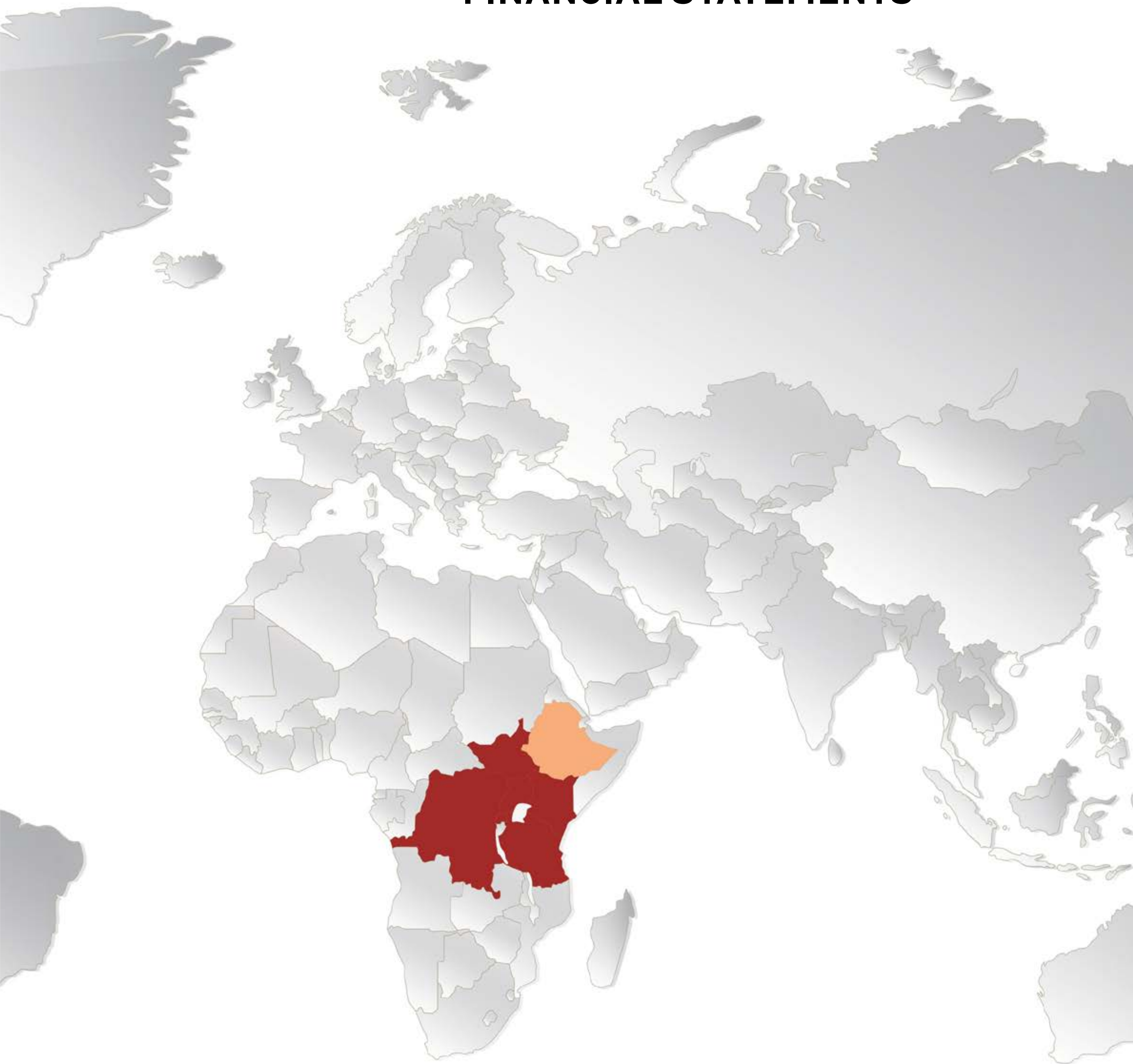
2021

INTEGRATED REPORT & FINANCIAL STATEMENTS



EQUITY

NAVIGATION

Our core values

- P Professionalism
- I Integrity
- C Creativity & innovation
- T Teamwork
- U Unity of purpose
- R Respect & dignity for the customer
- E Effective corporate governance

Navigating our report

- Online information
- Linked information
- Supplementary information

Our Capitals

- HC Human capital
- SRC Social and relationship capital
- MC Manufactured capital
- FC Financial capital
- NC Natural capital
- IC Intellectual capital

Our strategic focus areas

- FA1 Non-funded income growth
- FA2 Treasury efficiency
- FA3 Geographical expansion and business diversification
- FA4 Balance sheet efficiency, optimisation and agility
- FA5 Business transformation through innovation and digitisation
- FA6 Asset quality, distribution and risk mitigation
- FA7 Efficiency and cost optimisation
- FA8 Impact investment and social brand development

Our stakeholder groups

- S01 Shareholders and investors
- S02 Our customers
- S03 Our employees
- S04 Society and communities
- S05 Regulators and policy-makers

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ABOUT THIS REPORT

Our reporting scope and boundary

Our integrated report is the primary report to the stakeholders of Equity Group Holdings Plc, which together with its subsidiaries is known as the Group. It covers the financial year from 1 January 2021 to 31 December 2021. Our aim in this report is to inform our stakeholders of both our financial and non-financial activities and performance during the year. The report reflects our commitment to our shareholders, customers, employees, and communities, and it describes our strategy and the way we implement it in order to create value for all our stakeholders.

In presenting the integrated thinking that we apply to our business activities, the report also demonstrates our commitment to the principles of integrated reporting as they align with long-term value creation and the role we play as a financial services organisation in society, in striving to live our purpose of transforming lives, giving dignity and expanding opportunities for wealth creation, with adherence to internationally accepted banking standards.

This report therefore outlines matters relating to our operating context, strategy, business model, performance, governance, and the material risks that we have identified in line with our responsible and transparent approach to control, compliance and governance. As such, the report serves as an explanation of the ways in which we create and deliver value in the short-, medium- and long-term, which we define as one year, two years, and five years and beyond, respectively.

Materiality

We consider a material matter to be any issue that has the capacity to affect the Group's ability to create value. Through both research and analysis, and our engagement with stakeholders, we strive to identify the environmental, social and governance (ESG) issues that present significant risks, and or provide opportunities, to our business, and our ability to create and deliver value for our stakeholders. Our process of determining the material matters that pertain to our activities is thus central in guiding our decision-making, as it provides the basis for a broader understanding of the risks and opportunities inherent in our business while underpinning our strategy.

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 and Material Matters

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 Capitals

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).

ABOUT THIS REPORT continued

Our approach to the preparation of our integrated report

We engage in integrated thinking in devising our strategy. We do this in order to enable the realisation of our purpose, inform the quality, relevance and appropriateness of our business decisions, and the creation and delivery of value to our stakeholders.

To this end, regular discussion and prescribed internal reporting among functions, departments, and clusters are taken into account, together with the requirements, oversight and approval of the Board. All responsible members of our management team frame and guide the process with drafts, concepts and structures that are systematically reviewed and supported by the ultimate assurance of independent assurance providers.

Our reporting frameworks

Our integrated reporting is guided by the principles and requirements of the International Integrated Reporting Framework, IFRS and the Code of Corporate Governance for Issuers of Securities in Kenya.

As a Kenyan-domiciled Group, we are a licensee of the Central Bank of Kenya (CBK), and are listed on the Nairobi Securities Exchange (NSE), the Uganda Securities Exchange (USE) and the Rwanda Stock Exchange (RSE). As such, in drawing up our integrated report, we are also guided by, and comply with:

- the Banking Act and all prudential guidelines and directions given by the CBK and other regional regulators;
- the Companies Act 2015, (the Act) its regulations and amendments;
- the Capital Markets Act and all subsidiary legislation;
- the NSE's rules and guidelines issued by the capital markets authorities and securities exchanges in the three markets where the Group is listed, together with any requirements, decisions, or directions given by these authorities and the exchanges in; and
- all other applicable laws and regulations governing the various lines of businesses in which we are engaged.

Forward-looking statements

This report contains certain forward-looking statements in respect of our strategy, performance and operations and most particularly with regard to the challenges and ramifications of the Covid-19 pandemic as well as other geopolitical or macro-economic conditions. These forward-looking statements involve risk and uncertainty as they relate to future events and circumstances which are difficult to predict. They are thus by definition beyond the Group's control, and could cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Assurance

The Board of Directors ensures the integrity of the integrated report through our integrated reporting process, with various approvals and sign-offs by both the management team and the Board, with oversight from the Audit Committee. These assurances are provided by management and the Board through rigorous internal reporting governed by our enterprise risk management framework (ERMF) and internal audit, with our annual financial statements assured by our external auditors PricewaterhouseCoopers LLP.

ABOUT THIS REPORT continued

Directors' statement of responsibility

Our directors have a statutory duty to promote the success of the Group for the benefit of its stakeholders. In promoting the success of the Group, directors must have due regard for 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 our operations on the community and the environment, and our desire to maintain our reputation for high standards of business conduct.

The Board is committed to ensuring that the Group complies with all laws, regulations and standards applicable to it. The Board ensures high standards and practices in corporate governance, and more specifically, that 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 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 Group's compliance efforts.

The Board has overall responsibility for good corporate governance across the Group and ensures that its governance policies and mechanisms are appropriate to its structure, business and risks. During the year under review the Board initiated an intensive update of the existing governance documents and the development of new and suitable ones that define the appropriate corporate governance principles that will provide fitting incentives for the Group to pursue objectives that are in its best interests, as well as those of its shareholders and other stakeholders, whilst protecting their interests.

The Board further believes that this report fairly represents the Group's material matters and that it offers a balanced view of our strategy, business model and their implementation. The report was approved by the Board on 21 March 2022.

Prof. Isaac Macharia

Chairman

Equity Group Holdings Plc

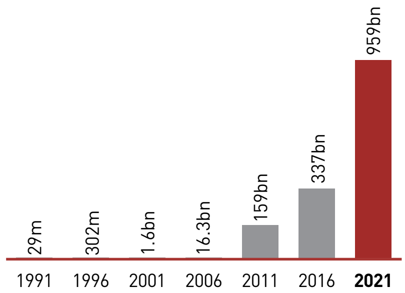
EQUITY GROUP HOLDINGS PLC AT A GLANCE

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

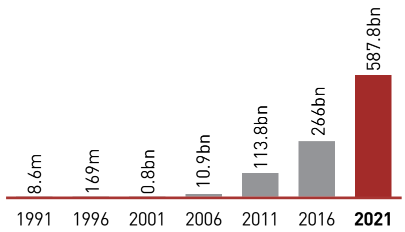
EQUITY GROUP HOLDINGS PLC AT A GLANCE

Benchmarking against our peers

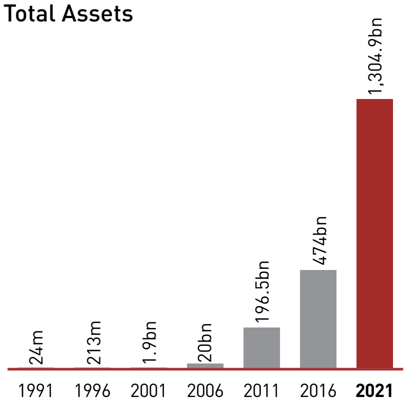
Funding (Shs)



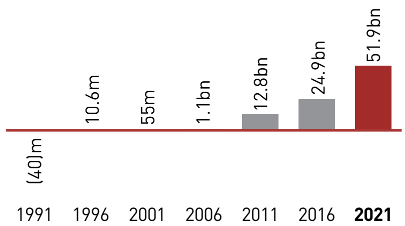
Loans (Shs)



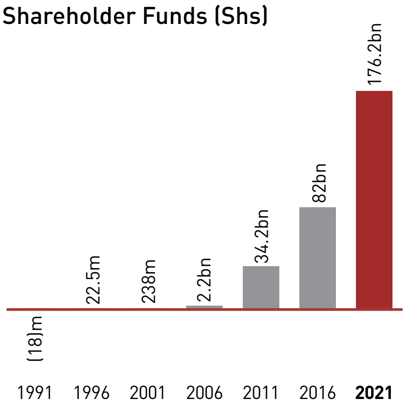
Total Assets



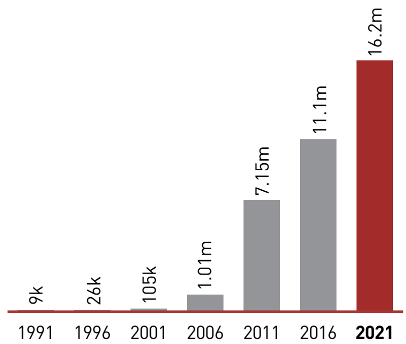
Profit Before Tax (Shs)



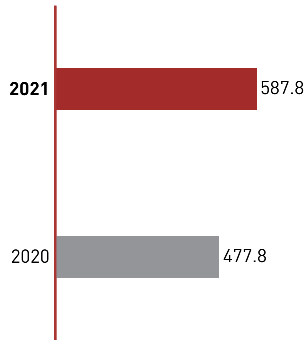
Shareholder Funds (Shs)



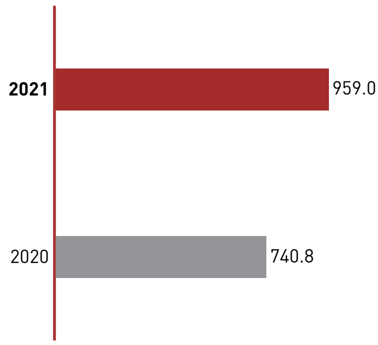
Customers



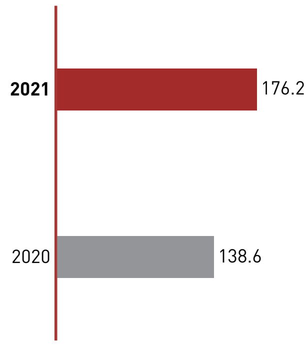
Loans (Shs Billions)



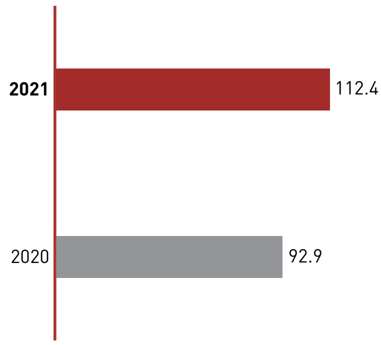
Deposits (Shs Billions)



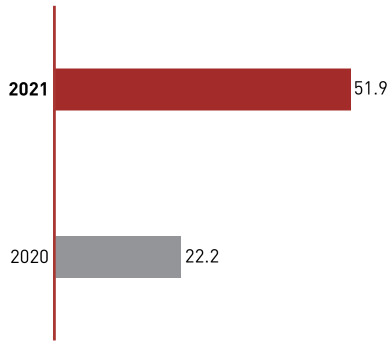
Shareholders Funds (Shs Billions)



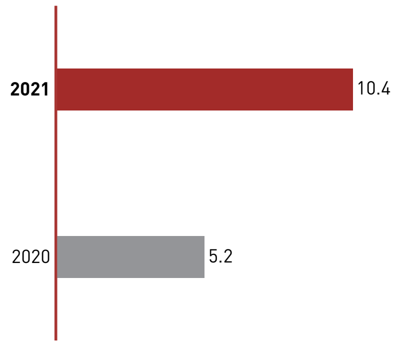
Total Revenue (Shs Billions)



Profit Before Tax (Shs Billions)

