it kept evolving. We established clear workplace protocols and practices expected of all employees. Due to new ways of working; productivity management was even more critical in the year due to the increased number of employees deployed to work remotely in response to the COVID-19 pandemic. In instances where staff were infected, the necessary support was provided and employees were able to utilize the requisite information to navigate through the challenge.

We established remote working arrangements that enabled us to deploy employees to diverse physical locations and also adopt alternative working arrangements. These included branches with extra space, several BCP sites, and working from home - all aimed at decongesting the workplace. In addition, the Bank instituted a two-team approach with half of the staff working from home while the other half remained in the offices. We had clear arrangements and protocols in the case where a team member/s are infected ensuring that our employees are provided with care, consistently protected and operations safeguarded.

Remote working was a key facet of our approach to tackling this pandemic. This required increased digitization of work and job related documents and tools to provide employees with the necessary means to perform their work related tasks. We were cognizant that this was a new norm and therefore is a major change in the workplace expecting that work would continue to be conducted virtually over the long-midterm. Given this virtual context, we have enhanced our systems, communication lines, relationship management and support functions to support customers, our other stakeholders and our teams internally.

We provided all our staff with personal protective equipment including masks and sanitizers. This was in addition to providing psycho-social support to staff and their families, conducting training and awareness sessions and ensuring adherence to the health protocols. We upgraded hygiene and sanitation standards including deep cleaning and fumigation of our offices and premises on a consistent basis.

Despite this challenging environment, our employees exhibited an exceptional level of resilience, commitment and loyalty with a marked improvement in work productivity and utmost vigilance. In total, we had 1.9% of staff infected with COVID-19 in the year.

Digitization and the future of work

We have championed the transformation of our workplace into a digital workplace over the years. This was accelerated by the reality of COVID-19 and the inevitable need for virtual working. We recognize that this calls for digitization of our work and have issued Key Performance Indicators for all departments focusing on digitization to ensure that all key processes and policies are digitized. We have also established an affiliate company, Azenia, which aims at developing digital solutions and providing us with the support required in a fully digital era.

OUR CAPITALS (continued)

HUMAN CAPITAL (continued)

Learning and Development

Capacity building remains paramount in positioning the Group to achieve its strategic goals and fulfil its purpose. Our revamped learning and development policy provides for Annual Training Needs Analysis, provides study leave for Group sponsored programs, ensuring learning content is competency based, amongst other provisions. In 2020, we adopted virtual learning to ensure our employees can access trainings and pursue their learning objectives. We launched the Equity academy as our mechanism for the delivery of learning programs for our employees. In the year, the Group undertook various programs, the most notable being the ecosystem training which saw a total of 4951 staff trained, mostly through virtual trainings in partnership with KfW (a German Development Bank). The training sought to build capacity on understanding the real economy and SME segment, relationship management and selling skills and appreciating the Ecosystems approach. This will position the Group to support the diverse segments of the business holistically. Trainings on non-funded income, leadership development and pandemics were also undertaken in line with our key strategic objectives and the COVID-19 situation. In total, employees attained an average of 35 hours of training in the course of the year.

Equity staff participates in the 10km category at the Beyond Zero Half Marathon. Marathon attracted 15,000 participants from across the country.

Employee retention

We want our employees to be attracted to the Group due to their resonance with our corporate purpose and philosophy. This is an important aspect of our employee retention approach as we seek to ensure employment fulfils a greater purpose than the mere need for work. We are keen to develop our employees and support them to achieve their career goals and personal aspirations. In difficult times as experienced in 2020, we enhanced our employee value proposition by ensuring job security, providing medical treatment support for infected employees and their families beyond our medical cover and issuing a performance bonus across the board.

Diversity and Inclusion

Diversity and inclusion is a cornerstone for the Group as it provides a competitive advantage by enriching the composition of the team. To this end, the Group continues to put in place initiatives that drive this agenda. In the year, the Group launched a platform to focus on further empowering women staff with a view to improving gender balance at all levels. The EQUIP programme is geared towards developing a strong talent pipeline of women while still supporting male staff. We aim to see women, just like men, achieve their career goals in the Bank through a deliberate framework around performance management, coaching and mentoring.

Equity staff pose with Julie Gichuru who attended the bank's International Women's Day celebrations

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 stakeholder 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 14.2 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.

OUR CAPITALS (continued)

INTELLECTUAL CAPITAL (continued)

Technology and Innovation

Technology continues to play a pivotal role in driving our growth, performance, and operations, especially in the current circumstances where in-person services have to be reduced due to the COVID-19 pandemic. We made several technological changes and innovations to accommodate this new reality enabling our employees, customers, suppliers and stakeholders to continue interfacing with the Bank. COVID-19 accelerated the drive towards transforming the Bank into a digital bank with increased emphasis on digital channels rather than physical infrastructure like bank branches and ATMs.

The year saw the consolidation of individual applications and systems into one unified platform in line with the One Equity Strategy and the migration from monolith applications to a service oriented approach. The aim is to make Equity a technology driven business that does the basic things well and leverages on partnerships with telcos and other technology partners to deliver world class value to our stakeholders. For us, technology is a key driver to create value, ensure relevance and improve financial inclusion.

The year was marked by an increased usage of technology-based channels as stakeholders adapted to government directives aimed at reducing the spread of COVID-19. For example, the social distancing and work from home requirements enhanced the adoption and usage of Digital Banking solutions, driving the use of internet and mobile banking by up to 79% of all transactions. The Jenga payment application also experienced increased volume of transactions by 463%.

Customer-centered technology

Our core focus in 2020 was to find ways to better operate in the new business setting in order to redefine relationships with our customers and continue to provide them with seamless services, seize the opportunities provided by the emerging trends to drive return-on-investments in technology. We remain customer-centered and continue to leverage our strengths in risk management, trusted relationships, clients' data protection and customer experience to the benefit of the ecosystem and to the interest of regulators.

Process digitization was a critical in ensuring we remained available and accessible to customers. This included aspects like customer onboarding, Individual account opening, standing orders processing, change of mandates, change of signatories, dormant account activation and lending processes. Services that are available in branches could also be accessed on digital channels such as USSD, Eazzy App and EazzyNet. Loan restructures were also conducted through online channels enabling customers to remain current with their loans.

We are intent on being a customer centered Bank that offers convenience, accessibility and reliability to our customers. In this respect, we enhanced technology stability resulting in service availability improving from 96.8% to 98.9%. Uptime on connectivity issues affecting our branches, ATMs, Lobbies and Applications increased to 90% while system uptime and availability was at 99.9%.

Innovations

Our IT teams continued to work on different projects to improve technology availability, stability and optimization. We launched several features such as the auto-settlement feature (Mobile and Cards) in Jenga HQ application that enables our merchants to receive a real-time settlement for mobile and card transactions, thus enabling merchants to maintain their user experience and improve the customer journey. These services are quite robust and support the international money transfer operations across all the subsidiaries. We have also leveraged on Artificial Intelligence to allow business get insights on the daily operations thus enable them to make data driven decisions.

Continued innovation and development of our platforms will offer our customers more payment options across the Equity Group Subsidiaries. With the ever growing and changing market, we are keen to ensure that we constantly innovate around these changes so as to remain ahead. Our solutions are designed to accommodate the growing number of customers in terms of hardware, software, applications, and network without slowing down operations.

Managing technology

Due to the upsurge in usage of digital channels and technology, there was also an increase in risks that target technology solutions and clients on these platforms. We enhanced cyber-security enabling us to repulse several attempts on our systems and also emphasized data driven fraud as a key concern. We provide our customers with information and counsel to protect them from social engineering frauds that increasingly have a technology facet.

A Data Protection Policy was also implemented in both Jenga HQ and Checkout, which enabled all our front-facing applications to conform to the 2019 Data Protection Act.

OUR CAPITALS (continued)

INTELLECTUAL CAPITAL (continued)

Going forward

Technology is a key enabler in delivering value for our customers and stakeholders. The Group aims to ensure that Equity services and products are deeply embedded into the lives of our customers. This will include transforming customers experiences through new technologies and features. We remain committed to the transformation of branches to digital experience centers that are not primarily transactional, ramping up of security and improved stability.

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 volumes of transactions conducted on them and the number of customers. A summary of our channels and client numbers indicates a flourishing business.

- Number of branches across the region: **336**
- Number of ATMs across the region: **725**
- Number of Online banking users: **110,753**
- Number of Agents: **53,151**
- Number of Equitel customers: **1,804,429**
- Number of active users on Eazzy App: **368,482**
- Number of EazzyBanking App downloads: **2,329,272**

As a rule, we do not replicate products and services we offer in other countries we operate in, we only 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.

Digitisation

Digitisation 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 own devices has 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 Kshs 59.5 Billion per month in value of transactions, EazzyPay moved Kshs 2.4 Billion per month while EazzyBanking App's transactional value stood at Kshs. 300 Billion. EazzyBanking App is the number one banking App in Kenya 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 enable 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 most needed. Agents earn agency commissions and also provide additional products and services for our partners.

AGENCY BANKING	Dec-20	Dec-19	Growth
Number of agents	53,151	53,417	0%
Monthly transactions	6.3 Mn	7.2 Mn	(13)%
Monthly value of transactions	77.4 Bn	66.7 Bn	16%
Monthly agent commissions (gross)	148 Mn	184 Mn	(19)%

OUR CAPITALS (continued)

MANUFACTURED CAPITAL (continued)

Cards and Merchants

We have a widely recognized range of card-based payment products, including debit cards, credit cards and the pre-paid 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.

Through credit cards, we offer a variety of products with attractive programs suited to different customers' lifestyles and consumption needs. In 2020, we had over 4.9 Million cards in issue with a transaction value of Shs 2.82 Billion representing a market share of 42%. Currently, we have 15,191 POS merchants and 71,146 Pay with Equity Merchants.

We implemented real timecard fraud monitoring systems to support digital transactions and safeguard our customers against fraudulent card activities. Customer sensitization and Card drives aimed at driving card usage and embracing digital transactions during the COVID-19 pandemic year saw our transactions incomes grow to 863 Million.

We have availed a medium to facilitate redemption of loyalty points accrued on our American Express cards. Customers can now log in to www.americanexpress.co.ke to view and redeem their points at various outlets /merchants. We have partnered with various merchants to offer card discounts to our customers in an effort to support cash displacement. These include hotels and restaurants, airlines, furniture shops, computer and electronic stores amongst others.

During the year under review, Merchant turnovers totalled Shs 92 Billion, a 23% drop from the previous year's Shs 119 Billion. Merchant commissions closed at Shs 1.6 Billion down by 32% from Shs 2.3 Billion the previous year. The number of merchant transactions stood at 19.2 Million, a drop of 17% from 23.1 Million transactions recorded in 2019. Our acquiring market share stands at 44% as at end of 2020.

The total transaction value for debit and prepaid cards totalled Shs 170 Billion for both inbound and outbound transactions while Issuing Interchange income was Shs 1.88 Billion with ATM transaction commissions at Shs 1.62 Billion with the channels being mostly affected by COVID-19 pandemic lockdown which restricted movement.

E-Commerce

In August 2020, Payments Directorate set-up an ecommerce Payments Unit focusing on Online Acquiring, API Monetization and Marketplace business as channels for facilitating payments within the ecommerce ecosystems. In the second half of 2020, the Bank onboarded some of the largest Fintechs in Africa i.e. Flutterwave to digitize Uber Driver daily cash collections, in addition to online acquiring. Others were Cellulant, Payfer, and Multigate. In 2020, ecommerce contributed Shs.300 Million in revenue, Shs.1.3 Billion volume as part deposit mobilization with close to one million in transaction count. Kenya contributed 80% of the group revenue.

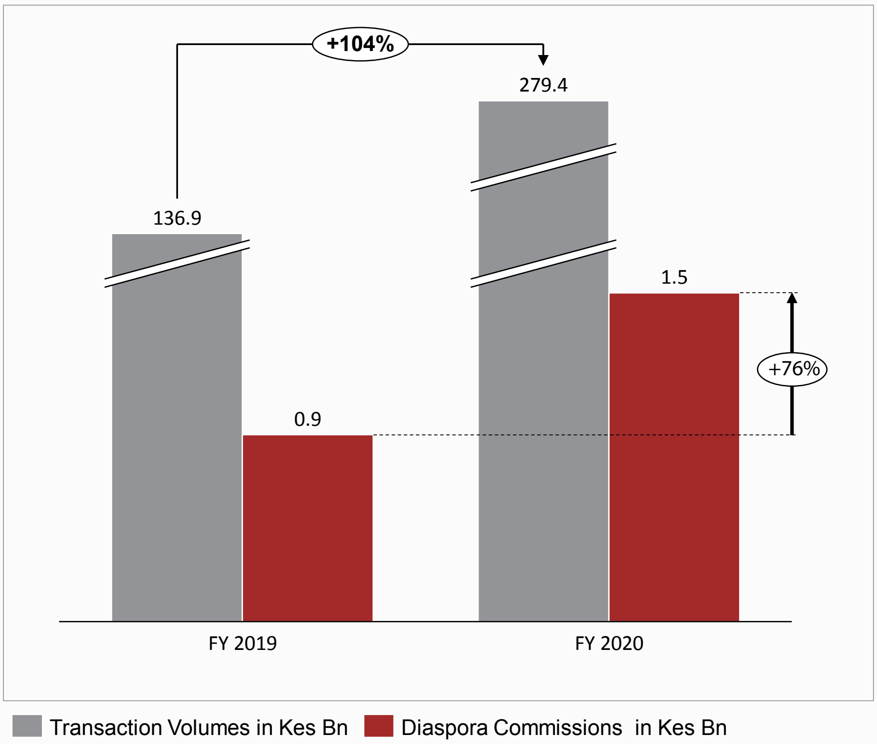
Diaspora Banking

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 AND RELATIONSHIP CAPITAL

At Equity, social and relationship capital represents, in broad terms, the Group and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information and collaborate to enhance individual and collective well-being. For us, social and relationship capital includes:

- Shared norms, beliefs, common values and behaviours.
- Key stakeholder relationships, and the trust and willingness to engage that Equity has developed and strives to build and protect with customers, suppliers, business partners, and other external stakeholders.
- Our social license to operate based on trust.

Our Creating Shared Value Strategy relates to social development initiatives such as Education and Leadership Development, Enterprise Development and Financial Inclusion, Food and Agriculture, Health, Energy and the Environment and Social Protection for the most vulnerable in society. All of our pillars are delivered to all the communicaties in which Equity has operations. We also work together with various levels of Government to improve public policy models in the many countries we operate in.

Equity Group Foundation

Equity Group Foundation (EGF) is a not-for-profit foundation established in 2008. It is the social arm and serves as the corporate philanthropy vehicle of the Group.

Equity Group Foundation Executive Chairman, Dr. James Mwangi addresses the 2020 Equity Leadership Program (ELP) cohort during their two-week induction in February 2020.

EGF champions the resolute efforts of low-income Africans to sustainably transform their lives and livelihoods. It connects women, farmers, small business owners and youth to educational, health and economic opportunities, and tools, and technologies that enable personal progress and wealth creation as the greatest tool to alleviate poverty.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Equity Group Foundation (continued)

As outlined above, six strategic pillars guide the Foundation's programs: Education and Leadership Development, Energy and Environment, Enterprise Development and Financial Inclusion, Food and Agriculture, Health, and Social Protection.

Equity Bank Kenya Managing Director, Gerald Warui ,mentoring the 2020 Equity Leadership Program (ELP) cohort during their two-week induction

EGF programs utilize the Group's banking infrastructure: its digital platforms for information and communication, and its extensive network of bank branches and personnel. EGF's strategic partnerships with local and international development organizations, government, and the private sector further advance social and economic change for the people of Africa.

Through utilizing the Group's resources, EGF keeps its overhead costs low. Almost 95% of the Foundation's funding directly benefits our program participants, offering EGF funding partners a particularly good value for program execution.

Headquartered in Nairobi, Kenya, with a fundraising operation in the United States, EGF currently operates programs in Kenya, Uganda, Rwanda, South Sudan, Tanzania and the Democratic Republic of Congo. Over the past 13 years, it has benefited 34 million people and plans to impact 100 million people by 2024.

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 at 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 and career development in order to break the cycle of poverty and develop the next generation of leaders, creating 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 flagship secondary school scholarship programs - *Wings to Fly* and Elimu - along with the Equity Leadership Program (ELP) that offers paid internships as well as our Technical and Vocational Education and Training (TVET) programs.

Eng. Joel Kiilu, Chairman of Mua Hills Professional Association (left) and James Mutuku, Equity Group Director Treasury and Trade Finance (right) plant a commemorative tree at the Kiilu farm. Equity Bank donated 11,000 tree seedlings of indigenous, and exotic trees that were received by over 100 residents living in Mua Hills in Machakos County.

- **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.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Creating Shared Value (continued)

- **Enterprise Development and Financial Inclusion:** Micro, Small and Medium Enterprises [MSMEs] play a significant role in the economy, in particular, 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.

A women's group in Machakos receiving water tanks they purchased through a credit facility from Equity Bank

- **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 (HSP). EGF promotes the use of Renewable Energy and Energy Efficiency aimed at transitioning households, institutions and industries away 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, combating climate change through mitigation and adaptation, improving people's health outcomes and saving on costs. EGF's is not only aimed at strengthening environmental sustainability and stewarding natural resources for future generations, but also at 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 reducing social and economic risks and vulnerabilities, and to alleviating extreme poverty and deprivation wherever it exists through cash transfer programs.

A Wings to Fly student uses the solar lamp donated to him as well as all students under the scholarship program during the COVID-19 pandemic period when students were out of school. This was under a partnership between Equity Group Foundation and Mastercard Foundation.

Strategic Plan for Transformational Impact

In 2020, EGF continued to implement its 'company and community needs-based strategy' to achieve the following outcomes:

1. **Building Resilience:** Increase adaptive capacity and capability to reduce and 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.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Strategic Plan for Transformational Impact (continued)

2. **Enhancing Prosperity:** Improve financial literacy and inclusion:
   - Enhance positive banking behaviours.
   - Improve financial and entrepreneurship management.
   - Improve livelihoods and reduce vulnerabilities.
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:** Spurring 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 Transformational Impact:** Inclusive, diverse and balanced engagement of partners for strengthened 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 (CSV) Strategy: 2017-2021. It articulates how the Foundation can play an integral part in the long-term business success for Equity Group Holdings while creating value for society.

A detailed account of EGF's 2020 impact activities and the Foundation's achievements can be found in the EGF `2020 Transformational Impact Report' in both English and French.

Our 2020 commitments and performance

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

Strategic Program Pillars	Program	2020	Cumulative
Education and Leadership Development	Secondary School Scholarships – Wings to Fly and Elimu	10,136	26,304
	Wings to Fly scholars qualified to join university	1,519	9,581
	Equity Leaders Program Global Scholars	119	633
	Equity Leaders Program Interns	745	6,713
	Technical and Vocational Education Training Scholars	278	3,033
Food and Agriculture	Medium Sized farmers	6,462	39,589
	Farmers Impacted	1.4 million	2 million
Health	Equity Afia out-patient clinics	22	33
	Patients reached through Equity Afia	60,990	123,073
	Patients visits to Equity Afia	151,423	305,560
Enterprise Development and Financial Inclusion	Micro, Small and Medium Enterprises trained	68,704	121,478
	Financial Inclusion	174,256	2,182,615
Energy and Environment	Clean Energy products distributed	121,384	243,908
Social Protection	Individuals reached with Social Protection Programs	1.25 million	3.33 million
	Disbursements via Cash Transfers	Shs.13.4Billion	Shs.77.4 Billion

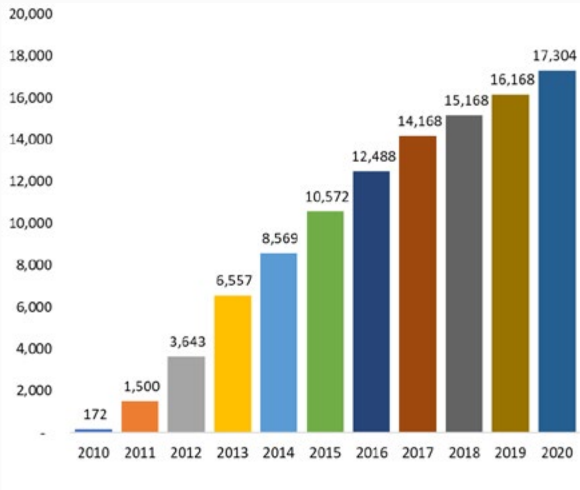
The subsequent sections provide more detailed performance per programmatic pillar.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Education and Leadership Development

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 global environment.



Cumulative *Wings to Fly* Scholarships

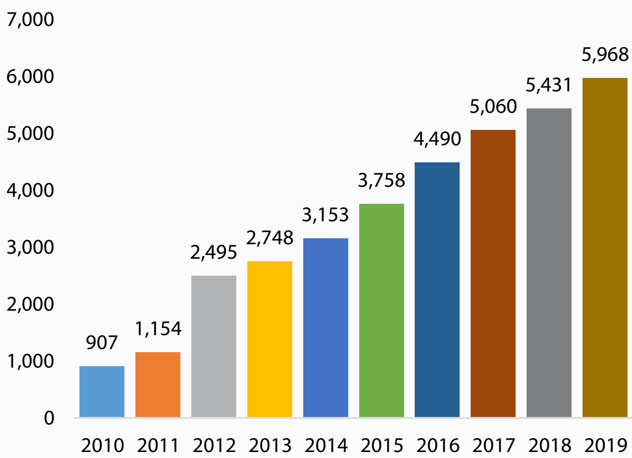
In its 11th year, the *Wings to Fly* Program, selected 1,136 students to commence Form 1 in 2020. This brought the total to 17,304 beneficiaries who have accessed secondary education through comprehensive scholarships coupled with mentorship and psychosocial support. The program continued to record impressive performance with a 97% completion rate, 82% of the graduates securing university admission with 86% of all students holding leadership positions. With the advent of COVID-19, the 2021 scholar intake, which typically happens in December of the previous year, has been delayed and is taking place in the second quarter of 2021.

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 targeting 18,000 beneficiaries in 110 sub-counties and 15 urban centres with informal settlements. Under this program in 2019, Equity 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.

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 offer them 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 mentoring 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 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.



Cumulative ELP Paid Internships

Prof. George Magoha, Kenya Education Cabinet Secretary receives a memento from Wings to Fly beneficiaries Amina Ali from Nakuru County and Michael Odhiambo from Kisumu County, during the 2020 WingstoFly Commissioning ceremony at Kenyatta University.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Education and Leadership Development (continued)

Equity's Education and Leadership Development pillar response to COVID-19

Since the first case of the novel coronavirus was announced in Kenya, many aspects of society and the education sector have been dramatically affected. On March 15th 2020, the Kenyan government closed all learning institutions countrywide to contain the spread of the virus. As the numbers of those infected by coronavirus rose to over 8,000, the Cabinet Secretary for Education Professor George Magoha announced on July 7th that the "2020 school calendar year will be considered lost due to COVID-19 restrictions". This announcement had repercussions for over 18 million students across the country whose learning has been thrown into limbo threatening the loss of education gains and the implementation of a new competency-based curriculum.

Supporting students during lockdown Equity Group Foundation and Mastercard Foundation dedicated USD 4.6 Million to ensure that 14,600 scholars in the *Wings to Fly*, *Elimu* and *TVET* Scholars programs would be able to continue their education during the COVID-19 lockdown. This funding provided the students with solar-powered devices containing a radio, a solar lamp, and a mobile charging unit. It enabled the students to continue lessons delivered through government owned radio and TV stations in Kenya.

These scholars plus others in various EGF supported technical and vocational programs also received a monthly stipend to provide funding for essential household food and personal hygiene items during the COVID-19 lockdown period.

Enterprise Development and Financial Inclusion

The small and medium-sized enterprises (SME) sector is considered as the backbone of the economy. This means that the SMEs could be a key engine of employment, job creation, stimulation of innovations, and tend to be contributed to economic growth and improve the well-being of a population. EGF stimulates job creation and economic growth by providing micro, small and medium entrepreneurs (MSMEs) with advice, mentorship and entrepreneurship training. Under the Entreprise development and financial inclusion program, 121,478 micro, small and medium size enterprises have been trained. To date, USD 577 Million (Shs 57.7 Billion) has been accessed in loans by these MSMEs. Equity through Equity Bank (Kenya) Limited (EBKL) and EGF is currently implementing a five-year program called Young Africa Works Kenya (YAWK), in partnership with the MasterCard Foundation. The program seeks to catalyse creation of 810,000 jobs in Kenya by facilitating 150,000 MSMEs to access finance, grow their capital and improve their business models. Thus far, we estimate that MSMEs in the program have created 344,820 jobs, as well as supported to retain 72,049 jobs (Internal Outcome Assessment, 2020).

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 2,182,615 Kenyan MSMEs, women and youths in financial education. EGF has scaled up the program to neighbouring countries namely Uganda, Tanzania and Rwanda.

Health

Kenya continues to face numerous public health problems, mainly relating to maternal health and child mortality, communicable diseases, and, increasingly, non-communicable diseases. Health indicators vary considerably across counties and income quintiles. Life expectancy is 59 years for men and 62 for women .

Kenya has made significant progress in improving certain indicators, but lags behind in others. For instance, between the 2003 and 2014 (KDHS), under-five mortality declined from 115 to 52 per 1,000 live births, with the infant mortality rate dropping from 77 to 39 per 1,000 live births. The percentage of fully immunized children rose from 57% to 79% over the same period .

On the other hand, much slower progress has been reported across maternal indicators. The maternal mortality ratio, for instance, only reduced from 414 to 362 per 100,000 live births between 2003 and 2014 . While significant strides have been made in the fight against HIV and AIDS and malaria, Kenya ranks 13th on the list of 22 high-burden TB countries in the world and has the fifth highest burden in Africa . Overall, infectious diseases remain a major problem. Pneumonia, malaria and diarrheal diseases are the top three leading causes of under-five mortality. Poor sanitation and hygiene, inadequate water supply, environmental factors and malnutrition have contributed to the rise in communicable diseases.

At the household level, improved knowledge and increased access to quality health care services, especially among the marginalized, people living with disability, the vulnerable and high-risk populations could have positive impacts.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Health (continued)

Improvement in health across the life cycle would release households' resources for investment in other areas, thereby reducing poverty and enhancing the quality of life. Thus, public health, human rights, and poverty alleviation concerns all point to a need to better meet the health needs of the people in Kenya. Health authorities have reported reduced uptake of other essential health services amid the COVID-19 pandemic, including for chronic conditions and immunizations services threatening to reverse investments made towards control of communicable diseases, including tuberculosis (TB).

Provision of Quality Affordable Out-Patient Care

To this end, 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. providing affordable, high-quality, preventative and primary health services across Kenya;
2. increasing health literacy and favourable attitudes about health insurance among Kenyans; and
3. increasing 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.

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.

As at the end of 2020, EGF had opened 33 Equity Afia health clinics, up from 11 in 2019, out of a targeted 1,000 clinics reaching 123,073 patients with 305,560 patient visits in 2020, with out-patient care services.

Equity's enterprise pillar response to COVID-19

Equity Group Foundation's response to COVID-19, the disease caused by the novel Coronavirus, was swift, and placed the welfare of its staff, beneficiaries, and stakeholder's paramount to all its work.

Through its response to the crisis, EGF tested its adaptability and challenged its teams to grow beyond their traditional programs. With the support of our partners, EGF implemented new strategies to ensure uninterrupted support to program beneficiaries. Comprehensive interventions were put in place to support beneficiaries to not only survive the disruptions caused by the pandemic but also to find their way back to economic prosperity as the crisis subsides.

EGF's COVID-19 response mobilized resources and implemented solution oriented activities across our Health, Education and Leadership Development, and Food and Agriculture pillars. Dr. James Mwangi, Group CEO of Equity Group Holdings Plc and Executive Chairman of Equity Group Foundation was appointed as a member of the Kenya Presidential COVID-19 Fund Response Board, where he served as Chair of its Health Committee.

Along with financial support from Mastercard Foundation and generous donations by Dr. Mwangi's family and Equity Bank Kenya Limited, Equity Group Foundation and Equity Group Holdings Plc rallied support for frontline healthcare workers serving COVID-19 patients in public hospitals across Kenya.

In addition, EGF was instrumental in mobilizing partners to assist in the sourcing, procuring and distribution of Personal Protective Equipment (PPEs) to frontline health care workers, in conjunction with the Kenya Association of Manufacturers. Together, in partnership with McKinsey, we helped to train local manufacturers in Kenya to create a supply chain of world class PPEs that will supply the country as needed. The strategy to mainly source PPEs from local manufacturers also saved over 4,000 jobs for factory workers that otherwise would have been lost.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Health (continued)

While supporting the needs in Kenya, the mobilization of funds also served to support COVID-19 response efforts in other Equity markets including Uganda, Rwanda and the Democratic Republic of the Congo.

Equity's health pillar response to COVID-19

Providing trusted information Equity prepared and disseminated more than one million leaflets answering frequently asked questions about COVID-19. Working with its associate enterprise, Equity Afia, EGF reached staff, customers, beneficiaries, and a broader online audience to share accurate information and overcome misinformation about the pandemic.

Boosting Testing Capacity In Rwanda, Equity Bank Rwanda supported the Government initiative with a contribution of USD 1.06 Million to purchase 22,225 COVID-19 testing kits.

Protecting healthcare workers EGF mobilized USD 16.7 Million in funding to contribute to various national COVID-19 response initiatives in the region:

Food and Agriculture

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 accessing 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 2 million farmers. Additionally, 39,589 small and medium- sized farmers have been supported.

Equity's food and agriculture pillar response to COVID-19

EGF considered the issue of food and agriculture security as second only to the health crisis of COVID-19. EGF supported farmers through financial intermediation in food production, processing, transport and in export, while also improving access to finance for farmers and other agricultural businesses. EGF established partnerships to address the influx of youth into the food and agriculture supply chain and offered insurance planning as a tool to mitigate non COVID-19 risks such as climate change and desert locusts which have simultaneously assailed agriculture in East Africa.

The ultimate impact of the crisis on the Foundation's programs and beneficiaries is still unclear. What is clear is that EGF's management, staff, and partners remain committed to supporting its beneficiaries throughout this challenging time. Equity Group in partnership with EGF is committed to restructuring financial services as needed to enable the small-and medium-sized enterprises we support to continue operating and thrive once the crisis is over. We will also continue to execute our Business Continuity Management Plan to serve our staff and beneficiaries so that they stay safe during the continuing pandemic and remain healthy to continue our transformational work.

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 a primary source 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 peoples' 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.