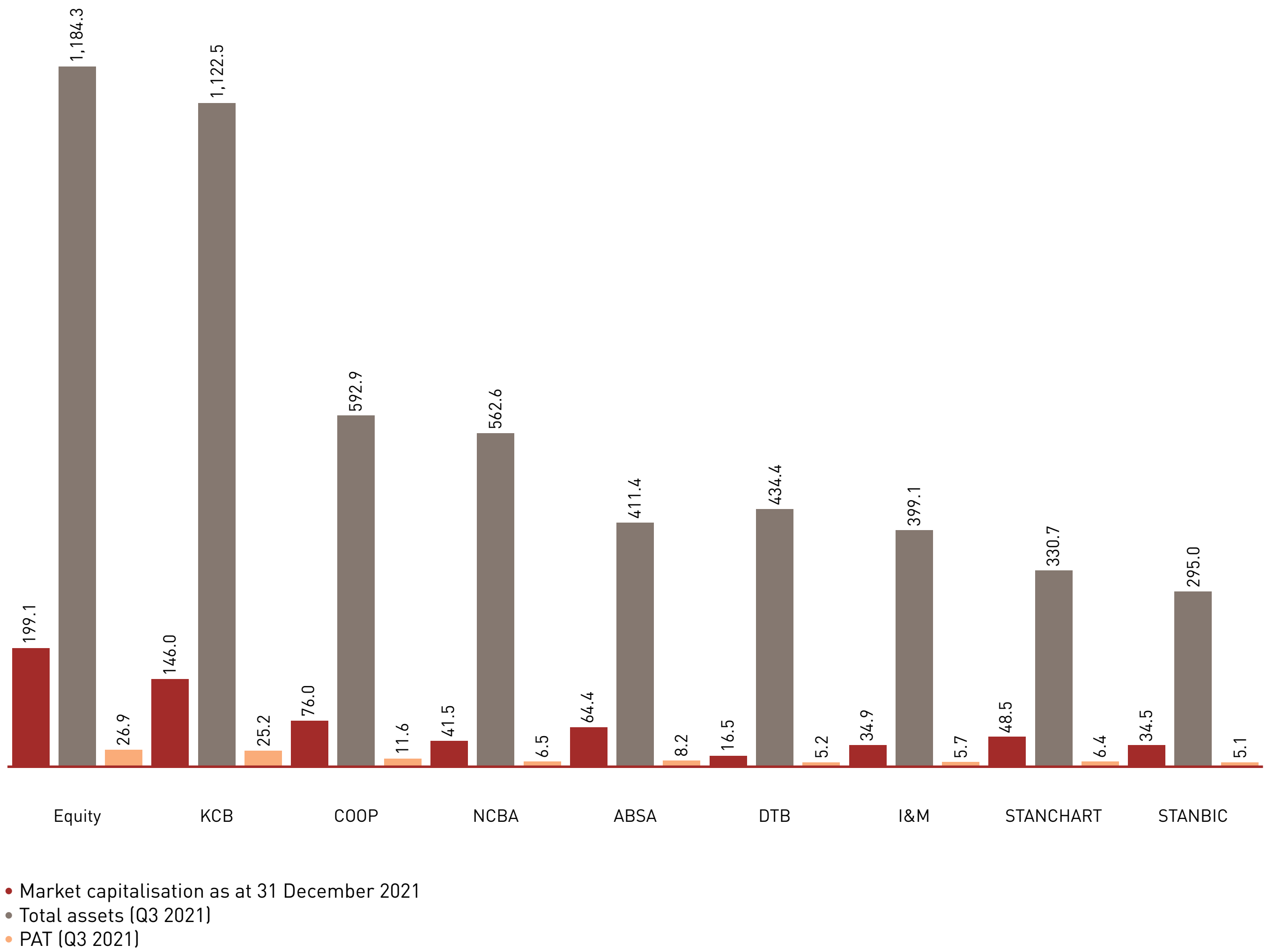


EPS



EQUITY GROUP HOLDINGS PLC AT A GLANCE continued

Market capitalisation as at 31 December 2021 (Shs bn)



WHO WE ARE

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

WHO WE ARE

Our purpose

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

Our vision

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

Our mission

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

Our positioning

We provide inclusive financial services that transform livelihoods, give dignity and expand opportunities.

Our tagline

Your Listening, Caring Partner.

Our motto

Growing Together in Trust.

Our core values

P – Professionalism

I – Integrity

C – Creativity & Innovation

T – Teamwork

U – Unity of Purpose

R – Respect and Dignity for the customer

E – Effective Corporate Governance

WHO WE ARE continued

Our capitals

FC	**Financial capital**	Our assets and reserve of funds
HC	**Human capital**	Our employees, together with their individual and collective competencies, abilities, experience and expertise
IC	**Intellectual capital**	Our proprietary procedures and intellectual property (IP), knowledge, policies, vision, mission, purpose and the value of our positioning, brand and reputation
SRC	**Social and relationship capital**	The partnerships and associations we build with third parties, providers and suppliers, our communities and stakeholders, and the mutual benefit that this brings
MC	**Manufactured capital**	Our buildings, properties, vehicles and physical infrastructure that underpin our operations
NC	**Natural capital**	Our social and community projects that help to sustain the environment in which we work and live

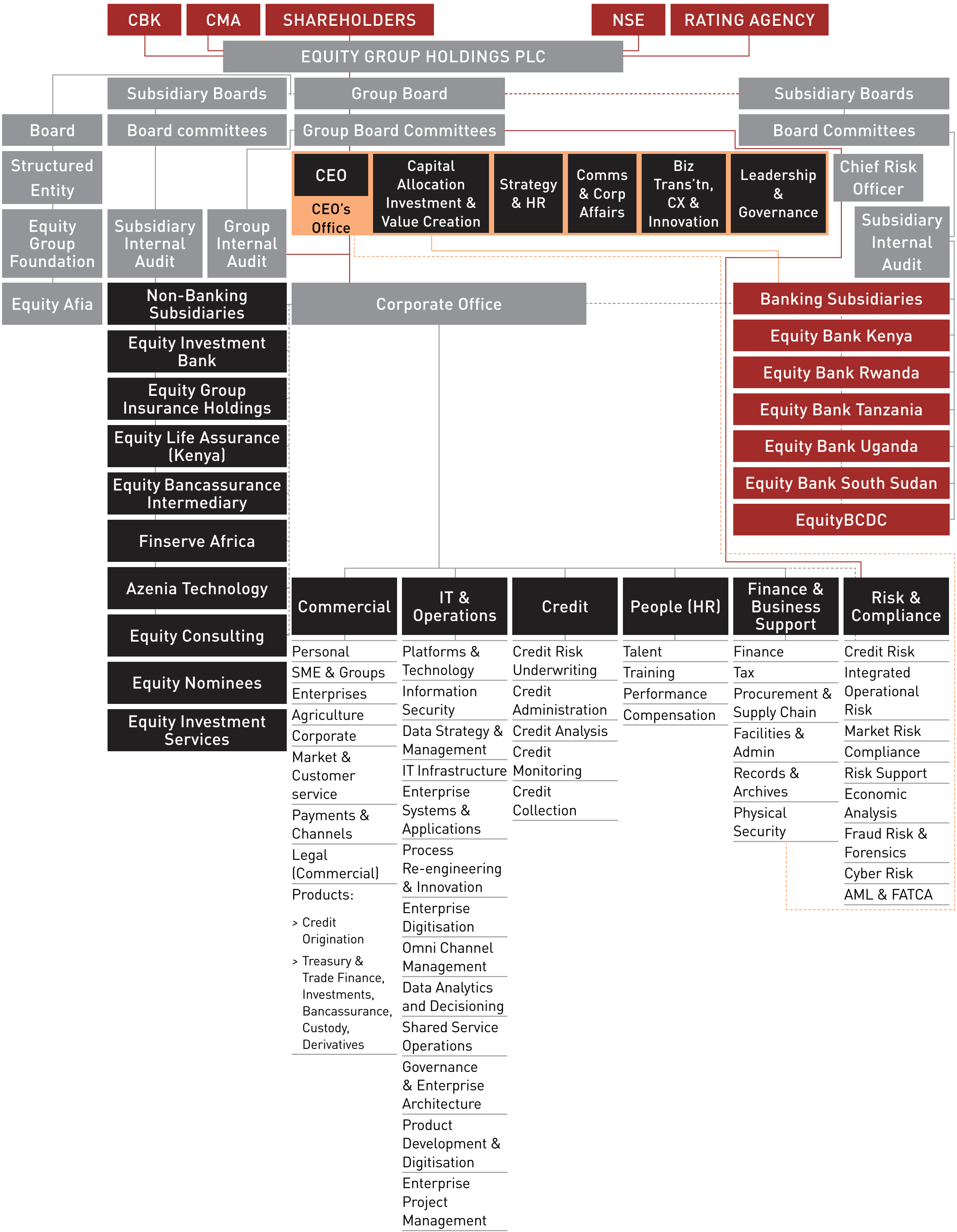
Our strategic focus areas

FA1	**Non-funded income growth**	FC
FA2	**Treasury efficiency**	FC
FA3	**Geographical expansion and business diversification**	FC MC NC
FA4	**Balance sheet efficiency, optimisation and agility**	FC IC
FA5	**Business transformation through innovation and digitisation**	IC HC
FA6	**Asset quality, distribution and risk mitigation**	FC IC HC
FA7	**Efficiency and cost optimisation**	FC IC HC
FA8	**Impact investment and social brand development**	FC SRC MC NC

For more on strategy, see page 33.

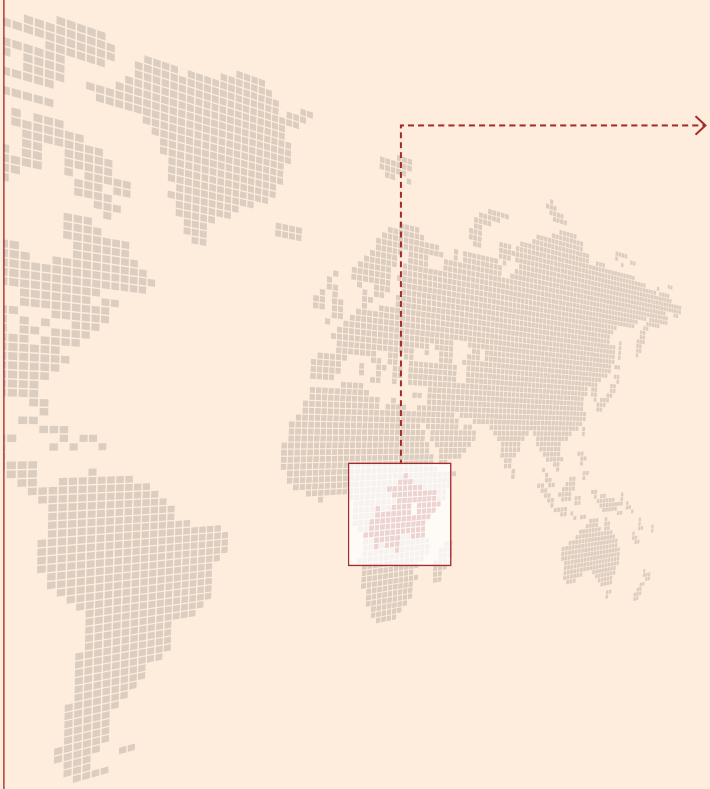
WHO WE ARE continued

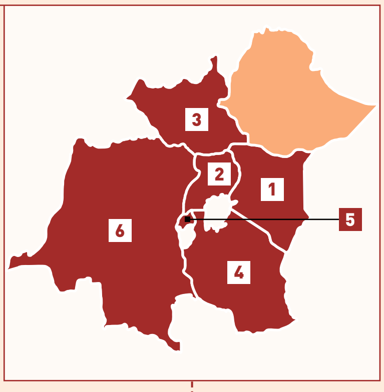
Our Group structure



WHO WE ARE continued

Our footprint





Branches	337	Capital city	132
1. Kenya	190	Nairobi	52
2. Uganda	43	Kampala	21
3. South Sudan	5	Juba	4
4. Tanzania	14	Dar es Salaam	7
5. Rwanda	15	Kigali	9
6. DRC	70	Kinshasa	39
Representative Office	1	Addis Ababa	1

337
Total number of branches (2020: 336)

61,061
Agent outlets (2020: 53,151)

36,133
Point of sale (POS) outlets (2020: 34,862)

695
ATMs (2020: 725)

9
Digital channels (2020: 9)

18
Products (2020: 18)

16
Services (2020: 16)

16.2 million
Customers (2020: 14.3 million)

7,688
Permanent employees (2020: 7,119)

Digital channels

- Equity Mobile App
- EazzyLoan
- EazzyFX
- *247# EQUITY USSD
- Equity Online (Consumer Online)
- EazzyChama
- Pay With Equity
- EazzyBiz (Business online)
- eCommerce EazzyAPI
- Equitel (STK)
- Acquiring (PoS)

WHO WE ARE continued

Our strategic pillar of geographic expansion and business diversification has resulted in:

> A presence in six countries and a commercial representative office in Ethiopia, which together comprise a population of around 387 million, with a combined Nominal GDP of around USD378 billion across East and Central Africa.

> Our ranking as the Number 1 bank in Kenya and the Number 2 bank in the DRC, our two largest markets, and in the Top 5 in Uganda and Rwanda by total assets.

> The merging of DRC banks Equity Bank Congo and BCDC as at 31 December 2020 to create EquityBCDC.

> EquityBCDC becoming the Group's second largest subsidiary.

Our integrated financial services

As ONE EQUITY, we base our approach on eight critical success factors ...

CSF1 – Organisation culture that values people, enhances performance and supports the business

CSF2 – Market-led, innovative and customer-focused

CSF3 – Quality, effective and efficient operations

CSF4 – Growing a high-quality asset portfolio

CSF5 – Robust, effective and efficient systems and processes

CSF6 – Maximisation of value for stakeholders

CSF7 – Execution of strategically planned expansion

CSF8 – Customer experience and brand protection

which together enable us to be:

> A distinctive agile, convenient and secure financial solution that seamlessly integrates and converges bank accounts and other financial products and services while providing value-added mobile telecom products and services, and which addresses the socio-economic progress of our clients.

> A provider of insurance products that deepen the financial inclusion and social security of our clients while providing cover for mitigation of banking products risks.

> The leading inclusive bank in East and Central Africa, with a strong foundation for pan-African growth.

> A provider of brokerage, custodial and advisory investment services for our corporate clients.

> A responsible and committed corporate citizen with a unique and comprehensive approach to impacting the lives of Africans in our communities using the Group's existing infrastructure, enormous human capital, and the high value of our brand.

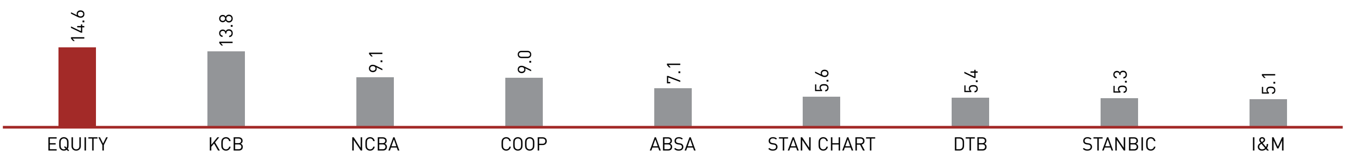
WHO WE ARE continued

Our market share

2021 Asset Market Share

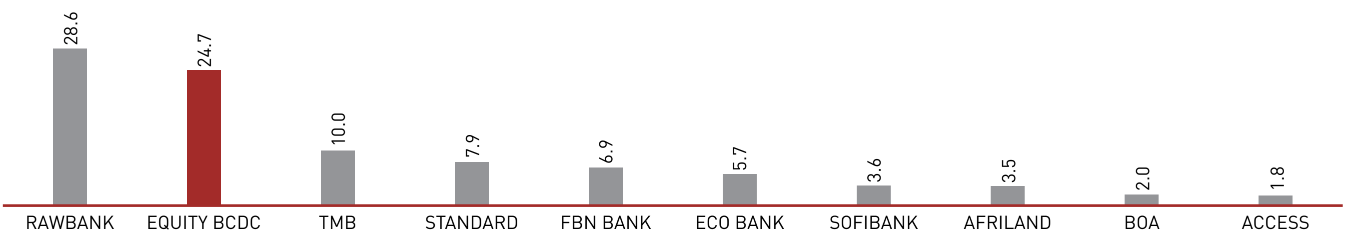
Kenya* (%)

** Kenya data is as of December 2021*



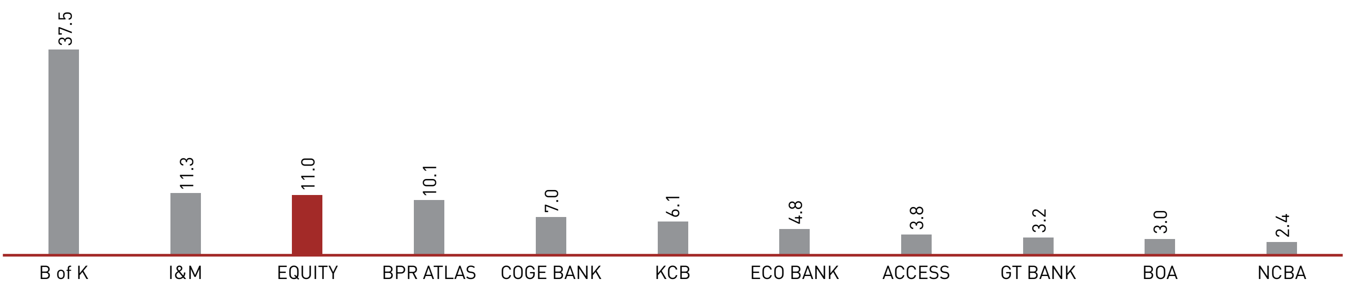
DRC(%)**

*** DRC data is as of October 2021*



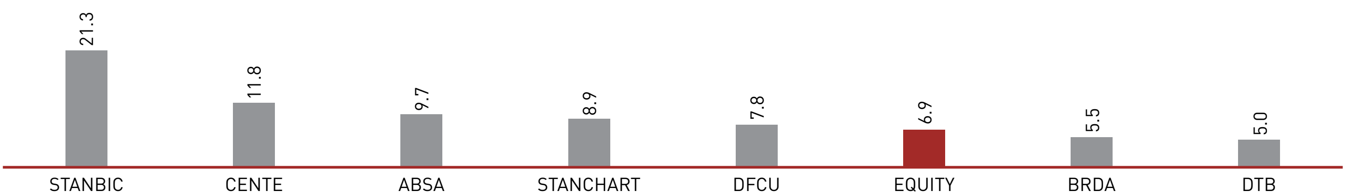
Rwanda* (%)

** Rwanda data is as of December 2021*



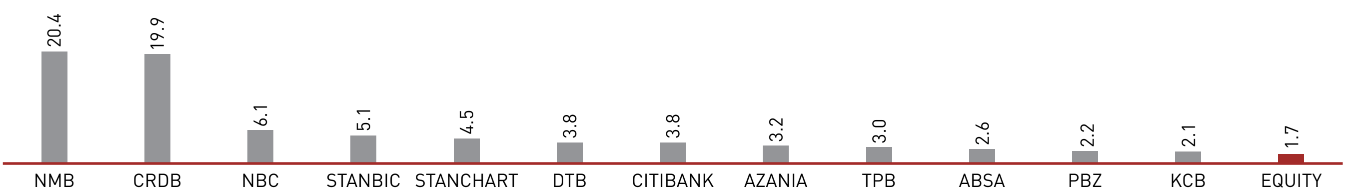
Uganda* (%)

** Uganda data is as of December 2021*



Tanzania* (%)**

****Tanzania data is as of December 2020*



WHO WE ARE continued

Our key alliances and memberships

As the largest bank in Kenya, we are proud to be members of key banking, financial, and economically and socially orientated bodies, associations, and organisations.

- Association of Microfinance Institutions (AMFI)
- Kenya Bankers Association (KBA)
- Women's World Banking (WWB)
- Global Network for Banking Innovation (GNBI)
- Small Business Banking Network (SBBN)
- Micro Finance Network (MFN)
- Global Agenda Council on Emerging Multinationals 2010
- World Economic Forum
- Clinton Global Initiative
- African Leadership Network (ALN)
- UN Global Compact
- UN Economic and Social Council
- G8 New Alliance for Food Security & Nutrition
- Agenda Council on New Models of Economic Thinking of the World Economic Forum (WEF)
- Thinking of the World Economic Forum
- Aspen Network of Development Entrepreneurs (ANDE)
- Invest in Africa (IIA)
- Kenya Healthcare Federation
- East Africa Humanitarian Private Partnership Platform
- Tent Partnership for Refugees
- Smart Communities Coalition
- Kenya Private Sector Alliance (KEPSA)

Our stakeholder groups

S01	**Shareholders and investors**	These constitute 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.
S02	**Our customers**	These constitute the largest source of our deposits, which enable us to fund lending activities, while sustainable banking practices and world-class governance and risk management ensure we maintain the trust.
S03	**Our employees**	These are the motivated and skilled people, who enable us to offer value and quality to our customers, and who, as part of society, contribute materially to the communities in which they live and work.
S04	**Society and communities**	It is society and the communities, which grant us the trust license to operate, and, mindful of their interests, we engage with our various communities so as to better understand the role we can play to address their needs.
S05	**Regulators and policymakers**	These constitute a wide spectrum of bodies and people who regulate our industry across the various territories in which we operate, with whose laws, rules and regulations we are committed to comply transparently and openly.

For more on our stakeholders, see page 43.

WHO WE ARE continued

Our operating environment

The global macro-economic environment

The rapid spread of the Covid-19 Delta variant and the emergence of the Omicron variant, together with the threat of newer variants, has increased uncertainty about how quickly the pandemic might be controlled and mitigated.

> *Globally, 2021 saw continued recovery despite a resurgence in Covid-19. The weaknesses revealed by the pandemic appear to be more persistent, with seemingly short-term discrepancies expected to have a lasting impact on performance in the medium-term.*

Policy choices became more problematic during the year, with multi-dimensional challenges such as supply-chain disruption and subdued employment growth, rising inflation, food insecurity, impediments to the accumulation and recruitment of human capital, and climate change presenting themselves – and leaving little room to devise an appropriate response.

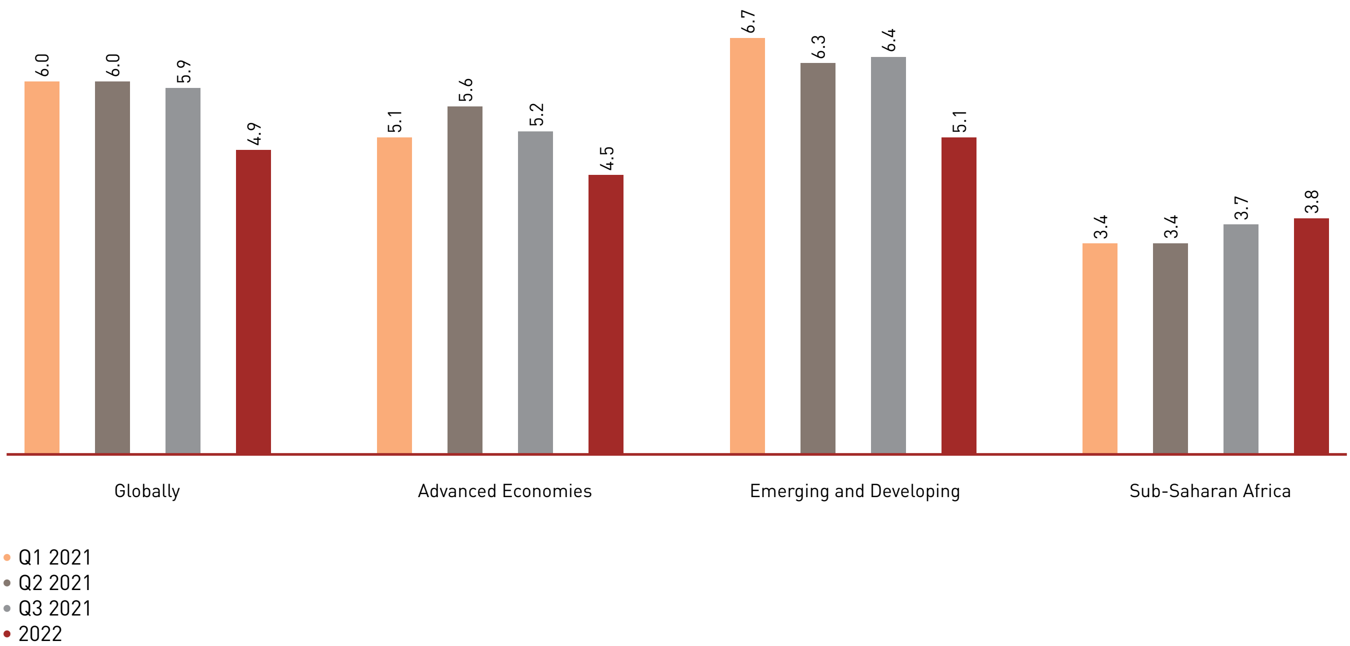
Globally, the year was characterised by rising inflation, reflecting the pandemic-related bottlenecks in the global supply chain, with commodity prices higher, compared to their low base in the prior year.

These developments had a continued impact on the regional environment, with implications for the key industries and economic drivers in the countries within which we operate.

Our regional environment

In the face of continued Covid-19 uncertainty the IMF has projected a continued global recovery in the short- to medium-term, although with weakened momentum.

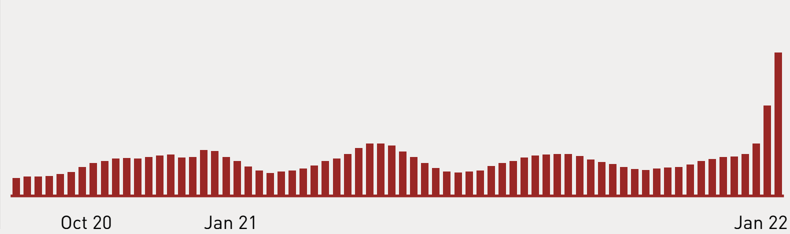
Forecasted GDP growth (%)



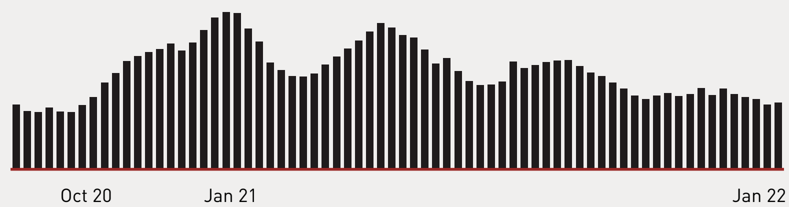
WHO WE ARE continued

In addition, the number of monthly Covid-19 cases fluctuated in tandem with the emergence of new Covid-19 variants. This was eventually mitigated to some extent by increased access to vaccinations.

Cases in millions



Deaths in thousands



> Weekly confirmed new cases and deaths
> New weekly Covid-19 cases fluctuating in tandem with new Covid-19 wave emergence
> The current variant, Omicron, is proving to be contagious but less severe

World

9.3 Bn doses given

3.9 Bn fully vaccinated (50% of the population)

Region*

39.8 Mn doses given

13.7 Mn fully vaccinated (50% of the population)

Africa

341 Mn doses given

137 Mn fully vaccinated (10% of the population)

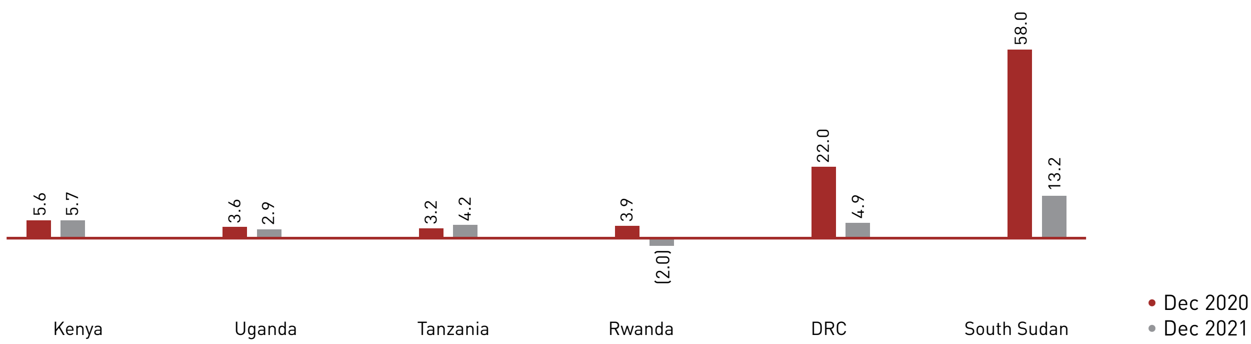
Kenya

11 Mn doses given

4.6 Mn fully vaccinated (9% of the population)

** Region – countries where we have operations*
Source: Johns Hopkins, Africa CDC & WHO

Inflation rates (%)



CHAIRMAN'S STATEMENT

During the year under review, we remained committed to good, transparent and compliant corporate governance.

Prof. Isaac Macharia

Chairman

Equity Group Holdings Plc

CHAIRMAN'S STATEMENT continued

During the year under review, we remained determinedly committed to good, transparent, and compliant corporate governance. We remained true to our purpose and kept our commitment to support our members by focusing on transforming lives and livelihoods, giving dignity, and expanding opportunities for wealth creation while keeping the lights of the economies on.

> *The Group has performed exceptionally well during the financial year of 2021, and we have seen growth in all spheres of our activities. As a result of what has been an outstanding achievement, earnings per share has also risen, in tandem with our extensive growth in capacity.*

The strict attention we pay to this commitment has enabled us to achieve the excellent results we have delivered, and in addition, create and deliver the value that we have done. We continued to monitor our integrity with great seriousness at every level, with our Executive Director tasked with ensuring and reviewing our governance structures and with our purpose and vision constantly in mind. In this the Board and management are impeccably aligned.

The Group launched a Marshal Plan, which we have called the Africa Recovery and Resilience Plan with a seed fund of Shs 690 billion (USD 6 billion). The plan is aimed at accelerating recovery and transformation of the region, through value addition and ecosystem development in agriculture and renewable energy, as well as in manufacturing and logistics, trade and investment, MSMEs, and social and environmental transformation.

For more on the plan, see page 35.

Digitisation

With our ongoing digitisation transformation, our customers have experienced unprecedented ease of access to our products and services, and they have rewarded us with their trust and loyalty. In what has been a difficult year, and with the continued presence of Covid-19 in our midst with all its constraints and challenges, we have kept our response to their needs at the forefront of our strategic approach.

Business environment

From a political perspective, our region remained very stable, although the pandemic continued to govern

Vice-Prime Minister for DRC H.E Eve Bazaiba (2nd right), Cabinet Secretary Kenya Ministry of Industrialization, Industry and Enterprise Development Hon. Betty (2nd left), Equity Group Board Chair Prof. Isaac Macharia (right) and Equity Group Managing Director & CEO Dr. James Mwangi (left) take a group photo with 131 top-performing young scholars who topped the final six secondary school examinations and who are joining EquityBCDC for a two- to six-month paid internship programme under the Equity Leaders Programme. Also in the picture is EquityBCDC Board Chairman Nestor Ankiba (2nd row right), Kenyan Ambassador to DRC Amb. George Masafu (2nd row, 2nd right), EquityBCDC Managing Director Celestin Muntuabu (3rd row centre) and other dignitaries.

business decisions, the macro-economic environment, and the slow down in economic activity that has persisted as a feature of the business landscape. Job losses, particularly in Kenya, impacted the performance of most sectors at the start of the year, but as the year progressed, businesses began rebounding, especially in the second half of the year.

For more on our operating context, see page 14.

Environment

We continued during the year to pay close attention to environmental and social issues. We have centralised these aspects of our intent and operations, and have appointed a Group Director for Environment, Social and Governance (ESG). We will release our first stand-alone Sustainability Report during 2022. Our business decisions take into account any possible environmental impact across supply and value-chains. We have initiated projects in clean energy, tree-planting, and water conservation at both the household and the institutional levels. In this regard, as with all of the components of our social strategic engine, we have successfully proven that we can do well by doing good.

For more on environment, energy and climate change, see page 98.

CHAIRMAN'S STATEMENT continued

Strategic imperatives

Our approach to assisting customers came under close strategic scrutiny during the year under review. During the height of the pandemic, the CBK requested financial service providers to discuss loan repayment terms with their customers. While the CBK requested a period of six months to a year, we took a decision that we would work with our customers over a three-year period. This was of great importance for our reputation, as well as for the sustainability and security of our customers, who understood the sincerity of our intent to assist them in every way possible.

Certain strategic decisions taken by the Board during the year under review were taken in response to a fluid situation in which we had to ensure the preservation of capital, without knowing how long the prevailing pandemic conditions would continue. We were thus more cautious in the area of lending, given that we were working in an environment of interest rate cuts and inflation.

This notwithstanding, we were able to enhance and implement loan disbursements and growth significantly over the two years in which the pandemic has been exerting its impact.

Another important strategic imperative was to hasten investment in increased use of technology. We have a strategic plan to govern this investment, and our decision, in view of the manifest importance of digitisation, was to accelerate it. This affected the defining and implementation of our IT strategy.

For more on strategy see page 33.

Stakeholders

Our belief in shared prosperity, and our relationships with our stakeholders have continued to be at the centre of our Group strategy, and our partners have been key to our ability to deliver on our social impact agenda.

Our stakeholders recognise that we have always met our obligations and targets in an accountable and transparent manner and that our utilisation of the resources they have put at our disposal over the years has been responsible and subject to robust monitoring and evaluation. This strong understanding continued to enhance the strength and effectiveness of the initiatives we undertook during the year.

We have been able to maintain extremely positive relationships with the regulators in whose jurisdictions we operate. These constructive relations are based on our commitment to comply with regulations, and report in a timely manner. Moreover, we have maintained our regular and transparent consultations with them concerning the market.

Our customers understand that we have always been there for them, and that we make every effort to find and provide solutions for their needs and to help them progress, particularly in the very dynamic and changing times that we have been through. Our efforts in striving to resolve their pain points have been recognised, and we believe that we have grown together with our customers and the communities in which we operate.