OUR CAPITALS (continued)

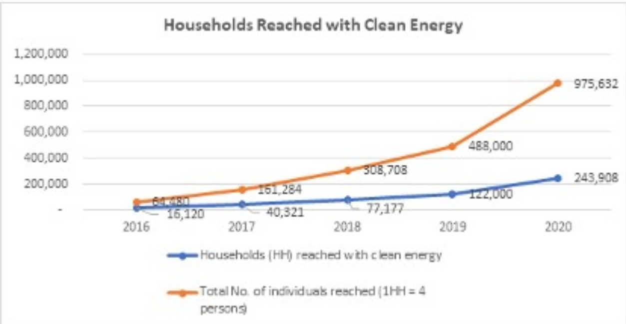
SOCIAL AND RELATIONSHIP CAPITAL (continued)

Energy and Environment (continued)

Key Highlights:

- Over 243,908 households reached with renewable energy products impacting over 975,632 individuals
- Over USD 8 Million worth of charcoal and kerosene saved through clean cookstoves and solar home systems.
- 108,000 metrics tons of CO_2 reduced.
- USD 7 Million in household savings by switching to clean energy.
- 3.12 million trees planted and over 22,000 trees saved through clean energy transition.
- USD 20 Million dedicated to climate related interventions

Figure 1: Cumulative Households Reached with Clean Energy



Programs:

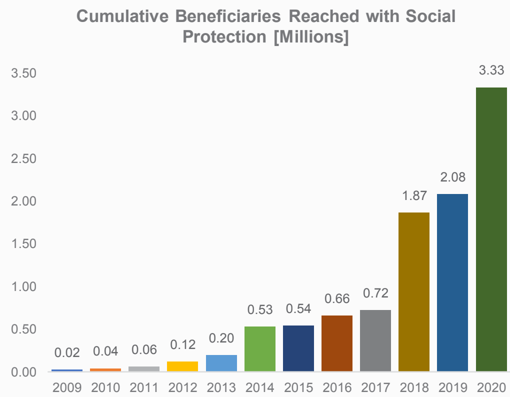
- EcoMoto program that allows households to access clean energy products such as LPG, improved biomass stoves and solar home systems. Distribution of clean energy products to households by leveraging of the Bank's network of branches and agents.
- Climate Smart Agriculture, which includes solar water 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.
- 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.
- Support of renewable energy such as solar PV, solar water heating and minihydro for institutions and industry

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 2024.

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 ASALs, Internally Displaced Persons, Refugees and other Vulnerable Persons.



Key Partnerships include:

1. **Government of Kenya (GoK):** Ministry of Labour & Social Protection, Ministry of Devolution and ASALs, National Drought Management Authority (NDMA), Ministry of Agriculture, Livestock and Fisheries
2. **International Organizations:** Department for International Development (DFID), The World Bank, and 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).

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Social Protection (continued)

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.

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. Cash additionally 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 behaviours 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. These 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 336 branches and over 52,000 agents, the Bank offers convenient means of access to funds for registered beneficiaries. Our reach is as follows:

- 3.3 million individuals reached with Social Protection Programs;
- Shs. 77.4 Billion Disbursement via Cash Transfers.

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 2020 is provided in the ensuing table.

UN SDG	Equity's Contribution
	**SDG 1: No Poverty** According to the World Bank, the economic and social disruptions induced by the COVID-19 (coronavirus) pandemic have eroded progress in poverty reduction in Kenya, forcing an estimated two million more Kenyans into poverty. In 2019, Kenya's economic growth averaged 5.7%, placing Kenya as one of the fastest growing economies in Sub-Saharan Africa. The recent economic expansion has been boosted by a stable macroeconomic environment, positive investor confidence and a resilient services sector. Against this backdrop, Equity continued to use financial services and non-financial means to disrupt poverty by offering multiple pathways out of poverty. Equity believes the solutions lie in democratization of access to Financial Services. With financial support from the Government and Humanitarian agencies, we facilitated 3,330,195 individuals with over Shs 77.4 Billion Social Protection Cash Transfers.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (continued)

UN SDG	Equity's Contribution
	**SDG 2: Zero Hunger** In 2020, Kenya's economy was hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path. Apart from the COVID-19 (coronavirus) pandemic, the locust attack which started early 2020, has affected many parts of Kenya especially the North East. It has had a negative impact on food security and growth of the agriculture sector in the country. Real gross domestic product (GDP) growth is projected to decelerate from an annual average of 5.7% (2015-2019) to 1.5% in 2020. With this in mind, Equity has continued to give agriculture a high priority. Through its Value Chain Agriculture Financing Model, Equity has disbursed Shs 7.9 Billion to 79,000 farmers through the Kilimo Biashara loan product. Through Equity Insurance, the Group has continued to offer weather and Index Based Livestock Insurance. Equity partnered with the Government of Kenya and IFAD to provide agricultural subsidies through the Kenya Cereals Enhancement Program that supports 40,000 smallholder farmers to increase productivity and profitability through the adoption of value-added agricultural practices. Additionally, through a program funded by the Embassy of the Kingdom of the Netherlands that has now been scaled up with support from the Norwegian Agency for Development (NoRAD), we have supported 39,589 small and medium scale farmers to increase agriculture production and incomes in key food crops across various regions in Kenya.
	**SDG 3: Good Health and Well-Being** The Human Development Index (HDI) by UNDP is a summary measure for assessing long-term progress in three basic dimensions: a long and healthy life (measured by life expectancy), access to knowledge (mean years of education and expected years of schooling) and a decent standard of living (Gross National Income per capita). Kenya's HDI value for 2019 is 0.601— which put the country in the medium human development category—positioning it at 143 out of 189 countries and territories. Between 1990 and 2019, Kenya's HDI value increased from 0.482 to 0.601, an increase of 24.7%. At Equity, we believe that by improving access to high quality and standardized health care, we will enhance quality of life and contribute to a healthier future. Through Equity Afia, we are implementing a sustainable, integrated health model that oversees a network of clinician entrepreneurs to provide standardized, quality healthcare throughout the country. To date, Equity Afia operates 33 outpatient facilities that have provided 305,560 cumulative patient visits. Through Equity Insurance, the Group continues to offer a medical insurance product targeting 20 million Kenyans.
	**SDG 4: Quality Education** Introduction of Free Primary Education in Kenya saw Grade 1 enrolment rise from 0.969 million in 2002 to 1.312 million in 2003, an increase of 35%. Increased enrolment rates coupled with high costs prohibited children from vulnerable backgrounds from accessing secondary education. Thus, Wings to Fly was established to support secondary education for top performing children from financially challenged backgrounds in all counties across Kenya thus availing access to leadership training to previously marginalized children. The program, with support from Mastercard Foundation among others, offers comprehensive support for the scholars through provision of tuition fees, accommodation, books, uniform, shopping, pocket money and transport to and from school during their 4 years of secondary education. Additionally, with the support of Ministry of Education/World Bank, the Elimu Scholarship program was mooted to support two cohorts of 18,000 secondary scholarships. By the end of 2020, the number of secondary school scholars rose to 26,304. Out of these, 11,928 have already completed their KCSE. Further, of the scholars who have completed secondary education, 9,581 have qualified for university entry with 633 securing admissions to global universities and the rest joining universities in Kenya. Through Equity Bank, the Group provides parents and education institutions with loans to support access to education as well as infrastructure development.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (continued)

UN SDG	Equity's Contribution
5 GENDER EQUALITY	**SDG 5: Gender Equality** UN indicates that women and girls, everywhere, must have equal rights and opportunity, and be able to live free of violence and discrimination. Women's equality and empowerment is one of the 17 Sustainable Development Goals, but also integral to all dimensions of inclusive and sustainable development. In short, all the SDGs depend on the achievement of Goal 5. At Equity, we believe that empowering women and girls has a multiplier effect, and helps drive economic growth and development. We have empowered 2,182,615 women and youth in Kenya with financial literacy skills. On the economic side, through its Fanikisha Women suite of six loan products on both Group and Individual Lending methodologies – Shs 40.7 Billion cumulative disbursements to 370,755 women at the close of 2020.
6 CLEAN WATER AND SANITATION	**SDG 6: Clean Water and Sanitation** The United Nations classifies Kenya as a chronically water scarce country on the basis of having one of the lowest natural water replenishment rates, at 647 metres cubed per capita per annum which is far below the 1,000 metres cubed per capita per annum. Equity supports the belief that to address the water and sanitation challenges, investment in adequate infrastructure, provision of sanitation facilities, protecting and restoring water-related ecosystems such as forests, mountains, wetlands and rivers is essential. To this end, we continue to finance water and sanitation infrastructure, including but not limited to water storage, water harvesting, storage, water efficiency and recycling, and modern toilets. Additionally, EGF was involved in the "Save the Mau Water Tower initiative" that saw at least one million trees planted.
7 AFFORDABLE AND CLEAN ENERGY	**SDG 7: Affordable and Clean Energy** Kenya has promising potential for power generation from renewable energy sources. Abundant solar, hydro, wind, biomass and geothermal resources led the government to seek the expansion of renewable energy generation to rural areas. Following a least-cost approach, the government has prioritized the development of geothermal and wind energy plants as well as solar-fed mini-grids for rural electrification. In Kenya, investment grew from virtually zero in 2009 to USD 3.6 Billion in 2010 across technologies such as wind, geothermal, small-scale hydro and biofuels. The country's ambitious plan of raising electricity capacity from the current 2.4GW to 22.7GW by 2030 is pegged on producing cheaper sustainable energy, improving distribution and exploring clean energy. To date, Equity has provided 243,908 energy saving products that have benefitted 975,632 individuals. Other programmes include promotion of renewable energy, solar irrigation pumps, biogas, solar water heating, energy efficiency (retrofits), clean biomass fuel and renewable energy. At the close of 2020, Equity had supported the planting of 3.12 million trees. To reach scale and create more impact, we have created the first energy loan in the world to be available in digital form through the phone and established a robust distribution network of high-quality renewable energy products throughout the country. This will enable us to reduce greenhouse gas emissions by 5 Million metric tonnes by 2024.
8 DECENT WORK AND ECONOMIC GROWTH	**SDG 8: Decent Work and Economic Growth** MSMEs both formal and informal contribute over 80% (Kenya National Bureau of Statistics) of employment opportunities in the country. Yet many enterprises face a significant barrier in accessing credit with a lack of physical collateral. This was further exacerbated by the interest rate cap in Kenya, which severely constrained the ability of banks to offer risk adjusted pricing. At the Group level, Equity adopts consistent, equitable, and fair labour policies and practices in rewarding, developing, and caring for our employees under the direct hire. Through our human resources policy and operations manual we also ensure safe, clean, and dignified working and living conditions for the workers. Further, 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, 121,478 micro, small and medium size enterprises have been trained. To date, USD 575m have been accessed in loans by these MSMEs. Thus far, we estimate that MSMEs on the program have created 344,820 jobs, as well as supported to retain 72,049 jobs (Internal Outcome Assessment, 2020).

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (continued)

UN SDG	Equity's Contribution
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**SDG 9: Industry, Innovation and Infrastructure** Investment in infrastructure and innovation are crucial drivers of economic growth and development. Kenya's unprecedented urban growth is attributable two main factors: natural population growth and rural-urban migration due to factors like drought, conflict and rural poverty. It is projected that the country's urban population will continue to grow, reaching 31.7 million (56%) by 2027. Equity has led the way in breakthrough technology and innovation becoming the leading digital bank in the region. Already, 98% of our transactions are outside the branch, with 87% taking place online. The Group has received Development Finance Institutions (DFIs) loans from The African Development Bank (AFDB), European Investment Bank (EIB), International Finance Corporation (IFC) etc. for onward lending to support MSME, SME and Corporate sectors at the core of manufacturing and industrialization.
10 REDUCED INEQUALITIES	**SDG 10: Reduced Inequalities** Unemployment rate in Kenya increased to 10.4% in the second quarter of 2020 from 5.2% in the first quarter of 2020 (Kenya National Bureau of Statistics (KNBS) 2019/2020 Labour Force Basic Report). The highest proportion of the unemployed was recorded in the age groups 20-24 and 25-29, each registering over 20%. The same age groups also had the highest increase of over 10% each in unemployment over the 3 months reference period according to KNBS. Equity is committed to identifying and understanding strategies that can bridge the ongoing education-to-employment gap prevalent among youth in Kenya. Failure to ensure that young people are adequately prepared to enter the workforce and succeed in the workplace, jeopardizes the investments that governments and development partners make in primary and secondary education resulting in a low or lack of return on investment. EGF targets youth and avails them opportunities for technical skills training in TVET institutions while complementing with financial, entrepreneurial and in relevant cases agribusiness training. Coupled with the technical training, youths are equipped with skills that enhance their employability i.e. life skills, agribusiness, financial and entrepreneurship education to support and encourage adoption of multiple career pathways. To date, 3,033 youths had an opportunity to acquire a technical and vocational skill.
11 SUSTAINABLE CITIES AND COMMUNITIES	**SDG 11: Sustainable Cities and Communities** Like other developing countries, Kenya is facing challenges occasioned by rapid urbanization. In 2019, 27.5% of Kenya's total population lived in urban areas and cities. 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	**SDG 12: Responsible Consumption and Production** A key tenet of this goal is to support the attainment of economic growth and sustainable development while reducing our ecological footprint. It is for this reason that Equity has adopted ICT to reduce energy use as well as material consumption through its Tier 4 Green Data Centre. In 2015, MicroEnergy Credits signed an Emission Reduction Purchase Agreement (ERPA) with the Swedish Energy Agency to support Equity energy and environment program. This ERPA generates additional revenue for the program, which is reinvested back into the clean energy initiative. Equity Bank also partnered with development organizations for a results-based financing programme (RBF), proceeds of which are reinvested in the clean energy agenda.

OUR CAPITALS (continued)

SUSTAINABLE DEVELOPMENT GOALS (continued)

UN SDG	Equity's Contribution
	**SDG 13: Climate Action** Kenya Vision 2030 – the long-term development blueprint for the country – aims to transform Kenya into "a newly industrializing, middle-income country providing a high quality of life to all its citizens in a clean and secure environment." Equity, in addition to other environmental 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 intervention 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.
	**SDG14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development.** One of the biggest threats to life below the sea is siltation, which causes challenges for fish and other aquatic organisms including destruction of fish breeding areas and causing havoc with chemicals and waste that rivers carry along. To address this challenge, EGF, working with partners has embarked on training farmers on climate smart agriculture that reduces destruction and through Equity Bank, supports farmers to access financing to harvest rainwater among other interventions that support sustainable agriculture.
	**SDG 15: Life on Land** Human life depends on the earth as much as the ocean for our sustenance and livelihoods. It is for this reason that Equity support sustainable financing to fishing industry in Lake Victoria, Lake Turkana, and the Indian Ocean as well as funding to sustainable horticulture farms on Lake Naivasha. To avoid land degradation and deforestation, EGF working like-minded partners have come up with innovative solutions to support communities particularly through farm-forest investment facilities for smallholder farmers that are both affordable and sustainable.
	**SDG 16: Peace, Justice and Strong Institutions** Without peace, stability, human rights and effective governance, based on the rule of law we cannot hope for sustainable development. It is for this reason that Equity maintains Political neutrality and 100% legal compliance. Equity is an active member of the Kenya Private Alliance (KEPSA) lobby group which is involved in civic education campaigns towards maintaining peace before, during and after general elections. Anchored on its 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 income ratio of 32%, in large part, due to its shared prosperity model.
	**SDG 17: Partnerships for the Goals** The world today is more interconnected than ever before. Improving access to technology and knowledge is an important way to share ideas and foster innovation. Equity continues to implement Public Private Partnership (PPPs) and other Strategic alliance partnerships to support the scaling up and replication of its programs. Equitel MVNO for mobile broad band provide internet access to over 2.9 million people. Equity has thus far raised USD 464,512,524 to support the implementation of its social programs.

CONTROL
ENVIRONMENT

CONTROL ENVIRONMENT

RISK MANAGEMENT AND COMPLIANCE

Message from the GCRCO's office

The year 2020 presented a unique set of challenges for Risk and Compliance Managers across the Globe. For some it was an opportunity to witness stress scenarios unfold in real-time as markets experienced sharp declines in Q1, for others it was a time for auxiliary risk management strategies such as Pandemic response plans, to take centre stage in risk management discussions.

Within the region, we witnessed infestation by desert locust which is expected to impact food security, flooding which heavily interfered with livelihoods by causing damage to infrastructure and property, and an unprecedented health crisis caused by the novel coronavirus (COVID-19) which continues to wreak havoc across economies.

The Group, once again displayed its resilience in navigating through a myriad of risk and compliance events emanating from;

1. The normal course of business,
2. A unique set of challenges presented during the year; and
3. All emerging and Company specific Risks.

It therefore is evident that EGH Plc remains a beacon of financial soundness and stability across Sub-Saharan Africa.

EGH's Plc Risk Management and Compliance Framework

Effective risk management and compliance is fundamental in achieving the Group's strategic objectives. In carrying out its activities, the Group has adopted a systematic approach in balancing risks and rewards with the aim of protecting the interests of all stakeholders whilst delivering long-term sustainable shareholder value.

The Group acknowledges that prudent risk management and compliance are the responsibility of all individuals across the Group. To this effect, the Group has institutionalized mechanisms to transmit and promote risk awareness throughout the organization. Collectively, these mechanisms constitute an Integrated Risk Management framework, which entails the following;

i. Governance Structures which Support a Group wide Risk and Compliance Culture;

- At Equity Group Holdings Plc, risk management and compliance starts from the top.
- The Board, through a delegated team of Executive managers continuously reviews the Group's risk landscape as it evolves. Timely decision-making is critical, and a culture of consistent risk dialogue ensures that all pertinent risks facing the institution are identified, well understood by their respective first line owners and managed within acceptable thresholds.
- Additionally, the Executive management in implementing its day to day mandate, is supported by an independent team of risk and compliance professionals well equipped with the required skill sets to address risk issues in an ever changing, fast paced business environment.
- On aggregate, the Group's robust risk and compliance management infrastructure, ensures the tone from the top is permeated across the Group enabling all subsidiaries, departments and product lines to comprehend, implement and adhere to the Group's Integrated Risk Management framework as outlined in policy.

ii. An Integrated Risk Management Policy

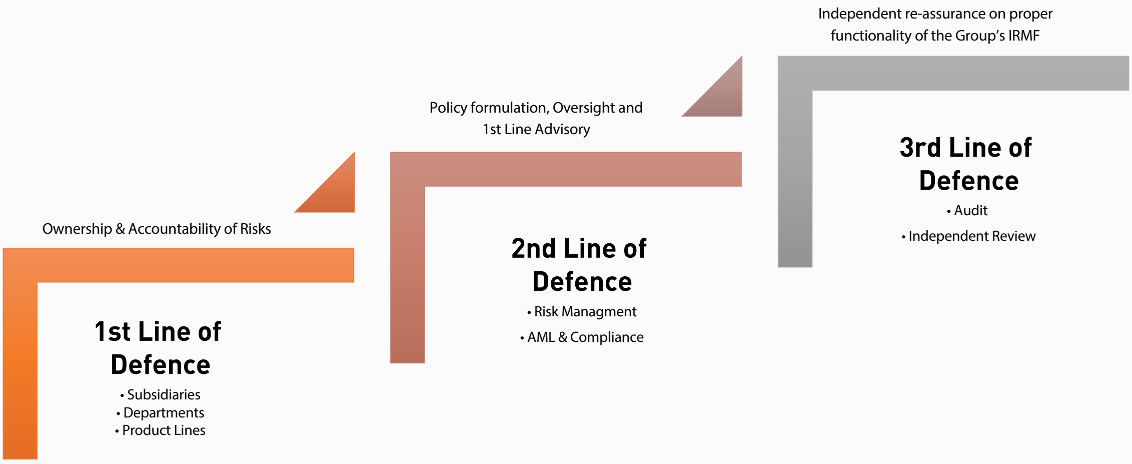
- The Group's Integrated Risk Management policy (IRM) stipulates guidelines, which ensure that Risk Management and Compliance standards are consistent across Subsidiaries, Departments, and Product lines. The IRM policy serves to harmonize Risk and Compliance policies across the Group outlining various aspects such as Risk Appetite Setting, Risk Evaluation, and Risk Reporting.
- Within the IRM policy, appropriate risk and compliance management techniques are outlined. Essentially identification, assessment, monitoring, management and reporting activities are effectively embedded within the 3 lines of defence.
- Policy adherence is affirmed by the Risk department, Internal audit, Compliance and Enforcement teams, external audits, The Central Bank of Kenya, Capital Markets Authority and Nairobi Securities Exchange reviews, as well as Cross Border Supervisory Colleges and Credit Rating Agencies' reviews.

CONTROL ENVIRONMENT (continued)

RISK MANAGEMENT AND COMPLIANCE (continued)

ii. An Integrated Risk Management Policy (continued)

EGH Plc's Three Lines of Defence.



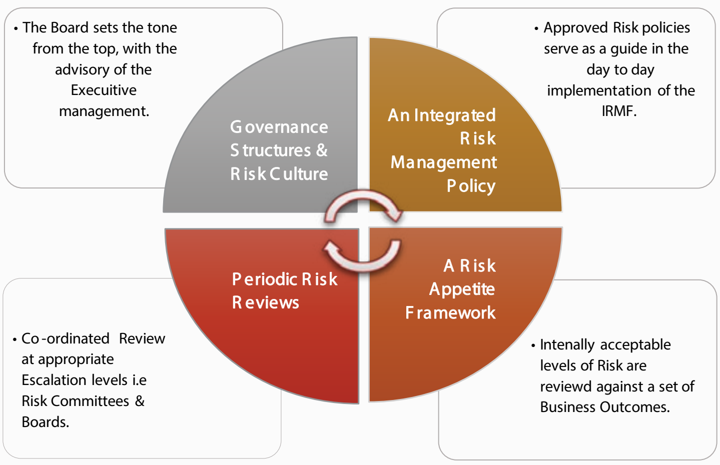
iii. A Risk Appetite framework

- Our risk appetite framework informs the desired levels of risk the Group is willing to take in meeting its annual strategic budgets and financial plans. As functions across the organization attempt to maximize on identified profitable opportunities, risk appetites serve as yardsticks, ensuring such opportunities are pursued in a manner that adequately compensates any commensurate risks.
- The Central Bank of Kenya Prudential Guidelines (2013) and The Central Bank of Kenya Risk Management Guidelines (2013) are critical reference points within the risk appetite setting process. These regulatory guidelines outline Nine (9) facets to be considered when defining the Group's risk landscape namely; Strategic Risk, Credit Risk, Liquidity Risk, Market Risk, Operational Risk, Information and communication Technology (ICT) Risk, Reputational Risk, Compliance Risk, Country and Transfer Risk.
- In addition to regulatory guidelines, the Group continues to identify emerging and/or Company specific risks and subsequently sets internal risk appetites in line with the overall framework. Such may include the need to contribute towards the Global Environmental Preservation Agenda for which the Group has defined an Environmental and Social Risk Management (ESRM) policy with the aim of conducting business in a long-term, environmentally friendly and socially responsible manner.

iv. Periodic Risk Review

- It is firmly believed that "what cannot be measured cannot be managed". A Group wide risk culture, risk policies and risk appetites are one half of the story i.e. measurement. To complete the risk and compliance management cycle, consistent review and action of Risk items is critical. With risk assessments, the organization is able to prioritize risk events in a manner that supports effective management. In conjunction with delegated authorities, risk events are thereby escalated to the appropriate level for action and closure.
- Overall, Risk Committees, the Executive management teams and the Board of Directors provide an oversight of the Group's Integrated Risk Management Framework and ensure effective implementation.

EGH Plc's Integrated Risk Management and Compliance Framework



CONTROL ENVIRONMENT (continued)

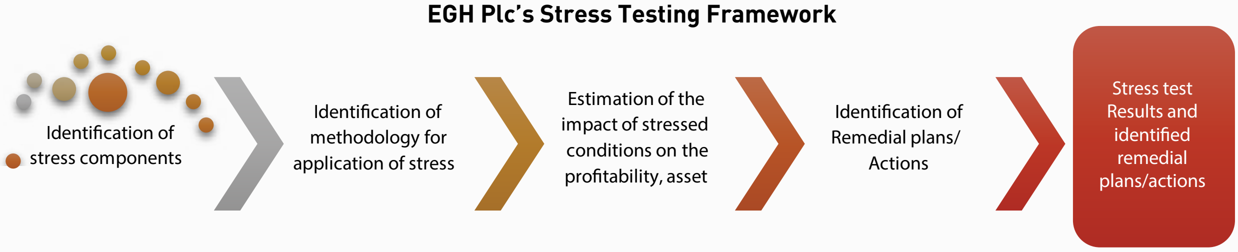
RISK MANAGEMENT AND COMPLIANCE (continued)

v. A note on 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. Depending on the results, mitigating management action is taken, preventing business failure.

The current business environment has re-emphasized the importance of stress testing, the Group's stress testing results indicate that the Group shall continue to meet its earnings targets, capital thresholds while maintaining sufficient liquidity buffers under the plausible scenario.

EGH Plc's Stress Testing Framework



REGULATORY LANDSCAPE

i. Information Technology (IT) Risk and Information Security

- Digitization of service delivery has turned banking into something you do rather than somewhere you go. This has been one of the Group's top priorities, with the outbreak of COVID-19 further strengthening this focus. As a market leader, the Group has continued to self-disrupt and streamline its digital offerings which has led to a changing IT and cyber risk environment and mitigation efforts.

- As the environment keeps on evolving and the world's population becomes more tech savvy, cybercrimes such as disruption of operations, infrastructure and data theft have increased with the Group properly prepared with state-of-the-art security tools for frustrating and monitoring such malicious activities. The increased need to protect personal data and maintain privacy has led to the roll-out and implementation of the data privacy and protection policy ensuring that our customers' data is always protected. The Group has also strengthened its third-party risk management practices to ensure that breaches exploited through a third party are thwarted proactively.

- Further, the Group has achieved ISO 27001:2013 Information Security management certification proving its commitment to ensure excellence in cyber security. Our IT risk outlook has remained proactive by recognizing key risks in the Group's operating environment and proactively deploying mitigation to assure excellent performance of our systems.

ii. Anti-Money Laundering and Counter Terrorism Financing (AML/CFT) Programs

- The Group places great emphasis on governance and integrity and is committed to the highest standards of AML/CFT in line with the legal and regulatory framework applicable in all The Group's markets as well as other standards and principles as set out by international AML/CFT standards setting bodies.

- The Group's AML/CFT framework sets out the key principles regulating the fight against money laundering and terrorism financing and other integrity aspects in the Group's activities such as bribery and corruption. The framework is supported by various policies and operational procedures implemented by all the Group's subsidiaries for their respective day to day operations.

- At the base, the program is driven by a comprehensive customer identification structure that constitutes on-boarding due diligence, screening, risk assessment and subsequent ongoing monitoring. To complement other anti-money laundering systems, the Group makes use of state-of-the-art automated solutions for monitoring, categorization and screening of clients in line with regulatory requirements. The other aspects of the program are proper regulatory reporting, record keeping and cooperation with regulatory agencies.

- To support the AML/CFT drive, the program is bolstered by key pillars namely: risk awareness programs, an independent money laundering and reporting officer, updated compliance policies and procedures and an effective independent review mechanism.

CONTROL ENVIRONMENT (continued)

REGULATORY LANDSCAPE (continued)

iii. 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 a 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. This year the statutory ICAAP plan for the Group and the Bank was prepared and submitted as per the guidance note.
- In 2020, with an expectation of credit quality deterioration, the CBK required institutions within its regulatory mandate to re-submit revised versions of their initial ICAAP plans. The Group remains fully compliant with these requests and continues to assess its capital requirements on a regular basis under different stress scenarios.

iv. Self-Regulation Standards

- The Group is aware of its responsibility of 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

RISK MANAGEMENT AND COMPLIANCE WITHIN THE BUSINESS CONTEXT

Credit Risk		
Major Risks; • Impacts of COVID-19 on Economies • Response measures including Loan Restructure • Non-peforming Assets	The current Global pandemic caused by the novel coronavirus (COVID-19) has elevated credit risk within the industry. Despite the immediate measures taken by authorities to curb the spread of the virus in Q1 2020, private sector credit grew at 8.4% in the 12 months to December. This was attributed to a recovery in demand due to the improved economic activity following the easing of COVID-19 containment measures, and an accommodative monetary policy. As a significant contributer to private sector credit, the Group decided to restructure approximately 32% of its loan book as a way of accommodating clients worst hit by the impacts of the pandemic. The Group however continues 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.	**To achieve this;** 1. The Group has set PaR targets at a product level. 2. PaR trends are monitored on a monthly and quarterly basis. Drivers and possible solutions are discussed at various Executive management committees, with key risk concerns escalated to the Board. 3. Evaluation of credit risk is conducted at customer, product and sector level. 4. The Group employs a forward looking approach to credit risk management by gathering market trends that inform customer, product or sector credit outlooks. 5. The credit book growth strategies are aligned to expectations in the macro-economic environment. 6. Underwriting risks are closely managed through Committee discretion which start from the branch level to the Board. 7. 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)

RISK MANAGEMENT AND COMPLIANCE WITHIN THE BUSINESS CONTEXT (continued)

Strategic Risk		
Major Risks; • COVID-19 impacts on earnings • Mergers and Aqusistions	Our risk on earnings and capital has come under increasing pressure during the year. Key earning components were impacted, namely, the waiver of some transactional fees in a bid to curb the spread of the virus by encouraging more utilization of digital platforms. Nonetheless, our operating model remained resilient. Amidst a Global pandemic, the Group's earnings have been impressive and preservation of capital has been largely in line with strategic budgets, Internal financial projections as well as all regulatory thresholds. In 2020 the Group concluded the acquisition of Banque commerciale du congo (BCDC) and subsequently merged this new entity with the existing DRC subsdiary - Equity Bank Congo (EBC). In anticipation of the merger and potential integration risks, the Group conducted extensive capacity building efforts and this resulted in a seemless merger, compliant with all relevant regulatory guidelines within both markets.	**To achieve this;** 1. The Group develops an annual strategic plan which is implemented through ownership by all members of the organization. 2. On a regular basis the Group monitors actual outcomes against set expectations to identify areas of potential misalignment. 3. Challenges to initial assumptions and business scenarios are encouraged at all levels of the organization to avert potential decisional biases within the expectations setting process.

Operational Risk & Compliance		
Major Risks; • COVID-19 and Business Continuity • Health and safety measures within our operating premises • System integrity and remote working arrangements	The Group's 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 2020 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/CFT, people risk and business continuity planning. The 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 maintains a zero tolerance to regulatory breaches.	The Group also maintains Business Continuity Planning and Data Recovery (BCP-DR) Policies. A key highlight of 2020 was the seamless transition into remote working arrangements with minimal disruption on service delivery. Additionally, with the Government roll-out of Health and safety measures to be implemented within business premises, the Group was able to ensure full adherence. The Group Operational Risk & Compliance Management involves measurement and analysis tools such as: 1. Key Risk Indicators 2. Risk Controls Self Assessments tools and frameworks 3. Risk library 4. Scenario analysis covering external research,trends of internal losses or subjective scenarioanalysis 5. Stress Testing 6. Business Process Mapping 7. Capital Computation Framework 8. Linkage of tools to decision making and controls 9. Robust and reliable MIS

CONTROL ENVIRONMENT (continued)

RISK MANAGEMENT AND COMPLIANCE WITHIN THE BUSINESS CONTEXT (continued)

Market & Liquidity Risk		
Major Risks; • Risk aversion from emerging markets • Depreciation of regional Local Currencies • Increased liquidity and the resultant re-investment risks	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. Within the past year, the market risk space has been far from predictable, mainly due to the initial impacts of the pandemic and subsequent government response measures. In Q1 Strict lockdowns pointed towards the possible deterioration of emerging market fundamentals trigerring a risk off attitude resulting in relative dollar strength. As economies re-opened in late Q2 & Q3 a resurgence in demand of foreign currencies by regional households and businesses further exacerbated local currency weakness. In the meantime, lowered CRRs, Tax reliefs and Government disbursals injected additional liquidity pushing yields lower, while heightening re-investment risk across financial institutions. Even so, the Group managed to meet all Market, Liquidity, and Foreign Exchange ratios throughout the year.	**The Group continues to monitor market risk 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 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).