Indeed, our relationship with our communities is predicated on our social strategic engine, and is evidenced by the effectiveness of the interventions we undertake under the six pillars of the Equity Group Foundation (EGF). These six pillars – Education and Leadership Development, Food and Agriculture, Financial Inclusion and Enterprise Development, Energy and the Environment, Health and Social Protection – have brought us very close to the communities we benefit, and our projects within them have both enhanced and facilitated our engagement. We act diligently to keep the communities informed of our initiatives and offerings, utilising roadshows, trade missions, webinars and other channels of communication to respond to their concerns.

We have paid particular attention to our relationship with our shareholders, and I am pleased to note that this relationship remained strong and positive during the year.

Board matters

The major Board matters that we considered during the year were to do with IT, cybersecurity, and risk management. There were two perspectives regarding IT – the question of whether our systems were ready for the increased digitisation that was taking place, and that we were able to serve our customers satisfactorily, with downtime minimised. We monitored this area very closely and received frequent reports to remain informed and decisive in ensuring that management had the resources to support the acquisition of both manufactured and human capital, where required.

Our deliberations were driven by our desire to protect both the Group and its customers through appropriate cybersecurity measures, and to this end we worked very closely with the management and IT teams.

For more on IT, see page 47.

CHAIRMAN'S STATEMENT continued

President H.E. Uhuru Kenyatta (2nd left) unveils a commemoration plaque at EquityBCDC's Equity Centre in DRC on 21 April 2021. In the photo is (L-R) Equity Group Managing Director and CEO, Dr. James Mwangi, Governor of Central Bank of Congo, Déogratias Mutombo, EquityBCDC Managing Director, Célestin Mukeba, Equity Group Non-Executive Chairman, Prof. Isaac Macharia and Equity BCDC Non-Executive Chairman, Nestor Ankiba.

The management of risk was a third area of close scrutiny for the Board during the year. This included our concerns, in light of the pandemic, regarding credit, operational, fraud and reputational risk. In this matter we also examined the question of education and training at Group level with the aim of better supporting our subsidiaries.

For more on risk, see page 38.

Dividends

As part of our cautious response to the unclear dynamics of the pandemic, the Board had previously taken a strategic decision not to distribute dividends for the past two years. Underlying this decision, was our view that our capital as well as our customers were in need of protection. This determination enabled us to meet the challenges we faced. During the year under review, however, we passed a resolution at the AGM that, dependent on our making a profit, we would pay dividends of between 30% and 50%, in consideration of the loyalty of both our customers and shareholders in standing by us during difficult times. As a result, based on our outstanding performance in FY 2021, we will indeed be paying dividends.

The performance of the Board

I am very gratified to report that the evaluation of the Board's performance during the year has confirmed that our Board remains extremely capable, dynamic and engaged. Our membership is diverse, with a spread of relevant skills, and widespread fields of experience, ranging from academia to corporate, technological, diplomatic, investment and legal service. We therefore continued to adequately and relevantly address the issues facing us from a variety of perspectives.

The internal dynamics remained strong, positive and respectful, without preventing or suppressing any alternative opinion. That strength has made our contribution to the overall strategy and oversight of the Group focused and effective.

Over the past two years we have put in place mechanisms that allow us to use Board evaluations to improve performance from both an individual and collective standpoint. With tracking delegated to the Executive Director, one issue that arose from the prior year's evaluation was enhanced Board training, and this was acted upon throughout the Group during FY 2021.

Our Board committees

During the year under review, our four Board committees remained central to Board activities, and continued to engage effectively with management. An advisory committee, domiciled in the Kenya bank, and comprising advisors as well as members drawn from various Boards – the IT and Innovations Committee – has increased in importance since its creation about two years ago. Like the four others, it has been extremely effective in dealing with concerns falling under its remit, providing relevant and careful oversight in delegating execution to management.

The main areas of focus during the year under review were in IT and in the implementation of our regional strategy, the "Africa Recovery and Resilience Plan", which was developed as part of our response to Covid-19, and which takes into account our purpose of transforming lives and livelihoods on the continent.

For more on strategy and governance see page 33 and page 110, respectively.

Looking ahead

We believe that the outlook in the short-, medium- and long-term is positive. Where the pandemic undoubtedly remained a threat, we nevertheless understood during the course of the year that it also represented an opportunity. With this in mind, we accelerated our technology refresh, an exercise that will take us forward as a well-equipped organisation, confidently capable of meeting our bold strategic goals, with the thoroughness and transparency with which we monitor and mitigate the risks to which we are exposed.

CHAIRMAN'S STATEMENT continued

We believe that in the short-, medium- and long-term, we will be able to leverage the strong identification and trust among our customers with our branch network, to grow both the presence and the impact and effectiveness of our social strategic engine.

In addition, the attention that we have been paying to digital channels, as well as to the products, services, and infrastructure that we are putting in place, bode well for our ability to continue putting our customers first, and to benefit from our shared value model.

It is our view that our target of 100 million customers within five years, our scalable business model and systems, as well as our socio-economic development vision can be seen as synergies, and that we are well-prepared to undertake the next phase of our journey with all the requisite technical support. The significant growth in our balance sheet will also enable us to grow even further, and to meet the requirements of our customers.

Equity's mobile virtual network operator (MVNO), Equitel, launched its fourth generation (4G) services. The new 4G high-speed broadband network offers faster speeds to browse, stream, download and upload for customers in line with current market demands.

Acknowledgements

I would like to thank Mr. Christopher Newson, who retired from the Board, for his dedicated and valuable service, and to welcome Mr. Jonas Mushosho, who joined the Board.

Mr Mushosho brings to the Board a wealth of experience from leadership in continental financial services sector.

It is because of our customers that we exist. They have continued to show their trust in us by allowing us to steward their financial resources, and I would like to thank them for their loyalty to the Group, and what we stand for.

I would like to thank our management and staff for their commitment to both their work, and to the purpose of the Group. It is their efforts in connecting with our customers and providing them with exemplary service and opportunities that has enabled us to grow as we have.

My appreciation also goes to the members of the Group and subsidiary Boards for their individual and collective strategic insight, leadership and guidance which have cumulatively added immense value to the Group.

I would in addition like to express my gratitude to our partners, without whose input and belief we would not have been able to scale our social impact among communities that are key stakeholders to our purpose. We greatly value their trust in our ability to execute the programmes we initiate with their support.

I am grateful too, to the regulators with whom we work and consult. Their input and insights have been of great value in guiding our compliance and governance.

Our communities continued to provide us with positive and relevant feedback, and I would like to express my sincere appreciation for their trust and cooperation in the executions of our mutually beneficial efforts.

Prof. Isaac Macharia

Chairman

Equity Group Holdings Plc

CHIEF EXECUTIVE OFFICER'S STATEMENT

Our performance during the year under review is the best we have ever delivered in the almost 40 years of our organisation's existence.

Dr. James Mwangi, CBS

Group Managing Director and CEO

Equity Group Holdings Plc

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

The underlying reality of our operating environment during the year under review was as a result of the impact of Covid-19 and our society's resilience in reclaiming normality despite the disruption. As a result, 100 million people have descended below the poverty line in Africa, and globally whole economies were depressed, creating both a humanitarian and economic challenge.

> *The twin-engine of the Group, social and economic, catalyse each other and together make a difference in the real economy and in people's lives, while creating and delivering value to our stakeholders. The business model and strategy embeds the twin- engine approach that anchors our vision of championing the socio-economic transformation of the people of Africa.*

With disruptions to supply chains, whole industries were severely impacted, threatening to induce an economic crisis. The Kenya banking industry, saw non-performing loans (NPLs) rising to 14.1% in 2020, but remained elevated at 13.1% in 2021.

Stimulus packages were adopted by governments of the countries in which we operate. However, because of fiscal restraints, there was very little headroom in this regard. It was in this uncertain landscape that we triggered a business management plan anchored on an offensive and a defensive strategy increasing our lending by 30% to help sustain the wider economy.

The six countries we operate in remained resilient and recovered from negative GDP growth rates during the pandemic in 2020 to positive GDP growth rates in 2021. This resilience is reflected in our business performance where profit before tax (PAT) grew by 99%, and balance sheet by 29%, with revenue increasing by 21%.

We attribute these unprecedented successes to our significant social capital. Our community interventions were quickly recognised by all those we are able to assist, and this increased the trust capital that emanated from our demonstrated commitment to our social contract with the community. We remained committed and were at the frontline in making our contribution at the most uncertain time in our society . Our brand visibility soared to an all-time high during the year, with 1.9 million additional accounts – a notable growth in our balance sheet, and a significant increase in our profitability.

For more on our operating context, see page 14.

Our performance

Our performance during the year under review is the best we have ever delivered in almost 40 years of Equity's existence. While continuing to make every effort to mitigate the economic and health ravages of Covid-19, we chose to view it as an opportunity to champion the issue of recovery and resilience, and to support the majority in our community whose livelihoods which had been ravaged by the social, humanitarian, and economic impact of the pandemic.

We were aided in doing this by the increasing vaccine roll-out, which in turn was associated with an easing of most restrictions and a consequent increase in economic activity, notwithstanding the fact that several of the support measures introduced by national governments and central banks came to an end during the year.

Equity Group MD & CEO Dr. James Mwangi (right) officially hands over PPEs to CHAK General Secretary Dr. Samuel Mwenda (left). Equity Group Foundation and the Kenya Covid-19 Fund Board distributed PPEs to 60 faith-based hospitals affiliated to CHAK and KCCB.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

During the year, we raised USD361 million in long-term funding to enhance capital and liquidity in support of the Group's "Africa Recovery and Resilience Plan" and regional growth strategy. This injection allowed us to ease the finances of our customers, and provide them with time to repurpose, reorganise and retool in readiness for a post-Covid-19 environment where they would recover and thrive.

At the same time, we expanded our loan book by 23% during the year, with deposits significantly converted into loans through successful intermediation. This quality in our loan book has allowed us to avoid any increase in our provisions, which remained adequate. As a result, PBT more than doubled from Shs 22.2 billion in FY 2020, to Shs 51.9 billion – the highest in our history.

During the year under review, the Group's assets grew from around USD10 billion (Shs 1 trillion) to around USD13 billion (Shs 1.3 trillion), and grew our customer base to 16.2 million customers (FY 2020: 14.3 million). The addition of 1.9 million customers in a pandemic period was a significant achievement in a difficult operating environment.

While the total assets for the Kenya banking industry expanded by 11%, we recorded growth of 29% overall, which speaks to our strategic agility and brand strength.

For more on finance, see page 62.

The effectiveness of our strategy

Since the advent of the pandemic, and against its uncertain backdrop, we focused, through a defensive and offensive strategy on supporting our customers. We remained purpose driven, anchored on our commitments to transforming lives and in the process we increased and accelerated loan disbursements and growth by over 29% and 23% respectively for the two years since the advent of Covid-19.

As the pandemic mutated into a social, humanitarian, and economic crisis, we rolled out social investments of Shs 5.8 billion to complement governments' health and social responses and as support for our customers in the region. Their positive and committed attitude and resilience enabled us to seize the opportunities for growth that presented themselves, and to deliver outstanding results.

Overall, our defensive and offensive strategy has led to the achievement of our twin objectives – securing market gains and customer consolidation. We now have in place a systematic regional diversified business in six countries with the Kenya subsidiary contributing only 59% and 63% of our assets and revenues, respectively. Strict adherence to IFRS 9 led to full recognition of lifetime risk in our asset portfolio, with provisions for portfolio at risk standing at 98% and at 128% with credit risk guarantees.

Our acquisition of Banque Commerciale du Congo (BCDC) in the DRC, doubled the size of the newly-merged entity that we established and integrated as EquityBCDC. The new entity produced a balance sheet of USD4 billion, and has become a significant contributor to our diversification and strategic growth imperatives.

For more on strategy, see page 33.

Managing our risk and challenges

As part of our offensive strategy, and cognisant of the turbulence caused by the pandemic, we chose to balance our earning asset mix through government securities investments and a prudent increase in our risk appetite through our loan book growth. To help mitigate the enhanced risk, we also adopted a defensive approach by increasing Tier 2 capital by Shs 17 billion and by retaining Shs 28.1 billion of after-tax profits and dividend in core capital to support future growth.

The rescheduling of loans was a part of our acceptance of significant credit risk, but we matched that with strong relationship management geared to customer support, to help our borrowers expand their opportunities and mitigate our exposure risk.

We expanded our risk management team by appointing 18 new people, thereby helping to manage our increased risk by enhancing our human capital. Ongoing digitisation has been an important strategic component in managing our operational risk, although it has also exposed us to increasing cybercrime. We mitigated this by enhancing our human capital as well as through training and education.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

On the global macro-economic front, we are cognisant that the Russia-Ukraine war will accelerate the existing headwinds, although its medium- and long-term implications are as yet far from clear. We are cognisant of the extent to which African countries are exposed to this uncertainty through rising food, fuel and fertiliser prices, and resulting financial volatility.

Similarly, global supply-chain disruptions caused by the Covid-19 infections in China could yet cause ongoing fallout in prices for consumers. Likewise, the possibility of renewed outbreaks caused by new variants, or a future lack of vaccine efficacy, remains real. Nonetheless, the Group remains diligent in its continuous monitoring of existing and emerging risks, to ensure that we act in a timely way with the requisite responses.

For more on risk, see page 38.

Processes, systems and people

During the year, our leadership team grew by 66%, signifying the brand's attractiveness as an employer of choice enabling us to attract highly competitive talent. We increased our Chief Information Officer (CIO) complement from one to 13. We also reviewed, redefined, and digitised our processes, in addition to reconfiguring our IT capabilities at both the infrastructure and software level to better prepare the Group for the future.

For more on digitisation and IT, see pages 52 and 47, respectively.

Relationship management

Our commitment to relationship management saw a massive increase in our measure of customer engagement during the year, with visits to all our medium enterprise customers. Our trade mission to the DRC, in which we took 300 Kenyan investors and business people, along with our South Africa trade mission in November were major and innovative events in our business calendar which yielded a productive deal pipeline and trade opportunities in the DRC of USD1.6 billion.

For more on stakeholder management, see page 43.

President H.E. Uhuru Kenyatta (right) with Equity Group Managing Director and CEO, Dr. James Mwangi (centre) and Democratic Republic of Congo Central Bank Governor, Déogratias Mutombo (left) tour the Equity Centre building in Kinshasa, the head office of Equity BCDC, during the unveiling of the new brand EquityBCDC.

During the year under review, our social impact programmes in the fields of education, health, agriculture, and entrepreneurship, continued to align with the real economy, where these areas remain a central concern. Our social interventions, and our ongoing work with the United Nations and other agencies, were extremely effective in alleviating often harsh economic and social conditions, which helped to provide safety nets with refugees, displaced and other disadvantaged people, provided partnerships with and within host communities.

Machakos County Deputy Governor Eng. Francis Maliti (left) and Equity Associate Director for Energy, Environment and Climate Change Eric Naivasha (right) hold copies of a signed MoU between Equity Group, Novartis Kenya Limited, Davis & Shirtliff, the Rotary Club of Kenya and Machakos County Government. This strategic partnership seeks to implement a multi-dimensional program encompassing Water, Environment and Community Health Projects to improve the livelihoods of community members in three regions in Machakos County – Kyaani, Nguu Nyumu and Mitaboni. Through this partnership, Equity committed to plant 15,000 trees in the county in line with Equity's plan to plant 35 million trees and in support of the government's agenda to increase Kenya's forest cover to 10% by 2022.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

Education

During the year, we supported in partnership with Mastercard Foundation 13,800 mostly orphaned children in high school, with added monthly stipends of USD40 each to meet their basic needs. While the pandemic kept most scholars out of school for long periods, we provided them with solar panels to assure electricity access to support their continued study, as well as with radios to access national educational broadcasts, and phone chargers to facilitate communication with their teachers. This resulted in only eight scholars not returning to school after the re-opening, we believe that our efforts have made a significant difference in cushioning the scholars, with 86% of our scholars attaining university qualifying grades.

For more on education, see page 93.

Our contribution to health

Over the past two years we invested USD17 million (Shs 1.7 billion) to saving of lives during Covid-19. We adopted seven national hospitals, 47 county referral hospitals, and 66 faith-based hospitals and provided them with personal protective equipment (PPEs) and supported their psycho-social and mental wellness programmes. We disbursed USD1 million in Rwanda to buy 23,000 Covid-19 testing kits, and provided a further USD1 million to the DRC, where we adopted all designated Covid-19 hospitals, helping to sustain their PPE supply for one and a half years. In addition, we supported Covid-19 surveillance and logistical response efforts in Uganda with the provision of two vehicles.

We also trained 106 manufacturers to produce PPEs, increasing Kenya's self-reliance, boosting productivity and jobs. A gratifying outcome was the emergence of Kenya as a major exporter of PPEs.

Our 51 Equity Afia health clinics continued to provide quality services to our 30,000 employees and their dependents under the Equity health insurance cover. Only 780 Covid-19 infections were recorded during the year, a factor of less than 1%, as against the national figure which at times reached 32%. In the broader society, 701,000 patients were attended to around the country through Equity Afia medical centres.

For more on health, see page 95.

Financial inclusion and expanding opportunity

Over the period, we successfully converted our micro and small enterprise (MSE) entrepreneurship training from physical instruction to an online virtual training. This enabled us to upskill 400,000 MSEs, and subsequently provided them with loans totalling Shs 139 billion. This enabled them to grow and create an average of five jobs each, with around 1.2 million new jobs created overall.

For more on financial inclusion, see page 97.

Moreover, in the agriculture sector we have aided subsistence farmers to transform their smallholding farms into small agribusinesses, with a total of 2.3 million having been empowered to migrate from peasantry.

For more on agriculture, see page 94.

Clean energy efforts and environmental action

Our efforts continued to transform wasteful and destructive wood-fuel usage in households and school kitchens to cleaner and more sustainable solar and LPG sources during the period under review. This was complemented with efforts in conserving and regenerating the environment through tree planting and at December 2021, we had planted a total of seven million trees.

For more on the six pillars of our social impact initiatives, see page 92.

We have thus productively continued to measure our performance by our purpose – to change lives, give dignity and expand opportunities for wealth creation.

Accolades and recognition

During the year our work was recognized and validated through awards and accolades. Most notably, Equity was ranked as the Fifth Strongest Banking Brand in the world, with an AAA+ rating. We received the Oslo Business for Peace Award and were ranked 39th globally on ROA in the world's Top 1,000 Banks.

It is gratifying to see that overall our impressive performance also reflected at the Nairobi Securities Exchange, (NSE), where we performed at a premium of 67% above the index.

We received an excellent rating from the Central Bank of Kenya (CBK), and from our auditors.

CHIEF EXECUTIVE OFFICER'S STATEMENT continued

North Kivu Governor, Lieutenant General Constant Kongba Ndima (left) and EquityBCDC Managing Director, Celestin Muntuabu (right) look through product fliers at the EquityBCDC stand in Goma. Delegates attending the Trade Mission had an opportunity to sample and buy products and services from both Kenya and DRC SMEs.

Looking ahead

Looking to the future, for growth and impact in the short-, medium- and long-term we now have in place our "Africa Recovery and Resilience Plan" which is designed as a post-Covid-19 "Marshall Plan" for the continent. It contains ambitious goals, which, on the strength of our performance in the year under review, we are confident we can achieve over the next five years.

The plan embraces all industries and sectors, as well as partnerships with major global players, agencies and funders, regional governments, and institutions. Its vision of developing self-reliance in sustainable resource extraction, manufacturing, and agriculture, as well as in all the value and supply chains associated with these areas of endeavour, will stimulate and support entrepreneurship, linkages between the informal and formal sectors, economic and financial activity, international business and investment, and cross-border trade.

Ultimately, socio-economic transformation is the theme of the plan. It is in essence a development plan based on private-public partnership, which will help transform the region and the continent as a whole.

Acknowledgements

We have shown during the year that purpose can be profitable. Indeed, it has been our purpose that has sustained us in what has been a very challenging social and economic landscape, and which has served us in accelerating our impact. We are a value-based organisation and adhering to our values has helped us realise our purpose-driven goals. I would like to thank all who were part of, or supported us through, that process – our shareholders, who were ready to forego dividends, as well as our other stakeholders, who have so loyally embraced our vision.

I express my sincere appreciation to the Board, whose wise, informed and committed oversight and guidance has helped steer our course diligently and productively. I thank our executive team whose steadfast and capable leadership has taken us to unprecedented levels of achievements.

The immense trust that our customers have shown in us has enabled us to grow together with them, and I would like to thank them for their loyalty and believe in our brand.

I would like also to recognise the regulators and policy-makers with whom we have maintained a mutually respectful and cordial relationship, and in doing so, to reaffirm our ongoing commitment to continuous compliance and responsiveness.

Finally, I express my deep gratitude to our staff, without whose dedication, enthusiasm and courage, we could never have achieved what we did, or helped transform as many lives and livelihoods as we did, by doing good, while doing well, through our shared prosperity business model.

Dr. James Mwangi, CBS

Group Managing Director and CEO

Equity Group Holdings Plc

OUR LEADERSHIP TEAM

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

OUR LEADERSHIP TEAM continued

Group Board of Directors

Prof. Isaac Macharia
Chairperson

Evelyn Rutagwenda
Vice-Chairperson

Dr. James Mwangi, CBS
Group Managing Director and CEO

Mary Wangari Wamae
Group Executive Director

Vijay Gidoomal
Non-Executive Director

Dr. Helen Gichohi
Non-Executive Director

Dr. Edward Odundo
Non-Executive Director

Jonas Mushosho
Non-Executive Director

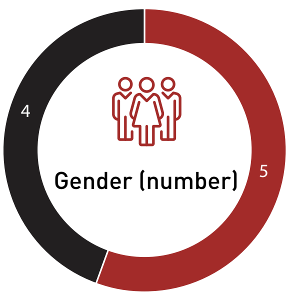
Lydia Ndirangu
Company Secretary

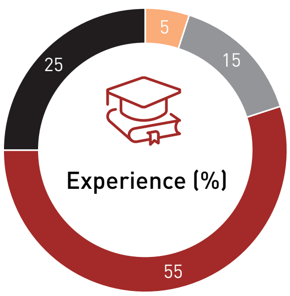
Board changes in 2021

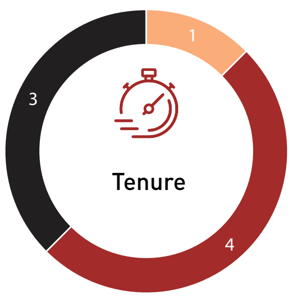
The following changes to the Board's composition occurred during the year 2021 under review:

> Mr. Christopher Newson retired from the Board on 24 June 2021

> Mr. Jonas Mushosho was appointed to the Board on 28 July 2021







OUR LEADERSHIP TEAM continued

Name	Executive/ Non-Executive	Skills	Qualifications	Gender	Age	Year of Appointment	Nationality
Prof. Isaac Macharia	Chairperson, Independent Non-Executive Director, Equity Group Holdings Plc	Medical, strategic planning, leadership and business development	Bachelor of Medicine; Bachelor of Surgery; Master of Medicine in Otorhinolaryngology (University of Nairobi), Fellow of the College of Surgeons of East, Central and Southern Africa (COSECSA)	Male	63	2017	Kenyan
Mrs. Evelyn Kamagaju Rutagwenda	Independent Non-Executive Vice-Chairperson	Accounting, auditing, leadership, management	BComm (Makerere University, Kampala); Certified Public Accountant (CPA) and member of the Institute of Certified Public Accountants of Rwanda (ICPAR)	Female	63	2015	Rwandese
Dr. James Mwangi, CBS	Non-Independent Group Managing Director and Chief Executive Officer	Banking and finance, leadership and management of financial institutions	BComm (University of Nairobi); CPA honorary doctorate degrees, Doctor of Business Administration (Kenya Methodist University), Doctor of Humane Letters (Kenyatta University), Doctor of Entrepreneurship (Jomo Kenyatta University of Agriculture and Technology), Doctor of Business Management (Honours Causa) (Meru University of Science and Technology) and a Doctorate of Letters (Africa Nazarene University)	Male	59		Kenyan
Mrs. Mary Wangari Wamae	Non-Independent Executive Director	Legal, company secretarial, strategic planning, leadership, business development	Masters in Leading Innovation and Change (York St. John University); LLB (University of Nairobi); Diploma in Law (Kenya School of Law); Graduate of the Advanced Management Programme (Strathmore – IESE Business School, Barcelona, Spain) and the Advanced Management Programme (Harvard Business School); Post-graduate Diploma in Gender and Development	Female	53		Kenya
Mr. Vijay Gidoomal	Independent Non-Executive Director	Finance, operations, strategic planning, business development	BA LLB (University of Warwick)	Male	54	2017	Kenya
Dr. Helen Gichohi MBS, OGW	Independent Non-Executive Director	Leadership and international management of social impact and transformational programmes	PhD in Ecology (University of Leicester; MSc (Biology of Conservation) (University of Nairobi); B.Ed (Sc) in Zoology (Kenyatta University)	Female	61	2015	Kenya
Dr. Edward Odundo	Independent Non-Executive Director	Strategic management and marketing, finance, and accounting, pension, and tax	PhD in Business Administration (Strategic Management) (University of Nairobi); MBA in Strategic Management and Marketing (USIU, San Diego); BSc in Finance and Accounting (USIU, San Diego)	Male	63	2018	Kenya
Mr. Jonas Mushosho	Independent Non-Executive Director	Strategic management, change management, organisational transformation, innovation	Bachelor of Accounting Science (University of South Africa); Bachelor's Degree in Accounting and MBA (University of Zimbabwe); Postgraduate qualifications: University of Cape Town, Graduate School of Business, London Business School, Harvard Business School	Male	63	2021	Zimbabwean
Ms. Lydia Ndirangu	Company Secretary	Corporate governance, regulatory and compliance, tax, accounting, investment analysis and business relationship management	Master of Laws (LLM) – Public Finance (University of Nairobi); Postgraduate Diploma (Law), (Kenya School of Law); Bachelor of Laws (LLB) (University of Nairobi) CPA,CS, CISA	Female	37	2021	Kenya

OUR LEADERSHIP TEAM continued

Group Executive Management

Dr. James Mwangi, CBS
Group Managing Director and CEO

Mary Wangari Wamae
Group Executive Director

Olanrewaju Bamisebi
Group Director IT and Operations

Sam Gitwekere
Group Director Enterprise Risk

Lydia Ndirangu
Group Company Secretary

Brent Malahay
Group Director Strategy, Strategic Partnerships and Investor Relations

Elizabeth Gathai
Director Digitisation and Automation

David Ngata
Group Finance Director

Christine Browne
Group Director Legal Services

Joy DiBenedetto
Group Director Communications

Bildard Fwamba
Chief Internal Auditor

OUR LEADERSHIP TEAM continued

Gerald Warui
Managing Director, Equity Bank (Kenya) Limited

Emmanuel Deh
Executive Director, Equity Bank (Kenya) Limited

Samuel Kirubi
Managing Director, Equity Bank (Uganda) Limited

Anthony Kituuka
Executive Director, Equity Bank (Uganda) Limited

Addis Ababa Othow
Managing Director, Equity Bank (South Sudan) Limited

Hannington Namara
Managing Director, Equity Bank (Rwanda) Plc

Isabella Maganga
Acting Managing Director, Equity Bank (Tanzania) Limited

Celestin Muntuabu
Managing Director, Equity BCDC S.A.

Jean-Claude Tshipama
Deputy Managing Director, Equity BCDC S.A.

Angela Okinda
Managing Director, Equity Life Assurance (Kenya) Limited

Janet Maingi
Managing Director, Azenia Technology Limited

OUR STRATEGIC APPROACH

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

OUR STRATEGIC APPROACH

Our material issues

The ramifications resulting from the imposition of lockdowns, social-distancing requirements, the knock-on impairment caused to many industries such as hospitality and tourism, and the depredations to the manufacturing and food and agriculture sectors caused by supply-chain disruptions, were a major cause of concern.

> *The main material issue in the year under review continued to be the economic and health impact and consequences of the Covid-19 pandemic.*

This underlying material issue continued therefore to have broad macro-economic implications for the Group as it needed to grapple with related material matters germane to its ability to create and deliver value, such as:

- Substantial uncertainty regarding the duration and extent of the pandemic's impact
- Disparities in access to vaccinations
- Social and political changes
- Business closure and unemployment
- Non-performing loans and loan moratoriums in the credit space
- The need to increase capacity to accommodate a more agile and multi-pronged bouquet of digital services and products
- The resultant widening of the fraud landscape
- The capacity of the Group to accommodate remote working while maintaining its level of service and function across several jurisdictions with differing conditions, restrictions and constraints

Other important material matters emerging during the year under review included:

- Default risk
- Forthcoming elections in Kenya
- Significant changes to the regulatory environment
- Concentration risk

All these factors necessitated vigilant and ongoing monitoring from a risk assessment perspective as overseen by the Board and executed by Management. And all of them underlay the Group's approach to risk management during the year under review.

For more on our operating context and wellness and health, see pages 14 and 95, respectively.

Our strategic framework IC

> *Our strategy is a key component of our intellectual capital, and it guides our approach to doing business as well as our involvement with, and commitment to, the communities within which we operate.*

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

- Leveraging on technology and innovation by disrupting our self-virtualisation and digitising our services and processes
- Convergence of various financial products and services for focused strategic delivery and scaling of brand visibility and loyalty, by increasing access and enhancing customer experience
- Exercising strict operational control involving the redesigning of the operating model to enhance efficiency and high performance

Founded on our values and our mission to offer inclusive integrated financial services that socially and economically empower consumers, businesses and communities, our strategy utilises our six capitals by means of channelling them through two strategic engines – the economic and the social – to drive the creation of value for all our stakeholders.

Twin strategic aspects

During the year under review, we continued with our approach of viewing our overall strategy as comprising both a defensive and offensive aspect. This approach has enabled us to remain agile during the adverse conditions of the Covid-19 pandemic, and responsive to the needs of our stakeholders.

The Group's resilience in execution of both these strategic aspects has seen our regional subsidiaries:

- Maintaining their contribution to Group deposits to 44% (FY 2020: 44%)
- Growing revenue by 37% (FY 2020: 33% increase)
- Delivering a growth in profit before tax (PBT) and provisions of 26%, up 22% from FY 2020

Our agility has led to a 27% growth in the total funding deployed into public and private sectors, resulting in an overall 23% growth in lending.

OUR STRATEGIC APPROACH continued

The offensive aspect of our growth strategy has delivered a 23% growth in net loans and advances and a 62% growth in investment in government securities, resulting in a 29% growth in interest income. The growth in earning assets has been funded by:

> 32% growth in long-term funds of Shs 128.3 billion (FY 2020: Shs 97.1 billion)

> 29% growth in customer deposits of Shs 959.0 billion (FY 2020: Shs 740.8 billion)

This performance against strategy has driven growth of 29% in our total assets, bringing them to the level of Shs 1.305 trillion (FY 2020: Shs 1.015 trillion).

For more on finance, see page 62.

Strategic diversification

Our regional approach to our business drives diversification, and has resulted in our operations across six countries contributing towards diversifying sovereign risks. This has yielded a currency-mix of 56.6% local currency to 43.4%, which mitigates our foreign currency and exchange and translation risks.

Our inclusive business model which supports all market segments, demographic segments and sectors of the economy, combined to help mitigate loan book quality and performance. This was borne out in a non-performing loan (NPL) ratio of 8.3%, as compared to the Kenya industry performance of 13.1%.

A strategy for the future

> *During the year under review, we sowed the seeds for putting in place a bold new strategy for the Group predicated on a plan for the recovery and resilience not only of our region but of the continent as a whole.*

The outcome of this meticulously researched work is the Group's 2025 strategy – the "Africa Recovery and Resilience Plan". This strategic plan is a multi-pronged and holistic solution to achieve social and economic transformation in Africa. The strategy comprises six strategic pillars that will be operationalised with intention through a collaborative and ecosystem-centric approach, and with clearly envisioned outcomes, and well-defined strategic objectives.

The overall aims of the plan are to:

> Target a cost-to-income ratio of 40%

> Target a level of above 50% for non-funded income

> Redirect our excess liquidity of around Shs 690 billion to the private sector across the region

For more on finance see page 62.

> Leverage our social and economic engines to capacitate business value chains and lend to productive ecosystems

> Support cross-border trade through our regional and systemic presence

For more on our commercial operations, see page 67.

> Catalyse investment into the region, on the basis of our track record with various investment and funding partners

For more on our partners and stakeholders, see page 43.