Reputational Risk		
Major Risks; • Health and safety within our business premises • Vulnerabilities as a result of working from home arrangements • Exposure to fraud with increased digitized transactions	In the wake of COVID-19, the Group has been exposed to an increasing number of reputational threats. Such include; 1. Increased possibility of infections among our customers and staff within our business premises, 2. System infiltration by external players who may exploit vulnerabilities within remote working arrangements and 3. Possible cases of fraud on our clients as a result of the digitalization of most transactions. Such threats typically result in negative publicity if not well managed. As a market leader and systemically important institution, reputational issues are handled with utmost significance thereby protecting the interests of stakeholders at all times.	**Reputational Risk is therefore managed in the following ways;** 1. The Board periodically reviews the Reputational Risk profile of the institution, areas of improvement are identified on a continous basis and actioned. 2. The Group has established service level agreements at all points of stakeholder engagement. 3. In an era of rapid technological advancements, the Group proactively monitors online content related to all its subsidiaries to avert any instances of potential reputational damage.

CONTROL ENVIRONMENT (continued)

RISK MANAGEMENT AND COMPLIANCE WITHIN THE BUSINESS CONTEXT (continued)

Country Risk & Transfer Risk		
Major Risks; • Ever increasing cross border transactions as regional trade integrates	As the region becomes more interconnected, the Group is inherently exposed to intersecting transactions across jurisdictions. Country and transfer risk may arise as a result of such exposures, and the Group endevours to manage this risk within acceptable levels.	**To achieve this;** 1. The Group has set Internal policies which dictate the level and amounts of inter-company transactions. 2. The Group has set policies which deter concentration within any specific jurisdiction. 3. The Executive managment teams along with the Board periodically review cross border exposures and any deviations from policy resolved within acceptable timelines.

IT & Cyber Risk		
Major Risks; • Obsolete IT Asset's Management • Business continuity and Disaster Recovery • Increased Cyber exposure due to remote working arrangements	The Group acknowledges that strategic objectives can not be met without a robust and effective IT & Cyber Infrastructure. The reliance on technology, places significant importance on IT & Cyber Risk management. During the year the Group set out an agenda to tackle a number of key aspects with regards to its infrastructure; This includes, an enhancement of IT assets lifecycles management to deter potential blindspot vulnerabilities, capacity building and testing associated with disaster recovery and refining the business application costs allocation models to better understand value propositions and Returns on Investment. In addition to the occasional social engineering and phishing attempts, the cyber front witnessed a new set of challenges associated with remote access arrangements. The Group scaled up monitoring and threat aversion efforts in this regard. As a result, the organization was able to strike a delicate balance between Business continuity and Cyber Security exposure.	**To achieve this;** 1. The Group has a set of IT policies to govern all aspects of IT and Cyber Risk managment. 2. The Group has improved cyber vulnerabilities remediation effort accounting for 64% reduction in vulnerabilities in the financial year. 3. Further, the Group has achieved ISO 27001:2013 Information Security management certification proving its commitment to ensure excellence in cyber security.

CONTROL ENVIRONMENT (continued)

RISK MANAGEMENT AND COMPLIANCE WITHIN THE BUSINESS CONTEXT (continued)

Future Risk Priorities		
Major Risks; • Information and Technology risks as Equity enhances digitization. • Effects of Covid-19 on asset performance and liability levels. • Operational risks as the Group starts operations in new regions. • Political risk as the country inches closer to a possible referendum and general elections.	The Group's operations and governance continue to be tested with uncertainties, owing to a global health crisis, advancements in cybercrime, the introduction of new operating environments through acquisition(s), and regulatory compliance standards. Due to the mentioned uncertainties, the nature of how the Group offers its services has been significantly impacted. To serve its customers, the Group has embarked on much needed digital transformation initiatives. The enhancements improve the customer experience and security. Internally, the Group continues to implement automated governance and monitoring tools, to manage agile changes and detect cyber threats. A deteriorated commercial environment, due to the Covid-19 pandemic, has led to several businesses recording low revenues and/or shutting down. This has significantly impacted the ability of the businesses to get financing or service existing facilities. The Group recognizes that this may impale its assets performance and shall mitigate by restructuring loans and procuring commercial guarantees.	With ongoing acquisitions (and prospects in the pipeline), the Group is conscious of the importance of smooth transitions and continuity. To this end, the Group is staying true to strengthening its governance and oversight structures. This will be achieved through a standardized integration processes while managing integration risks. The political climate is expected to heat up throughout 2021 in the run up to a possible constitution amendment referendum and the 2022 general elections. During this period, the Group shall closely monitor inflation, unemployment levels, economic growth, the state of national security, amongst other socio-economic factors. This will aid to adjust policy, structures, and operations objectively, where the need may arise.

CONTROL ENVIRONMENT (continued)

RISK MANAGEMENT AND COMPLIANCE WITHIN THE BUSINESS CONTEXT (continued)

Future Risk Priorities		
Data Protection Risks	Nationally and internationally data subjects are increasingly becoming aware of their privacy rights and countries have enacted legislations to govern how data is processed to manage data risks and give assurance on data security and privacy. This is attributed to technological advancements supporting business use cases for data including business intelligence (reporting), fraud detection, customer support, recommendation engines, real-time and predictive analytics. The Kenya Data Protection Act, 2019 was enacted by the Kenyan Parliament with the following objectives; 1. To regulate the processing of personal data; 2. To ensure that the processing of personal data of a data subject is guided by the principles; 3. To protect the privacy of individuals; 4. To establish the legal and institutional mechanism to protect personal data; and 5. To provide data subjects with rights and remedies to protect their personal data from processing that is not in accordance with the Act. The Equity Group through its banking and non-banking subsidiaries process customer as well as staff personal data. It therefore requires that structures and controls are put in place to manage data risks and ensure smooth operations especially with the need to be a data-driven organization.	Data Risks are managed through the implementation of a Data Protection Strategy and Framework covering; 1. Consent management – capturing of consent to process personal data, offer direct marketing, data sharing and automated profiling. 2. Development of data protection and privacy artefacts including policies and frameworks. 3. Fulfilment of Data Subjects' rights and development of a data processing register. 4. Implement incident management, backup and recovery strategies to manage data risks such as data loss. 5. Internal Awareness – rollout awareness of data subjects' rights and the Data Protection Act. And other regulations among employees. 6. Regulatory Compliance - review compliance to regulatory requirements and continuously monitor implementation of initiatives.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The concept of corporate governance has gained prominence at both the local and global levels as enshrined in various codes of corporate governance and guidelines. The objective of all these codes and guidelines is to promote the highest standards of governance by establishing a series of principles that all companies should adhere to.

The Group Board recognises that sound corporate governance principles are the foundation upon which stakeholder trust is built. The Group Board further recognizes the need to conduct business operations with integrity and in accordance with generally accepted corporate governance principles. Board members take their responsibility for the corporate governance agenda within the Group seriously and will continue to focus on maintaining the highest standards of corporate governance and business ethics in the Group's operations in order to meet the needs and objectives of the various stakeholders.

Being a diverse Group, the Group Board has established a Corporate Governance Framework which sets out a schedule of matters with the objective of ensuring effective governance across the Group and furthering a common brand.

During the year 2020, the Group complied with all the aspects of the 2015 Capital Markets Authourity (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.

The CMA Code of Corporate Governance is available to both Directors of the Board and Senior Management having been uploaded on the Company's Board portal (eBoard).

BOARD OPERATIONS & CONTROL

The Group observes the various Principles set out in the CMA Code of Corporate Governance with regard to Board Operations and control as illustrated below:

1. Appointment, composition, size and qualifications of Board members.

The Group has in place a Board Appointments Policy and Procedure. Appointments to each of the Group Boards is made through an organised and effective process that ensures the appointment of a diverse and balanced mix of proficient individuals. Such appointments consider academic qualifications, technical expertise, experience, nationality, age, gender, integrity and ethical standards.

The Group Board Governance, Nominations and Compensation Committee recommends new nominees for appointment to the Board. In electing the Board, its size, diversity and demographics are taken into consideration in order to make it effective. Diversity applies to academic qualifications, technical expertise, relevant banking knowledge, experience, nationality, age and gender so as to ensure a balanced Board that fairly reflects the Group's Shareholders and other stakeholders and provides a mechanism for the representation of the minority Shareholders. The election/appointment of Board members follows the process below;

a. Nominations received from Shareholders, Board members, solicited and unsolicited sources.

b. Vetting and Due diligence by Executive team.

c. Consideration by Governance, Nomination and Compensation Committee.

d. Approval by the Board and appointment and/presentation of potential candidates to Shareholders for appointment/election.

e. Regulatory vetting where required.

The Group has established a Board Diversity Policy and Skills Matrix and the Board as is currently constituted reflects broad diversity through variation in Directors' age, gender, professional qualifications, experience as well as nationality. Majority are members of professional bodies. Additionally, to ensure smooth transition of Board members, the Group has in place a Board Succession policy and Plan.

2. Structure of the Board

To ensure effectiveness and value addition to the Group, the Group Board is set to have a minimum of 7 Directors and a maximum of 12 Directors.

The Board has established different Committees with established terms of reference to provide guidance on broad functions of the Group such as audit, risk management, remuneration, finance, strategy & investment as well as governance. The Board ensures that the Committees are appropriately constituted with members who have the necessary skills and expertise to deliver as per the Committee mandates.

CORPORATE GOVERNANCE (continued)

BOARD OPERATIONS & CONTROL (continued)

3. Functions of the Board

In offering strategic guidance, leadership and control of the company while ensuring accountability to its Shareholders, the Group Board has ensured that:

- Roles reserved for the Board and those delegated to the Management are clearly distinguished;
- The functions of the Chairperson and the Chief Executive Officer are exercised by separate individuals;
- The Chairperson of the Board is an independent non-executive director;
- There are duly established procedures to allow Directors access to relevant, accurate and complete information and professional advice in order to discharge its duties effectively;
- The company's strategy promotes sustainability of the company;
- There exist policies on related party transactions and conflict of interest; and
- It is assisted by a suitably qualified and competent company secretary.

4. Board independence

The Board ensures that no member or group of members of the Board have unfettered power and that there is an appropriate balance of power. In this regard, the composition of the Board has due regard to the requirement for independence in line with the requirements of applicable laws and regulations. The Group Board assesses the independence of Board members on an annual basis to mitigate the risks arising from conflict of interest or undue influence from interested parties.

5. Age limit for Board members

The Group has prescribed 70 years as the age limit for its Directors. Any Director who attains 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 such Director wishes to continue serving in the office of Director, he/she must seek the approval of the Shareholders at the Annual General Meeting.

6. Board tools

The Group Board has established the necessary tools to enable it to be effective in discharging its roles and responsibilities. These include: Code of Conduct and Ethics; Board Charter; Annual Board Workplan and an Evaluation toolkit which is used for the annual Board Evaluation conducted by an independent consultant.

The Board Charter and Code of Conduct and Ethics are publicly published in the Group's website while the Annual Workplan and Evaluation tools ensure that the Board activities for the year are well planned and its performance duly assessed respectively.

The Board Charter covers amongst other things: statement of good governance; governance structure clearly distinguishing the role of the Board and Management, Board appointments procedure and role, responsibilities, powers and practices of the Board. Additionally, the Charter provides for limitation on directorships wherein Board members shall not hold the position of a director in more than two other public listed companies at any one time.

Under the Group Code of Conduct and Ethics, the Group has adopted 12-point principles to ensure that its business is conducted according to the highest ethical standards, and in compliance with all applicable laws and regulations governing the financial services industry in the jurisdictions within which it operates.

7. Governance and legal audit

The Group underwent the requisite Governance audit in 2018 and has been continuously implementing the Audit recommendations from the Audit report. Subsequently, the Group became eligible for the two (2) year cycle of conducting governance audits upon successfully lodging an application with the Capital Markets Authority (CMA) and will be conducting its next governance audit for the year 2020.

8. Insider dealings/ trading

The Group has in place an insider trading and market abuse policy. As a publicly listed entity, in strict adherence to its continuing listing obligations, the Group prohibits insider trading to restrict any persons who have access to non-public information from potentially profiteering or avoiding loss unfairly. No incidents of insider dealings were reported during the year.

9. Board induction and continuous skills development

The Group is committed to ensuring that newly appointed Board members are inducted into their role as soon as possible following their appointment and that Board members have access to continuous development programmes on relevant issues and additional business awareness sessions to enable them to maintain, deepen and update their knowledge and skills to effectively fulfil their responsibilities as Board

CORPORATE GOVERNANCE (continued)

BOARD OPERATIONS & CONTROL (continued)

9. Board induction and continuous skills development (continued)

members. The Group has an established Board induction and continuous skills development Policy whose purpose is to provide a structured process for the induction, identification of Board development needs and the framework for fulfilling such development needs.

10. Annual Board evaluation

The Board undertakes an annual assessment of its own performance, the performance of the Chairperson, that of its committees, individual members, the Group Chief Executive Officer & Managing Director, Group Executive Director and the company secretary. Following the evaluation exercise led by an independent consultant, the Board deliberates on the evaluation results and subsequently implements the recommendations therein. The 2020 Board Evaluation was conducted and the results noted for action while the reports were filed with the regulators as required by the regulations within their respective jurisdiction of operation.

Rights of Shareholders

The Group recognises and protects the rights of all Shareholders and treat them equitably. Over and above the basic voting rights accorded to Shareholders, the Shareholders are involved in approving major strategic and corporate decisions of the Group which have a material impact on the equity or economic interests or share ownership rights of existing Shareholders. The Group has set up an investor relations docket, headed by a Group Director and engagement with all Shareholders is continuous. In addition to engagement during General meetings, the management conducts at a minimum, quarterly investor briefings as well as one-on-one shareholder meetings/calls where requested.

Shareholders are encouraged to exercise their rights responsibly and to endeavour to keep themselves informed about the Group so as to make independent and informed decisions on all issues when called upon.

Information on the Group's performance is availed through distribution of integrated reports annually as well as convening investor briefings on a quarterly basis. The Group is committed to timely and transparent disclosure of information to its Shareholders.

STAKEHOLDER RELATIONS

The Board has developed a Stakeholder Relations Policy as well as Dispute Resolution Policy to guide on how the Group should relate to, and with its Stakeholders, in relation to the creation of jobs, sustainability of the communities in which it operates and ensure that the rights of Stakeholders, whether established by law or custom, are recognised, respected and protected while ensuring a sustainable and financially sound Group.

The Group is committed to building mutually beneficial relationships with all its Stakeholders and to ensuring that a balance is maintained between the individual interests of Stakeholders and those of the Group. In particular, the Group:

a. promotes fair, just and equitable employment policies;
b. promotes and is sensitive to the preservation and protection of the natural environment;
c. is sensitive to and conscious of gender interests and concerns;
d. promotes and protects the rights of children and other vulnerable groups; and
e. enhances and promotes the rights and participation of host communities.

The Board takes into account the interests of key stakeholders through maintaining open channels of communication and feedback, through regular interaction, investor briefings and conference calls and also allocating sufficient time to Shareholders during the AGM to raise points of concern. These initiatives inform the Board on the issues that stakeholders are most concerned with and these are considered when formulating the Group's strategy. A lot of information on the company is also available through the Group website which is updated from time to time.

ETHICS AND SOCIAL RESPONSIBILITY

The Board recognises that it is in the interest of the Group to operate within the mandate entrusted to it by society and remain socially responsible. For this reason, the Group undertakes its business in a manner that does not harm/is respectful to its beneficiaries and or customers. The Group ensures it does not exploit the community's labour, pollute the environment, fail to conserve resources, neglect the needs of the local community or engage in other anti-social practices.

Through the Equity Group Foundation (EGF), the Group remains 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.

CORPORATE GOVERNANCE (continued)

ETHICS & SOCIAL RESPONSIBILITY (continued)

The Group believes that corporate governance is not just about ensuring that the Group complies with applicable laws, regulations, codes and the highest standards of corporate governance, but doing so in a transparent and ethical manner.

The Group is run by an effective and ethical Board that exercises diligence, integrity and good judgment in directing the Group's operations. The Group acts in the best interests of its Stakeholders in a manner that is responsible, accountable, honest, fair and transparent.

The Board developed a Code of Ethics and Conduct, which is disclosed on the Group's website. The Code of Ethics has been cascaded down to all Directors and employees, noting that it is to be strictly adhered to, so as to ensure the highest ethical standards are achieved. To foster compliance with the Code, it is factored in the Performance Evaluation with the weighting with respect to values being a significant measure in the overall score card of each employee.

Division of Role of Chairperson and Chief Executive Officer

The Chairperson

The Board is led by an Independent Non-Executive Chairperson to bolster the Board's independent oversight. The Chairperson provides leadership to the Board. It is the role of the Chairperson to ensure that effective corporate governance practices and processes are embedded in the Company and that the Board is functioning as required and playing its role effectively. The Board Chairperson has the responsibility for chairing Board and Shareholder meetings and is responsible for ensuring effective succession planning for the Board. The Chairperson is available to provide guidance to the Group Chief Executive Officer/ Managing Director and acts as the liaison between the Board and Executive Management. The Chairperson does not act as the chairperson of more than two public listed companies in order to ensure effective participation and commitment to the Board. The Chairman is also not involved in the day-to-day running of the Company so as to provide effective oversight.

The Chairperson also ensures that there is effective engagement between the Company and its stakeholders.

The Chief Executive Officer

The Group Chief Executive Officer (GCEO) is a member of the Board and is responsible for the operations and management of day-to-day affairs of the Group, ensuring that the Group remains purpose driven and achieves the strategic objectives set by the Group Board. The GCEO provides leadership to senior Management and staff, implementing the decisions of the Group Board. The GCEO ensures the preparation of annual budgets and business plans for approval by the Group Board and establishes appropriate risk management frameworks and internal controls, ensuring that the Group's operations are consistent with the Group's risk appetite. The GCEO is tasked with implementing a system of employment that is fair, safe, challenging and rewarding and building a culture of trust, team spirit, integrity, collaboration, excellence and accountability as well as implementing appropriate processes for staff succession planning.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is licensed by Central Bank of Kenya as a non-operating holding company and listed on the Main Investment Market Segment of the Nairobi Securities Exchange (the Exchange). Pursuant to the above, the Group 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 AND DISCLOSURE

The Group has sustained timely balanced disclosure of all material information concerning the company. The Group publishes on its website important company information including but not limited to; financial statements, investor briefings, particulars of shareholding, Group Notices and AGM material, Group Board Charter, Group Corporate Governance Framework, code of ethics and key Group Policies including the Group Transparency and Disclosure Policy.

Policy on Conflict of Interest

The Group recognizes that it is not possible to foresee every situation that could give rise to real, apparent or potential

CORPORATE GOVERNANCE (continued)

TRANSPARENCY AND DISCLOSURE (continued)

Policy on Conflict of Interest (continued)

conflict of interest. Consequently, the Group Board has established a Conflict of Interest Policy to offer guidance on how to mitigate the risk of activities and access to information that 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.

Speak up policy and procedure (whistle Blowing policy)

The purpose of the Whistle Blowing Policy is to foster an environment and culture of information sharing, positive or negative, without the fear of retaliation. The policy and procedure manual is designed to enable stakeholders to speak up on their experiences, observations and opinions on products, service delivery, expectations, and challenges among others. It also encourages employees and other relevant stakeholders to report any perceived act of impropriety which should not be based on mere speculation, rumours and gossip but on knowledge of facts.

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.

ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL

The Group seeks to socially and economically transform lives and livelihoods by availing modern, inclusive financial services that maximize people's opportunities. It has developed a risk intelligent culture to help manage risks. The Group risk culture is founded on:

- The Group's Core Values;
- Risk based incentives;
- Group Risk Governance Structure; and
- Risk management tools and framework and accountability.

In the context of the prevailing regulatory and economic environment, the Group assumes various kinds of risks in its business and support activities in pursuit of attainment of its strategic objectives. The Group recognises that sound risk management contributes to its long-term financial stability. 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. Assurance is guaranteed through the risk department, internal audit, compliance and enforcement teams, external audit, Central Bank Inspection, Capital Markets Authority and Nairobi Securities Exchange reviews and Cross Border Supervisory Colleges as well as credit rating agencies' reviews.

Additionally, in line with the Equity 3.0 strategy, the Group continues to leverage on technology and innovation to review risks in a wholistic approach and the same is reported to the stakeholders.

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.

Non-Executive Directors

Non-Executive Directors are appointed for a renewable term of 3 years, subject to requisite regulatory and shareholder approval. 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;

CORPORATE GOVERNANCE (continued)

DIRECTORS' REMUNERATION REPORT (continued)

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, scalable 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/residence. 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. Save in instances of negligence, the Company indemnifies its Directors against all and any liabilities, losses and claims arising from their position as Directors, including all legal and other professional expenses incurred in defending any civil or criminal action against themselves or the Company in connection with their bona fide conduct of the affairs of the Company. The Group has put in place a Directors and Officers Insurance Cover to cover the discharge of their obligations as Directors.

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 29. See remuneration report on pages 117 - 119.

THE GROUP BOARD

"Good Boards of Directors continually strive for improvement. Good boards of directors: are mentally aggressive, ask good questions; participate in education/training; save time; are good decision makers; And are good leaders." Bob Cropp, UW Center for Co-operatives

The Board is cognizant that its oversight role includes risk management oversight and strategy formulation for value creation and to ensure optimal financial performance. The Board provides strategic direction to the company; governance through policy and accountability to all stakeholders.

The Board meetings were held on a quarterly basis in the months of March, May, July and November. During the year, there were 3 ad hoc meetings in March, April and December. The Committee meetings on the other hand were held on a quarterly basis in March, May, July and November. The key areas of focus during the Board meetings were 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 the Business Continuity management in view of the Covid–19 pandemic;
- Review of Board Evaluation Report;
- Review of the Subsidiaries' Performance; and
- Review of proposed strategic investments.

NB: The were changes in the composition of the Board following the retirement of two directors and appointment of one new director in the course of the year.

CORPORATE GOVERNANCE (continued)

THE GROUP BOARD (continued)

Name	Expertise	Executive/Non-Executive	Independent/Non-Independent	Gender	Age	Year of Appointment	Meeting Attendance	Nationality
Mr. David Ansell*	Management of financial institutions, strategic planning and business development	Non-Executive Chairman (Retired)	Independent	Male	75	2015	1/7	Kenyan
Prof. Isaac Macharia	Medical, strategic planning, leadership and business development	Non-Executive Chairman	Independent	Male	62	2017	7/7	Kenyan
Mrs. Evelyn Rutagwenda	Accounting, auditing, leadership and management	Non-Executive Vice Chairperson	Independent	Female	62	2015	7/7	Rwandese
Dr. James Mwangi	Banking and financial experience, leadership and management of financial institutions	Group Managing Director & Chief Executive Officer	Non-independent	Male	58	Non-independent	7/7	Kenyan
Mr. Deepak Malik*	Accounting, banking, financial investment experience, leadership and management of financial institutions	Non-Executive Director	Independent	Male	63	2015	2/7	Indian
Dr. Edward Odundo	Strategic Management & Marketing, Finance & Accounting, pension and tax	Non-Executive Director	Independent	Male	62	2018	7/7	Kenyan
Dr. Helen Gichohi	Leadership and international management of social impact and transformational programs	Non-Executive Director	Independent	Female	60	2015	7/7	Kenyan
Mr. Vijay Gidoomal	Finance, operations, strategic planning and business development	Non-Executive Director	Independent	Male	53	2017	7/7	Kenyan
Mrs. Mary Wamae	Legal, company secretarial, strategic planning, leadership and business development	Executive	Non-Independent	Female	52	Non-Independent	6/7	Kenyan
Mr. Christopher Newson**	Investment and Commercial Banking and Alternative Asset Management expert	Non-Executive Director	Independent	Male	56	2020	2/7	British/ South African

*Retired from the Board within the year 2020

**Joined the Board within the year 2020

There were no alternate Board members in the year 2020.

CORPORATE GOVERNANCE (continued)

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 committees which support it in discharging its responsibilities. These are:

- Audit Committee;
- Governance, Nominations and Compensation Committee;
- Strategy and Investments Committee; and
- Risk & Assets and Liabilities Management Committee (ALCO).

NB: The were changes in the composition of the committees following the retirement of two directors and appointment of one new director in the course of the year. Consequently, some members did not attend all the Committee meetings.

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, 2 of whom are Certified Public Accountants. The following is the current membership and attendance to the Committee meetings:

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

The key areas of focus for the committee meetings were as follows:

- Review of the External Audit Plan for the year ending 31st December 2020;
- Consideration and recommendation of financial Statements for Board approval;
- Status of issues raised in previous Internal Audit Reports, Management Letters and Regulatory 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;
- Periodically review the completeness and effectiveness of the Group's corporate governance initiatives and policies;
- 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, four of whom are Independent Non-Executive Directors. The Chairperson of the Committee is an Independent Non-Executive Director. 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:

Mrs. Evelyn Rutagwenda	Chairperson	(3/4)
Prof. Isaac Macharia	Member	(4/4)
Dr. James Mwangi	Member	(4/4)
Mrs. Mary Wamae	Member	(3/4)
Dr. Edward Odundo	Member	(4/4)
Dr. Helen Gichohi	Member	(4/4)
Mr. Deepak Malik	Member	(2/4)
Mr. Christopher Newson**	Member	(0/4)

**Appointed to the Committee during the Year 2020

CORPORATE GOVERNANCE (continued)

BOARD COMMITTEES (continued)

Governance, Nominations and compensation committee (continued)

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

- Review and recommend appointment of new board directors for nomination;
- Responsible for Board Evaluation;
- Responsible for development and approval of the Group Corporate Governance Framework and Board Manual;
- 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. Christopher Newson**	Chairperson	(1/4)
Mr. Deepak Malik*	Chairperson	(2/4)
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)

*Retired during the year 2020

**Appointed to the Committee during the Year 2020

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

- Group acquisitions;
- Organizational change and culture;
- General funding needs;
- Proposal on expansion;
- Impact of COVID-19; 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
- 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.

CORPORATE GOVERNANCE (continued)

BOARD COMMITTEES (continued)

Risk & Assets and Liabilities Management Committee (continued)

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	Chairperson	(4/4)
Dr. James Mwangi	Member	(4/4)
Mr. Deepak Malik*	Member	(2/4)
Mrs. Evelyn Rutagwenda	Member	(3/4)
Dr. Edward Odundo	Member	(4/4)
Mrs. Mary Wamae	Member	(4/4)
Mr. Christopher Newson**	Member	(0/4)

*Retired during the year 2020

**Appointed to the Committee during the Year 2020

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

- Review of the Business Continuity Programme (BCP) for the Group;
- 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.

BOARD CHANGES

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

Appointments to the Board

- Mr. Christopher Newson was appointed to the Board of Equity Group Holdings PLC;
- Amb. Erastus J.O. Mwencha, Prof. Timothy Mwololo Waema and Mr. Sammy Onyango were appointed to the Board of Equity Bank (Kenya) Limited;
- Mr. George Theobald, Mr. Reuben Mbindu and Mrs. Esther Kitoka were appointed to the Board of Equity Bank (Tanzania) Limited;
- Amb. George William Kayonga and Col. (Rtd) Eugene Haguma were appointed to the Board of Equity Bank Rwanda PLC.
- Mrs. Florence Muthama was appointed to the Board of Equity Insurance Agency (Kenya) Limited;
- Mr. Allan Waititu was appointed to the Board of Equity Bank (South Sudan) Limited;
- Mr. Daniel Szlapak was appointed to the Board of Equity Investment Limited;
- Mr. Louis Watum was appointed to the Board of EquityBCDC S.A; and
- Mr. Lanre Bamisebi was appointed to the Board of Finserve Africa Limited.

Retirements from the Board

- Mr. David Ansell retired from the board of Equity Group holdings PLC
- Mr. Deepak Malik retired from the Board of Equity Group Holdings PLC
- Dr. James Mwangi retired from the Boards of Equity Bank South Sudan Limited, Equity Bank Uganda Limited, Equity Bank Tanzania Limited, Equity Bank Rwanda PLC, former Equity Bank Congo S.A and Equity Bank Kenya Limited
- Mr. Gerald Warui retired from the board of Equity Insurance Agency Limited
- Mr. Godfrey Simbeye retired from the Board of Equity Bank Tanzania Limited
- Mrs. Isis Nyongo retired from the Board of Finserve Africa Limited
- Mr. Pascal Kinduelo retired from the Board of BCDC (DRC) upon the Company's acquisition of majority stake in the bank

Appointment of Board Chairperson

- Prof. Isaac Macharia was appointed as the Chairman of the Group Board.
- Mr. Pierre Chevalier was appointed Chairman of BCDC (DRC)
- Mrs. Hellen Njiru was appointed Chairperson of Equity Insurance Agency Limited

CORPORATE GOVERNANCE (continued)

BOARD EVALUATION

Board evaluation is performed on an annual basis for the Group Board and each of the banking subsidiaries within the Group, as required by the Central Bank of Kenya, regional regulators and the Capital Markets Authority. For the financial year 2020, Board evaluation was conducted by an independent consultant, whereby evaluation was performed on the Chairman of the Board, Board members including the GCEO, Board Committees and Company Secretary using a customized Board Evaluation Toolkit.

The board evaluation process is supposed to assess the effectiveness of the board and also contains recommendations from the consultants based on global best practices as well as legal and regulatory requirements. Board effectiveness is judged based on the following underlying principles:

- Is composed of the right mix of skills and experience;
- Gets the right information and well written reports;
- Makes the best use of time focusing on the most important matters
- Has effective processes and strategies;
- Has effective Committees to ensure the correct interface with management teams;
- The leadership is effective and draws out different perspectives;
- Works effectively as a team and respects different points of views; and
- Works constructively with the Chief Executive and provides constructive challenge in the management team.

The Board evaluation questionnaire focused on the following key areas:

- Board Structure and Composition;
- Board Practices;
- Procedure of Board Meetings;
- Accountability and Risk Management;
- Information and Communication; and
- Appropriate Boardroom behaviours.

The resultant reports were filed with the regulators where required by the respective jurisdiction of operation regulations.

TRAINING

Board members are provided with regular updates on matters relevant to legal reforms, corporate governance, the corporate environment, regulatory obligations, business/ commercial risks and other matters that may be of interest in the execution of their role.

While the restrictions arising out of the COVID-19 Pandemic meant no physical training could be carried during the year, the Group embraced technology and nevertheless carried out virtual trainings and induction sessions. Some of the training programs provided to Directors in the year 2020 were as follows:

- Business Continuity Management;
- Anti-Money Laundering Laws & Regulations (AML);
- Risk Appetite Framework - Balancing Risk Appetite and Strategy Execution; and
- New Directors underwent extensive induction in line with the Group Board Induction and Development Policy.

The Group recognises that no matter how diligently candidates have been prepared for Board roles, nothing replaces formal orientation for new Board members. The Group is therefore committed to ensuring that its Board members are inducted into their role as soon as they are appointed, and that they remain up-skilled and capable of delivering on their role and responsibilities.

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 Assets & Liability Committee (ALCO)

The responsibilities of the Management ALCO are as follows:

- To monitor and ensure optimal composition of assets and liabilities within the Group;

CORPORATE GOVERNANCE (continued)

MANAGEMENT COMMITTEES (continued)

- 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.

The Group Management ALCO meets on a quarterly basis whilst the specific subsidiary CORCs meet on a monthly basis.

Compliance & Operational Risk Committee (CORC)

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.

The Group Management CORC meets on a quarterly basis whilst the specific subsidiary CORCs meet on a monthly basis.

COMPANY SECRETARY MANDATE AND ROLE

The Group Board is assisted by a suitably qualified, competent and experienced Company Secretary who is not a member of the Board. The Company Secretary is appointed by the Board for such term, at such remuneration and upon such conditions as the Board deems fit. The Company Secretary remained, at all times, in good professional standing in accordance with applicable laws, regulations and professional requirements.