OUR STRATEGIC APPROACH continued

The Africa Recovery and Resilience Plan

Overview of the "Africa Recovery and Resilience Plan"

The Plan	Six Pillars	Objectives of the Plan
The Africa Recovery and Resilience Plan is aimed at catalysing a natural resources-led transformation of Africa, led by enhancing agricultural throughput, formalising extractive value chains and connecting these primary sectors to global supply chains that require diversification and secure sourcing. Equity Group's execution of the "Africa Recovery and Resilience Plan" will be underpinned by its Social and Economic Engines that capacitates value chains (Social Engine) and provide holistic financial solutions to productive ecosystems (Economic Engine). Equity Group's excess liquidity (currently 1.5% of cumulative GDP of East and Central Africa) will be redirected to the private sector across various value chains.	The Plan comprises six strategic pillars that ensure a systematic and holistic framework for execution: > **Ecosystems of natural resources in agriculture and extractives** – more coordinated, connected and capacitated supply chains and mechanisation will drive higher throughput of raw materials and ultimately lead to a more inclusive industrialisation of Africa. > **Manufacturing and logistics ecosystem** – Africa has an opportunity to leverage off and expand existing productive capacities to industrialise by connecting to global value chains that are in the process of regionalising and diversifying. > **Trade and investment** – access to new markets, technology, capital and skills will enrich and enhance offtake of African products and services. > **MSMEs** – connectivity of small businesses into formal value chains will drive inclusive, broader and more sustainable growth. > **Social transformation and environmental** – capacity building of value chain stakeholders, especially amongst smallholder farmers and MSMEs will drive productivity gains of African value chains. > **Technology-enabled economy** – online businesses will accelerate connectivity and velocity in ecosystems.	2025 objectives include: 1. Inclusivity of 100 million online customers: Economic inclusion of households and financially enable value chains 2. Multiplier effect of 5 million borrowing businesses and 25 million borrowing consumers: borrowing businesses to expand productive capacities to drive value chain expansion and employment, whilst consumer borrowing to enable household aspirations 3. Employment of 50 million: 25 million direct jobs to be created as businesses grow and a further 25 million indirect jobs created as value chains expand and deepen 4. Additional private sector lending in excess of almost 2% of regional GDP: loan book to be directed to agriculture (30%), manufacturing (15%), MSMEs (65%)

2025 Strategy framework

2025 Strategy framework

Equity Group's 2025 strategy is a multi-pronged and holistic solution to achieve social and economic transformation of Africa. The strategy comprises six strategic pillars that will be operationalised through a collaborative, deliberate and ecosystem-centric approach.

	STRATEGY PYRAMID	STRATEGIC OBJECTIVES
1 Strategy	Africa Recovery and Resilience Plan	> 100m customers > 5m borrowing businesses > 25m borrowing customers > 25m direct jobs
2 Strategic pillars	Pillar 1 (a): Food & Agriculture Pillar 1 (b): Extractives Pillar 2: Manufacturing & Logistics Pillar 3: Trade & Investment Pillar 4: MSMEs Pillar 5: Social Transformation & Environmental Pillar 6: Technology-enabled ecosystem	> Food & Agriculture loan mix 30% > Catalyse other industries > Manufacturing loan mix 15% > #1 Trade finance bank > MSME loan mix 65% > Financially include 100m > Digitise 100m

OUR STRATEGIC APPROACH continued

Our value-creating business model

Driven by all six of our capitals and informed by our mission to offer inclusive integrated financial services that socially and economically empower consumers, businesses and communities, our business model is founded on our dual social and economic strategic engines with their eight interwoven focus areas.

For more on our strategy, see page 33.

Commercial Strategic Engine – Economic Strategic Engine driving our:

Capital Inputs

FC *	HC *	IC *	SRC *	MC *	NC *
> **Shs 1.9 billion** Paid-up and assigned capital > **Shs 15.3 billion** Share premium > **Shs 158.1 billion** Retained earnings > **Shs 7 billion** Non-controlling interest	> **9,656** permanent and temporary employees	> Offensive and defensive Group strategy > IT and digitisation innovation and initiatives > Business model > Strategically-driven relationship management > 35 products and services, including nine digital channels > Legal and corporate governance > Social and environmental awareness	> Employee wellness and well-being > Partnerships and alliances > Health, educational, financial, and social programmes and initiatives of the EGF, including 51 Equity Afia Clinics > Brand reputation including numerous awards and accolades	> **337** Branches > **61,061** Agent outlets > **695** ATMs > **36,133** POS outlets	> Environmental and energy conservation programmes of the EGF

Mediated through our purpose of transforming lives, giving dignity, and expanding opportunities for wealth-creation by means of our strategically-driven digitalised activities, channels, and products.

Business activities

Economically-based commercial activities

The provision and delivery of financial and insurance services and the provision of financial products in line with the economic engine of our strategy, through:

- Operations within Eastern and Central Africa
- Units strategically located in Kenya, Uganda, Tanzania, South Sudan, Rwanda, and Democratic Republic of the Congo
- Commercial Representative Office in Addis Ababa, Ethiopia
- Financing of trade
- Collaboration

** For more on our finance, human resources, IT, digitisation, stakeholders, social impact, risk management and governance, see pages 62, 57, 47, 52, 43, 92, 38 and 110 respectively.*

OUR STRATEGIC APPROACH continued

Socially-based activities

Impact investment through six strategic pillars to build capacity in value chains through:

- Education
  - School and university scholarships through *Wings to Fly*
  - Equity Leaders Programme
  - Financial inclusion courses
  - Entrepreneurship training
- Environment
  - Planting trees
  - Converting wood-fuelled energy sources to greener, cleaner sources
- Entrepreneurship
  - Providing meaningful financial, mentorship and training support for MSMEs
- Agriculture
  - Transforming subsistence farming to agribusiness
- Social programmes
  - Reaching out to households with social protection programmes
- Health
- Opening and supporting clinics for affordable healthcare through Equity Afia

Yielding Outputs

FC	HC	IC	SRC	NC
> **Shs 199.1 billion** Market capitalisation > **Shs 959 million** Deposits > **Shs 176.2 billion** Shareholders' funds > **Shs 128.3 billion** Borrowings > **Shs 587.8 billion** Loans > **Shs 112.4 billion** Total revenue > **Khs 51.9 billion** PBT > **Khs 10.4** EPS	> Minimised exposure to Covid-19 > Requisite investment tools to enable remote working > Reduced internal Covid-19 infections > On-site vaccination drives > Comprehensive salary review > Digital product training, with 4,000 staff certified > Diversity and inclusion initiatives > EQUIP book club to promote leadership development > Leadership development sessions for women > Training in leadership, financial market sales, ecosystem banking, sales, green energy, and mental health > Risk management training on anti-fraud, environmental and social risk, information security and Anti-Money Laundering (AML)	> Development of the "Africa Recovery and Resilience Plan" > Ongoing digitisation of the Group	> **USD523 million** Invested in social and impact programmes > Funding partners: **USD525 million** > Tier 2 capital partners: **USD300 million** > Risk share partners: **USD170 million** > Social and technical partners: **USD445 million**	> **12 million** Trees planted > **329,421** Clean energy products distributed

Producing Outcomes

FC	HC	IC	SRC
> **27% growth** in **shareholders' funds** > Efficiency gains yielding **24% growth** in **ROE** > Operations in **six countries** > Credit capacity of **1.5% (USD4 billion)** of countries in which we operate	> Motivated, dedicated, resilient, loyal, and committed workforce, with enhanced skills capacity and awareness of social issues affecting our communities > Enhanced Employee Value Proposition (EVP)	> Increased IT and technological capacity > Increased focus on ecosystem banking	> **37,009** Scholarships > **2,318,585** Women and youth trained in financial education > **Shs 95.3 billion** Disbursed via cash transfers in social programmes > **2.28 million** Farmers impacted > **51** Equity Afia facilities
Stakeholders impacted:			
S01 S02 S04 S05	S03	S01 S02 S05	S04 S05

OUR STRATEGIC APPROACH continued

Managing risk IC FC

Effective risk management and compliance is fundamental in achieving our strategic objectives. We have therefore adopted a systematic approach to management of risks so as to deliver long-term sustainable value.

Our enterprise risk management framework (ERMF)

The ERMF sets out the Group's approach to management of risk by all its employees. It is approved by the Board. The ERMF sets out:

- Principles for consistent and robust identification and management of opportunities and risks across the Group.
- The role of the Board, senior management and all employees in contributing to a sound risk culture by demonstrating risk awareness and ensuring that the required norms, attitudes and behaviours in relation to risk-taking and risk management are in place.
- Board and senior management responsibilities for the development, approval and implementation of Group strategy, including ensuring that identification and consideration of material risks is an integral part of making informed strategic decisions.
- The responsibility of the Board and executive managers in ensuring alignment between the Group's risk management culture and its purpose and strategy. The Board cultivates a culture of integrity and high ethical standards that embeds risk-related considerations into business activities and decision-making processes. Senior management ensures that expected values and behaviours are communicated and embedded at all levels.
- The assignment of risk management responsibilities following the three lines of defence approach, ensuring that risk management roles and responsibilities are clear at all levels and for all employees of the Group.

  The first line, comprising all employees engaged in revenue-generating and customer-facing roles and all associated support functions, is responsible for identifying and managing risks in the activities in which these employees are engaged, and for escalating risk issues to the second line of defence.

  The second line comprises the risk control functions independent of the first line that provide oversight and challenge of first-line risk management activities to instil confidence among senior management and the Board.

  The third line is the Group Internal Audit function which is responsible for providing independent assurance on the effectiveness of controls that support first-line risk management activities, and the processes maintained by the second line.
- Principal risks inherent in the Group's strategy and business model that, individually or in combination, can materially affect the performance or reputation of the Group.

  Refer to page 40 for the listing and definitions of the principal risk types.

  The demarcation of the risk types guide the organisation of the risk management function, and are overseen by accountable senior managers having Group-wide responsibility for the frameworks, policies and standards that set out the associated risk management responsibilities and expectations.
- The executive-level Group Risk and ALCO Committee, and the Group Non-Financial Risk Committee are responsible for reviewing and monitoring the Group-wide risk profile and escalating material issues to the Group Board Risk and ALCO Committee.

  The Group Board Risk and ALCO Committee considers matters escalated from the executive risk committees and in turn, where appropriate, will escalate them to the Group Board. The Board is responsible for approving the Group Enterprise Risk Management Framework and setting the Group risk appetite for the principal risks, based on recommendations from the Group Board Risk and ALCO Committee.

  This committee further exercises regular oversight of the Group's risk exposure against risk appetite, and the responses to both current and emerging material risk issues, using information received from management and other stakeholders.
  In addition, the Group Board Audit Committee receives regular reports on the effectiveness of the internal control system, as well as material control and accounting issues.

OUR STRATEGIC APPROACH continued

> The risk appetite, which is an expression of the type and amount of risk the Group is prepared to accept to achieve its strategic goals and objectives, and which having been approved by the Board, is applied at management and Board levels to evaluate current and emerging risks and make informed decisions.

The ERMF is supported by frameworks covering the risk management approach for individual principal risk types (PRTs), and policies and standards aligned to the PRTs. Policies set out the key control requirements for the management of risks while standards set out the approach for meeting the core requirements in policies. The ERMF, PRT frameworks, policies and standards together comprise the Group's control framework.

Regulatory landscape

Significant legal and regulatory developments in the region during 2021 include the Data Protection Acts in Kenya and Uganda as well as the CBK's Guidance Note on Climate Related Risk Management. The Group has taken steps to ensure compliance with these and other new and amended laws and regulations.

Material existing and emerging risks

Restrictions on the movement of people and the flow of goods and services associated with the Covid-19 pandemic continued to cause severe disruptions to social and economic activities across the world and including the region during 2021.

The impacts of this cross-cutting risk event were mainly manifested under strategic risk, credit risk, capital risk, technology, information and cybersecurity risk, as well as fraud risk and operational risk. The Group implemented various contingency measures to mitigate the risks and ensure operational resilience and support customers and communities.

Global issues and outlook

Roll-out of Covid-19 vaccination programmes gained momentum during 2021, leading to easing of most restrictions and improvement in economic activity. Several regulatory and other support measures provided by national governments and central banks in 2020 expired during the year.

Future Covid-19 developments remain highly uncertain, particularly in regard to possible new waves of the pandemic, continued vaccine efficacy in the face of potential new variants and the severity and duration of restrictions that may be imposed in the future.

The 2022 war in Ukraine adds to existing headwinds in the global economic recovery process, which include rising Covid-19 infections in China and potential supply-chain disruptions and rising inflation across major Western and other economies. African countries are highly exposed to the war in Ukraine through rising food, fuel and fertiliser prices, and increased financial volatility.

The Group continues to closely monitor existing and emerging risks and their potential impact to ensure appropriate responses.

OUR STRATEGIC APPROACH continued

Our Principal Risk Types

Principal Risk Type (PRT)	PRT Description	Risk Framework Owner	Executive Risk Committee	Board Risk Committee
Strategic risk	The potential for financial loss or reputational damage arising from ineffective business strategies, improper implementation of business strategies, or a lack of responsiveness to changes in the business environment	Group Chief Risk Officer	Group Assets and Liabilities Committee (GALCO)	Group Board Risk and ALCO
Credit risk	The potential for loss due to failure of a borrower or counterparty in a transaction to meet its agreed payment obligations to the Group	Group Director Credit Risk	Group Assets and Liabilities Committee (GALCO)	Group Board Risk and ALCO
Capital risk	The risk of insufficient capital available in relation to the amount of capital required to carry out the Group's strategy and to satisfy regulatory capital adequacy requirements	Group Finance Director	Group Assets and Liabilities Committee (GALCO)	Group Board Risk and ALCO
Liquidity risk	The risk of having insufficient stable or diverse sources of funding to meet financial obligations as they fall due, without raising funds at unfavourable rates or resorting to distressed sale of assets or central bank support	Group Finance Director	Group Assets and Liabilities Committee (GALCO)	Group Board Risk and ALCO
Market risk	The potential for loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, and credit spreads or other activities undertaken by the Group in financial markets	Group Head of Market and Counterparty Credit Risk	Group Assets and Liabilities Committee (GALCO)	Group Board Risk and ALCO
Country risk	Potential for losses due to adverse political or economic events in a country	Group Head of Country Risk	Group Assets and Liabilities Committee (GALCO)	Group Board Risk and ALCO
Compliance risk	The potential for penalties, loss of earnings, negative impact to business activities, adverse impact to customers and other stakeholders, or regulatory relationships through failure on our part to comply with laws or regulations	Group Director Compliance, Conduct and Financial Crime	Group Non-Financial Risks Committee (GNFRC)	Group Board Risk and ALCO

OUR STRATEGIC APPROACH continued

Principal Risk Type (PRT)	PRT Description	Risk Framework Owner	Executive Risk Committee	Board Risk Committee
Financial crime risk	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to anti-money laundering, and international and domestic sanctions	Group Director Compliance, Conduct and Financial Crime	Group Non-Financial Risks Committee (GNFRC)	Group Board Risk and ALCO
Reputational risk	The potential that negative perceptions on the part of customers, counterparties, investors, debtholders, regulators and other stakeholders, whether justified or not, regarding the Group's business practices, actions, or inactions, will adversely affect the Group's ability to maintain existing, or establish new business relationships and continued access to sources of funding leading to a decline in the institution's value, brand, liquidity, or customer base	Group Head of ESG and Reputational Risk	Group Non-Financial Risks Committee (GNFRC)	Group Board Risk and ALCO
Technology, Information and Cybersecurity risk	Technology risk refers to failure of the Group's technology to deliver the expected services due to inadequate or deficient systems/process developments and performance or inadequate resilience or security. Information and cybersecurity risks relate to the loss of confidentiality, integrity, or availability of information, data, or information or control systems and reflect the potential adverse impacts to organisational operations, assets and individuals	Group Director Information Technology and Cybersecurity Risk	Group Non-Financial Risks Committee (GNFRC)	Group Board Risk and ALCO
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including legal risks	Group Head of Operational Risk	Group Non-Financial Risks Committee (GNFRC)	Group Board Risk and ALCO
Environmental Social, Governance risk, incorporating Climate	The risk arising from an environmental (including climate change), social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the Group's earnings, franchise value or reputation	Group Head of ESG and Reputational Risk	Group Non-Financial Risks Committee (GNFRC)	Group Board Risk and ALCO
Fraud risk	Potential for loss or reputational damage due to the intentional acts, misstatements, or omissions, including a misrepresentation that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation	Group Director Fraud Risk	Group Non-Financial Risks Committee (GNFRC)	Group Board Risk and ALCO

OUR STRATEGIC APPROACH continued

Looking ahead

We recognise that the Group operates in a rapidly changing business environment which spans, among others, technology innovations, regulatory landscape changes, changing demographics and preferences, and geopolitical developments.

In cognisance of the need to adapt to these changes successfully, we continue to carefully monitor and prioritise the following future risks:

> Uptake and adoption of Central Bank digital currencies

> The adoption of new technologies such as bots, machine learning (ML), artificial intelligence, predictive analytics, process optimisation, data-modelling and deep learning, coupled with the demand for new skills in order to harness new knowledge

> The constantly changing regulatory landscape including the extra-territorial reach of laws issued by global bodies and international actors

Equity basketball Head Coach David Maina with the Equity Hawks team during the FIBA Africa Zone 5 Women's Club championship.

OUR STRATEGIC APPROACH continued

Our approach to stakeholder management

Managing our stakeholders SRC

We recognise that our key stakeholders are those groups who are materially impacted by our business activities. We acknowledge that for us to determine and respond appropriately to their needs and concerns, their interests require ongoing input, insight, commitment and assessment.