The principal duties of the Company Secretary include:

- providing guidance to the Board and Board members individually on their duties, responsibilities and powers, in particular compliance with applicable laws and, if applicable, stock exchange requirements, and how these should be exercised in the best interest of the Company;
- ensuring that Board procedures are followed and reviewed regularly and that the Board complies with applicable laws, rules, regulations and Government policies;
- assisting the Chairperson and the Executive Director in organizing general meetings and Board activities, including providing information, preparing agenda, issuing notices and preparing for meetings, Board evaluations, governance audits, Board induction and development programmes, Board succession planning, regularly reviewing 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;
- providing secretarial services to the Board including ensuring that the Board Work Plan is prepared and adhered to, circulating Board papers in advance of meetings, keeping a record of attendance at meetings, keeping safe custody of the seal and a record of its usage, ensuring that the minutes of the Board and its Committees are promptly prepared and circulated, updating the Board and Committee charters and ensuring that relevant returns are promptly filed with the relevant authorities;
- ensuring governance regulatory compliance including filing of any required returns, updating of statutory registers and Articles of Association as well as ensuring adherence to continuous listing requirements;
- facilitating effective communication between the Company and Shareholders and co-ordinating the publication and distribution of the annual report and financial statements; and
- monitoring share movements on the Register of Shareholders to identify any apparent 'stake-building' in the Group's shares including making appropriate enquiries of Shareholders as to the beneficial ownership of holdings.

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);

CORPORATE GOVERNANCE (continued)

MEMBERSHIP ASSOCIATIONS (continued)

4. Global Network for Banking Innovation (GNBI);
5. Small Business Banking Network (SBBN);
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
14. Thinking of the World Economic Forum;
15. Aspen Network of Development Entrepreneurs (ANDE);
16. Invest in Africa (IIA);
17. Kenya Healthcare Federation;
18. East Africa Humanitarian Private Partnership Platform.
19. Tent Partnership for Refugees; and
20. 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 financial results are provided on a quarterly basis across a number of national publications. In addition, interaction with senior management is also afforded at the regular investor briefing sessions. Lastly, Shareholders have access to senior management during the Annual General Meeting and at any other time on request.

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.

Top Ten Largest Shareholders as at 31st December 2020:

SHAREHOLDERS NAME	NUMBER OF SHARES	% OF SHAREHOLDING
ARISE B.V.	452,581,275	11.99
STANBIC NOMINEES LTD A/C NR3530153-1	131,962,255	3.49
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 (ESOP)**	108,215,400	2.86
FORTRESS HIGHLANDS LIMITED	101,010,000	2.67
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.38
EQUITY NOMINEES LIMITED A/C 00104	88,644,584	2.29
MAEWA HOLDINGS LTD	64,371,200	1.70
EQUITY NOMINEES LIMITED A/C 00161	64,142,900	1.69
OTHER Shareholders	2,427,932,348	64.33
TOTAL	**3,773,674,802**	**100%**

** The ESOP is not Group sponsored scheme.

CORPORATE GOVERNANCE (continued)

PARTICULARS OF SHAREHOLDING (continued)

EGH Plc Director Shareholding as at 31st December 2020

DIRECTOR	NO. OF SHARES	% OF SHARES HELD
Prof. Isaac Macharia	346,950	0.0092
Dr. James Mwangi*	127,809,180	3.38
Dr. Helen Gichohi	123,300	0.0033
Mrs. Evelyn Rutagwenda	Nil	Nil
Mr. Vijay Gidoomal	Nil	Nil
Mr. Christopher Newson	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 2020

SHAREHOLDING	NO.OF.Shareholders	NO OF SHARES	% OF SHARES HELD
1 to 500	10,638	2,561,564	0.06
501 - 5,000	11,957	22,253,898	0.58
5,001 - 10,000	2,012	15,380,940	0.40
10,001 - 100,000	2,591	73,981,312	1.96
100,001 - 1,000,000	585	209,016,601	5.53
1,000,001 and above	342	3,450,480,487	91.43
Total:	**28,125**	**3,773,674,802**	**100**

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 s takes 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 MSMEs 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.

CORPORATE GOVERNANCE (continued)

THE LARGEST SHAREHOLDERS OF EQUITY GROUP HOLDINGS PLC (continued)

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. BRITISH-AMERICAN INVESTMENTS COMPANY KENYA 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.

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.

The Group Board has the overall responsibility for good corporate governance across the Group and ensures that the governance policies and mechanisms are appropriate to the structure, business and risks of the Group. The Board during the period under review commenced an intensive update of the existing and development of new and appropriate Governance documents that define appropriate corporate governance principles that shall provide appropriate incentives for the Group to pursue objectives that are in the best interests of the Group, its Shareholders and other stakeholders whilst protecting their interests.

FINANCIAL STATEMENT

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GROUP AND COMPANY INFORMATION

REGISTERED OFFICE
9th Floor, Equity Centre
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Off Eldama Ravine Road, Westlands
P.O. Box 200 - 00606
Nairobi, Kenya

Dentons Hamilton Harrison & Mathews
1st Floor, Delta Office Suites
Waiyaki Way
P.O. Box 30333 - 00100
Nairobi, Kenya

Dengtiel A. Kuur
South Sudan Associated Advocates
Chamber of Commerce Complex
Summer Palace Business Hotel Close
Juba, South Sudan

Mr. Frank Karemera
F K Advocates
KG 599 ST 50, Remera-Kigali
Plot No.574 besides RCN Justice & Democratie Office
P. O. Box 6936 Kigali, Rwanda

Maitre Jean Bosco Rusanganwa
Avocat au Barreau du Rwanda
P.O. Box 1890 Avenue de la Justice
Kigali, Rwanda

Mark & Associates Attorneys
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1st Floor, Wing C
Sokoine Drive/Ohio Street
P.O. Box 8211
Dar es Salaam, Tanzania

A.F. Mpanga Advocates
9th Floor North Wing Workers House
1 Pilkington Road
P.O. Box 1520
Kampala, Uganda

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

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Nairobi, Kenya

Equity Bank (Kenya) Limited
P.O. Box 75104 - 00200
Nairobi, Kenya

National Bank of Rwanda
P.O. Box 531
Kigali, Rwanda

Bank of South Sudan (BOSS)
P.O. Box 136
Juba, South Sudan

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

Central Bank of Congo
P.O. Box 2627
Kinshasa, Democratic Republic of Congo

Bank of Uganda
P.O. Box 7120
Kampala, Uganda

AUDITOR
PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
P.O. Box 43963 - 00100
Nairobi, Kenya

COMPANY SECRETARY
Christine Browne
9th Floor, Equity Centre
P.O. Box 75104 - 00200
Nairobi, Kenya

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of Equity Group Holdings Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2020.

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.

The Group includes six banking subsidiaries providing an extensive menu of financial services in the countries it has operations in and six non-banking subsidiaries engaged in providing investment banking and stock-broking, insurance agency, custodial, consultancy and telecommunication services. The subsidiaries are listed in note 17(a).

RESULTS AND RECOMMENDED DIVIDEND

Profit for the year of Shs 20,100 million (2019: Shs 22,561 million) has been added to retained earnings. The directors do not recommend payment of a dividend (2019: Nil).

BUSINESS REVIEW

The COVID-19 pandemic, whose effects have largely been felt in Africa from March 2020, has affected the economies and livelihoods of the people of Africa. The Group, to weather and mitigate the adverse effects of the pandemic, has undertaken the below initiatives to boost government efforts in fighting the pandemic:

- Waiving fees on mobile banking transactions to discourage the use of cash while incentivizing the use of digital channels;
- Leading nationwide initiatives to safeguard frontline health workers through the provision of Personal Protective Equipments (PPEs) and supporting psychological wellness programs and COVID-19 case training as administered by medical association partners in partnership with the Equity Group Foundation;
- Providing loan repayment accommodation and rescheduling for 32% of the customers whose cashflows were negatively impacted by government-set COVID-19 containment measures; and
- Supporting staff to cope with the challenges associated with COVID-19 while maintaining a conducive working environment to comply with health protocols and offering choice of working from home where possible.

Profit before income tax declined by 30% to Shs 22,170 million from Shs 31,478 million. Total assets grew by 51% to Shs 1,015,093 million from Shs 673,682 million with net loans growing by 30% to Shs 477,847 million from Shs 366,440 million and investment securities growing by 26% to Shs 217,408 million from Shs 172,208 million. Deposits from customers grew by 53% to Shs 740,801 from Shs. 482,752 million while borrowed funds grew by 71% to Shs 97,148 from Shs 56,714 million.

The Group's strategy of regional expansion and business diversification resulted in a double-digit growth across the subsidiaries with an increased profit contribution (PBT) of 28% from 18%, validating the Group's decision to expand into the East and Central Africa region. Equity Bank Uganda Ltd (EBUL) PBT grew by 55%, Equity Bank Rwanda PLC (EBRPLC) by 11% and Equity Bank South Sudan (EBSSL) by 76%.

The Company acquired Banque Commerciale Du Congo (BCDC) and merged it with Equity Bank Congo S.A (EBC) during the year to form Equity Banque Commerciale Du Congo (EquityBCDC).

Third-party channels reported an exponential growth of customer activity, contributing over 84% of transaction volumes. EazzyBanking App grew by 54% to 495.9 million transactions from 321.5 million YoY and a value of Shs 299.9 billion from Shs 169.9 billion year on year (YoY). Eazzy Biz, which is a cash management solution for SMEs had a rapid adoption in the market that resulted in a growth of 58% YoY with a transaction value of Shs 713.8 billion from Shs 452.1 billion. The strategy of re-inventing the branches as relationship and wealth

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

creation centers for our SMEs, corporates and high net worth individuals saw transaction volumes decline to 17.7 million from 24.0 million, while transaction value decreased from Shs 2.423 trillion to Shs 1.969 trillion as customers preferred to transact on the self-service channels.

Equitel's transaction value grew by 50% to Shs 934.2 billion up from Shs 622.9 billion and the transaction volumes increased to 274.0 million from 267.7 million. The agency network which has now grown to reach over 50,000 agents saw the transaction value grow by 16% to Shs 929.3 billion from Shs 799.9 billion with transactions volume declining by 13% to 75.7 million from 87.1 million. Diaspora remittances grew by 104% to Shs 279.4 billion from Shs 136.9 billion due to increased strategic partnership with payment partners including PayPal, Equity Direct, Western Union, MoneyGram, Wave and SWIFT. Income from treasury operations increased by 36% to Shs 30.7 billion from Shs 22.7 billion driven by an increase in investment securities portfolio to Shs 217.4 billion from Shs 172.2 billion. Interest income on investment securities contributed to 68% of our total treasury income.

On the socio-economic front, visibility of Equity's impact investments through the Equity Group Foundation has strengthened the Equity brand, particularly by the empathy reflected from the Shs 1.7 billion investment to boost government efforts in managing the COVID-19 crisis. The provision of a monthly stipend for *Wings to Fly, Elimu* and *TVET* scholars, the delivery of solar powered lights and radios with mobile charging devices to the scholars has helped them to bridge the digital divide and allowed them to keep learning over the prolonged school closure in partnership with our long-time partner Mastercard Foundation. To date, Equity has provided 26,304 comprehensive secondary school scholarships through Wings to Fly and Elimu programs administered through the Equity Group Foundation.

The Group's business model continues to be validated by rating agencies and recognitions locally, regionally, and globally. Moody's gave the Group a national rating of B2 and global rating of Aaa.ke/KE-1 with a negative outlook same as the sovereign rating of the Kenyan government. The Global Credit Rating (GCR) maintained Equity's investment grade AA- on long term and A1+ short term with a negative outlook.

DIRECTORS

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

Prof. Isaac Macharia

(Appointed Chairman on 30 June 2020)

Mr. David Ansell**

(Retired as Chairman on 30 June 2020)

Dr. James Mwangi*

(Group Chief Executive Officer & Managing Director)

Dr. Helen Gichohi

Mrs. Evelyn Rutagwenda***

Mr. Vijay Gidoomal

Mrs. Mary Wamae*

Dr. Edward Odundo

Mr. Christopher Newson****

(Appointed on 4 March 2020)

Mr. Deepak Malik*****

(Retired on 30 June 2020)

*	Executive Directors
**	American and Kenyan
***	Rwandese
****	South African and British
*****	Indian

Article 100 of the Memorandum and Articles of Association of the Company provides for retirement of directors by rotation.

a) Mr. Vijay Gidoomal, retires from office by rotation and being eligible, offers himself for re-election; in accordance with Article 100 of the Company's Articles of Association;

b) Dr. Helen Gichohi, retires from office by rotation and being eligible, offers herself for re-election; in accordance with Article 100 of the Company's Articles of Association;

c) Mr. Christopher Newson, retires from office by rotation in accordance with Article 100 of the Company's Articles of Association and though eligible, 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 the director is aware, no relevant audit information of which the Group's auditor is unaware; and

b) the director has taken all the steps that the director ought to have 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, being eligible, have expressed their willingness to continue 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

26 March 2021

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Board reviews and recommends the remuneration structure of Directors annually, subject to Shareholders' 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 neither 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 29.

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 2020 together with the comparative figures for 2019. The aggregate Directors' emoluments are shown on Note 29 (e).

	Salary	Fees	Pension	Bonus	Other allowances	Gratuity [1]	Leave pay	Estimated value for non-cash benefits	Total
Year ended 31 December 2020	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**
Dr. James Mwangi*	56,734	-	2	4,728	3,744	194,596	13,947	4,780	278,531
Mrs. Mary Wamae*	39,252	-	2,815	3,270	-	-	-	215	45,552
Mr. Deepak Malik	-	1,267	-	-	-	-	-	-	1,267
Mr. David Ansell	-	3,731	-	-	-	-	-	-	3,731
Mrs. Evelyn Rutagwenda	-	3,863	-	-	-	-	-	-	3,863
Mr. Vijay Gidoomal	-	2,990	-	-	-	-	-	-	2,990
Prof. Isaac Macharia	-	5,563	-	-	-	-	-	-	5,563
Dr. Helen Gichohi	-	2,990	-	-	-	-	-	-	2,990
Dr. Edward Odundo	-	3,519	-	-	-	-	-	-	3,519
Mr. Christopher Newson	-	983	-	-	-	-	-	-	983
	95,986	**24,906**	**2,817**	**7,998**	**3,744**	**194,596**	**13,947**	**4,995**	**348,989**

*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.

[1] Gratuity paid in lieu of pension contribution over the past 10 years of service

DIRECTORS' REMUNERATION REPORT (continued)

Audited information (continued)

Year ended 31 December 2019	Salary Shs' 000	Fees Shs' 000	Pension Shs' 000	Bonus Shs' 000	Other allowances Shs' 000	Estimated value for non-cash benefits Shs' 000	Total 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.

On behalf of the Board

Mrs. Mary Wamae, Group Executive Direcctor **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 keep 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 controls 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 26 March 2021 and signed on its behalf by:

Mrs. Mary Wamae

Group Executive Director

Dr. James Mwangi

Group CEO and Managing 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 126 to 239, which comprise the consolidated statement of financial position at 31 December 2020 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 2020 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 2020 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 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other 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. In addition, the COVID-19 pandemic has resulted in a heightened risk of credit default and potential for significant increases in credit risk, increasing the uncertainty around the management judgements and estimation process.	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 the Group's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9;

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Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
The policies for estimating ECL are explained in notes 2 (i), 3 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 including the considerations for COVID-19; and • for certain individually assessed loans and advances, 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 banking subsidiaries extract '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 banking subsidiaries' IT system and the respective customer files; In addition, we assessed the qualitative information applied by the Group in determining the appropriate staging. 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 information, we assessed the appropriateness of the model, including assumptions applied; we corroborated the data using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios to reflect the impact of COVID-19; For the loans whose PDs are derived from external ratings, we discussed with management and reviewed the appropriateness of their assessment and mapping to external ratings; We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Independent Auditor's Report
To the Shareholders of Equity Group Holdings Plc (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for the acquisition of a subsidiary Equity Group Holdings Plc (EGH) completed the acquisition of 66.53% of Banqué Commerciale du Congo (BCDC) on 7 August 2020. The Group's accounting policy for business combinations is set out in note 2 (b). The details of the acquisition are disclosed in notes 15 (c) & 15 (d) of the financial statements. The accounting and financial reporting of the above transaction involved complex and significant management judgments including: • the identification of identifiable intangible assets acquired and assessment of their useful lives, • the determination of the fair value of identifiable assets and liabilities acquired • the measurement of goodwill or a gain from bargain purchase. Due to the complexity of the accounting considerations and the significant impact of management judgments, we designated this as a key audit matter in our audit.	Our audit procedures included: We obtained and reviewed the share purchase agreement for the acquisition of BCDC. We confirmed the consideration and validated settlement of the amount, We reviewed the relevant approvals for the acquisition, including Board and regulatory approvals, We performed a completion audit as of 7 August 2020, the acquisition date, to confirm the book value of the assets and liabilities transferred from BCDC, We engaged our accounting and transactions experts in reviewing the Purchase Price Allocation, including assessment of the reasonableness of the valuation methodology and the assumptions applied in determining the fair value of identifiable net assets acquired, including the identified intangible assets, We tested the bargain purchase computation, and We reviewed the consolidation entries and assessed the appropriateness and adequacy of the disclosures in the financial statements.

Independent Auditor's Report
To the Shareholders of Equity Group Holdings Plc (continued)

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, except to the extent otherwise explicitly stated in this report, 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 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 or 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.
- 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

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

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 actions taken to eliminate threats or safeguards applied.

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 Companies Act, 2015

Report of the directors

In our opinion, the information given in the Directors' report on pages 114 to 116 is consistent with the financial statements.

Directors Remuneration Report

In our opinion, the auditable part of the directors' remuneration report on pages 117 to 119 has been properly prepared in accordance with the Companies Act, 2015.

PricewaterhouseCoopers LLP

Certified Public Accountants

Nairobi
29 March 2021

FCPA Richard Njoroge, Practising certificate P/1244

Signing partner responsible for the independent audit

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2020 Shs' millions	2019 Shs' millions
Interest income	6	80,386	65,320
Interest expense	6	(18,616)	(14,740)
Net interest income		**61,770**	**50,580**
Fee and commission income	7 (a)	16,051	15,260
Fee and commission expense	7 (b)	(5,950)	(3,687)
Net fee and commission income		**10,101**	**11,573**
Net foreign exchange income	8	6,210	3,493
Other operating income	9	8,860	5,585
Fair value loss on loan notes at FVTPL	20 (d)	(3,239)	(1,000)
Credit impairment losses	11	(22,626)	(3,458)
Gain from bargain purchase	15 (c)	1,177	-
		(9,618)	**4,620**
Net operating income		**62,253**	**66,773**
Employee benefits	12	(15,542)	(12,952)
Depreciation and amortisation	10	(6,601)	(6,021)
Other operating expenses	16	(17,006)	(15,567)
Loss on net monetary position	36	(934)	(755)
Operating expenses		**(40,083)**	**(35,295)**
Profit before income tax		**22,170**	**31,478**
Income tax expense	18	(2,070)	(8,917)
Profit for the year		**20,100**	**22,561**
Profit attributable to:			
Owners of the parent		19,790	22,386
Non-controlling interest		310	175
		20,100	**22,561**
Earnings per share (basic and diluted) (Shs)	**30**	**5.24**	**5.93**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 Shs' millions	2019 Shs' millions
Profit for the year		**20,100**	**22,561**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value gains on investments in financial instruments measured at FVOCI	21	4,233	3,757
Deferred income tax	23	(1,269)	(1,127)
		2,964	**2,630**
Exchange differences on translation of foreign operations		221	(824)
Items that may not be reclassified to profit or loss:			
Re-measurement of defined benefit obligation	27	(636)	-
Deferred income tax	23	191	-
		(445)	**-**
		2,740	**1,806**
Total comprehensive income for the year, net of tax		**22,840**	**24,367**
Total comprehensive income attributable to:			
Owners of the parent		22,530	24,192
Non-controlling interest		310	175
		22,840	**24,367**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2020 Shs' millions	2019 Shs' millions
Interest income	6	423	182
Interest expense	6	(13)	-
Net Interest income		**410**	**182**
Dividend income	29 (h)	607	12,500
Other operating income	9	10	59
		617	**12,559**
Operating income		**1,027**	**12,741**
Credit impairment losses	11	-	(1)
Employee benefits	12	(53)	(87)
Depreciation and amortisation	14 (a)	(2)	-
Other operating expenses	16	(757)	(323)
Operating expenses		**(812)**	**(411)**
Profit before income tax		**215**	**12,330**
Income tax expense	18	(56)	(67)
Profit for the year		**159**	**12,263**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**159**	**12,263**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2020 Shs' millions	2019 Shs' millions
Assets			
Cash, deposits, and balances due from financial institutions	19 (a)	247,093	86,434
Derivative financial assets	34	438	472
Investment securities	21	217,408	172,208
Due from related parties	29 (f)	-	19
Current income tax	18	279	152
Loans and advances to customers	20	477,847	366,440
Other assets	22	19,660	12,745
Investment properties	14 (d)	5,576	-
Property and equipment	14 (a)	15,904	11,031
Right-of-use assets	14 (b)	6,090	7,342
Intangible assets	15	11,591	10,347
Deferred income tax	23	13,207	6,492
Total assets		**1,015,093**	**673,682**
Liabilities			
Due to related parties	29 (g)	114	-
Deposits from customers	24	740,801	482,752
Borrowed funds	26	97,148	56,714
Other liabilities	25	26,316	12,865
Employee benefit obligations	27	2,405	-
Lease liabilities	14 (c)	6,688	7,496
Current income tax	18	1,641	1,928
Deferred income tax	23	1,339	150
Total liabilities		**876,452**	**561,905**
Equity			
Share capital	28 (a)	1,887	1,887
Share premium	28 (b)	15,325	16,063
Retained earnings		118,767	99,150
FVOCI reserve	28 (c)	5,478	2,514
Loan loss reserve	28 (d)	577	739
Foreign currency translation reserve	28 (f)	(9,300)	(9,521)
Other reserves	28 (e)	(558)	(113)
Equity attributable to owners of the Company		132,176	110,719
Non-controlling interests		6,465	1,058
Total equity		**138,641**	**111,777**
Total equity and liabilities		**1,015,093**	**673,682**

The financial statements on pages 126 to 239 were approved for issue by the Board of directors on 26 March 2021 and signed on its behalf by:

Mrs. Mary Wamae
Group Executive Direcctor

Dr. James Mwangi
Group CEO and Managing Director

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2020 Shs' millions	2019 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19	8,818	12,694
Due from related parties	29(f)	39	61
Other assets	22	513	159
Current income tax	18	54	37
Property and equipment	14(a)	12	12
Investments in subsidiary companies	17(a)	80,452	66,786
Deferred income tax	23	90	85
Total assets		**89,978**	**79,834**
Liabilities			
Due to related parties	29(g)	442	619
Borrowed funds	26	10,938	-
Other liabilities	25	-	38
Total liabilities		**11,380**	**657**
Equity			
Share capital	28(a)	1,887	1,887
Share premium	28(b)	15,325	16,063
Retained earnings		61,386	61,227
Total equity		**78,598**	**79,177**
Total equity and liabilities		**89,978**	**79,834**

The financial statements on pages 126 to 239 were approved for issue by the Board of directors on 26 March 2021 and signed on its behalf by:

Mrs. Mary Wamae
Group Executive Direcctor

Dr. James Mwangi
Group CEO and Managing 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**
Year ended 31 December 2020		**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**
At start of year		**1,887**	**16,063**	**99,150**	**739**	**2,514**	**(9,521)**	**(113)**	**110,719**	**1,058**	**111,777**
Non-controlling interests from business acquisition	15 (c)	-	-	-	-	-	-	-	-	5,759	5,759
Other adjustment	28 (b)	-	(738)	-	-	-	-	-	(738)	-	(738)
Equity transactions with non-controlling interests	17	-	-	(335)	-	-	-	-	(335)	(662)	(997)
		1,887	**15,325**	**98,815**	**739**	**2,514**	**(9,521)**	**(113)**	**109,646**	**6,155**	**115,801**
Total comprehensive income:											
Profit for the year		-	-	19,790	-	-	-	-	19,790	310	20,100
Other comprehensive income		-	-	-	-	2,964	221	(445)	2,740	-	2,740
		-	**-**	**19,790**	**-**	**2,964**	**221**	**(445)**	**22,530**	**310**	**22,840**
Loan loss reserve transfers	28(d)	-	-	162	(162)	-	-	-	-	-	-
At end of year		**1,887**	**15,325**	**118,767**	**577**	**5,478**	**(9,300)**	**(558)**	**132,176**	**6,465**	**138,641**

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
Year ended 31 December 2019		Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
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	28 (d)	-	-	(723)	723	-	-	-	-	-	-
Final 2018 dividend declared and paid	28 (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**

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020	Note	Share capital Shs' millions	Share premium Shs' millions	Retained earnings Shs' millions	Total equity Shs' millions
At start of year		**1,887**	**16,063**	**61,227**	**79,177**
Other adjustment	28 (b)	-	(738)	-	(738)
Total comprehensive income:					
Profit for the year		-	-	159	159
At end of year		**1,887**	**15,325**	**61,386**	**78,598**
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:					
Final 2018 dividend declared and paid	28 (g)	-	-	(7,547)	(7,547)
At end of year		**1,887**	**16,063**	**61,227**	**79,177**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 Shs' millions	2019 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		22,170	31,478
Adjustments for:			
Depreciation and amortisation	10	6,601	6,021
Loss/ (gain) on disposal of property and equipment		9	(5)
Credit impairment charge	11	23,393	4,323
Fair value loss	20(d)	3,239	1,000
Interest expense on term borrowings	6	4,015	3,394
Interest expense on lease liabilities	6	768	857
Loss/ (gain) on fair valuation of investment securities	21	129	-
Revaluation of derivatives		34	(216)
Effect of foreign exchange differences		98	(403)
Operating profit before changes in operating assets and liabilities		**60,456**	**46,449**
Loans and advances		(90,057)	(74,536)
Other assets		(2,440)	(350)
Deposits from customers		145,363	59,994
Related party balances		(95)	5
Other liabilities		2,681	2,522
Movement in restricted cash balances	19	(4,527)	(1,608)
Cash generated from operations		**111,381**	**32,476**
Income taxes paid	18	(10,393)	(8,487)
Net cash flows from operating activities		**100,988**	**23,989**
INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired	15(c)	66,928	-
Purchase of property and equipment	14(a)	(2,240)	(3,591)
Proceeds from sale of property and equipment		57	149
Purchase of intangible assets	15(a)	(1,752)	(1,199)
Purchase of investment securities	21	(172,981)	(128,321)
Proceeds from sale / maturity of investment securities	21	132,987	120,564
Net cash flows from investing activities		**22,999**	**(12,398)**
FINANCING ACTIVITIES			
Dividend paid	28(g)	-	(7,547)
Reduction in share premium		(738)	-
Proceeds from long-term borrowings	26	65,159	24,139
Repayment of long-term borrowings	26	(26,016)	(12,526)
Interest paid on term borrowings	26	(4,101)	(3,394)
Interest expense on leases	14(c)	(754)	(857)
Principal elements of lease payments	14(c)	(1,405)	(1,199)
Net cash flows from financing activities		**32,145**	**(1,384)**
Net increase in cash and cash equivalents		**156,132**	**10,207**
Cash and cash equivalents at start of year		70,780	60,573
Cash and cash equivalents at end of year	**19 (a)**	**226,912**	**70,780**

COMPANY STATEMENT OF CASH FLOWS

	Notes	2020 Shs' millions	2019 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		215	12,330
Adjustments for:			
Depreciation on property and equipment	14 (a)	2	-
Interest expense on term borrowings	6	13	-
Credit impairment loss charge	11	-	1
Other adjustment	28(b)	(738)	-
Operating loss before changes in operating assets and liabilities		**(508)**	**12,331**
Other assets		(354)	76
Related party balances		(155)	231
Other liabilities		(38)	35
Cash generated (used in) / from operations		**(1,055)**	**12,673**
Income taxes paid	18	(78)	(95)
Net cash flows from operating activities		**(1,133)**	**78**
INVESTING ACTIVITIES			
Investment in subsidiaries		(13,666)	-
Purchase of property and equipment	14 (a)	(2)	(12)
Net cash flows from investing activities		**(13,668)**	**12,488**
FINANCING ACTIVITIES			
Proceeds from borrowed funds	26	10,925	-
Dividend paid	28(g)	-	(7,547)
Net cash flows from financing activities		**10,925**	**(7,547)**
Net (decrease) / increase in cash and cash equivalents		**(3,876)**	**5,019**
Cash and cash equivalents at start of year		12,694	7,675
Cash and cash equivalents at end of year	**19**	**8,818**	**12,694**

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. It also has a representative office in Ethiopia. Its shares are listed on the Nairobi Securities Exchange, Uganda Securities Exchange and Rwanda Securities 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 2020:

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Definition of a Business – Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

NOTES (continued)

2. Significant accounting policies (continued)

a. Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

ii. *New and amended standards adopted by the Group and Company (continued)*

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting.
- reinstating prudence as a component of neutrality.
- defining a reporting entity, which may be a legal entity, or a portion of an entity.
- revising the definitions of an asset and a liability.
- removing the probability threshold for recognition and adding guidance on derecognition.
- adding guidance on different measurement basis.
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The above changes have not had a significant impact on the Group's financial statements.

iii. *Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group*

Title	Key requirements	Effective date
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	Originally 1 January 2021, but extended to 1 January 2023 by the IASB in March 2020
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9, IFRS 4 and IFS 16	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.	1 January 2021
COVID-19-related Rent Concessions – Amendments to IFRS 16	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.	Annual periods beginning on or after 1 June 2020 (early adoption is permitted)

NOTES (continued)

2. Significant accounting policies (continued)

a. Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

iii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group (continued)

Title	Key requirements	Effective date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2022 [possibly deferred to 1 January 2023]
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022

NOTES (continued)

2. Significant accounting policies (continued)

a. Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

iii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Group (continued)

Title	Key requirements	Effective date
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.	1 January 2022
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a **

Management is in the process of assessing the impact of the above standards on the Group's financial statements. In particular, for the Interest Rate Benchmark Reform, a team has been put in place to assess the expected impact on the Group's financial assets that are benchmarked to Libor. The other standards are not expected to have a material impact on the entity 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, 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.

NOTES (continued)

2. Significant accounting policies (continued)

b. Business combinations and goodwill (continued)

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 fair value of 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate. 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.

If the purchase consideration paid is less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total face value of shares issued) is adjusted against the capital reserve. Any cost directly attributable to the combination is recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

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

NOTES (continued)

2. Significant accounting policies (continued)

c. Foreign currency translation (continued)

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 36).

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:

- 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. For leases of real estate for which the group is a lessee, it has elected to separate lease and non-lease components and instead accounted for them as separate 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:

NOTES (continued)

2. Significant accounting policies (continued)

g. Leases (continued)

- 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.

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 the 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.

iii. *Group as lessor*

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before income tax expense), which reflects a constant periodic rate of return. Payments received under operating lease are charged to profit or loss on a straight-line basis over the period of the lease.

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

NOTES (continued)

2. Significant accounting policies (continued)

h. Income tax (continued)

i. *Current income tax (continued)*

evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. 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. 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.

The carrying amount of these assets is measured at amortised cost usign the effective interest rate method and is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

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.

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

i. Classification and subsequent measurement (continued)

Financial assets (continued)

Amortised cost (continued)

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

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

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.

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.

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income and credit related income from these financial assets is included in "interest income" using the effective interest rate method.

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:

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)

- 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.

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

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)

- 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:

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.	FVTPL (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.

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

i. Classification and subsequent measurement (continued)

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.

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; and
- Where the Group's recovery method is foreclosing on collateral and the value of the collateral is such 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; and
- 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;

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

i. Classification and subsequent measurement (continued)

- 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.

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 expected credit losses (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:

- 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.

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

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

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

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 IFRS 16 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

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

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

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).

$ECL\ LT = \sum_{T=1}^{LT} PD_t \times LGD_t \times EAD_t \times D_t$

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.

Where: **D** – discounting factor and **t** - time

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

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);
- 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.

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

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

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 Group has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). With the Group undertaking loan restructures on 32% of the loan book (see the section "Restructuring" below), the Group incorporated qualitative factors to assess significant increase in credit risk on these loans as below:

- All loans whose business activity, in our assessment, was significantly lower than the pre-COVID period as at 31 December 2020, was considered to have a significant increase in credit risk and downgraded to Stage 2.
- Loans in high risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

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.

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.

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

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

Determining whether credit risk has increased significantly (continued)

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; and
- 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.

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

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)

reverts to being measured at an amount equal to 12-month ECLs.

However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the Group to support its customers. The Group's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Group therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The Group segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The Group then accommodated for different periods depending on the level of risk.

The accommodation given to customers was given due to a macro economic issue that was facing customers in impacted industries. This was not an issue of an individual customer exhibiting significant increase in credit risk or default. These accommodations were therefore exempted from the general policy of a restructure being necessarily an indicator of significant increase in credit risk or default. This is fully compliant with the requirements of IFRS 9 and the Central Bank prudential guidelines. These loans are however monitored under a more stringent credit risk framework and judgmental factors are considered in the IFRS 9 provision methodology for these loans.

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.

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.

As a result of COVID-19, the Group restructured 32% of its loan book in the year with the restructure not resulting in derecognition. The following table refer to modified financial assets where modification does not result in derecognition.

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)

	Amount pre-restructure	Modification gain/loss	Amount post-restructure
Classification	**Shs'millions**	**Shs'millions**	**Shs'millions**
Stage 1	129,198	-	129,198
Stage 2	33,126	-	33,126
Stage 3	9,155	-	9,155
Total	**171,479**	**-**	**171,479**

The restructure of loans with loss allowance based on lifetime ECL did not result in a material modification gain or loss.

There were no financial assets whose loss allowance has changed in the period from lifetime to 12-month ECL basis after modification.

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 twelve industries namely Building & Construction, Energy & Water, Financial Services, Food and Agriculture, ICT and Telecommunications, Manufacturing, Mining and Quarrying, Personal Household, Real Estate, Tourism and Hospitality, Trade and Transport & logistics (2019: five segments namely Corporate, SME, Mortgage, Unsecured and Eazzy (short term mobile loans)). The PDs are determined at industry level (2019: segment level), LGD at customer or industry level (2019: segment level) (based on collateral and collections respectively) and EAD at account level. Where a borrower has been in several industries (2019: 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

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

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

Probability of default (continued)

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.

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.

In 2019, the top 50 customers for Equity Bank Kenya Limited were individually assessed. The PDs for these loans and advances were determined by mapping management view of the relevant quantitative and qualitative factors to external ratings and taking the PDs determined for those external rating. This is no longer the case with the change in segmentation from segments to industries.

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; and
- 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

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

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

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.

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 involves 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. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

NOTES (continued)

2. Significant accounting policies (continued)

i. Financial assets and liabilities (continued)

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

Forward-looking information (continued)

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.

iii. *Fair value measurement*

The Group measures financial instruments such as derivatives, loan notes 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. The table below shows the various asset classes.

NOTES (continued)

2. Significant accounting policies

i. Financial assets and liabilities (continued)

iii. Fair value measurement (continued)

Forward-looking information (continued)

Category (as defined by IFRS 9)		Class (as determined by the Group)		Subclasses
Financial assets	Financial assets at fair value through profit or loss (FVPL)	Financial assets held for trading	Derivative financial assets	
		Financial assets designated at fair value through profit or loss	Loan notes at FVPL Investment securities designated at FVTPL	
	Amortised cost	Deposits and balances due from financial institutions		
		Due from group companies		
		Loans and advances to customers	Loans to individuals (Agriculture and consumer)	Term loans
				Mobile loans
				Credit cards
				Mortgages
			Loans to micro, SME and large enterprises	Term loans
				Overdrafts
				Others
		Settlement and clearing accounts		
		Cash balances with central banks		
		Other assets		
		Investment securities		
	Financial assets at fair value through other comprehensive income (FVOCI)	Investment securities		
Financial liabilities	Financial liabilities at amortised cost	Deposits due to other financial institutions		
		Deposits from customers		
		Other liabilities		
		Borrowed funds		
		Due to group companies		
Off-balance sheet financial instruments	Loan commitments			
	Guarantees, acceptances and other financial liabilities			

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.

iii. *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;
- 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.

NOTES (continued)

2. Significant accounting policies (continued)

l. Intangible assets (continued)

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.

Acquired intangible assets

The customer relationship and core deposit intangible asset (''acquired intangible assets'') were acquired as part of a business combination (Note 15 (a)). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives. Separately 'acquired intangible assets are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The Group amortises intangible assets with a limited useful life, using the straight-line method over 1 period of 3 years. For brand name, this is not amortised since it has an indefinite useful life but assessed for impairment on an annual basis.

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.

NOTES (continued)

2. Significant accounting policies (continued)

o. Employee benefits

i. *Defined contribution schemes*

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.

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.

ii. *Defined benefit plan*

The Group has an unfunded defined benefit scheme for employees in DRC. The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels, whilst the benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

For the defined benefit plan, the liability recognised in the statement of financial position is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on government securities that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in Shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in the income statement. When the defined benefit calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. The Group contributions to both schemes are charged to the statement of comprehensive income in the year to which they relate.

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement (Note 27).

iii. *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.

NOTES (continued)

2. Significant accounting policies (continued)

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 28 (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 35).

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:

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. 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.

NOTES (continued)

2. Significant accounting policies (continued)

w. Financial guarantee contracts and loan commitments (continued)

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.

x. Investment properties

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and /or capital appreciation and are not occupied by the Group are classified as investment property and are non-current assets. Investment property is carried at fair value, representing open market value determined every three years by external valuers. Properties under construction and development sites with projected use as investment properties are valued at projected fair values considering current market conditions. Changes in fair values are included in investment income in the income statement.

y. 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

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.

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).

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.

NOTES (continued)

4. Financial risk management (continued)

a. Introduction and overview (continued)

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.

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.

NOTES (continued)

4. Financial risk management (continued)

b. Credit risk (continued)

Management of credit risk (continued)`

- 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.

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		**2020**		**2019**	
Credit exposures	**Notes**	**Shs' millions**	**%**	**Shs' millions**	**%**
On – balance sheet items					
Balances and deposits due from financial institutions*	19	193,569	22%	62,134	10%
Derivative financial assets	34	438	0%	472	0%
Investment securities	21	217,408	24%	172,208	28%
Due from related parties	29 (f)	-	0%	19	0%
Loans and advances to customers at amortised cost	20(a)	476,581	53%	362,373	60%
Loans and advances to customers at FVTPL	20(d)	1,266	0%	4,067	1%
Other assets**	22	13,289	1%	8,358	1%
		902,551		**609,631**	
Off-balance sheet items					
Guarantees and standby letters of credit	31	67,860		53,325	
Letters of credit, acceptances and other credits	31	36,142		33,283	
		104,002		**86,608**	
		1,006,553		**696,239**	

Company					
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions	19	8,818	94%	12,694	98%
Due from related parties	29 (f)	39	1%	61	1%
Other assets	22	504	5%	159	1%
		9,361		**12,914**	

NOTES (continued)

4. Financial risk management (continued)

b. Credit risk (continued)

Management of credit risk (continued)

*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. None of the balances are past due or impaired and no collateral is held for these balances. ECL has been assessed using a 12 month ECL and is disclosed in Note 19.

**Other assets are made up of settlement and clearing accounts, refundable deposits and other receivable balances. Prepayments are excluded as they do not pose a credit risk. 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. No collateral is held for these assets. Management has established a related entity risk management framework including mandatory credit checks with counter parties. The arising ECL and remeasurement in the year is shown in Note 22.

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. The off balance sheet items have been assessed for impairment and resulting ECL booked as part of the total provisions held for loans and advances.

Exposure to credit risk – Loans and advances

	2020			
	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	-	-	22,930	22,930
Grade 4: Doubtful	-	-	22,586	22,586
Grade 5: Loss	-	-	12,943	12,943
Gross amount	**-**	**-**	**58,459**	**58,459**
Provision for impairment losses	-	-	(34,880)	(34,880)
Carrying amount	**-**	**-**	**23,579**	**23,579**
Individually and collectively impaired				
Grade 1: Normal	393,416	-	-	393,416
Grade 2: Watch	-	72,710	-	72,710
Gross amount	**393,416**	**72,710**	**58,459**	**466,126**
Provision for impairment losses	(4,376)	(8,748)	(34,880)	(13,124)
Carrying amount	**389,040**	**63,962**	**23,579**	**453,002**
Total carrying amount				**476,581**
Fair value through profit or loss				
Loans note				5,505
Fair value loss				(4,239)
				1,266
Total carrying amount				**477,847**

NOTES (continued)

4. Financial risk management (continued)

b. Credit risk (continued)

Management of credit risk (continued)

Exposure to credit risk – Loans and advances (continued)

	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**

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.

Allowances for impairment

The loss allowance recognised in the period is impacted by a variety of factors as follows:

NOTES (continued)

4. Financial risk management (continued)

b. Credit risk (continued)

Management of credit risk (continued)

» 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 and 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.

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	
	2020	**2019**
	Shs' millions	**Shs' millions**
Property	525,022	443,573
Equities	5	127
Other*	68,990	152,537
Total	**594,017**	**596,237**

NOTES (continued)

4. Financial risk management (continued)

b. Credit risk (continued)

Collateral on loans and advances (continued)

The Group monitors concentration of credit risk by industry. An analysis of concentrations of credit risk at the reporting date is shown below:

	Group	
	2020	**2019**
	Shs' millions	**Shs' millions**
Concentration by sector		
Gross loans and advances *(overall – amortised and fair value)*		
Building & construction	14,407	9,528
Energy & water	29,220	22,773
Financial services	21,561	4,960
Food & agriculture	27,822	12,199
ICT & telecommunication	3,630	1,869
Manufacturing	19,401	14,033
Mining & quarrying	18,190	12,609
Personal household	136,390	89,572
Real estate	86,235	84,178
Tourism & hospitality	25,319	12,417
Trade	110,358	94,941
Transport & logistics	37,557	31,096
	530,090	**390,175**

Exposure to credit risk – investment securities

Investment securities comprise treasury bills and bonds held with various governments in the Group. No collateral is held for these assets. None of the other financial assets are either past due or impaired. The balances have been assessed for impairment using a 12 month ECL and the arising ECL is shown in Note 21.

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.

NOTES (continued)

4. Financial risk management (continued)

c. Liquidity risk (continued)

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 deposits for banks and borrowings due to mature within the next month.

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.

NOTES (continued)

4. Financial risk management (continued)

c. Liquidity risk (continued)

Management of liquidity risk (continued)

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 2020						
At 31 December	73%	22%	190%	392%	33%	160%
Average for the year	61%	27%	146%	267%	51%	179%
Maximum for the year	73%	32%	195%	392%	75%	193%
Minimum for the year	55%	22%	129%	149%	32%	158%
Minimum statutory requirement	20%	20%	20%	100%	20%	100%
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%

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 2020	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	247,093	-	-	-	-	247,093
Loans and advances to customers	85,950	35,212	38,696	247,655	205,202	612,715
Investment securities	74,743	50,545	19,917	79,494	70,452	295,151
Derivative financial assets	438	-	-	-	-	438
Other assets	13,289	-	-	-	-	13,289
Total financial assets	**421,513**	**85,757**	**58,613**	**327,149**	**275,654**	**1,168,686**
Financial liabilities						
Deposits from customers	291,440	30,332	125,319	385,372	223	832,686
Borrowed funds	14,211	3,401	7,298	50,935	24,921	100,766
Amounts due to related parties	114	-	-	-	-	114
Other liabilities	23,359	-	-	2,957	-	26,316
Lease liabilities	511	547	1,152	4,831	421	7,462
Total financial liabilities	**329,635**	**34,280**	**133,769**	**444,095**	**25,565**	**967,344**
Liquidity gap at 31 December 2020	**91,878**	**51,477**	**(75,156)**	**(116,946)**	**250,089**	**201,342**

	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	27,347	5,226	12,591	22,696	67,860
Letters of credit, acceptances and other documentary credits	7,107	9,269	14,196	5,570	36,142
Capital commitments	127	-	2,169	-	2,296
Loans approved but not disbursed	36,914	19,011	146	266	56,337
Total commitments and guarantees	**71,495**	**33,506**	**29,102**	**28,532**	**162,635**

NOTES (continued)

4. Financial risk management (continued)

c. Liquidity risk (continued)

Group 2019	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	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	10,144	-	-	2,721	-	12,865
Lease liabilities	515	468	968	6,312	1,037	9,300
Total financial liabilities	**205,805**	**27,926**	**49,884**	**294,661**	**28,663**	**606,939**
Liquidity gap at 31 December 2019	**(25,812)**	**5,668**	**2,265**	**(26,546)**	**268,464**	**224,039**

	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	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)

Company 2020	Less than 3 months Shs' millions	1-5 Years Shs' millions	Totals Shs' millions
Financial assets			
Balances and deposits due from financial institutions	8,818	-	8,818
Amounts due from related parties	39	-	39
Other assets	504	-	504
Total financial assets	**9,361**	**-**	**9,361**
Financial liabilities			
Amounts due to related parties	442	-	442
Borrowed funds	-	15,342	15,342
Total financial liabilities	**442**	**15,342**	**15,784**
Liquidity gap at 31 December 2020	**8,919**	**(15,342)**	**(6,423)**

Company 2019	Less than 3 months Shs' millions	1-5 Years Shs' millions	Totals Shs' millions
Financial assets			
Balances and deposits due from financial institutions	12,694	-	12,694
Amounts due from related party	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**

NOTES (continued)

4. Financial risk management (continued)

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

Market Risk exposures arising from the trading book are managed by the Treasury department whilst those arising from the nontrading activities are managed through the ALM (Asset and Liability Management) and ICAAP processes.

Market risk measurement

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 34).

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.

The Group's robust risk management framework continues to be applied across the various risk areas introduced by financial instruments and the various risk owners continue to monitor the impact of COVID-19 on the Group's risk profile.

(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.

As 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. The result of the VAR testing in the year were within the acceptable thresholds. The Group continues to monitor the impact of COVID-19 on VAR across its subsidiaries.

NOTES (continued)

4. Financial risk management (continued)

d. Market risk (continued)

Market risk measurement (continued)

(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. The Group's test results in the year were within the expected threshold. Management continue to monitor the stress levels especially in light of COVID-19 to ensure the Group's risk profile is robust.

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:

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.

Group	Carrying amount	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2020	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Assets							
Balances and deposits due from financial institutions	247,093	103,999	143,094	-	-	-	-
Loans and advances to customers	477,847	-	477,847	-	-	-	-
Investment securities	217,408	333	70,961	47,613	7,284	24,384	66,833
	942,348	**104,332**	**691,902**	**47,613**	**7,284**	**24,384**	**66,833**
Liabilities							
Deposits from customers	740,801	511,415	26,335	25,410	120,400	56,953	288
Borrowed funds	97,148	-	13,743	3,143	6,892	53,804	19,566
Lease Liabilities	6,688	-	519	487	984	4,315	383
	844,637	**511,415**	**40,597**	**29,040**	**128,276**	**115,072**	**20,237**
Interest rate sensitivity gap	**97,711**	**(407,083)**	**651,305**	**18,573**	**(120,992)**	**(90,688)**	**46,596**

NOTES (continued)

4. Financial risk management (continued)

d. Market risk (continued)

Interest rate risk

Group	Carrying amount	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2019	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**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**

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	Carrying amount	Less than 3 Months
	Shs' millions	**Shs' millions**
31 December 2020		
Assets		
Cash and cash equivalents	8,818	8,818
Interest rate sensitivity gap at 31 December 2020	**8,818**	**8,818**
31 December 2019		
Assets		
Cash and cash equivalents	12,694	12,694
Interest rate sensitivity gap at 31 December 2019	**12,694**	**12,694**

NOTES (continued)

4. Financial risk management (continued)

d. Market risk (continued)

Interest rate risk (continued)

During the year, a 5% increase / decrease (2019: 5%) of the annual interest rate would have the following effect on profit or loss and equity:

	Sensitivity	Group impact on profit or loss	Company impact on profit or loss	Group impact on equity	Company impact on equity
		Shs' millions	Shs' millions	Shs' millions	Shs' millions
2020	+/-5%	+/-2,757	+/-21	+/-1,930	+/-14
2019	+/-5%	+/-2,242	+/-2	+/-1,570	+/-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

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. The amounts below summarize the foreign currency exposure position as at 31 December.

Group	**US$**	**GBP**	**Euro**	**ZAR**	**Others**	**Total**
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**
31 December 2020						
Cash and cash equivalents	175,571	545	4,440	77	1,429	182,062
Loans and advances to customers	216,242	91	778	-	-	217,111
Investment securities	16,097	-	-	-	2,187	18,284
Other assets	11,356	81	299	-	51	11,787
Total assets	**419,266**	**717**	**5,517**	**77**	**3,667**	**429,244**
Customer deposits	263,388	851	6,792	3	1,351	272,385
Borrowed funds	82,590	-	17	-	752	83,359
Other liabilities	53,486	25	223	7	5	53,746
Total liabilities	**399,464**	**876**	**7,032**	**10**	**2,108**	**409,490**
Net financial position	**19,802**	**(159)**	**(1,515)**	**67**	**1,559**	**19,754**

NOTES (continued)

4. Financial risk management (continued)

d. Market risk (continued)

Foreign currency exposure (continued)

Group	US$	GBP	Euro	ZAR	Others	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	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**

Company	2020		2019	
	US$	Total	US$	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
31 December 2020				
Cash and cash equivalents	8,498	8,498	82	82
Total assets	8,498	8,498	82	82
Borrowed funds	10,938	10,938	-	-
Total liabilities	10,938	10,938	-	-
Net financial position	(2,440)	(2,440)	82	82

NOTES (continued)

4. Financial risk management (continued)

d. Market risk (continued)

Foreign currency exposure (continued)

Group		Effect on profit before income tax	Effect on equity
	Changes in EUR		
2020	+/-18%	+/-271	+/-189
2019	+/-2%	+/-23	+/-16
	Changes in US$		
2020	+/-8%	+/-1,544	+/-1,080
2019	+/-1%	+/-9	+/-6
	Changes in GBP		
2020	+/-11%	+/-18	+/-13
2019	+/-3%	+/-1	+/-1

Company			
	Changes in US$		
2020	+/-8%	+/-165	+/-124
2019	-	-	-

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.

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.

NOTES (continued)

4. Financial risk management (continued)

e. Capital management (continued)

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 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.

The regulatory capital position at 31 December was as follows:

	EBKL	EquityBCDC	EBTL	EBUL	EBRPLC	EBSSL
	Shs 'millions	Shs 'millions	Shs 'millions	Shs 'millions	Shs 'millions	Shs 'millions
31 December 2020						
Risk Weighted Assets	566,959	150,533	24,449	50,762	23,939	730
Core Capital	70,268	24,826	2,994	8,859	5,340	3,430
Total Capital	92,118	24,826	3,239	8,859	5,340	3,430
Deposits	496,748	233,985	17,839	48,447	26,966	5,683
Core capital / TRWA	12.4%	16.5%	12.6%	17.5%	22.3%	469.9%
Statutory minimum	10.5%	7.5%	12.5%	10.0%	10.0%	8.0%
Excess	1.9%	8.0%	0.1%	7.5%	12.3%	461.9%
Total capital / TRWA	16.2%	16.5%	13.2%	17.5%	22.3%	469.9%
Statutory minimum	14.5%	10.0%	14.5%	12.0%	15.0%	12.0%
Excess	1.7%	6.5%	(1.3%)	5.5%	7.3%	457.6%
Core capital / deposits	14.1%	10.6%	16.8%	18.6%	19.8%	60.4%
Statutory minimum	8.0%	8.0%	8.0%	10.0%	10.0%	8.0%
Excess	6.1%	2.6%	8.8%	8.6%	9.8%	52.4%

NOTES (continued)

4. Financial risk management (continued)

e. Capital management (continued)

31 December 2019	EBKL	EBC	EBTL	EBUL	EBRPLC	EBSSL
	Shs 'millions	Shs 'millions	Shs 'millions	Shs 'millions	Shs 'millions	Shs 'millions
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%	7.5%	12.5%	10.0%	10.0%	8.0%
Excess	2.8%	8.2%	(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%

	Group	
	2020	2019
	Shs' millions	Shs' millions
Total risk-weighted assets	809,585	601,744
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	19.0%	20.5%
Total tier 1 capital expressed as a percentage of risk-weighted Assets	14.8%	17.0%

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.

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 2020 (2019: 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)

Valuation methods and assumptions (continued)

	Valuation Technique	Significant observable input	Range (Weighted average)	
Level 2			**2020**	**2019**
FVOCI investment securities	Fair value at closing rate	Quoted yields	7%-10.5%	7%-13.5%
Amortised cost investment Securities	Fair value at closing rate	Quoted yields	9.5%-11.5%	9.5%-12.5%
FVTPL investment securities	Fair value at closing rate	Quoted yields	7%-10.5%	7%-13.5%
	Valuation Technique	**Significant unobservable inputs**	**Range (Weighted average)**	
Level 3				
Currency swaps and forwards	Forward pricing model	Interest curve	2%-3.5%	2%-4%
	2020*	See below	See below	
	2019: Discounted cash flows	Growth rate assumption	N/a	0 - 4%
		Long-term debt equity ratio in determining WACC	N/a	60:40
Financial liabilities				
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	5%-8.5%	5%-9%
Borrowed funds	Discounted cash flow	Expected cashflows	4%-5%	4%-6%

*Equity Bank Kenya Limited (EBKL) holds a loan note that contains an embedded derivative and has therefore been measured at fair value through profit or loss. For this, the fair value is composed of two key cashflow components, being the interest receivable on the mandatorily convertible component of the loan note and valuation of the 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.

In 2019, to determine the value of the shares, EBKL used a complex valuation model that incorporated unobservable inputs that drove the projected cash flows of the original borrower company which included cashflows and the growth rate assumption which factor in passenger numbers, available seat kilometre and costs, including operating lease and fuel expenses. These cashflows were then subjected to adjustments which included, but were not limited to actual performance and the projected growth rate of the original borrower company and any deviation of actual performance from the projected performance. The selection and application of these models and the related inputs was judgmental.

In 2020, the use of the discounted cash flow approach was no longer considered appropriate as it is unclear what the long-term effects of the COVID-19 pandemic and Government actions will be on the cash flows of the original borrower company. In valuing the hybrid instrument at 31 December 2020, management has therefore only taken into account the Government guarantee as there is significant uncertainty in relation to the future recovery of interest and recovery of amounts from sale of shares. In particular, the original borrower company is loss making, is in a significant Shareholders' deficit position and has been significantly adversely impacted by the COVID-19 pandemic.

NOTES (continued)

5. Financial assets and liabilities (continued)

Fair value measurement hierarchy

Group	Level 1	Level 2	Level 3	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At 31 December 2020				
Financial assets fair value disclosures:				
Investment securities – FVOCI	-	201,080	-	201,080
Loan note at FVTPL	-	-	1,266	1,266
Derivative financial assets	-	438	-	438
Investment securities - FVTPL	-	484	-	484
Total financial assets at fair value	**-**	**202,002**	**1,266**	**203,268**
At 31 December 2019				
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**

The movement in the loan note at FVTPL is attributable to exchange and 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.

NOTES (continued)

5. Financial assets and liabilities (continued)

Fair value measurement hierarchy (continued)

Group	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions
At 31 December 2020					
Cash balances and deposits in financial institutions	247,093	247,093	-	-	247,093
Investment securities – amortised cost	15,844	14,163	-	14,163	-
Loans and advances at amortised cost	476,581	476,581	-	-	476,581
Other assets	13,289	13,289	-	-	13,289
Total financial assets	**752,807**	**751,126**	**-**	**14,163**	**736,963**
Deposits from customers	740,801	740,801	-	-	740,801
Borrowed funds	97,148	97,148	-	-	97,148
Lease liabilities	6,688	6,688	-	-	6,688
Due from related parties	114	114	-	-	114
Other liabilities	26,316	26,316	-	-	26,316
Total liabilities	**871,067**	**871,067**	**-**	**-**	**871,067**
At 31 December 2019					
Balances and deposits due from financial institutions	86,434	86,434	-	-	86,434
Investment securities – amortised cost	21,573	21,573	-	21,573	-
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**	**478,757**	**-**	**21,573**	**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 (continued)

Fair value measurement hierarchy (continued)

Company	Carrying amount	Fair value	Level 1	Level 2	Level 3
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At 31 December 2020					
Cash balances and deposits in financial institutions	8,818	8,818	-	-	8,818
Due from related parties	39	39	-	-	39
Other assets	504	504	-	-	504
Total financial assets	**9,361**	**9,361**	**-**	**-**	**9,361**
Borrowed funds	10,938	10,938	-	-	10,938
Due to related parties	442	442	-	-	442
Total liabilities	**11,380**	**11,380**	**-**	**-**	**11,380**

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At 31 December 2019					
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**

NOTES (continued)

6. Interest income

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Interest income				
Loans and advances to customers	52,280	41,648	-	-
Cash and cash equivalents	2,246	1,181	423	182
Credit related fees	6,621	5,597	-	-
Investment securities at amortised cost	5,273	10,218	-	-
Investment securities at FVOCI	13,966	6,676	-	-
	80,386	**65,320**	**423**	**182**
Interest expense				
Deposits from banks	(150)	(120)	-	-
Deposits from customers	(13,683)	(10,369)	-	-
Borrowed funds (Note 26)	(4,015)	(3,394)	(13)	-
Lease liabilities (Note 14)	(768)	(857)	-	-
	(18,616)	**(14,740)**	**(13)**	**-**
Net interest income	**61,770**	**50,580**	**410**	**182**

7. Net fee and commission income

	Group	
	2020	2019
	Shs' millions	Shs' millions
a. Fee and commission income		
Recognised at a point in time		
Service fees and commission	15,931	15,129
Custodial fee income	120	131
	16,051	**15,260**
b. Fee and commission expense		
Fee and commission expense	(5,950)	(3,687)
Net fee and commission income	**10,101**	**11,573**

The service fees largely relate to fees earned from transactions with customers and commissions earned on facilitation of remittances.

NOTES (continued)

8. Net foreign exchange income

	Group	
	2020	2019
	Shs' millions	Shs' millions
Net foreign exchange gain	6,210	3,493

9. Other operating income

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Realised gain on investment securities	3,056	1,074	-	-
Profit on disposal of property and equipment	7	5	-	-
Rental income	244	42	-	-
Insurance brokerage income	889	913	-	-
Other income*	4,664	3,551	10	59
	8,860	**5,585**	**10**	**59**

The other income includes unrealised revaluation foreign exchange gain on monetary assets and liabilities as well as fee income from government social payments and other programmes.

10. Depreciation and amortisation - Group

	2020	2019
	Shs' millions	Shs' millions
Depreciation on property and equipment (Note 14 (a))	3,428	3,042
Amortisation of intangible assets - Software (Note 15 (a))	1,341	1,266
Depreciation of right-of-use assets (Note 14 (b))	1,832	1,713
	6,601	**6,021**

NOTES (continued)

11. Credit impairment losses

		Group		Company	
		2020	2019	2020	2019
	Note	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Movements during the year:					
Increase / (decrease) in other assets	22	5	(33)	-	-
Increase / (decrease) in money market	19 (a)	352	(41)	-	1
Increase in investment securities	21	19	1	-	-
Loans and advances:					
(Decrease) / increase in Stage 1	20 (b)	(956)	1,781	-	-
Increase / (decrease) in Stage 2	20 (b)	4,559	(3,110)	-	-
Increase in Stage 3	20 (b)	19,414	5,725	-	-
Net increase in impairment losses		**23,393**	**4,323**	**-**	**1**
Loan recoveries		(767)	(865)	-	-
Statement of profit or loss		**22,626**	**3,458**	**-**	**1**

12. Employee benefits

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Salaries and other staff costs	14,487	12,306	53	87
Contributions to defined contribution plans	1,055	646	-	-
	15,542	12,952	53	87

The average number of staff in the Group for the year was 7,119 (2019: 6,580).

13. Lease expenses

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
VAT & service charge	377	425	4	2

Lease expenses relate to VAT and service charge which are excluded in the assessment of lease liability and right-of-use asset.

NOTES (continued)

14. a. Property and equipment – Company

	2020 Shs' millions	2019 Shs' millions
Equipment, furniture & fittings		
Cost		
At start of year	12	-
Additions during the year	2	12
At end of year	**14**	**12**
Accumulated depreciation		
At start of year	-	-
Charge for the year*	2	-
At end of year	**2**	**-**
Net book value at end of year	**12**	**12**

*The depreciation charge of Shs 354,000 in 2019 when converted to Shs millions is less than 1 million and has not been presented above.

14. a. Property and equipment – Group

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Work-in-progress	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
31 December 2020							
Cost							
At start of year	1,603	11,713	567	7,133	14,761	1,371	37,148
Acquisition of a subsidiary	4,449	-	577	1,929	1,141	927	9,023
Translation differences	108	548	23	(520)	634	79	872
Additions	53	637	76	792	701	(19)	2,240
Transfers	-	149	-	331	1,029	(1,509)	-
Disposals	-	(75)	(38)	(45)	(731)	-	(889)
At end of year	**6,213**	**12,972**	**1,205**	**9,620**	**17,535**	**849**	**48,394**
Accumulated depreciation							
At start of year	118	8,205	371	4,723	12,700	-	26,117
Acquisition of a subsidiary	586	-	486	1,612	556	-	3,240
Translation differences	8	433	12	(282)	357	-	528
Charge for the year	235	981	122	625	1,465	-	3,428
Disposals	-	(40)	(24)	(28)	(731)	-	(823)
At end of year	**947**	**9,579**	**967**	**6,650**	**14,347**	**-**	**32,490**
Net book value at end of year	**5,266**	**3,393**	**238**	**2,970**	**3,188**	**849**	**15,904**

NOTES (continued)

14. a. Property and equipment – Group

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Work-in-progress	Total
	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	7,614	13,940	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**	**7,133**	**14,761**	**1,371**	**37,148**
Accumulated depreciation							
At start of year	82	8,042	362 362	4,925	11,825	-	25,236
Translation differences	3	(62)	(2)	(21)	(7)	-	(89)
Charge for the year	33	956	63	804	1,186	-	3,042
Transfers	-	59	-	-	151	(210)	-
Disposals	-	(745)	(52)	(1,077)	(342)	-	(2,216)
At end of year	**118**	**8,205**	**371**	**4,723**	**12,700**	**-**	**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. b. Right-of-use assets – Group

	Group	
	2020	2019
	Shs' millions	Shs' millions
Cost		
At start of year	9,055	8,715
Acquisition of a subsidiary	266	-
Remeasurements	(75)	-
Additions	314	340
Translation differences	59	-
At end of year	**9,619**	**9,055**
Accumulated depreciation		
At start of year	1,713	-
Acquisition of a subsidiary	25	-
Remeasurements	(56)	-
Charge for the year	1,832	1,713
Translation differences	15	-
	3,529	**1,713**
Net book value at end of year	**6,090**	**7,342**

c. Lease liabilities – Group

	2020	2019
Current	1,990	1,312
Non-current	4,698	6,184
	6,688	**7,496**
Movement during the year:		
At start of year	7,496	8,355
Acquisition of a subsidiary	271	-
Additions	314	340
Interest expense	768	857
Interest paid	(754)	(857)
Principal elements of lease payments	(1,405)	(1,199)
Translation differences	(2)	-
	6,688	**7,496**
Amounts recognised in the statement of profit or loss:		
Depreciation charge of right-of-use assets – branches and ATMs	1,832	1,713
Interest expense	768	857
	2,600	**2,570**
Amounts recognised in the statement of cash flows:		
The total cash outflow for leases was as follows:		
Financing cash flows from operating leases	**1,405**	**1,199**

NOTES (continued)

14. d. Investment properties

(i) *Measuring investment property at fair value*

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in other income.