> *Our stakeholders form the core component of our social and relationship capital, and it is our positive and productive relationships with them that enable us to guide and tailor our strategy, benefit from the opportunities and understandings that arise from our engagement with them, provide the services, products and regulatory compliance entailed in the expression of their needs and concerns, and manage the risks and challenges that we face.*

Our approach to engaging with our stakeholders

We are committed to open, transparent, and continuous communication with our stakeholders in order to gain the understandings upon which we depend in order to maximise the mutual knowledge and insight inherent in our relationships, and to enable and incorporate feedback that can be translated into the meaningful strategy and intent that inform our business decisions and actions.

Our engagement with our stakeholders is defined by our values and underpinned by our vision of being the champion of the socio-economic prosperity of the people of Africa, and our mission to offer inclusive integrated financial services that socially and economically empower consumers, businesses, and communities. It is the positive and proactive management of those relationships that enable us to realise our purpose of transforming lives, conferring dignity and expanding opportunities for value and wealth creation.

United Nations' Resident Coordinator in Kenya, Dr. Stephen Jackson and Equity Group Managing Director and CEO, Dr. James Mwangi display the UN partnership agreement. Equity Group and Equity Group Foundation together with the United Nations system in Kenya, and its SDG Partnership Platform signed a strategic partnership on 23 June 2021 to accelerate the achievement of the Kenya's Sustainable Development Goals (SDGs) in Kenya by 2030.

OUR STRATEGIC APPROACH continued

Engaging with our stakeholders in 2021

<table>
<tr><th>Key concerns</th><th>Communication methods</th><th>The value we create</th></tr>
<tr><td colspan="3">Shareholders and investors</td></tr>
<tr><td>> Efficient capital allocation as we expand
> Sustainable growth and payment of dividends
> Sustainability considerations into our business practices
> Strong and experienced management team
> Transparent reporting and disclosures</td><td>> Annual General Meeting
> Investor roadshows, conferences, and meetings
> Newspaper publications
> Annual financial statements
> Investor relations section on the website</td><td>> Delivering by increasing net asset value and net earnings
> Continuous engagement to ensure full disclosure and open communication to inform their investment decisions
> The adherence of management to a disciplined process of capital allocation that ensures we venture into growth markets where our model of shared prosperity will continue to be profitable and sustainable
> Reinstating the payment of dividends, enabled by the growth resulting from our strategic decisions in the prior year
> Maintaining a safe balance sheet by holding adequate provisions and keeping a high coverage of non-performing loans</td></tr>
<tr><td colspan="3">Customers</td></tr>
<tr><td>> Simple, intuitive, and time-efficient banking solutions
> Excellent customer service
> Innovative solutions that address growing customer needs</td><td>> Contact Centre, branches and online platforms and apps
> EGH Plc website
> Facebook and Twitter platforms</td><td>> 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 for the underbanked
> Providing financial education and advice
> Developing innovative solutions that meet our customers' specific needs</td></tr>
<tr><td colspan="3">Employees</td></tr>
<tr><td>> A safe and healthy work environment
> Fair remuneration, effective performance management and recognition
> Career development and advancement opportunities</td><td>> Internal website
> Equity newsletter
> Employee surveys
> Leadership mentorship forums
> Dedicated and safe whistleblower channels</td><td>> 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
> Promoting transformation into an inclusive society through employment equity and gender equality
> Motivating and energising our workforce</td></tr>
</table>

OUR STRATEGIC APPROACH continued

Key concerns	Communication methods	The value we create
Society		
> Ethical and social responsibility > Do good and positively transform the economy and society at large	> EGF partnering with communities on various initiatives > Investing in communities through flagship projects such as *Wings to Fly*, Equity Leaders programme	> 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 > Positively transforming economies and society through our activities and lending > Initiating social development initiatives through the Equity Group Foundation with the aim of transforming lives and livelihoods
Regulators and policy makers: > The Central Banks > The Revenue Authorities > The Capital Markets Authority		
> Compliance with legal and regulatory requirements > Being a responsible taxpayer in countries where we operate > Active participation and contribution to industry working groups > Establishment and adherence to good corporate governance practices	> Submission of required returns > Engagement through industry consultative bodies > Partnering on key areas of education, health, and resource conservation	> Complying with set rules and regulations to ensure a stable financial sector > Collaboration to deepen financial inclusion > Contributing meaningfully to government budgets through corporate and personal taxes > The buying of government and public-sector bonds

CREATING VALUE

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

CREATING VALUE

Information Technology and Operations (IT)

IC MC

> *Information Technology and Operations forms a key part of our intellectual and manufactured capitals, and it serves to facilitate and promote the Group's implementation of both its economic and social strategic engines. It helps drive every aspect of our operations and support systems and is a vehicle for our innovation and digitisation agendas and initiatives.*

Our IT and Operations organisational structure

With the strategic goal of the "Africa Recovery and Resilience Plan" in mind, the Group took a decision to prioritise increasing our IT capacity, with the result that 13 new Chief Information Officers were appointed during the year under review.

For more on Board matters, see page 110.

Our strategic structure thus reflects the Group's commitment to the effective deployment of technology in transforming the business to a digitalised organisation, whose value proposition is Deposit | Insure | Move | Invest | Lend | Tech-monetise.

Organisational structure based on business strategic objectives

100 Million Customers

Grow Business

Run & Build Business

1. Enterprise Digitisation

Focus on better Customer Experience

2. Fintech

Digitisation of Customer Offering

3. Platform

Stable Platform

4. Security

Secure Ecosystem

5. Data

Proactive Insights and Analytics

Transforming the business

Daily relevance: Health, Education, Food & Agriculture, Finance, Entrepreneurship, Energy, Social Protection.

Customers: Consumer, MSME, Corporate, Government.

Value Proposition: Deposit, Insure, Move, Invest, Lend, Tech-monetise.

Serving 100 million users	MSMEs will remain 65% of our lending business	Agri contribution of 30% to our lending business	Cost-to-income to reach below 40%	Serve 100 million customers as a top 3 in chosen markets	Targeting to impact 100 million members across our six pillars

The way we work

Our IT structure defines the activities by means of which the core delivery of Group strategy is implemented. These include, as an overall objective, the running, building, and transforming of the business.

Our structure comprises five clusters that support this objective through technology as part of the overall vision and strategy of the Group in respect of the "Africa Resilience and Recovery Plan".

The IT department's initiatives and projects, including our 12 IT strategic pillars and our global technology are guided by Group strategy, along with best-practice trends that factor in assurance, risk, security, compliance, and regulators.

The structure is designed as a framework that fits into the technology country-support structure, with the IT department operating as a shared service to the entire Group.

CREATING VALUE continued

Our shared services model

All aspects of Group operations are affected by, and depend upon, effective and agile IT infrastructure and platforms. The Group's various business aspects are supported by our shared services model, which defines the way in which the provision of IT is regulated and governed as well as the structures which ensure the necessary alignment across the Group and its subsidiaries.

Our short- and medium-term strategic objectives

Our short- and medium-term strategic objectives have been established in accordance with the Group's strategic overall goals.

For more on strategy, see page 33.

Our 12 IT strategic pillars

Our IT objectives in the medium-term, framed in alignment with the Group's "Africa Recovery and Resilience Plan", are founded on 12 pillars.

	Pillar	Objective	Outcome
1	Reliability	To meet our customers' expectations of a seamless customer experience, by ensuring the availability of efficient and reliable services at all times, as well as production resilience and operational excellence	Running and building business
2	Legacy	Streamlining legacy issues that affect service offerings and decision-making: i.e., systems; people; buy vs build	
3	Customer experience	To address all customer-experience pain-points, ensure system accessibility, availability and stability, and to digitise operations	
4	Process efficiency	Achieve and maintain process efficiency across the Group to improve both customer and user experience, save costs, grow revenue, and manage HR	
5	Telco and convergence; Financial inclusion	Build end-state capabilities to deliver the capacity needed for telco (B2B) business, and to identify opportunities for Equitel, the Group's mobile MVNO	Transforming business
6	Tech acquisition	To identify, acquire and scale up businesses that can assist the Group with its strategic objectives	
7	Data as an asset	Use data insights to drive day-to-day decision-making, improve personalisation offers to customers, boost employee productivity, and drive innovation	
8	Agility	To be agile enough to be able to anticipate, prepare and respond to the ever-changing and evolving challenges and to quickly adapt to the new, rapid and ongoing forces of change	Driving delivery
9	Talent management	To implement strategies to attract and retain top talent in order to achieve and sustain all other strategic initiatives	
10	Architecture, governance, and compliance	To develop a scalable governance framework that provides transparency and controls in delivering value to business within agreed levels of assurance and compliance	Assuring business
11	Cybersecurity	To enhance existing controls to provide assurance to stakeholders, customers, and internal staff, to achieve optimal delivery and business value	
12	Innovation culture	To develop an environment – people, process, technology, and controls – that inculcates innovation as a way of delivering value and sustaining technology business	

CREATING VALUE continued

Our key activities in FY 2021

During the year under review, we undertook numerous initiatives and projects, the most important of which were:

> A new app, internet banking and USSD for retail customers
> Omnichannel
> Back-office system
> ISO 20000 and ISO 27001 successful surveillance for Kenya and ISO 20000 implementation for Rwanda and Uganda
> Service Now and Dynatrace service-management implementation
> Broker acquisition
> Development of ML credit scores for Kenya
> Attaining a data quality level of greater than 92% for digital operations
> Host-to-host implementation
> Branch prototype of the future go-live – in a pilot undertaken with Garden City, which included digital self-service
> Successful implementation of a quality management system (QMS)
> Improvement of mean time to recovery (MTTR) from 11 hours to three hours for priority 1 (P1) incidents
> Building of an omnichannel, with the goal of providing consistent journeys across channels, and an improved customer experience
> One Equity – The rebuild of mobile banking, internet banking and USSD for retail customers
> Back-office – The provision of improved employee experience resulting from the ability to use a single system to support customers
> New model for a centralised PMO function for project implementation

Technology changes

During the year, a number of important changes took place, which we noted and embraced in our thinking and execution of projects:

> **Data protection** (Customer data and its affiliation) – Change occurred in technology data storage, security, archiving and retention, data policies, data ownership/custodianship, data quality, authorisation, capture, migration/transit, as well as in data breach, and data deletion.
> **In-country data centre requirements** – This required technology support and maintenance of an in-country data centre, data-breach, synchronisation of data to the main data centre, security of data and auditing/compliance assurance of system and data at site.
> **Cloud strategy** – this entailed the continued migration of productivity solutions to the cloud to support:
  » Remote working
  » The advent of the omnichannel to ease digital channel availability
  » The emergence of cloud security strategy to address cyber risk on remote intrusion
  » Hybrid architecture to support legacy onsite application and cloud application
  » Engagement on a roadmap for vendor technology, with a technology-averse solution
> **Digital currency by the CBK** – This involved the move by the regulator towards implementing digital currency with the aim of driving the digital financial market.

CREATING VALUE continued

Projects and initiatives linked to strategy

Overall strategy	IT activities, projects, and initiatives
100 million customers	> Technology refresh to ensure infrastructure can support 100 million customers > Omnichannel – for better management of microservices and better customer journeys > Broker for transaction processing
Enhance micro, small and medium enterprise (MSME) business by broadening and deepening relationships > Drive a manufacturing ecosystem by scaling value chain anchors, enhancing domestic logistics and connectivity, and development of manufacturing hubs	> Use of data for better customer experience and service, such as ecosystem financing > Digitising of services > Started an initiative for a SME banking solution that goes beyond offering only banking services
Increase quality revenue streams by expanding and deepening non-funded income (NFI), and building franchises	> API monetisation > Telco and convergence
Expand operations through a scalable and replicable business model across Africa	> With learnings from the acquisition and integration of BCDC in the DRC, we developed a plan for integrating any other enterprise in any other country where an acquisition might be made > In the wake of the BCDC acquisition, establishing an IT approach for integrating into a new country
Enhance efficiencies with an ongoing shift of customer activity towards third-party channels	> Improving customer experience, involving: » Same-day processing of all work at GPC » Timely resolution of customer complaints » Attainment of 50% NPS » Process-harmonisation across subsidiaries

In executing our activities during the year under review, four key yardsticks were used as performance measurement tools:

- **Alignment to Strategy** – All projects and initiatives were checked against overall Group strategy to ensure that they are in line with overall goals, with the added objective of preventing conflicts or duplications with other projects under implementation.
- **Cost** – All initiatives and projects were expected to be delivered within approved budgets and resource requirements. To this end a section within the governance team was set up, with any misses reported and adjusted on time. The IT department was expected to reduce its costs by 10% in the year under review.
- **Time** – All initiatives and projects were time-bound with approved start and end dates that were tracked by the Project and Strategy and Performance teams. Progress on key projects and initiatives were provided weekly to management. For control purposes, changes to approved timelines were obtained from leadership. The team also had an overall KPI to reduce the time taken to market.
- **Quality** – To ensure that finished initiatives and projects were of the highest quality, they were all were measured on the number of scope changes during implementation, reworked requirements and outputs that required reworks.

CREATING VALUE continued

IT Key Performance Indicators (KPIs) FY 2021

Performance area	Attainment
Reliability	> 99% service availability
	> 100% BCP coverage with 70% pass rate
	> Implementation of IT service management (ITSM) and application performance monitoring (APM)
	> Application uptime
	> Disaster recovery (DR) testing at 100%
	> High Availability (HA) for all critical systems
Customer experience	> Same-day processing of all work at GPC
	> Timely resolution of customer complaints
	> 50% net promotor score (NPS)
	> Process harmonisation across subsidiaries
Technology acquisition	> Board approval of framework for technology acquisition
	> Acquisition of technology company aligned to Group strategic objectives
Governance and compliance	> Maintaining of ISO 20000 and 27000 for Kenya, and ISO 20000 certifications for Uganda and Rwanda
	> PCI DSS and SWIFT compliance certifications
Cybersecurity	> Implementation of multi-factor authentication for Windows server access
	> In-tune installation on staff personal devices to reduce attack surface
	> Rollout of security awareness to all staff

Challenges in FY 2021

During the year under review, we faced a number of challenges in the execution of our activities:

- Diverse technologies in the acquisition of capabilities in building resilient platforms
- Alignment gaps between in-country and Group processes and the needs of diverse countries and regulators
- Specialised skills and knowledge gaps hampering talent acquisition
- Issues arising in the service management of integrated coupled systems and technologies, and external dependencies
- Technology sourcing, arising from the need to identify and conduct due diligence in contracting different jurisdictions, and assurance or guarantee of delivery
- Integrating business functions into the enterprise digital function
- Aggressive requirements for process maturity levels
- Diverse digital requirements in resourcing relating to, among others, technology, architecture, compliance, security, data-protection and business needs

Looking ahead

In the short- and medium-term, we will be focusing on reliability. Appropriately managing our legacy systems and approaches will be key to this, as this will promote agility. Among other steps, our goal of 100% stability will entail moving the bulk of our services to the cloud.

In the areas of process and efficiency, we will be upgrading and upskilling our enterprise resource planning (ERP), as well as our customer relationship management (CRM) capacity. Loyalty management will form part of this, as we seek to significantly improve customer experience. Cybersecurity will also be an area of focus as we continually work to fortify it.

There is a significant amount of data that we are able to glean from our extensive branch and agent network, and in the medium term we will be devising ways to better safeguard, and capitalise on, the data, in order to facilitate its use as an asset.

In the medium- to long-term, our underlying objective is to strengthen and continually act on our imperative of innovation, so that as a principle, it is fully embedded and integrated in what we do.

CREATING VALUE continued

Digitisation HC IC SRC

"The digitisation of the Group's products and services, as well as operational processes is a fundamental and ongoing aspect of our transformation journey, as it is a critical pillar of our vision of being the champions of social and economic prosperity in Africa, and our mission to offer inclusive integrated financial services that socially and economically empower consumers, businesses and communities. Digitisation thus forms an integral part of our human, intellectual and social and relationship capitals, and is a key driver of both our economic and social strategic engines."

Overview

While the Group's journey to digitise started a few years ago, it was given an urgent impetus by the advent of the Covid-19 pandemic, which thrust both the organisation and its customers into an era of uncertainty. With over five million fatalities globally, the fear of death was in the mind of every individual. This situation led to physical constraints on the lives of both customers and employees, which, in turn, greatly restricted the ability to conduct transactions in branches or face-to-face channels.

These challenges triggered the need to accelerate and increase access and availability to alternative channels by enhancing the services provided online, and to employ modern monitoring and event-management technologies. As a result, and against all odds, we were able to successfully rise above the fear and thrive.