The Group's investment properties were valued at 31 August 2019 by ImmoAf, the Group's external qualified professional valuer who has experience in the location and category of the respective investment property. Valuations were based on an income or market approach.

Investment properties, principally office buildings, are held for long-term rental yields and are not occupied by the Group. They are carried at fair value. Changes in fair values are presented in other income.

(ii) *Non-current assets - at fair value*

	Group 2020 Shs' millions
Acquisition of a subsidiary	5,075
Translation differences	501
At 31 December	**5,576**

(iii) *Amounts recognised in profit or loss for investment properties*

Rental income from operating leases	231
Direct operating expenses from property that generated rental income	(76)

(iv) *Fair value hierarchy*

	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions	Total Shs' millions
Investment properties	**-**	**-**	**5,576**	**5,576**

The following are the main inputs:

- Occupancy rate (Between 92.5% to 95%)
- Weighted average rent of Shs 2,400 per square metre
- Risk-adjusted discount rates (Weighted average 3.8% to 5.2%)
- Market rental growth (Weighted average of between 2.5% to 2.6%; 2018: 2–3%)

NOTES (continued)

15. Intangible assets - Group

	2020 Shs' millions	2019 Shs' millions
Software & acquired intangible assets	9,621	7,244
Goodwill	1,970	3,103
	11,591	10,347

a. Software & acquired intangible assets

31 December 2020	Software Shs' millions	Acquired intangible asset Shs'millions	Work in progress Shs' millions	Total Shs' millions
Cost				
At start of year	12,955	-	758	13,713
Acquisition of a subsidiary	641	1,882	194	2,717
Translation differences	(234)	-	(12)	(246)
Additions	1,299	-	453	1,752
Transfers	279	-	(279)	-
At end of year	**14,940**	**1,882**	**1,114**	**17,936**
Amortisation				
At start of year	6,469	-	-	6,469
Acquisition of a subsidiary	538	-	-	538
Translation differences	(33)	-	-	(33)
Amortisation	1,341	-	-	1,341
At end of year	**8,315**	**-**	**-**	**8,315**
Net book value at end of year	**6,625**	**1,882**	**1,114**	**9,621**
31 December 2019				
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. Intangible assets - Group (continued)

a. Software & acquired intangible assets (continued)

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.

Acquired intangibles assets relate to core deposits (Shs 735 million), customer relations, (Shs 649 million) and Brand (Shs 498 million) arising from the acquisition of BCDC as explained in Note 15c.

b. Goodwill

	Carrying amount at 1 January	Other adjustment	Effect of exchange rate changes	Carring amount at 31 December
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Year ended 31 December 2020				
Equity Bank Uganda Limited	887	-	(168)	719
EquityBCDC	2,216	(1,009)	44	1,251
	3,103	**(1,009)**	**(124)**	**1,970**
Year ended 31 December 2019				
Equity Bank Uganda Limited	887	-	-	887
Equity Bank Congo S.A	2,216	-	-	2,216
	3,103	**-**	**-**	**3,103**

The other adjustment is to correct overstatement of goodwill in Equity Bank Congo S.A on acquisition.

Equity Bank Uganda Limited

The goodwill 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.

EquityBCDC

On 30 September 2015, Equity Group Holdings Plc acquired 79% of the net assets of Equity Bank Congo S.A (now merged with BCDC to form EquityBCDC).

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).

NOTES (continued)

15. Intangible assets - Group (continued)

b. Goodwill (continued)

The table below shows the various variables used in management's impairment assessment:

	Equity Bank Uganda Limited		EquityBCDC (2019: EBC)	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Value in use	95,465	45,740	31,169	26,195
Projected Return on Assets (ROA) – 2020	12%	11%	8%	9%
Projected Return on Assets (ROA) – 2021	12%	14%	8%	9%
Projected growth in profit margins – 2020	24%	21%	12%	17%
Projected growth in profit margins – 2021	26%	20%	14%	15%
Projected growth in non-interest income – 2020	24%	24%	25%	22%
Projected growth in non-interest income - 2021	24%	24%	25%	22%
Weighted average cost of capital	20%	18%	26%	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.

c. Acquisition of a subsidiary, Banque Commerciale Du Congo (BCDC)

On 7th August 2020, EGH Plc acquired 66.53% shareholding in BCDC (226,000 new shares) with a par value of US$ 100,000 from George Arthur Forrest, and obtained control of BCDC. The shares were acquired for a cash consideration of US$ 95 million (Shs 10.27 billion). The transaction was at a discount resulting in a bargain purchase gain of Shs 1.177 billion.

From the date of acquisition, BCDC has contributed Shs 3,501 million of operating income and Shs 922 million to profit before tax, to the continuing operations of the Group. If the combination had taken place at the beginning of the year, the contribution of the Bank to the group's operating income from continuing operations would have been Shs 11,640 million and Shs 1,667 million to the Group's profit before tax from continuing operations.

The contribution to the Group and estimated revenues are based on certain assumptions and have been compiled for illustrative purposes only and because of its nature, it addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial position and financial performance of the Group.

NOTES (continued)

15. Intangible assets - Group (continued)

c. Acquisition of a subsidiary, Banque Commerciale Du Congo (BCDC) (continued)

(i) *Net identifiable assets*

	2020 Shs millions
Assets	
Cash balances and deposits in financial institutions	77,198
Loans and advances to customers	47,981
Property and equipment	5,783
Investment properties	5,075
Other assets	2,985
Intangible assets	2,179
Right-of-use assets	241
Total assets	**141,442**
Liabilities	
Customer deposits	(112,686)
Other liabilities	(8,647)
Employee benefits obligations	(1,854)
Current income tax	(473)
Lease liabilities	(271)
Deferred tax liabilities	(305)
Total liabilities	**(124,236)**
Total identifiable net assets at fair value	**17,206**
Non-controlling interest measured as share of net assets (33.47%)	(5,759)
Share of net identifiable assets at fair value (66.53%)	**11,447**

(ii) *Bargain purchase gain*

Share of net identifiable assets at fair value (66.53%)	11,447
Consideration paid	10,270
Bargain purchase gain	**1,177**

(iii) *Valuation methodology*

Core deposits

The fair value of the core deposit intangible was determined using the cost savings method. It's calculated as the after-tax present values of; (i) net cost of funding and; (ii) net service fees earned on deposits. Net cost of funding is the difference between interest expense on acquired low cost saving and demand deposit and cost of alternative funding over the useful life of the deposit.

NOTES (continued)

15. Intangible assets - Group (continued)

c. Acquisition of a subsidiary, Banque Commerciale Du Congo (BCDC) (continued)

(iii) Valuation methodology (continued)

Customer relationships

The fair value of customer relationships was valued using replacement cost method. The value is calculated as the estimated cost of acquiring new customers multiplied by the unique number of customers acquired in the transaction. This is adjusted with the profit mark up and opportunity cost.

Brand

The fair value of brand was determined using relief-from-royalty (RFR). The RFR method values the intangibles by reference to the amount the acquirer would pay in arm's length transaction. The royalty rate is applied to the estimated income stream attributable to the brand to determine the amount of royalty savings, which is then discounted at the applicable discount rate to arrive at the estimated fair value.

d. Common control merger accounting – Equity Bank Congo S.A (EBC) and Banque Commerciale Du Congo (BCDC)

On 30th December 2020, Equity Group Holdings Plc (EGH Plc) received regulatory approval to merge EBC and BCDC to form a new bank - Equity Banque Commerciale du Congo (EquityBCDC). This follows EGH Plc's acquisition of 66.53% shareholding of BCDC from the family of George Forrest, combined with prior EGH Plc's 86.6% shareholding in EBC and an additional purchase in EBC's shareholding of 7.7 % acquired from KFW during the year. Post-merger, EGH Plc holds 75.5% in EquityBCDC with the remainder being held by IFC, the Government of DRC and other minority Shareholders.

Given that EBC and BCDC were under the common control of the EGH Plc, both before and after the acquisition, the acquisition by BCDC of EBC was a business combination under common control and accounted for using the principle of predecessor value method. Accordingly, the assets and liabilities of EBC acquired by the BCDC are stated at predecessor value. No amount was recognised as consideration for goodwill or bargain purchase at the time of common control combination.

16. Other operating expenses

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**
Software licencing and other IT related costs	4,398	3,986	-	-
Consultancy, legal and professional fees	1,655	2,117	306	263
Electricity, water and repairs and maintenance	1,265	1,198	-	-
Travel and accommodation	1,078	1,115	12	21
Marketing, advertising and sponsorship	1,274	930	3	1
Publications, stationery and communications	824	861	1	28
Lease expenses (Note 13)	377	425	4	2
Auditors' remuneration	62	51	2	2
Other expenses	6,073	4,884	429	6
	17,006	**15,567**	**757**	**323**

NOTES (continued)

17. a. Investment In subsidiary companies

	Country of incorporation	Shareholding	2020 Shs' millions	2019 Shs' millions
Banking				
Equity Bank (Kenya) Limited	Kenya	100%	40,733	40,733
EquityBCDC	DRC	75.5%	17,005	-
Equity Bank Congo S.A	DRC	86%	-	6,748
Equity Bank (South Sudan) Limited	South Sudan	100%	5,712	5,712
Equity Bank Uganda Limited	Uganda	100%	6,053	5,005
Equity Bank Tanzania Limited	Tanzania	100%	6,200	3,839
Equity Bank Rwanda PLC	Rwanda	100%	2,807	2,807
Telecommunication				
Finserve 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			**80,452**	**66,786**

On 17 March 2020, 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$ 22.5 million (Shs 2.36 billion).

On 17 March 2020, additional capital of 345,000 new shares with a par value of UShs 100,000 was issued and paid by EGH Plc to Equity Bank Uganda Limited for a consideration of US$ 10 million (Shs 1.05 billion).

On 13 July 2020, additional capital of US$ 1,253,710 (Shs 135 million) was injected in Equity Bank Congo S.A to establish an employee trust scheme as agreed in the share purchase agreement (125,371 shares with a par value of US$ 10).

On 27 November 2020, EGH Plc bought shares previously held by KfW in Equity Bank Congo S.A for a consideration of US$ 9,061,721 (Shs 996 million).

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 EquityBCDC (2019: EBC) which has non-controlling interest that is material to the Group.

	Group	
	2020	**2019**
	Shs' millions	**Shs' millions**
Summarised statement of financial position		
Total assets	285,083	80,076
Total liabilities	258,624	72,294
Equity	26,459	7,782
Accumulated NCI	6,465	1,058
Summarised statement of comprehensive income		
Operating income	9,679	5,949
Profit for the period	1,281	1,229
Other comprehensive income	-	-
Total comprehensive income	1,281	1,229
Profit allocated to NCI	310	175
Summarised statement of cash flows		
Cash flows from operating activities	30,395	14,803
Cash flows to investing activities	3,373	(4,042)
Cash flows from financing activities	1,451	245
Net increase in cash and cash equivalents	**35,219**	**11,006**

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 both 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:

	Shs' millions 2020	Shs' millions 2019
Donors	2,150	1,306
Equity Group Holdings Plc	209	102
Total donations income	**2,359**	**1,408**

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	
	Shs' millions 2020	Shs' millions 2019	Shs' millions 2020	Shs' millions 2019
Current income tax:				
Current year charge	9,811	10,233	61	71
Prior year understatement / (overstatement)	14	(228)	-	(2)
Deferred income tax (Note 23):				
Current year credit	(7,755)	(1,088)	(5)	(2)
Income tax expense	**2,070**	**8,917**	**56**	**67**

Where there's uncertainty in the tax treatment, the Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. The Group did not have any significant area of uncertainty in the year.

The Group's tax related contingencies are disclosed in Note 31.

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	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
	2020	2019	2020	2019
Profit before income tax	**22,170**	**31,478**	**215**	**12,330**
Income tax using the enacted corporation tax rate	5,543	9,443	54	3,699
The effect of differential tax rate in South Sudan (20% (2019: 20%))	53	61	-	-
Prior year understatement / (overstatement)	14	(228)	-	(2)
Income not subject to tax	(2,267)	(359)	2	(3,630)
Impact of use of different deferred tax rate	(1,239)	-	-	-
Other differences	(34)	-	-	-
	2,070	**8,917**	**56**	**67**
Current income tax liability/ (asset)				
At start of year	1,776	(447)	(37)	(11)
Acquisition of a subsidiary	473	-	-	-
Charge for the year	9,811	10,233	61	71
Prior year understatement / (overstatement)	14	(228)	-	(2)
Translation differences	(319)	705	-	-
Paid during the year	(10,393)	(8,487)	(78)	(95)
At end of year	**1,362**	**1,776**	**(54)**	**(37)**
Made up of:				
Tax payable	1,641	1,928	-	-
Tax recoverable	(279)	(152)	(54)	(37)
	1,362	**1,776**	**(54)**	**(37)**

NOTES (continued)

18. Income tax (continued)

Tax rates are as follows:

	Group	EGH Plc	EBKL	EBUL	EquityBCDC	EBRPLC	EIAL	EBTL	EBSSL	Others*
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
2020										
Profit before income tax	22,170	215	14,207	2,311	1,619	1,676	592	(426)	1,067	338
Enacted tax rate	25%	25%	25%	30%	30%	30%	30%	30%	20%	25%
Income tax using the enacted corporation tax rate	5,543	54	3,552	693	486	503	178	(128)	213	85

	Group	EGH Plc	EBKL	EBC	EBUL	EBRPLC	BCDC	EIAL	EBTL	EBSSL	Others*
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
2019											
Profit before income 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%	30%	20%	30%
Income tax using the enacted corporation tax rate	9,443	3,699	7,792	493	448	451	-	203	(123)	121	48

EGH Plc – Equity Group Holdings Plc, EBKL – Equity Bank Kenya Limited, EBC – Equity Bank Congo S.A, EBUL – Equity Bank Uganda Limited, EBRPLC – Equity Bank Rwanda PLC, BCDC-Banque de Congo, EIAL – Equity Insurance Agency Limited, EBTL – Equity Bank Tanzania Limited, EBSSL – Equity Bank South Sudan Limited, EquityBCDC – Equity Banque Commerciale Du Congo.

*Others relate to Equity Investment Bank Limited, Finserve 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 institution

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Cash in hand	53,524	24,300	-	-
Unrestricted balances with central banks	23,829	24,936	-	-
Money market placements	94,562	15,040	-	-
Cash balances with banks	55,508	6,663	8,821	12,697
	227,423	**70,939**	**8,821**	**12,697**
12-month ECL:				
At 1 January	(159)	(200)	(3)	(2)
Re-measurement during the year	(352)	41	-	(1)
At 31 December	(511)	(159)	(3)	(3)
Included in cash and cash equivalents	226,912	70,780	8,818	12,694
Restricted balances with central banks	20,181	15,654	-	-
Net carrying amount	**247,093**	**86,434**	**8,818**	**12,694**
Movement in restricted balances:				
At start of year	15,654	14,046	-	-
Movement during the year	4,527	1,608	-	-
At end of year	**20,181**	**15,654**	**-**	**-**

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.

NOTES (continued)

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	2020 Shs' millions	2019 Shs' millions	2020 Shs' millions	2019 Shs' millions
Cash and cash equivalents (Note 19(a))	226,912	70,780	8,818	12,694
Liquid investments:				
FVOCI and FVTPL investment securities (Note 21)	201,564	150,635	-	-
Borrowed funds - repayable within one year (Note 26)	(23,779)	(13,537)	-	-
Borrowed funds - repayable after one year (Note 26)	(73,369)	(43,177)	(10,938)	-
Lease liabilities (Note 14 (c))	(6,688)	(7,496)	-	-
Net cash	**324,640**	**157,205**	**(2,120)**	**12,694**
Cash and liquid investments	428,476	221,415	8,818	12,694
Gross debt - fixed interest rates	(17,838)	(18,566)	-	-
Gross debt - variable interest rates	(85,998)	(45,644)	(10,938)	-
	324,640	**157,205**	**(2,120)**	**12,694**

20. Loans and advances to customers

	2020 Shs' millions	2019 Shs' millions
Loans and advances at amortised cost	476,581	362,373
Loans and advances at fair value through profit or loss	1,266	4,067
	477,847	**366,440**

a. Loans and advances at amortised cost

At 31 December 2020	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	393,416	72,710	58,459	524,585
Loss allowance	4,376	8,748	34,880	48,004
Net loans and advances	**389,040**	**63,962**	**23,579**	**476,581**

NOTES (continued)

20. Loans and advances to customers (continued)

a. Loans and advances at amortised cost (continued)

At 31 December 2019	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	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**

	Gross		Net	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Current portion	126,241	82,212	123,293	74,846
Non-current portion	393,344	302,896	353,288	287,527
	524,585	**385,108**	**476,581**	**362,373**

b. Impairment on financial assets

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	ECL
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Loss allowance as at 1 January	4,773	3,929	14,033	22,735
Acquisition of a subsidiary	559	260	2,548	3,367
	5,332	**4,189**	**16,581**	**26,102**
Transfer to 12 months ECL	484	(369)	(115)	-
Transfer to lifetime ECL not credit impaired	(392)	687	(295)	-
Transfer to lifetime ECL credit impaired	(1,789)	(1,430)	3,219	-
Net remeasurement	963	2,600	11,218	14,781
Net financial assets originated	1,648	3,700	8,938	14,286
Financial assets derecognised	(1,077)	(603)	(3,763)	(5,443)
Translation differences	(793)	(26)	212	(607)
	(956)	**4,559**	**19,414**	**23,017**
Write offs	-	-	(1,115)	(1,115)
Loss allowance as at 31 December	**4,376**	**8,748**	**34,880**	**48,004**

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	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)	102	(97)
	1,781	**(3,110)**	**5,725**	**4,396**
Write offs	-	-	(1,144)	(1,144)
Loss allowance as at 31 December	**4,773**	**3,929**	**14,033**	**22,735**

	2020			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	ECL
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross carrying amount as at 1 January	313,002	37,397	34,709	385,108
Acquisition of a subsidiary	36,567	10,629	4,152	51,348
Movements during the year:				
Transfer to 12 months ECL	11,695	(10,312)	(1,383)	-
Transfer to lifetime ECL not credit impaired	(27,409)	28,437	(1,028)	-
Transfer to lifetime ECL credit impaired	(7,237)	(10,755)	17,992	-
Net remeasurement	(5,883)	3,994	(4,108)	(5,997)
Net financial assets originated	147,788	20,082	19,095	186,965
Financial assets derecognised	(78,401)	(7,104)	(11,337)	(96,842)
Translation differences	3,294	342	367	4,003
Gross carrying amount as at 31 December	**393,416**	**72,710**	**58,459**	**524,585**

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	ECL
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross carrying amount as at 1 January	251,105	37,638	22,876	311,619
Movements during the year:				
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)
Gross carrying amount as at 31 December	**313,002**	**37,397**	**34,709**	**385,108**

20. Loans and advances to customers (continued)

c. Movements per sector

31 December 2020	Building and construction				Energy and water				Financial services			
	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	6,555	1,327	4,225	**12,107**	11,284	7,763	1,496	**20,543**	8,685	1,570	2,909	**13,164**
Acquisition of a subsidiary	944	409	7	**1,360**	1,021	4,482	30	**5,533**	-	-	107	**107**
Transfer to 12 months ECL	61	(53)	(8)	**-**	2,541	(2,541)	-	**-**	282	(14)	(268)	**-**
Transfer to Lifetime ECL not credit impaired	(1,179)	1,205	(26)	**-**	(17)	17	-	**-**	(78)	78	-	**-**
Transfer to Lifetime ECL credit impaired	(604)	(83)	687	**-**	-	(5,697)	5,697	**-**	(15)	(16)	31	**-**
Net remeasurement	3	124	(130)	**(3)**	774	453	(171)	**1,056**	1,147	166	189	**1,502**
Net financial assets originated	2,387	358	1,901	**4,646**	3,597	456	-	**4,053**	8,227	1,852	277	**10,356**
Financial assets derecognised	(1,729)	(328)	(1,772)	**(3,829)**	(939)	(7)	(1,224)	**(2,170)**	(1,932)	(1,712)	(60)	**(3,704)**
Translation differences	70	12	44	**126**	118	71	16	**205**	91	14	31	**136**
Gross carrying amount as at 31 December	6,508	2,971	4,928	**14,407**	18,379	4,997	5,844	**29,220**	16,407	1,938	3,216	**21,561**
Loss allowance as at 1 January	88	130	2,024	**2,242**	79	1,833	766	**2,678**	138	55	2,353	**2,546**
Acquisition of a subsidiary	42	54	6	**102**	3	26	25	**54**	-	-	92	**92**
Transfer to 12 months ECL	13	(11)	(2)	**-**	7	(7)	-	**-**	1	(1)	-	**-**
Transfer to Lifetime ECL not credit impaired	(12)	12	-	**-**	-	-	-	**-**	(1)	1	-	**-**
Transfer to Lifetime ECL credit impaired	(9)	(10)	19	**-**	-	(1,157)	1,157	**-**	-	(2)	2	**-**
Net remeasurement of loss allowance	(70)	1	865	**796**	(31)	582	3,183	**3,734**	(34)	14	504	**484**
Net financial assets originated	57	55	605	**717**	16	10	-	**26**	104	103	181	**388**
Financial assets derecognised	(18)	(36)	(957)	**(1,011)**	(5)	-	(192)	**(197)**	(23)	(65)	(211)	**(299)**
Write offs	-	-	-	**-**	-	-	(517)	**(517)**	-	-	-	**-**
Translation differences	(15)	(1)	31	**15**	(13)	(14)	12	**(15)**	(24)	-	36	**12**
Loss allowance as at 31 December	76	194	2,591	**2,861**	56	1,273	4,434	**5,763**	161	105	2,957	**3,223**
Net loans and advances	6,432	2,777	2,337	**11,546**	18,323	3,724	1,410	**23,457**	16,246	1,833	259	**18,338**

20. Loans and advances to customers (continued)

c. Movements per sector (continued)

31 December 2020	Food and agriculture				ICT and Telecommunication				Manufacturing			
	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	19,318	1,336	1,573	**22,227**	1,073	126	148	**1,347**	10,017	2,859	333	**13,209**
Acquisition of a subsidiary	183	-	5	**188**	1,766	9	-	**1,775**	2,835	575	1	**3,411**
Transfer to 12 months ECL	387	(318)	(69)	**-**	-	-	-	**-**	539	(493)	(46)	**-**
Transfer to Lifetime ECL not credit impaired	(2,051)	2,136	(85)	**-**	(49)	49	-	**-**	(2,021)	2,115	(94)	**-**
Transfer to Lifetime ECL credit impaired	(354)	(172)	526	**-**	(21)	(102)	123	**-**	(125)	(1,761)	1,886	**-**
Net remeasurement	(692)	96	(33)	**(629)**	501	12	(42)	**471**	(531)	669	(367)	**(229)**
Net financial assets originated	11,934	4,032	38	**16,004**	214	11	22	**247**	1,263	2,371	4,479	**8,113**
Financial assets derecognised	(9,832)	(250)	(118)	**(10,200)**	(172)	(46)	(6)	**(224)**	(5,219)	(19)	(2)	**(5,240)**
Translation differences	203	12	17	**232**	11	1	2	**14**	105	26	6	**137**
Gross carrying amount as at 31 December	19,096	6,872	1,854	**27,822**	3,323	60	247	**3,630**	6,863	6,342	6,196	**19,401**
Loss allowance as at 1 January	361	59	358	**778**	15	5	45	**65**	250	107	14	**371**
Acquisition of a subsidiary	-	-	5	**5**	5	3	-	**8**	6	1	1	**8**
Transfer to 12 months ECL	4	(3)	(1)	**-**	-	-	-	**-**	34	(34)	-	**-**
Transfer to Lifetime ECL not credit impaired	(10)	45	(35)	**-**	(7)	7	-	**-**	(10)	15	(5)	**-**
Transfer to Lifetime ECL credit impaired	(3)	(9)	12	**-**	-	(5)	5	**-**	(15)	(40)	55	**-**
Net remeasurement of loss allowance	(120)	75	284	**239**	(2)	5	98	**101**	(113)	(19)	1,622	**1,490**
Net financial assets originated	110	2,362	14	**2,486**	4	2	8	**14**	18	57	2,379	**2,454**
Financial assets derecognised	(130)	(16)	(82)	**(228)**	(1)	(5)	(2)	**(8)**	(124)	-	-	**(124)**
Write offs	-	-	-	**-**	-	-	-	**-**	-	-	-	**-**
Translation differences	(60)	-	5	**(55)**	(2)	-	-	**(2)**	(42)	-	-	**(42)**
Loss allowance as at 31 December	152	2,513	560	**3,225**	12	12	154	**178**	4	87	4,066	**4,157**
Net loans and advances	18,944	4,359	1,294	**24,597**	3,311	48	93	**3,452**	6,859	6,255	2,130	**15,244**

NOTES (continued)

20. Loans and advances to customers (continued)

c. Movements per sector (continued)

31 December 2020	Mining & quarrying				Personal household				Real estate			
	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	12,504	44	357	**12,905**	85,682	2,122	4,632	**92,436**	59,986	6,888	6,995	**73,869**
Acquisition of a subsidiary	3,809	3	-	**3,812**	19,662	3,861	3,704	**27,227**	139	-	-	**139**
Transfer to 12 months ECL	22	(22)	-	**-**	4,537	(3,846)	(691)	**-**	1,356	(1,299)	(57)	**-**
Transfer to Lifetime ECL not credit impaired	(3)	3	-	**-**	(3,360)	3,555	(195)	**-**	(5,501)	5,872	(371)	**-**
Transfer to Lifetime ECL credit impaired	(2,597)	-	2,597	**-**	(1,705)	(615)	2,320	**-**	(140)	(1,450)	1,590	**-**
Net remeasurement	1,607	6	(862)	**751**	(5,101)	(554)	(1,160)	**(6,815)**	(150)	1,546	(434)	**962**
Net financial assets originated	950	-	-	**950**	56,879	2,092	897	**59,868**	12,983	1,101	2,712	**16,796**
Financial assets derecognised	(22)	-	(342)	**(364)**	(33,750)	(1,028)	(2,518)	**(37,296)**	(5,367)	(402)	(530)	**(6,299)**
Translation differences	132	-	4	**136**	902	19	49	**970**	631	63	74	**768**
Gross carrying amount as at 31 December	16,402	34	1,754	**18,190**	123,746	5,606	7,038	**136,390**	63,937	12,319	9,979	**86,235**
Loss allowance as at 1 January	244	1	-	**245**	1,642	205	2,781	**4,628**	549	285	1,608	**2,442**
Acquisition of a subsidiary	45	-	-	**45**	403	146	2,164	**2,713**	3	-	-	**3**
Transfer to 12 months ECL	1	(1)	-	**-**	201	(118)	(83)	**-**	156	(144)	(12)	**-**
Transfer to Lifetime ECL not credit impaired	-	-	-	**-**	(99)	200	(101)	**-**	(44)	170	(126)	**-**
Transfer to Lifetime ECL credit impaired	(1,211)	-	1,211	**-**	(444)	(82)	526	**-**	-	(61)	61	**-**
Net remeasurement of loss allowance	2,638	-	(89)	**2,549**	(973)	134	254	**(585)**	(278)	650	2,667	**3,039**
Net financial assets originated	64	-	-	**64**	542	252	413	**1,207**	105	30	1,463	**1,598**
Financial assets derecognised	-	-	-	**-**	(389)	(61)	(1,496)	**(1,946)**	(22)	(15)	(212)	**(249)**
Write offs	-	-	-	**-**	-	-	(548)	**(548)**	-	-	(7)	**(7)**
Translation differences	(41)	-	-	**(41)**	(272)	(2)	42	**(232)**	(92)	(2)	25	**(69)**
Loss allowance as at 31 December	1,740	-	1,122	**2,862**	611	674	3,952	**5,237**	377	913	5,467	**6,757**
Net loans and advances	14,662	34	632	**15,328**	123,135	4,932	3,086	**131,153**	63,560	11,406	4,512	**79,478**

20. Loans and advances to customers (continued)

c. Movements per sector (continued)

31 December 2020	Tourism and hospitality				Trade				Transport and logistics			
	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	9,834	9,121	370	**19,325**	71,636	3,605	8,715	**83,956**	16,428	636	2,956	**20,020**
Acquisition of a subsidiary	1	-	-	**1**	4,360	1,286	255	**5,901**	1,847	4	43	**1,894**
Transfer to 12 months ECL	16	(12)	(4)	**-**	1,653	(1,500)	(153)	**-**	301	(214)	(87)	**-**
Transfer to Lifetime ECL not credit impaired	(1,361)	1,361	-	**-**	(7,889)	8,089	(200)	**-**	(3,900)	3,957	(57)	**-**
Transfer to Lifetime ECL credit impaired	(204)	(82)	286	**-**	(1,366)	(685)	2,051	**-**	(106)	(92)	198	**-**
Net remeasurement	(156)	1,949	7	**1,800**	(4,625)	(618)	(746)	**(5,989)**	1,340	145	(359)	**1,126**
Net financial assets originated	3,503	3,337	873	**7,713**	40,314	3,046	3,022	**46,382**	5,537	1,426	4,874	**11,837**
Financial assets derecognised	(1,940)	(1,700)	(71)	**(3,711)**	(15,653)	(1,270)	(3,847)	**(20,770)**	(1,846)	(342)	(847)	**(3,035)**
Translation differences	104	83	4	**191**	753	33	92	**878**	174	8	28	**210**
Gross carrying amount as at 31 December	9,797	14,057	1,465	**25,319**	89,183	11,986	9,189	**110,358**	19,775	5,528	6,749	**32,052**
Loss allowance as at 1 January	95	959	87	**1,141**	1,058	247	3,138	**4,443**	254	43	859	**1,156**
Acquisition of a subsidiary	-	-	-	**-**	47	30	218	**295**	5	-	37	**42**
Transfer to 12 months ECL	1	-	(1)	**-**	55	(40)	(15)	**-**	11	(10)	(1)	**-**
Transfer to Lifetime ECL not credit impaired	(30)	30	-	**-**	(98)	123	(25)	**-**	(81)	84	(3)	**-**
Transfer to Lifetime ECL credit impaired	(9)	(3)	12	**-**	(89)	(54)	143	**-**	(9)	(7)	16	**-**
Net remeasurement of loss allowance	22	541	126	**689**	(102)	272	1,135	**1,305**	26	345	569	**940**
Net financial assets originated	52	528	110	**690**	475	224	384	**1,083**	101	77	3,381	**3,559**
Financial assets derecognised	(15)	(248)	(7)	**(270)**	(256)	(74)	(564)	**(894)**	(94)	(83)	(40)	**(217)**
Write offs	-	-	-	**-**	-	-	(43)	**(43)**	-	-	-	**-**
Translation differences	(16)	(7)	1	**(22)**	(176)	-	48	**(128)**	(40)	-	12	**(28)**
Loss allowance as at 31 December	100	1,800	328	**2,228**	914	728	4,419	**6,061**	173	449	4,830	**5,452**
Net loans and advances	9,697	12,257	1,137	**23,091**	88,269	11,258	4,770	**104,297**	19,602	5,079	1,919	**26,600**

20. Loans and advances to customers (continued)

c. Movements per sector (continued)

31 December 2019	Mortgage sector				Corporate sector				SME sector			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	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	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**
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**

20. Loans and advances to customers (continued)

c. Movements per sector (continued)

31 December 2019	Unsecured sector				Eazzy 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
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	**99,397**	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**
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 (continued)

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 - Consist of small and medium enterprises and large enterprises - 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 overdraft arrangement fee.

d. Financial asset at fair value through profit or loss

	Group	
	2020	2019
	Shs' millions	Shs' millions
Loan note	5,505	5,067
Fair value loss	(4,239)	(1,000)
Non-current	**1,266**	**4,067**
Movement in fair value loss:		
At 1 January	(1,000)	-
Fair value loss in current year	(3,239)	(1,000)
At 31 December	**(4,239)**	**(1,000)**

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.

In 2019, the Group used a discounted cash flow (DCF) model to compute the fair value of the instrument. The significant assumptions applied in the DCF model included:

- *the projected cash flows of the original borrower company* - In arriving at free cash flows, management used projected earnings before interest, tax, depreciation and amortisation (EBITDA). The projections took 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 was determined using the original borrower company's current medium to long term debt. In determining the cost of capital, management assumed 60: 40 long term debt to equity ratio which was consistent with the ratio for airlines in emerging markets and included a specific, judgmental risk premium. The WACC was applied on the post-tax cash flows before adjusting for the original borrower company's net debt; and

NOTES (continued)

20. Loans and advances to customers (continued)

d. Financial asset at fair value through profit or loss (continued)

- *the growth rate assumptions* - Management used the EBITDA growth rate achieved in the past. In addition, the model included the long-term US$ projected inflation rate in determining the original borrower company's terminal value.

Sensitivity analysis - 2019

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 (2019: 5%)
- A 5% change in the WACC of the original borrower company (2019: 5%)
- A 5% change in EBITDA growth rate assumption of the original borrower company (2019: 5%)

	2020		2019	
	Increase	Decrease	Increase	Decrease
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Projected cash flows: +/-5%	-	-	560	658
Change in WACC: +/-5%	-	-	628	642
Change in EBITDA growth rate: +/-5%	-	-	48	145

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.

In 2020, the use of the discounted cash flow approach was no longer considered appropriate as it is unclear what the long term effects of the COVID-19 pandemic and Government actions will be on the cash flows of the original borrower company. In valuing the hybrid instrument at 31 December 2020, management has therefore only taken into account the Government guarantee as there is significant uncertainty in relation to the future recovery of interest and recovery of amounts from sale of shares. In particular, the original borrower company is loss making, is in a significant Shareholders' deficit position and has been significantly adversely impacted by the COVID-19 pandemic.

NOTES (continued)

21. Investment securities – Group

	2020 Shs' millions	2019 Shs' millions
Investment securities at amortised cost		
At start of year	21,584	18,527
Acquisition of a subsidiary	10	-
Purchase of securities	4,524	5,638
Maturity of securities	(10,685)	(2,526)
Translation differences	422	(55)
At end of year	**15,855**	**21,584**
12-month ECL:		
At 1 January	(11)	(10)
Re-measurement during the year	-	(1)
At 31 December	**(11)**	**(11)**
Net carrying amount	**15,844**	**21,573**
Investment securities at FVOCI		
At start of year	150,192	142,501
Purchase of investment securities	167,110	120,905
Sale / maturity of investment securities	(121,047)	(116,674)
Net gain on fair valuation	4,233	3,757
Translation differences	675	(297)
At end of year	**201,163**	**150,192**
12-month ECL:		
At 1 January	(64)	(66)
Re-measurement during the year	(19)	2
At 31 December	**(83)**	**(64)**
Net carrying amount	**201,080**	**150,128**
Investment securities at FVTPL		
At start of year	507	-
Purchase of investment securities	1,347	1,778
Sale of investment securities	(1,255)	(1,364)
Net gain on fair valuation	(129)	93
Translation differences	14	-
Net carrying amount	**484**	**507**
Total investment securities	**217,408**	**172,208**
Current	126,191	50,891
Non-current	91,217	121,317
Total	**217,408**	**172,208**

The weighted average effective interest rate at 31 December 2020 was 9.88% (2019: 10.34%)

NOTES (continued)

22. Other assets

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Settlement and clearing accounts	3,040	1,783	-	-
Prepaid expenses	6,371	4,387	9	-
Refundable deposits	548	584	-	-
Sundry debtors	4,087	2,835	-	-
Other assets	6,049	3,586	779	434
	20,095	**13,175**	**788**	**434**
12-month ECL:				
At 1 January	(430)	(463)	(275)	(275)
Re-measurement during the year	(5)	33	-	-
At 31 December	(435)	(430)	(275)	(275)
Net carrying amount	**19,660**	**12,745**	**513**	**159**

Other assets are settled no more than 12 months after the reporting date. All the balances are non-interest bearing.

23. Deferred income tax

The net deferred income tax movement computed at the enacted tax rates, is attributable to the following items:

Movements in temporary differences during the year

Group	At start of year Shs' millions	Recognised in profit or loss Shs' millions	Acquisition of a subsidiary Shs' millions	Translation differences Shs' millions	Recognised in OCI Shs' millions	At end of Year Shs' millions
For the year ended 31 December 2020						
Property, equipment and software	809	34	(663)	7	-	187
Loan impairment provision	6,204	7,473	607	(630)	-	13,839
Provision for accrued leave	97	9	-	3	-	109
Other temporary differences	1,088	230	(256)	(124)	-	938
Deferred income	(808)	9	7	(10)	-	(802)
FVOCI reserves	(1,048)	-	-	(86)	(1,269)	(2,403)
Other reserves	-	-	-	(6)	191	191
	6,342	**7,755**	**(305)**	**(846)**	**(1,078)**	**11,868**

NOTES (continued)

23. Deferred income tax (continued)

	At start of year	Recognised in profit or loss	Translation differences	Recognised in OCI	At end of Year
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Company – 31 December 2020					
Loan impairment provision	85	5	-	-	90
Group					
For the year ended 31 December 2019					
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 – 31 December 2019					
Loan impairment provision	**83**	**2**	**-**	**-**	**85**

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.

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
The balance at 31 December is made up of:				
Deferred income tax asset	13,207	6,492	90	85
Deferred income tax liability	(1,339)	(150)	-	-
	11,868	6,342	90	85

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.

NOTES (continued)

24. Deposits from customers

	Group	
	2020	2019
	Shs' millions	Shs' millions
Retail customers		
Savings deposits	143,809	129,323
Current deposits	76,241	35,756
Term deposits	41,787	33,495
Transactional deposits	53,756	31,353
	315,593	**229,927**
Corporate customers		
Term deposits	146,324	102,764
Current deposits	247,196	116,404
Transactional deposits	26,727	24,973
Savings deposits	3,096	6,904
Margin on guarantees	1,865	1,780
	425,208	**252,825**
	740,801	**482,752**
Current	336,143	234,549
Non-current	404,658	248,203
Total	**740,801**	**482,752**

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2020 was 7.22% (2019: 8.79%). The carrying value of customer deposits approximates their fair value. 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

NOTES (continued)

25. Other liabilities

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Short term employee benefits	506	288	-	-
Settlement and clearing accounts	8,664	3,387	-	-
Accounts payable and sundry creditors	7,773	2,796	-	-
Accrued expenses	5,750	2,993	-	38
Deferred income	3,623	3,401	-	-
	26,316	**12,865**	**-**	**38**
Current	23,359	10,144	-	38
Non-current	2,957	2,721	-	-
	26,316	**12,865**	**-**	**38**

26. Borrowed funds

Equity Bank (Kenya) Limited (EBKL)				
International Finance Corporation (IFC)	21,806	17,403	-	-
KFW DEG	11,145	10,408	-	-
Proparco	11,000	-	-	-
DEG-CDC-FMO	10,935	-	-	-
African Development Bank (AfDB)	8,191	10,723	-	-
ResponsAbility	1,103	2,559	-	-
European Investment Bank	-	358	-	-
KFW (Ministry of Finance) - SIPMK	52	86	-	-
Equity Group Holdings Plc (EGH Plc)				
African Development Bank	10,938	-	10,938	-
Inter-bank money market borrowings:				
Equity Bank (Kenya) Limited (EBKL)	5,721	540	-	-
Equity Bank Rwanda PLC (EBRPLC)	-	3,052	-	-
Equity Bank Uganda Limited (EBUL)	-	68	-	-
Equity Banque Commerciale Du Congo (EquityBCDC)	4,430	-	-	-
EBUL				
European Investment Bank	1,600	1,855	-	-
EBTL				
European Investment Bank	4,295	4,551	-	-
EBRPLC				
National Bank of Rwanda	3,788	-	-	-
EquityBCDC (2019: EBC)				
European Investment Bank	1,816	1,984	-	-
FPM	328	328	-	-
BCDC	-	2,799	-	-
	97,148	**56,714**	**10,938**	**-**

NOTES (continued)

26. Borrowed funds

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Current	23,779	13,537	13	-
Non-current portion	73,369	43,177	10,925	-
	97,148	**56,714**	**10,938**	**-**
Movement during the year:				
At 1 January	56,714	45,101	-	-
Proceeds from borrowed funds	65,159	24,139	10,925	-
Repayment of borrowed funds	(26,016)	(12,526)	-	-
Interest charged on borrowed funds	4,015	3,394	13	-
Interest paid on borrowed funds	(4,101)	(3,394)	-	-
Translation differences	1,377	-	-	-
	97,148	**56,714**	**10,938**	**-**

31 December 2020-Company

Lender	Type of loan	Loan balance	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year
		Shs' millions					Shs' millions
African Development Bank	Long term loan	**10,938**	Directors' guarantee	USD	6-month LIBOR+4.9%	22 December 2028	**13**

NOTES (continued)

26. Borrowed funds (Continued)

31 December 2020 – Group

Lender	Type of loan	Loan balance	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year
		Shs' millions					Shs' millions
International Finance Corporation (IFC), EBKL	Long term loan	11,097	Unsecured	USD	LIBOR+ 5.30%	15 March-2026	659
International Finance Corporation (IFC) COVID-19, EBKL	Long term loan	5,468	Unsecured	USD	LIBOR+1.90%	30 June 2021	76
International Finance Corporation (IFC), EBKL	Long term loan	5,241	Unsecured	USD	LIBOR +3.15%	15 March 2023	254
KFW-DEG, EBKL	Long term loan	11,145	Unsecured	USD	LIBOR+5.00%	15 August 2026	704
Proparco, EBKL	Long term loan	11,000	Unsecured	USD	LIBOR+5.30%	15 July 2027	102
Africa Development Bank, EGH Plc	Long term loan	10,938	Unsecured	USD	2.85%	15 November 2027	19
African Development Bank, EBKL	Long term loan	8,191	Unsecured	USD	LIBOR +2.85%	1 February 2023	381
Responsibility, EBKL	Medium term loan	1,103	Unsecured	USD	LIBOR+ 3.07%	31 March 2021	120
European Investment Bank, EBKL	Medium term loan	-	Unsecured	SHS	2.95%	15 December 2020	17
KFW (Ministry of Finance) – SIPMK, EBKL	Long term loan	52	Unsecured	SHS	4.00%	30 December 2024	5
DEG-CDC-FMO-Facility A, EBKL	Long term loan	6,835	Unsecured	USD	LIBOR+ 2.85%	15 November 2027	16
DEG-CDC-FMO-Facility B, EBKL	Long term loan	4,099	Unsecured	USD	LIBOR+ 2.65%	15 November 2021	3
Money market borrowings by EBKL	Short term	5,722	Unsecured	SHS	Various	Less than 3 months	161
Money market borrowings by EBRPLC	Short term	-	Unsecured	RWF	Various	Less than 3 months	158
Money market borrowings by EquityBCDC	Short term	4,430	Unsecured	USD	Various	Less than 3 months	694
Money market borrowings by EBUL	Short term	-	Unsecured	USHS	Various	Less than 3 months	8
National Bank of Rwanda, EBRPLC	Medium term loan	1,049	Unsecured	RWF	8.00%	09 October 2021	26
National Bank of Rwanda, EBRPLC	Medium term loan	2,203	Unsecured	RWF	8.00%	09 August ,2023	67
National Bank of Rwanda-(COVID-19 Economic Recovery Fund), EBRPLC	Short term	536	Unsecured	RWF	% -2%	05 November 2025 16 October, 2035	-
European Investment Bank, EBUL	Medium term loan	1,600	Unsecured	USHS	10.83%	20 October 2024	125
European Investment Bank, EBTL	Medium term loan	4,295	Unsecured	USD	LIBOR +4.5%	20 October 2027	262
European Investment Bank, EquityBCDC	Medium term loan	1,816	Unsecured	USD	Between 4.67 % to 5.23%	20 April 2027	139
FPM, EquityBCDC	Medium term loan	328	Unsecured	USD	6%	16 September 2021	19
		97,148					**4,015**

NOTES (continued)

26. Borrowed funds (Continued)

31 December 2019 – Group

Lender	Type of loan	Loan balance	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year
		Shs' millions					Shs' millions
African Development Bank, EBKL	Long term loan	10,723	Unsecured	USD	LIBOR +2.85%	1 February 2023	633
International Finance Corporation (IFC), EBKL	Medium term loan	7,049	Unsecured	USD	LIBOR +3.15%	15 March 2023	457
	Medium term loan	10,354	Unsecured	USD	LIBOR+ 2.75%	15 March-2026	645
	Medium term loan	2,559	Unsecured	USD	LIBOR+ 3.07%	31 March 2021	241
European Investment Bank, EBKL	Medium term loan	358	Unsecured	SHS	2.95%	15 December 2020	61
KFW DEG	Long term loan	10,408	Unsecured	USD	LIBOR+ 3.3%	15 August 2026	335
KFW (Ministry of Finance) - SIPMK	Long term loan	86	Unsecured	KES	4.00%	30 December 2024	4
Money market borrowings by EBKL	Short term	540	Unsecured	SHS	Various	Less than 3 months	134
Money market borrowings by EBRPLC	Short term	3,052	Unsecured	RWF	8%	Less than 3 months	216
Money market borrowings by EBUL	Short term	68	Unsecured	USHS	Between 3.72% to 10%	Less than 3 months	6
European Investment Bank, EBUL	Medium term loan	1,855	Unsecured	USHS	10.83%	20 April 2020	205
European Investment Bank, EBTL	Medium term loan	4,551	Unsecured	USD	LIBOR +4.5%	20 October 2027	247
European Investment Bank, EBC	Medium term loan	1,984	Unsecured	USD	Between 4.67 % to 5.23%	20 April 2027	102
FPM, EBC	Medium term loan	328	Unsecured	USD	6.0%	16 September 2021	30
Money market borrowings, EBC	Short term	2,799	Unsecured	USD	Between 2.85% to 3.5%	Less than 3 months	78
		56,714					**3,394**

NOTES (continued)

27. Retirement benefits obligation – Defined benefit plan

The Group has an unfunded defined benefit plan for the employees in DRC.

	2020 Shs' millions
Movement in retirement benefit obligations:	
Acquisition of a subsidiary	1,854
Interest cost	49
Past service cost	73
Benefits paid by the plan	(207)
Recognised actuarial losses	636
Present value of funded obligations	**2,405**
The net charge recognised in the income statement / other comprehensive income is as follows:	
Interest cost	49
Recognised actuarial cost (OCI)	636
Past service cost	73
Total charge included in staff costs	**758**
The movement in the retirement benefit obligations in the statement of financial position is as follows:	
Acquisition of a subsidiary	1,854
Employer contributions	(207)
Charge to income statement	122
Charge to the OCI	636
At 31 December	**2,405**
Summary of benefit and contribution structure	
Eligible and active members (Number)	512
Normal retirement age (Years)	63
Key assumptions	
The principal actuarial assumptions used at the reporting date were:	**2020**
	% pa
Discount rate	3
Expected rate of salary increase	5
Inflation	15.84
Mortality rate	0.94

These assumptions are likely to change in the future and this will affect the value placed on the liabilities.

31 December 2020	**Impact Shs' millions**
Discount rate (+/-1% movement)	+/-142
Inflation rate (+/-2% movement)	+/-132

Although this analysis does not look at simultaneous changes in the assumptions, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

NOTES (continued)

28. Share capital and reserves

a. Share capital

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Authorised - 4,114,196,688 (2019: 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 (2019: 3,773,674,802) ordinary shares of Shs 0.5 each	1,887	1,887	1,887	1,887
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.

The adjustment in the current year was to correctly state the share premium on the acquisition of Equity Bank Congo S.A in 2015. The accounts have not been restated as the adjustment is not considered material to the users of the financial statements.

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, revaluation of investment properties and actuarial gains/losses from revaluation of defined benefit obligation. 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 EquityBCDC (2019: Equity Bank Congo S.A) to Kenya Shillings. This amount is not available for distribution.

NOTES (continued)

28. 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	
	2020	**2019**	**2020**	**2019**
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**
Final dividend declared and paid:				
Nil (2019: Shs 2.00)	-	7,547	-	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 31 December.

There is no income tax consequence arising from the retention or distribution of the retained earnings during the year (2019: Nil).

29. 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.

a. Loans to key management personnel

	Group	
	2020	**2019**
	Shs' millions	**Shs' millions**
At start of year	1,356	1,514
Acquisition of a subsidiary	340	-
Interest charged	75	75
Loans disbursed	417	373
Repayments	(537)	(606)
At end of year	**1,651**	**1,356**
Current	91	39
Non – current	1,560	1,317
Total	**1,651**	**1,356**

NOTES (continued)

29. Related parties and related party transactions (continued)

b. Loans to employees

	Group	
	2020	**2019**
	Shs' millions	**Shs' millions**
At start of year	5,484	5,073
Acquisition of a subsidiary	294	-
Interest charged	281	228
Loans disbursed	3,597	2,428
Repayments	(2,382)	(2,245)
At end of year	**7,274**	**5,484**
Current	383	250
Non – current	6,891	5,234
Total	**7,274**	**5,484**

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 10% per annum.

c. Loans to associates of key management personnel

	Group	
	2020	**2019**
	Shs' millions	**Shs' millions**
At start of year	2,833	2,931
Acquisition of a subsidiary	-	-
Interest charged	112	196
Loans disbursed	1,676	1,303
Repayments	(98)	(1,597)
At end of year	**4,523**	**2,833**
Current	91	39
Non – current	4,432	2,794
Total	**4,523**	**2,833**

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.

NOTES (continued)

29. Related parties and related party transactions (continued)

d. Key management personnel compensation

	Group	
	2020	**2019**
	Shs' millions	**Shs' millions**
Remuneration to executive directors:		
Company*	324	106
Group**	991	646
Remuneration to key management	3,262	3,054
	4,577	**3,806**

* 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	
	2020	**2019**
	Shs' millions	**Shs' millions**
Remuneration to key management:		
Salaries and short-term benefits	3,117	2,896
Pension	145	158
	3,262	**3,054**

e. Directors' emoluments

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**
Directors of EGH Plc				
As executives	324	106	-	-
Fees for non-executive directors	25	76	25	76
	349	**182**	**25**	**76**
Directors of subsidiaries who are not directors of EGH Plc:				
As executives	991	646	-	-
Fees for non-executive directors	124	143	-	-
	1,115	**789**	**-**	**-**

NOTES (continued)

29. 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
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Equity Group Foundation	-	19	-	-
Equity Bank Congo S.A	-	-	-	21
Equity Investment Bank Limited	-	-	39	40
	-	**19**	**39**	**61**

g. Amounts due to related parties

Equity Group Foundation	114	-	-	-
Equity Bank (Kenya) Limited	-	-	22	199
Equity Investment Services Limited	-	-	420	420
	114	**-**	**442**	**619**

h. Dividends received from subsidiaries

Equity Bank (Kenya) Limited	-	12,000
Equity Insurance Agency Limited	400	500
Equity Bank (South Sudan) Limited	107	-
Equity Investment Bank Limited	100	-
	607	**12,500**

Related parties are 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 2020, the Group has not recorded any impairment loss on receivables relating to the amounts owed by related parties (2019: 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)

30. Earnings per share

The calculation of basic earnings per share for the Group at 31 December 2020 is based on the profit attributable to ordinary Shareholders of Shs 19,676 million (2019: Shs 22,386 million) and the weighted average number of ordinary shares outstanding of 3,774 million (2019: 3,774 million).

	Group	
	2020	2019
	Shs' millions	Shs' millions
Profit for the year attributable to equity Shareholders	19,790	22,386
Number of shares: (in millions)		
Issued and weighted average number of ordinary shares at start and end of year: 3,773,674,802 (2019: 3,773,674,802))	3,774	3,774
Basic and diluted earnings per share (in Kenya Shillings)	**5.24**	**5.93**

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:

	Group		Company	
	2020	2019	2020	2019
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Guarantees and standby letters of credit	67,860	53,325	-	-
Letters of credit, acceptances and other documentary credits	36,142	33,388	-	-
	104,002	**86,713**	**-**	**-**

Commitments contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group	
	2020	2019
	Shs' millions	Shs' millions
Capital commitments	2,296	578
Loans approved but not disbursed	56,337	20,632
	58,633	**21,210**

NOTES (continued)

31. 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 – 2020	0 - 3 months Shs' millions	3 - 6 months Shs' millions	6 - 12 months Shs' millions	1 - 5 Years Shs' millions	Total Shs' millions
Guarantees and standby letters of credit	27,347	5,226	12,591	22,696	67,860
Letters of credit, acceptances and other documentary credits	7,107	9,269	14,196	5,570	36,142
Capital commitments	127	-	2,169	-	2,296
Loans approved but not disbursed	36,914	19,011	146	266	56,337
Total commitments and guarantees	**71,495**	**33,506**	**29,102**	**28,532**	**162,635**

Group – 2019					
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**

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)

32. Retirement benefit obligations – Defined contribution schemes

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	
	2020	**2019**
	Shs' millions	**Shs' millions**
National Social Security Fund	188	93
Pension Scheme	867	430
	1,055	**523**

33. 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.

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.

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.

NOTES (continued)

33. Segment information (continued)

i. Business segments (continued)

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.

Group	**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 2020							
Total assets	591,111	61,770	9,816	38,803	28,510	285,083	1,015,093
Total liabilities	502,500	52,715	6,340	32,815	23,458	258,624	876,452
Net interest income	46,324	5,382	17	2,763	1,538	5,746	61,770
Total operating income	38,418	6,227	2,312	3,401	1,039	9,679	61,076
Depreciation and amortization	3,990	652	129	222	374	1,234	6,601
Total expenses including impairment of financial assets	46,526	4,622	1,322	2,024	2,492	8,962	65,948
Profit before income tax	15,923	2,311	1,067	1,676	(426)	1,619	22,170
Additions to property and equipment	1,454	569	5	75	183	(46)	2,240
Additions to intangible assets	1,321	3	-	5	45	378	1,752

NOTES (continued)

33. Segment information (continued)

ii. Operating segments (continued)

Group	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	39,744	3,636	12	2,275	1,065	3,847	50,580
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

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 2020 or 2019. 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.

34. 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
	2020				2019			
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Forward exchange contracts	17,587	17,587	27,840	27,414	28,589	28,589	28,586	28,150
Swaps	6,168	6,168	6,994	6,982	3,818	3,790	3,819	3,783
Spot	12,451	12,451	729	729	2,980	2,980	2,980	2,980
	36,206	**36,206**	**35,563**	**35,125**	**35,387**	**35,359**	**35,385**	**34,913**

NOTES (continued)

34. Derivative financial assets and liabilities (continued)

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.

	2020			2019		
	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	27,840	27,414	426	28,586	28,150	-
Swaps	6,994	6,982	12	3,819	3,783	36
Spot	729	729	-	2,980	2,980	-
	35,563	**35,125**	**438**	**35,385**	**34,913**	**472**

35. 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 Group 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 171.991 billion (2019 – Shs 120.833 billion). The income for the period for custodial services was Shs 158.893 million (2019 - Shs 126.050 million) while the expenses amounted to Shs 41.793 million (2019 - Shs 47.564 million).

36. 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.

NOTES (continued)

36. Hyperinflation accounting (continued)

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 2020		
2015	357	47
2016	2,799	6
2017	4,502	4
2018	6,306	3
2019	10,657	2
2020	16,841	1
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

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:

	2020 Shs' millions	2019 Shs' millions
Monetary liabilities at 1 January	4,456	5,326
Increase in net monetary liabilities during the year	3,434	2,357
Monetary liabilities at 31 December	**7,890**	**7,683**
Restated monetary liabilities at 31 December	(6,056)	(5,357)
Gain on monetary liabilities (a)	**1,834**	**2,326**
Monetary assets at 1 January	6,972	8,176
Increase in net monetary assets during the year	5,407	3,296
Monetary assets at 31 December	**12,379**	**11,472**
Restated monetary assets at 31 December	(9,611)	(8,391)
Loss on monetary assets (b)	**2,768**	**3,081**
Net monetary position loss (a - b)	**(934)**	**(755)**

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 1.6 (2019: 2).

See also Note 2 (c) (iii).

37. 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

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 Chairman, Equity Group Holdings Plc; Non-Executive Director, Equity Bank (Kenya) Limited

DR. JAMES MWANGI, CBS

James holds five honorary doctorate degrees in recognition of his positive impact on the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honored 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, he has won several awards including 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. He is an honoree of the 2020 Oslo Business for Peace Award, also described as the 'Nobel Prize for Business'.

On the regional front, James 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. He was also named the Banker of the Year during the Banker Africa (East Africa) Awards in 2017 and 2018, and named African CEO of the year by the African Business Leadership 2020 Awards. Locally, he has received the Think Business CEO of the Year award for the last 4 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 also 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 appointed to the Nairobi Advisory Board of Columbia Global Centres. He is a member of the continent-wide PACT initiative, 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. He is also a guest lecturer at Stanford, Columbia, MIT, Harvard, IESE and Lagos Business School where Equity Bank Business Model is a case study. Locally, he is the Chancellor of Meru University College of Science and Technology and the Chairman of the Health Committee of Kenya COVID-19 Fund Board.

Boards: Managing Director and Chief Executive Officer, Equity Group Holdings Plc; Non-Executive Director, Finserve Africa Limited, Equity Investment Bank Limited, EquityBCDC S.A.; Non-Executive Chairman, Equity Group Foundation

MARY WAMAE

Mary holds a Masters 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 the Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and the Advanced Management Programme at Harvard Business School. She serves in the Africa Financial Industry Summit Advisory Board. The Summit brings together the industry's most influencial stakeholders in transforming the financial industry in Africa. She is also a member and mentor under the Women on Boards Network. 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 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: Executive Director, Equity Group Holdings Plc; Group Executive Director, Equity Bank (Kenya) Limited, Equity Bank (Tanzania) Limited, Equity Bank Rwanda Plc, Equity Bank Uganda Limited; Non-Executive Director, Finserve Africa Limited, Equity Investment Bank Limited, Equity Group Foundation, EquityBCDC S.A., Equity Bank South Sudan Limited, Equity Insurance Agency Limited.

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

DR. EDWARD ODUNDO PhD, MBS

Edward holds a PhD in Business Administration (Strategic Management) from The University of Nairobi, an 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

EVELYN KAMAGAJU 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 a Non Executive Director of Equity Bank Uganda Limited, Chair of the Boards of Equity Bank Rwanda Plc, MTN Rwanda and Crystal Telecom Limited, Vice-Chair, Rwanda Development Board, and previously served on the Boards of Total Uganda Limited and Victoria Motors Rwanda Limited.

Boards: Non- Executive Vice Chairperson, Equity Group Holdings Plc; Non-Executive Chairperson, Equity Bank Rwanda Plc; Non-Executive Director, Equity Bank Uganda Limited

VIJAY GIDOOMAL

Vijay holds a Bachelor of Arts– LLB (law) degree from the University of Warwick, UK and 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. Aside from Equity Group Holdings Plc Board, Vijay is also a board member at Cummins C&G Holdings Ltd; Watu Credit Limited; Ole Pejeta Conservancy; Metropolitan Cannon Assurance Limited; Fincom Ltd among others. He is a member of the Cummins Global Advisory Council and is the Chairman Cummins Middle East & Africa Advisory Council. He is an active member of the Young Presidents Association and is its former Chairman (Kenya Chapter) and former regional board member.

Boards: Non-Executive Director, Equity Group Holdings Plc; Non-Executive Chairman, Equity Investment Bank Limited

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 B.Ed(Sc) in Zoology from Kenyatta University respectively. Helen is currently serving as the 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 (OGW) 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 Ol Pejeta Conservancy and on the Advisory Board of the School of Wildlife Conservation, African Leadership University. She previously served on the boards of Africa Wildlife Foundation and Kenya Wildlife Service Boards.

Boards: Non-Executive Director, Equity Group Holdings Plc

CHRISTOPHER NEWSON

Christopher holds a Bachelor of Commerce Degree and a Certification in Theory of Accounting (CTA) from the University of Cape Town. He is a Chartered Accountant of South Africa and completed a Columbia Senior Executive Program. Christopher is finance grounded former Chief Executive, Senior Advisor and Non-Executive Director with 29 years of unique Investment and Commercial Banking and Alternative Asset Management expertise, principally covering Sub Saharan Africa.

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

CHRISTOPHER NEWSON (continued)

He spent 24 years with the Standard Bank Group in several executive roles including Director of Corporate and Investment Bank, CEO of Stanbic IBTC in Nigeria and the CEO for Africa. He was a member of Stanbic Holdings Limited Board and Stanbic Bank Kenya Limited Board. More recently, he was the Director for Private Markets at Investec Asset Management (now Ninety One Asset Management). He is the current Non-Executive Chairman of Distell International Holdings Ltd and Executive Director of Bayport

Boards: Non-Executive Director, Equity Group Holdings Plc

CHRISTINE BROWNE

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.

Boards: Company Secretary, Equity Group Holdings Plc

ERASTUS 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 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 board member of Brenthurst Foundation and Coalition for Dialogue on Africa (CoDA).

GERALD WARUI

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 of Operations. Before that, he served as the Director of Human Resource and Customer Experience. He joined Equity Bank in 1998.

Boards: Managing 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 company. 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 firm. 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 honoured 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

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

PROF. SHEM MIGOT-ADHOLLA

Shem holds a PhD in Sociology of Development and a Master of Arts in Sociology from the University of California, Los Angeles. He was a Special Graduate Student in Agricultural Economics at Michigan State University and holds a Bachelor of Arts degree from the University of East Africa. He is a private consultant on agriculture and rural development, land policy reform and environmental issues based in Nairobi. Previously he was the Lead Specialist on Land Policy and Administration in the Agriculture Research Unit, World Bank, Washington. 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 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 Equity Bank South Sudan, Chairman of the Council of Kenyatta University and a member of the Universities Funding Board. He has also served as Chairman of the Council of Kibabii University, Chairman of the Board Centre for Corporate Governance, was a Director of Housing Finance Company of Kenya Ltd and Vice-Chairman Board of Directors, Kenya Wildlife Service.

Boards: Non-Executive Director, Equity Bank (Kenya) Limited; Non-Executive Chairman, Equity Bank South Sudan Limited

JANE NGIGE

Jane Ngige 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 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. Prior to venturing into horticulture, Jane worked with the hospitality, food processing and manufacturing industries in several countries. Currently, she is a consultant and sits on various boards locally and internationally.

Boards: Non-Executive Director, Equity Bank Kenya Limited

PROF. TIMOTHY WAEMA

Prof. Waema holds a PhD degree in Strategic Management of Information Systems from the University of Cambridge (UK) and a Bachelors Honours Degree in Electrical and Electronics Engineering from the University of Bath (UK). He is a Certified Formal Axiologist, Professional Driving Forces Analyst (CPDFA), Professional Behaviours Analyst (CPBA), Professional TriMetrix HD Analyst (CPHDA) and Professional Emotional Quotient Analyst (CPEQA). He is also a certified faculty for The Complete Leader Program and corporate governance trainer. He is a Professor of Information Systems in the School of Computing and Informatics in the University of Nairobi. He has consulted widely in Africa on ICT, strategy development and execution and has been involved in developing national policy and strategy documents relating to ICT and Science, Technology and Innovation. He has also been key in leading the innovation agenda of the University of Nairobi and has carried out innovation training for numerous organizations in Kenya. He sits in the Council of Strathmore University and is a member of the Advisory Board of the Carnegie Mellon University – Africa in Rwanda, which is the educational anchor tenant for the Kigali Innovation City in Rwanda. He is a Professional Member of the Association for Computing Machinery (ACM), the largest association of IT professionals globally.

Boards: Non-Executive Director, Equity Bank (Kenya) Limited

SAMUEL ONYANGO

Sammy is the immediate former CEO of Deloitte East Africa. He has extensive audit and advisory experience, having served for 38 years in various audit roles and has contributed to the development of the accounting profession in East, Central and Southern Africa through past roles; including as Chair of the Institute of Certified Public Accountants of Kenya and President of the then East, Central and Southern Africa Federation of Accountants (ECSAFA), which he also represented in the International Federation of Accountants (IFAC). Sammy holds a Bachelor of Commerce, Accounting Option (First Class Honors) from the University of Nairobi and is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA), a Fellow of the Institute of Chartered Accountants in England & Wales (FCA), Institute of Certified Public Secretaries of Kenya. He also obtained training on Arbitration and Mediation at the International Law Institute, George Town University, Washington DC. He is a Non-Executive Director at British American Tobacco Kenya PLC and a Director at Jadala Investments Ltd.

Boards: Non-Executive Director, Equity Bank (Kenya) Limited

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

APOLLO MAKUBUYA

Apollo is a graduate of Makerere University (cum laude) and the University of Cambridge. He is a founding partner of MMAKS Advocates a leading commercial Law firm in Uganda. He heads its Commercial Transactions team. He has 26 years in legal practice and specialises in corporate and commercial transactions. He has handled several high-profile commercial transactions in the banking, telecommunications, insurance, real estate, energy and mining sectors. He has previously worked as a senior lecturer at the Faculty of Law Makerere University and with a private commercial bank and Uganda's Central Bank. 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. He is the author of Protection, Patronage or Plunder? British Machinations and Uganda's Struggle for Independence. For over 25 years, Apollo 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 Muwenda Mutebi II.

Boards: Non-Executive Chairman, Equity Bank Uganda Limited

SAMUEL KIRUBI

Samuel holds a Masters 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 Bachelors 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 of 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 a leadership catalyst, Talent Optimization Coach, Strategy execution expert, Author and Futurist. He is named one of the World's 101 most fabulous Global Coaching leaders in 2020 by the World Human Resource Development Congress (HRD) Peter is a Board member and advisor to several Boards in Corporate Uganda including ESKOM Uganda, Equity Bank Uganda, Baylor College of Medicine both in Mulago Hospital and Houston Texas. He is also the Board Chairman of the Tondeka Metro Company (TMC). Peter is a Founder and team leader at CEO Summit Uganda, - a private sector Think Tank in Uganda and co-founder and trustee of the League of East African Directors as well as Managing Partner at IFE Consultants Limited. He is an Academic Director and Adjunct Faculty at Strathmore Business School, an Adjunct Faculty at University of Cape Town, an Associate of the Uganda National Academy of Sciences.

Boards: Non-Executive Director, Equity Bank Uganda Limited

MARK OCITTI

Mark is currently the Managing Director of Serengeti Breweries Limited in Tanzania, a member of the East African Breweries group. He holds a Bachelor of Statistics degree from Makerere University in Uganda, a Masters in Business Administration degree from the Heriot-Watt University, Edinburgh, UK and an Advanced Management Program certificate from the London Business School. He has 30 years of operational and executive experience working in blue-chip companies in Downstream Oil, Telecoms and FMCG sectors.

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.. He has held various managerial positions within TOTAL Uganda, sat on various Boards including Uganda Airlines and is currently a member of the Board of Directors of Rushere Community Hospital, a member of Uganda Fuel Supply Coordination Committee under Ministry of Energy & Mineral Development and the Group Chief Executive Officer of MOGAS.

Boards: Non-Executive Director, Equity Bank Uganda Limited

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

SIMON LUGOLOOBI

Simon holds a Bachelors Degree in Statistics and an MBA (Edinburgh Business School, Herriot – Watt University, Scotland). He is a Fellow, Association of Chartered Certified Accountants and member of the Institute of Certified Public Accountants of Uganda. He is currently Director and majority shareholder of GVZ Investments Limited. He was the Chief Executive Officer at Crown Beverages Limited for eight years after having served in the capacity of Finance Director. He also worked with Uganda Breweries Limited, rising from Assistant Internal Auditor to Head of Internal Audit and then as Finance Director.

Boards: Non-Executive Director, Equity Bank Uganda Limited

NORAH BWAYA

Norah holds a Bachelors Degree in Commerce (Accounting) Hons. from Makerere University; is an Accredited Professional Certified Coach (PCC) – International Coaching Federation; and a Doctorate in Executive Performance from Middlesex University, UK. She is a Certified Executive Coach, Organization Development Consultant, Facilitator/ trainer and public speaker with working experience across 4 careers (Accountancy, Marketing, Insurance, Coaching) in 21 countries across 3 continents (Africa, Europe, America). As a coach, she has served top executives in over 100 organizations. She is the Founder of the first coaching firm in Eastern Africa--Coach Africa Ltd. Norah has served on a number of boards including Equity Bank, Alliance Africa Insurance Group, Lion Assurance Co., Majestic Brands Ltd. (Buganda Kingdom), Katutandike Uganda, Coach Africa Ltd. and Institute of Work Culture and Ethics.

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 Technische Universitat 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). Dr. Kenyi is currently Chairman of Central Equatoria Development Agency (CEDA), South Sudan Business Connect and a board member of African Organisations for Development (AFOD). He recently published a world acclaimed novel - "Twisted Gift" and a reference book, titled: English Language for Professionals.

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 Directorate 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 Limited

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

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 33 years' experience in Information Technology and banking having previously served as Equity Bank's General Manager, Operations; and as Director - ICT and Innovations and, Director, Special Projects. He is a member of the World Economic Forum's (WEF) Global Future Council on the Resilience and Fragility 2021/2022 and also served on the WEF Council for The Future Humanitarian System 2019/2020. He is currently serving as the Director, Operations & IT in EquityBCDC in Congo DRC

Boards: Non-Executive Director, Equity Bank South Sudan 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 and a member of the Aspen Global Leadership Network. He has over 19 years work experience in banking and Private Sector Development with extensive 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 organizations 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

ROBERT BAFAKULERA

Robert holds a Bachelor of Commerce degree from Makerere University, Uganda. He has served as Chairman in several investments and trading companies and has a wealth of experience in entrepreneurship and business. He is currently the Managing Director for Roba General Merchants Limited and the Chairman of the Private Sector Federation of Rwanda.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

EMMANUEL BUTARE

Emmanuel holds a Masters 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 holds 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 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 and on the panel of arbitrators of the Kigali International Arbitration Centre (KIAC), member of CIArb, RBA, EALS, and a court accredited mediator. Emmanuel is currently a Partner, MRB Attorneys.

Boards: Non-Executive 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 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 of 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 seven years ago.

Boards: Non-Executive Director, Equity Bank Rwanda Plc, Non-Executive Chairman, Finserve Africa Limited

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

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

JAMES MUTUKU (continued)

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 Rwanda Plc, EquityBCDC S.A.

STEVEN MUTABAZI

Steve holds a Master of Engineering Science 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 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 where he founded and led two technology innovation companies for 20 years and also held senior positions with Telstra Corporation (Australia) and Hewlett Packard Company (Asia Pacific).

In 2012, Steve accepted invitation by the Government of Rwanda to lead key initiatives to develop the country's ICT sector, and over 6 years led the rollout of 4G LTE, the establishment of the Rwanda Innovation Fund to accelerate growth of the technology sector, and developed Kigali Innovation City flagship initiative to position Rwanda as a pan-African talent and innovation hub. Steve currently provides executive advisory services to global technology companies establishing operations in Africa.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

AMB. GEORGE KAYONGA

George holds a Masters degree in Diplomacy and International studies and Bachelor of Commerce Degree-Finance. He is an Independent Trade and Development Consultant, Director in the Equity Bank Rwanda Board and Member, Advisory Council of One Acre Fund. He has 16-years experience in the Public Service as High Commissioner of Rwanda to Kenya, Non-Resident Ambassador to Somalia, Permanent Representative of Rwanda to UNEP and UNHABITAT, Permanent Secretary Ministry of East African Community and CEO National Agricultural Export Development Board. He has 12-years experience in the private sector managing his own supply chain and logistics companies.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

COL (RTD) EUGENE HAGUMA

Eugene holds a MSc in Financial Management from the University of London and a B.Com (Marketing) degree from Makerere University-Kampala. He is a Chartered Financial Analyst (CFA) charter holder and is a Certified Sustainable Investment Professional from John Molson Business School Concordia University, Canada. Eugene has served in leadership positions both in the Public Sector and the Private Sector. He was the Permanent Secretary, Ministry of Defence in Rwanda from 2002-2005 before being posted as Defence Attaché to the Republic of South Africa from 2005-2010. He joined Horizon Group Rwanda as CEO from 2010 until 2018. Since retiring from the Rwanda Defence Force, Eugene is currently working as a private consultant.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

ENG. 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' experience in Africa. 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 27 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. He was also 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

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

ESTHER KITOKA

Esther holds a Master of Commerce in Banking and Business Information System from the University of Sydney, Australia and a Bachelor of Commerce degree in Accounting from the University of Dar es Salaam, Tanzania. She is a Certified Public Accountant and holds a Directorship from the Institute of Directors UK and an Advanced Management Programme from Harvard Business School. Esther is a seasoned banker, having worked in the banking sector as Bank Examiner for 9 years in the Bank of Tanzania (Central Bank). Later on, she worked as a commercial banker for over 13 years in CRDB Bank Plc, where she was Deputy Managing Director/ COO for over 8 years. Esther is an Independent Director at the Comprehensive Community-Based Rehabilitation in Tanzania (CCBRT). She joined Equity in May 2020.

Boards: Executive 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 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 Managing Partner of Joh Achelis & Söhne in Germany. He has over 25 years of cross-functional experience within the group in Eastern and Southern Africa. In Tanzania, he is the Chairman 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

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 35 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 the public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has 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: Non-Executive Director, Equity Bank (Tanzania) Limited; Executive Director, Equity Group Foundation

PROF. HONEST NGOWI

Professor Ngowi holds a PhD in Economics from the Open University of Tanzania, Doctorate Coursework from Norwegian School of Economics and Business in Norway, a Master of Science in Economics and Business Administration from Agder University College in Norway and Advanced Diploma in Economic Planning from the Institute of Development Management Mzumbe in Tanzania.

He is Associate Professor of economics, researcher and consultant in Economics and Business at Mzumbe University and Principal of Mzumbe University Dar Es Salaam Campus College in Tanzania. He has written over 100 major works and published and lectured widely on various areas of economics and business. He is active in the academics, research and consultancy industries with over 25 years of experience. 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), Foundation for Civil Society, Envirocare, SWISSAID, Southern Agricultural Growth Corridor for Tanzania (SAGCOT), National Entrepreneurship Development Committee and Stellenbosch University Business School. 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 founder and Managing Director of ANO Consortium, a consulting firm. 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

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

GEORGE THEOBALD

George holds a Bachelor's Degree in Economics (BA) from University of Exeter. He has served as a Director in various Boards including, Chairman at FTG Holdings, Domino Ltd, Kijabe Ltd, Wakulima Tea Co. amongst others. George has been the driving force behind the growth of a number of East African companies spread out across various sectors. George has lived in East Africa since 1983, after a commission in the British Army and a time in London working as a stockbroker. He worked as the General Manager of Lonrho Tanzania Ltd before founding Tatepa Ltd, where he serves as the Managing Director of the publicly listed company (the largest smallholder tea and avocado producer in Tanzania). He is also the Chairman of Kariki Group (a group of flower farms) in Kenya and the Chairman of Nomad Group (a chain of safari lodges) in Tanzania.

Boards: Non-Executive Director, Equity Bank (Tanzania) Limited

NESTOR ANKIBA

Nestor holds a Bachelor's degree in Business Administration from Kinshasa University in DRC, an MBA in Marketing Communications from Leicester University in the 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 Chairman, EquityBCDC S.A.

CÉLESTIN MUNTUABU

Célestin holds a Master's degree in Business Administration and Management from the Protestant University in Congo. Besides his leadership training, 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.

He was a Permanent Secretary and Clerk Trainer at the International Training Center and 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 and the chairman of the Board of Directors of Germano Congolese Academy.

Boards: Managing Director, EquityBCDC S.A.

JEAN-CLAUDE TSHIPAMA

Jean-Claude holds an Executive Masters in Business Administration (MBA) from McGill University and HECMontreal. 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: Executive Director, EquityBCDC S.A.

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 Director, EquityBCDC S.A.

JOHN WILSON

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

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

JOHN WILSON (continued)

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.

Boards: Non-Executive Director, EquityBCDC S.A.

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, EquityBCDC S.A., Finserve Africa Limited

PIERRE CHEVALIER

Pierre studied Law and Criminology at the University of Ghent. He is a former Secretary of State in the Belgian Federal Government and was elected to the Belgian Senate in 2003 by the Dutch Electoral College. He is the immediate former Chairman of the Banque Commerciale du Congo (BCDC) Board. He has also held several diplomatic functions such as Member of the United Nations Security Council in New York on behalf of the Kingdom of Belgium (2007-2008) and Chairman in Office of the OSCE (2006).

Boards: Non-Executive Director, EquityBCDC S.A.

MARCELINE KAOZI

Marceline holds Masters in Marketing and Advertising from the Ecole Supérieure de Gestion (ESG) Paris, Masters in Marketing and International Trade at (ESG) Paris, Bachelors Degree in Marketing and Commerce from ESG Paris and Higher Technician's Certificate Action Commercial at ESG Toulouse.

She also serves in various capacities for other organisations including MKF Consulting as an Executive Director since May 2019. Further, she serves at Comexas-Afrique, a leading logistics provider in the Democratic Republic of Congo. She served as the Deputy Director from July 2018 to April 2019 and now serves as Board Advisor of Comexas as well as in Federation Des Enterprises Du Congo (FEC) where her role has been an administrator of the FEC the since 2018. She was a Board Director at Banque Commerciale du Congo (BCDC).

Boards: Non-Executive Director, EquityBCDC S.A.

VICTOR KASONGO

Victor holds Master of Business Administration (MBA) from the University of Pretoria and MSC Engineering from University of Brussels. He was a Director at the board of Banque Commerciale Du Congo (BCDC), where he served as a member of BCDC's Audit, Risk and Compliance committee. Before his appointment to the BCDC Board, he was the Managing Director of the Office des Mines d'Or de Kilo-Moto (OKIMO) and the CEEC (Center of Expertise for Precious Materials). He was previously the Risk Manager at Ernst & Young South Africa and Project Manager at Iscor Limited. He is the founder and current Chief Executive Officer of the Congo Premier Sarl Group, a trading and refining group of strategic metals. Victor is also a Director of Shomka Capital Ltd and former Director of BGFI Bank, BIC Bank, Société Bic S.A. and AMICONGO. He served as the Deputy Minister of Mines from 2007-2010 where he reframed Mining contracts between parastatals and multinational companies.

Boards: Non-Executive Director, EquityBCDC S.A.

IGNACE METI

Ignace holds Master of Business Administration and Diploma in Political and Administrative Sciences. He attended his studies in Belgium. He has extensive experience as a senior bank executive, financial expert and consultant, project developer, business creator, company manager and trainer. He has over 34 years of experience in Management and Leadership of in leading banks, mainly in the DRC and in West African Countries (Niger, Senegal and Nigeria).

Boards: Non-Executive Director, EquityBCDC S.A.

FRANCIS LUGUNDA

Francis is an Advocate by profession based in Kinshasha Congo. He is a lawyer, counsel and member of the Cabinet of Professor LUKOMBE and Lawyers. He also served as a Director at the board of Banque Commerciale Du Congo (BCDC), which has since merged with Equity Bank Congo (EBC) to form EquityBCDC, the second largest bank in the Democratic Republic of Congo.

Boards: Non-Executive Director, EquityBCDC S.A.

DESIRE YAV

Desiré holds a Diploma in Business Management from the Higher Institute of Economic and Social Studies of the European University Management Center in Brussels. He also holds a Certificate of Higher Studies of European Institutions from The International University Research Center of the Institute for Documentation and European Studies. He is an immediate Non-Executive Director of BCDC, where he served in the Audit Committee, Risks Committee and Nominations and Remuneration Committee. He was the former advisor to the Governor of the Central Bank of Congo

CONSOLIDATED BOARD OF DIRECTORS PROFILES (continued)

DESIRE YAV (continued)

(BCC) in charge of cooperation within SADC and COMESA. He was a former Director General of CADECO SA and previously served as Consultant and Director General of GENADIS SA.

Boards: Non-Executive Director, EquityBCDC S.A.

LOUIS WATUM

Louis holds a Msc in Chemical Engineering from University of Lubumbashi and a Post Graduate in Extractive Metallurgy from the University of Lubumbashi. He has also attended several trainings and short courses on legal, interview skills for supervisors, business preparedness program, project management, Management Development Program and Board Leadership Program.

He is a Chemical Engineer with extensive experience in the mining industry. He has held management positions in various companies including Plant Metallurgist in Pyrometallurgy of Copper and Cobalt at Shituru Plant, Gecamines (Likasi, DRC), Assistant Plant Superintendent at Kleinkopje Colliery, Anglo American Coal Division (Witbank, South Africa), Divisional Metallurgist at Research Laboratory, Anglo American Research & Development (Johannesburg, South Africa), Project Plant Manager at AngloGold Ashanti Corporate Office (Johannesburg, South Africa), Operation Manager at Yatela Gold Mine, AngloGold Ashanti (Mali, West Africa), Executive Director and General Manager at Moto Gold Mines (DRC) and General Manager at Randgold Resources Limited Kibali Gold Project (DRC). He is currently the Board Chairman of Kamoa Copper SA (DRC), Board Chairman and General Manager of Kipushi Corporation SA (DRC) and President of Chamber of Mines (DRC).

Boards: Non-Executive Director, EquityBCDC S.A.

OLANREWAJU BAMISEBI

Lanre Bamisebi holds a first degree in Accounting, and another B.sc (Honours) in Computing & Information Technology from the University of Derby, UK and a Master's in Business Administration from Durham Business School, UK. He is currently undertaking a PhD in Global Strategy. He is a seasoned IT professional with over 20 years management experience. He has vast knowledge and Pan-African experience having managed IT across 22 African countries across consulting, telecom, oil and gas, banking and fintech sectors. Before joining Equity, he worked in other capacities across the African region as 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.

Boards: Managing Director, Finserve Africa Limited

JOANNA BICHSEL

Joanna is the Founder and CEO of Kasha Global Inc., an ecommerce platform for women's health and self-care operating in Rwanda and Kenya. She has previously served on the board of Equity Bank Rwanda Limited, and has over 20 years of experience working in technology and technology-enabled businesses around the world. With a Computer Science degree with Honours from Queen's University in Canada, she started her career as a software engineer for Microsoft Corporation at their headquarters, where she worked in a variety of technology and business leadership roles for 11 years. After Microsoft, she served as 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. Joanna has professional experience working in fintech, cybersecurity, data analytics, consumer and enterprise technology solutions, and supply chain technology that optimizes for last mile distribution of products in rural areas of emerging markets.

Boards: Non-Executive Director, Finserve Africa Limited

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 Access Kenya, Kenya's leading corporate internet service provider listed on the Nairobi Securities 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 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 Limited

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 on 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, he has won several awards including 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. He is an honoree of the 2020 Oslo Business for Peace Award, also described as the 'Nobel Prize for Business'.

On the regional front, James 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. He was also named the Banker of the Year during the Banker Africa (East Africa) Awards in 2017 and 2018, and named African CEO of the year by the African Business Leadership 2020 Awards. Locally, he has received the Think Business CEO of the Year award for the last 4 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 also 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 appointed to the Nairobi Advisory Board of Columbia Global Centres. He is a member of the continent-wide PACT initiative, 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. He is also a guest lecturer at Stanford, Columbia, MIT, Harvard, IESE and Lagos Business School where Equity Bank Business Model is a case study. Locally, he is the Chancellor of Meru University College of Science and Technology and the Chairman of the Health Committee of Kenya COVID-19 Fund Board.

MARY WAMAE

Group Executive Director

Mary holds a Masters 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 the Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and the Advanced Management Programme at Harvard Business School. She serves in the Africa Financial Industry Summit Advisory Board. The Summit brings together the industry's most influencial stakeholders in transforming the financial industry in Africa. She is also a member and mentor under the Women on Boards Network. 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 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

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 Managing Director (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 previously 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, 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).

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

OLANREWAJU BAMISEBI

Group Chief Information Officer

Lanre Bamisebi holds a first degree in Accounting, and another B.sc (Honours) in Computing & Information Technology from the University of Derby, UK and a Masters in Business Administration from Durham Business School, UK. He is currently undertaking a PhD in Global Strategy. He is a seasoned IT professional with over 20 years management experience. He has vast knowledge and Pan-African experience having managed IT across 22 African countries across consulting, telecom, oil and gas, banking and fintech sectors. Before joining Equity, he worked in other capacities across the African region as 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.

SAMUEL GITWEKERE

Group Director, Credit Risk

Sam holds a Master's degree in Business Administration from the University of Southern Queensland in Australia and is an Associate of the Chartered Institute of Bankers (UK). He has received leadership training at the University of Pretoria's Gordon Institute of Business Science and INSEAD's Asia Campus in Singapore, and has completed a number of professional programs. He has over 20 years' experience in senior Risk and coverage roles with leading international banks across Africa, Middle East and Asia. He is a past volunteer with the Autism Society of Kenya and South Africa's Black Umbrellas, which mentors black-owned businesses.

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.

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.

GLORIA BYAMUGISHA

Group Chief Human Resources Officer

Gloria is an alumnus of Uganda Martyrs University, the University of Bedfordshire, the University of Westminster and London Business School. She is a Human Resource professional, certified in extra-ordinary leadership, coaching and mentoring, 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 public sector, telecommunications and banking. She has work experience spanning more than 10 countries.

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, USA. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has over 20 years of 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 also specialized in the audit of banking institutions, leasing companies, investment banks and broker-dealers with KPMG in New York and Kenya.

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.

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

ELIZABETH GATHAI

Director, Digitization and Automation

Elizabeth holds a Master's degree in Business Administration from the University of Nairobi, Bachelor of Commerce degree in Finance, and a Certified Public Accountant CPA (K). She is also a Certified Public Secretary Part 2 (CPS). She is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain) and Management Executive Programme (Maastricht School of Management (MSM) - Netherlands). A career banker, Elizabeth has vast experience in credit. Prior to her current position, she served as the Director Credit among other senior leadership roles within the Bank. She has 20 years of banking experience having joined the bank in 2001.

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.

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 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 of Operations. Before that, he served as the Director of Human Resource and Customer Experience. He joined Equity Bank in 1998.

EMMANUEL DEH

Executive Director, Equity Bank (Kenya) Limited

Emmanuel holds an M.Sc. Finance from the Strathclyde University Business School in Scotland and a B.Sc. Administration (Banking & Finance) from the University of Ghana, Legon. He also holds a Post Graduate Certificate in

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

EMMANUEL DEH (continued)

Project Finance (Oil & Gas, Conventional and Renewables Energy) from the Middlesex University (UK) and has attended various Executive Development courses on Cybersecurity, Financial Markets and Board Governance in Harvard and Yale Universities

He is a banker with over 25 years' experience in Corporate and Institutional Banking and Credit Risk Management. He has held various senior management positions in Credit Risk Management in Corporate Banking, Financial Institutions and Project / Structured Finance in Ghana, Nigeria, UK and UAE with short term attachments in Thailand, Zimbabwe, Botswana, Sierra Leone and the Gambia.

Before joining Equity, he was the Senior Director of Special Situation, Distressed Asset Management in Al Rajhi Bank, a Corporate Credit Director in Barclays Bank Emerging Markets in UAE and worked as the Country Credit Director for Barclays Bank Ghana. He also worked in credit risk with Standard Chartered Bank Ghana and Nigeria.

Emmanuel is a Certified Fraud Examiner (CFE) and a Member of the Association of Certified Fraud Examiners (USA), Certified Islamic Finance Executive (CIFE), awarded by the World's renowned Ethica Institute of Islamic Finance and holds Credit Expert Certification from Omega Performance (USA) as well as an accredited Trainer on Credit Skills Assessment Modules developed by Omega Performance, USA.

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 Bachelors 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 of 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 became 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, a graduate of Advanced Management Programme from Strathmore Business School. He is a Fellow of the Africa Leadership Initiative-East Africa and a member of the Aspen Global Leadership Network. He has over 19 years work experience in banking and Private Sector Development with extensive 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 organizations 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.

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

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 27 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. He was also in Industrial Development Bank, where he worked for 7 years in various capacities. Robert joined Equity Bank in May 2005.

ESTHER KITOKA

Executive Director, Equity Bank (Tanzania) Limited

Esther holds a Master of Commerce in Banking and Business Information System from the University of Sydney, Australia and a Bachelor of Commerce degree in Accounting from the University of Dar es Salaam, Tanzania. She is a Certified Public Accountant and holds a Directorship from the Institute of Directors UK and an Advanced Management Programme from Harvard Business School. Esther is a seasoned banker, having worked in the banking sector as Bank Examiner for 9 years in the Bank of Tanzania (Central Bank). Later on, she worked as a commercial banker for over 13 years in CRDB Bank Plc, where she was Deputy Managing Director/ COO for over 8 years. Esther is an Independent Director at the Comprehensive Community-Based Rehabilitation in Tanzania (CCBRT). She joined Equity in May 2020.

CÉLESTIN MUNTUABU

Managing Director, EquityBCDC S.A.

Célestin holds a Master's degree in Business Administration and Management from the Protestant University in Congo. Besides his leadership training, 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). Célestin is the current Chairman of the United Nations Global Compact DRC Network.

JEAN-CLAUDE TSHIPAMA

Deputy Managing Director, EquityBCDC

Jean-Claude holds an Executive Masters in Business Administration (MBA) from McGill University and HECMontreal. 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.

NOTES

EQUITY GROUP HOLDINGS PLC PROXY FORM

THE SEVENTEENTH ANNUAL GENERAL MEETING TO BE HELD VIA ELECTRONIC COMMUNICATION ON 24TH JUNE 2021

THE GROUP COMPANY SECRETARY,
EQUITY GROUP HOLDING PLC,
EQUITY CENTRE, 9TH FLOOR,
HOSPITAL ROAD UPPERHILL,
P.O.BOX 75104-00200
NAIROBI

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 24th June, 2021 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, 2020.

To receive, consider and if thought fit, adopt the Audited Financial Statements and Directors' Remuneration Report for the year ended 31st December, 2020, together with the Chairman's, Directors' and Auditors' reports thereon.

For:	
Against:	
Withheld:	

ii. Remuneration of Directors

To approve the remuneration of the Directors for the year ended 31st December, 2020.

For:	
Against:	
Withheld:	

iii. Election of Directors

a. To approve the appointment of Dr. Helen Gichohi, 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;

For:

Against:

Withheld:

b. To approve the appointment of Mr. Vijay Gidoomal, who in accordance with Article 100 of the Company's Articles of Association, retires from office by rotation and being eligible, offers himself for re-election;

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. Dr. Edward Odundo;

For:

Against:

Withheld:

b. Mrs. Evelyn Rutagwenda;

For:

Against:

Withheld:

c. Mr. Vijay Gidoomal; and

For:

Against:

Withheld:

d. Dr. Helen Gichohi.

For:

Against:

Withheld:

v. To pass an ordinary resolution pursuant to section 721 of the Companies Act, 2015 to appoint PricewaterhouseCoopers LLP 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 Articles 1 and 79 of the Articles of Association of the Company and create a new Article 79A of the Articles of Association of the Company to provide for (i) the abilitity to nominate a Director for any shareholder holding more than 12.5% of the Company's issued shared; (ii) ability to nominate a director for the Equity Group Foundation; and (iii) the appointment of Executive Directors (as defined below).

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

1. *Amendment of Article 1 of the Articles of Association of the Company by insertion of the following new definitions:*
   i. *"Executive Director" after the definition of "The Directors"*

      *"**Executive Director** means a member of the Board who is an employee of the Company and also serves as a senior manager of the Company and includes the Managing Director and the term **"Executive Directors"** shall be construed accordingly";*

   ii. *"Equity Group Foundation" after the definition of "Board"*

       ***Equity Group Foundation** means Equity Group Foundation, a company limited by guarantee and incorporated in the republic of Kenya with Company Number C.150117.*

2. *Amendment of Article 79 of the Articles of Association of the Company by insertion of a new Article 79A of the Articles of Association of the Company immediately after Article 79 of the Articles of Association of the Company.*

   Article 79A

   i. *Each shareholder shall be entitled to nominate for appointment, in accordance with the process under applicable law and the Company's board charter, one (1) Director for each complete twelve-point five percent (12.5%) of shares held by the shareholder in the Company provided always that the total number of Directors so nominated for appointment by Shareholders pursuant to this Article 79A shall not exceed four (4) Directors.*
   ii. *The Equity Group Foundation shall be entitled to nominate for appointment in accordance with the process under applicable law and the Company's board charter, one (1) Director.*
   iii. *The number of Executive Directors shall not exceed three (3).*

For: [ ]

Against: [ ]

Withheld: [ ]

As witness to my/our hands this ______________________ day of ______________________ 2021

Signature(s)____

ELECTRONIC REGISTRATION CONSENT FORM

Please complete in **BLOCK CAPITALS**

Full name of member(s): ....

....

Address: ....

....

Mobile Number [ ]

Date: ....

Signature: ....

ELECTRONIC REGISTRATION CONSENT FORM (continued)

Please tick the boxes below and return to Image Registrars at P.O. Box 9287 – 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street or through the email address provided under Note 3 below:

Consent to Registration

I/WE consent to registration to participate in the virtual Annual General Meeting for Equity Group Holdings Plc to be held on 24th June 2021.

Consent for use of the Mobile Number provided

I/WE would give my/our consent for the use of the mobile number provided for purposes of electronic voting at the AGM

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 EGHAGM2021@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; P.O. Box 9287- 00100, Nairobi, email address EquityAGM@image.co.ke not later than 5:00 pm on Tuesday, 22nd June, 2021, 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 Tuesday, 22nd June, 2021. Any proxy registration that is rejected shall be communicated to the Shareholder concerned no later than 10:00 am Wednesday, 23rd June, 2021 to allow time to address any issues.

EQUITY

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Email: Info@equitygroupholdings.com
www.equitygroupholdings.com