In addition, during the year under review, the Group's "Africa Recovery and Resilience Plan" was finalised. This social-impact plan is in effect the strategy to underpin bold expansion targets, with one of the ultimate aims being the broadening of our customer base to 100 million by 2025.

For more on strategy, see page 33.

In order to achieve this objective, and to further capacitate the Group and its customers in the throes of the pandemic, our digitisation process was prioritised even further, and was accelerated through the acquisition of skills and cutting-edge systems.

Digitisation – our strategic alignment

In alignment with the Group's strategic initiatives, our Digitisation Strategy supports the "Africa Recovery and Resilience Plan" through the enablement of online onboarding, in order to simplify acquisition processes and reach more customers, as well as to make all credit products available to consumers and businesses on a self-service basis.

A major aim of the Digitisation strategy is to reach more food and agriculture customers through digital channels, and to support the ecosystem's credit and payments processes.

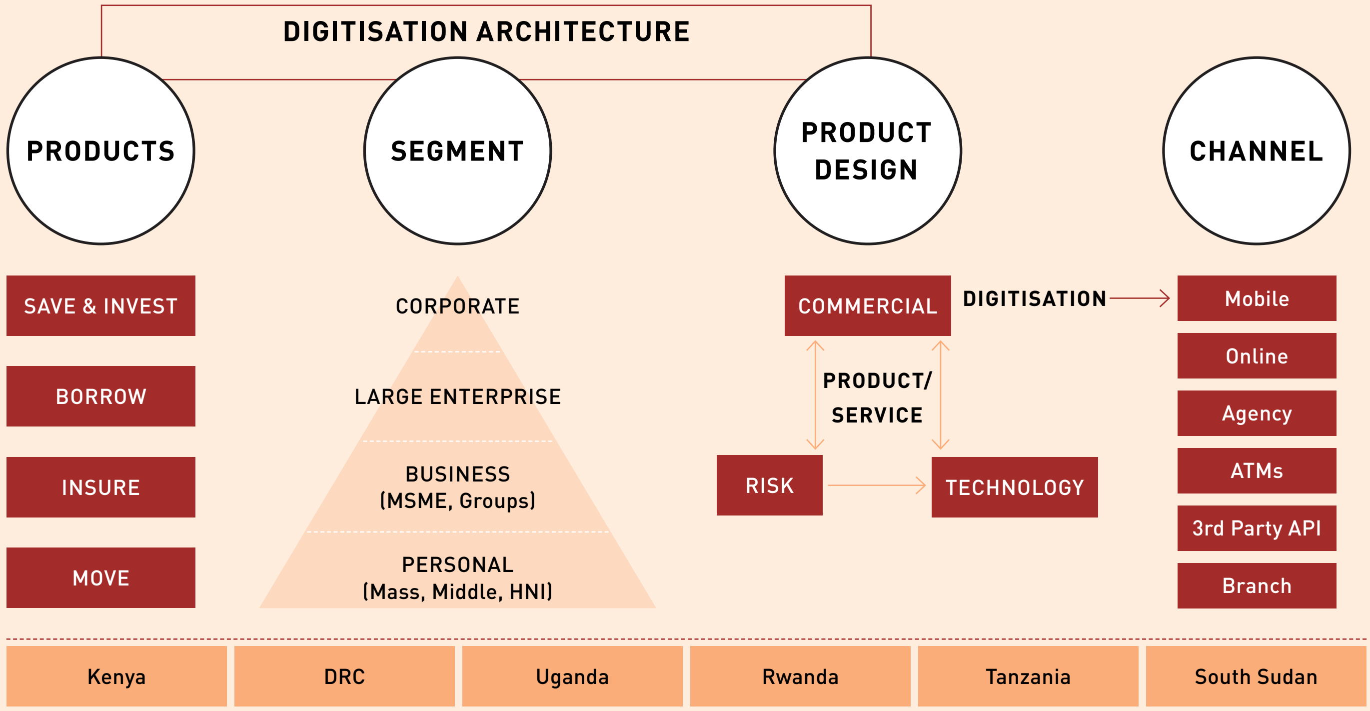
In addition, the strategy focuses on the reduction of costs across the business though the elimination of process wastes, and the automation of processes. This also directly contributes to the Group's non-funded income bucket through transactions and availability of service requests on the digital channels.

Our approach

As a provider of various streams of financial products and services, the Group targets four major customer segments through commercial activities, mediated by technology, mitigated by risk management, and made available through diverse channels across all our subsidiaries and operating countries. In addition, this operating structure requires various back-and middle-office support initiatives.

For more on strategy, see page 33.

CREATING VALUE continued



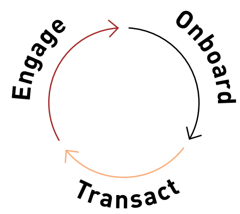
Our scope

We view our services and offerings as a journey for the customer, one which includes knowledge, access, and convenience of use from anywhere, at any time, and on any device.

In addition to providing value to customers through the Digitisation of products and services, we also focus on improving our internal customers' experience when interacting with our enterprise systems. In this, we look to drive efficiency across the Group through the improvement and automation of business processes in the front-, middle- and back-office.

The Digitisation therefore covers both internal and customer-facing processes so as to improve:

> Customer and user experience
> Save costs
> Grow revenue
> Improve performance



1 Process efficiency

Reduction in the amount of effort or input required to produce the Group's products and services.

2 Customer experience

Our customer and staff interact with us through various channels and systems.

Obtaining and maintaining consistency on these processes is the key driver to every analysis.

The Covid-19 pandemic has increased the rate of adoption of digital technologies by our customers.

As customers approach us for onboarding or increasing their portfolio of products, we strive to make their experience of engaging with the brand a positive and convenient one. This is achieved through the provision of desired or necessary products and platforms, supported by efficient middle-and back-office operations.

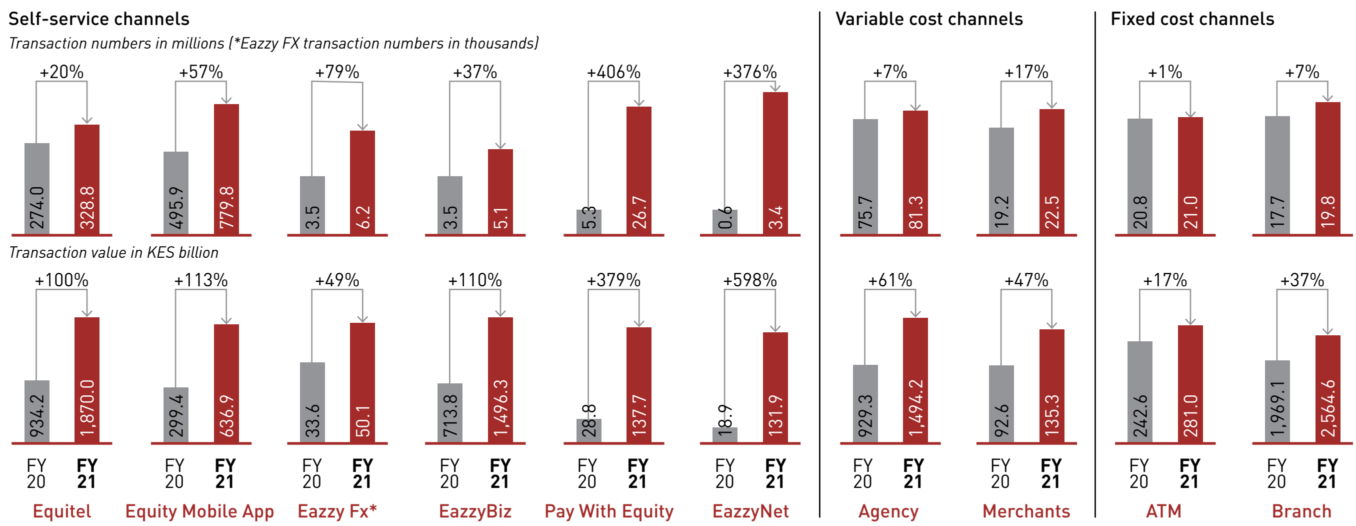
CREATING VALUE continued

Business transformation through innovation and digitisation

The Group's focus on digitising its offerings through multiple channels and innovating its processes, has greatly contributed to a rapid transformation despite the uncertainty arising from the pandemic. During the challenging Covid-19 period, the Group waived charges for digital channels, which encouraged their adoption by customers, resulting in 93% of loans originating from the digital channels, doubling the volume of transactions across the channels as compared with the transaction volumes on legacy banking channels – ATM and Branch – which continued to fall. The year under review was the first in which we have seen such a doubling of volumes in comparison with those of our legacy channels.

The customer-transaction count on the alternative channels also increased exponentially during the period. Our digital transformation effort also saw the organisation transition from fixed-cost to third-party variable-cost channels and self-service platforms across all the countries in which we have a presence.

Migrating from fixed and variable cost channels to self-service channels



Credit-scoring

The advent of the Fourth Industrial Revolution (4IR), and the challenges presented by the pandemic have accelerated the need for businesses to build resilient and scalable systems enabled by ever-evolving digital and technological capabilities.

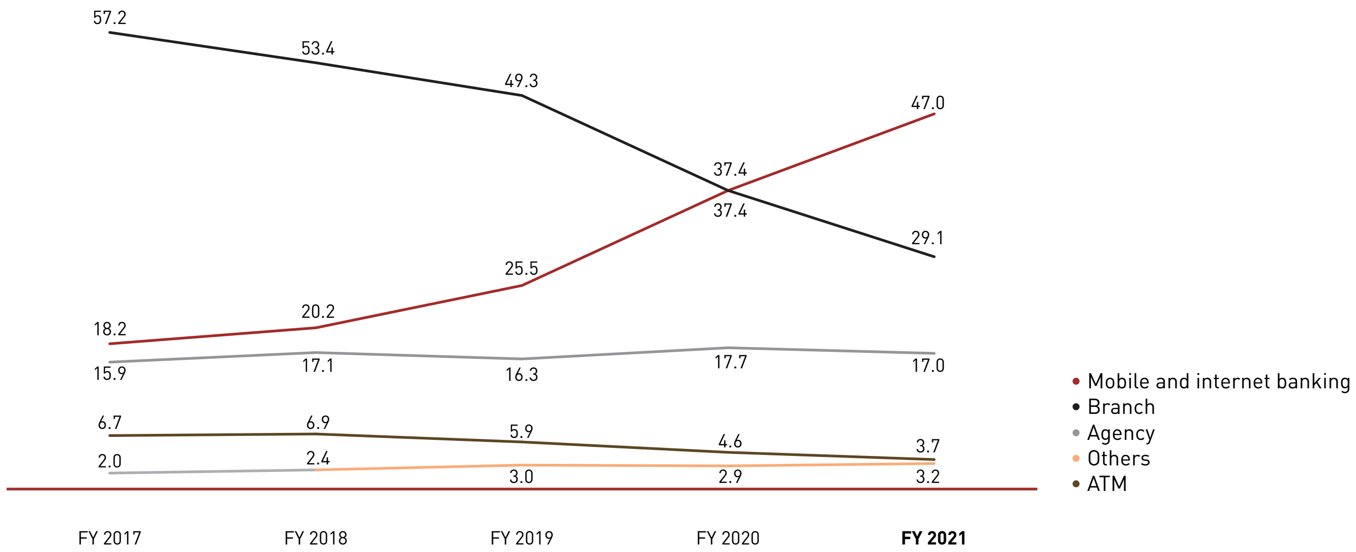
During the year under review, we introduced a proprietary process of machine learning (ML) and an artificial intelligence (AI)-driven credit-scoring engine (Johari) as part of our intent to provide convenience and efficiency for both customers and the Group.

Digitising this process, and transforming it from the arduous, inefficient and limiting manual processes that previously held sway, has greatly increased our ability to serve our customers, and expand our capacity to extend credit profitably.

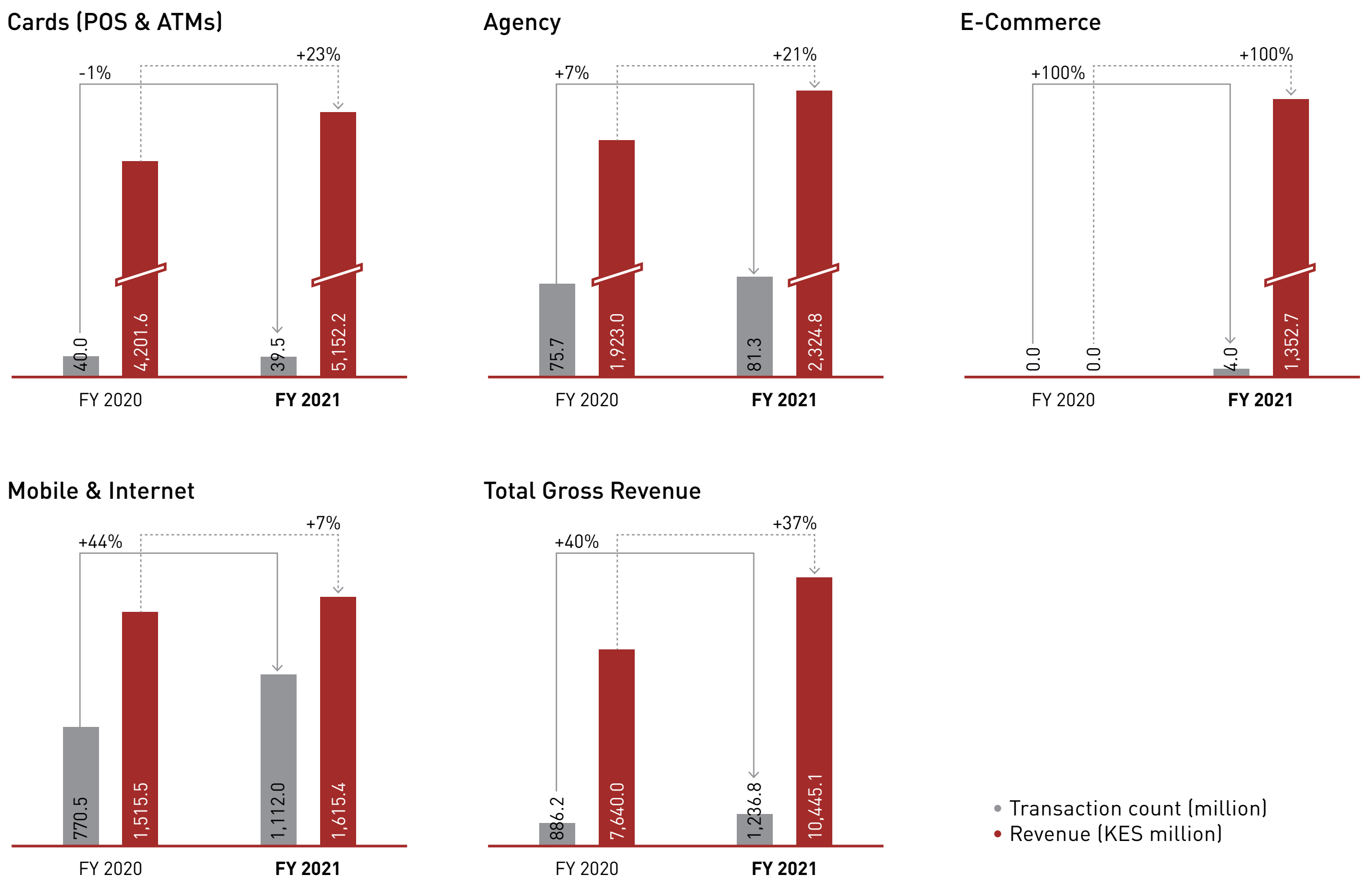
With our ML and AI data-collection approach, we have been able to profile 8.5 million customers in Kenya and provide them with a fit-for-purpose lending product. Our customers are now able to log onto any of our channels where they are allocated pre-assigned limits based on affordability and the propensity to pay back loans. This reduces credit exposure of the Group and prevents customers from borrowing beyond their means.

CREATING VALUE continued

Fintech capabilities: self-service channels (%)



Fintech capabilities: our offering



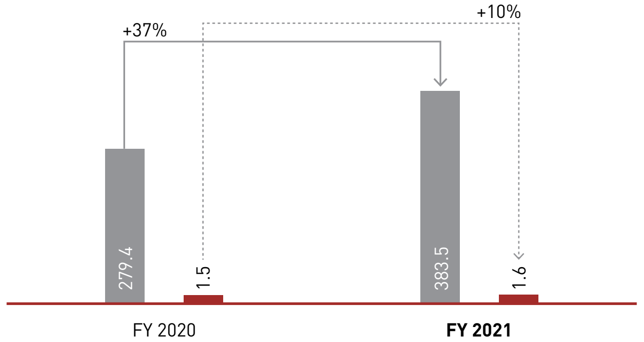
Our technology now allows customers, whether individuals, small or medium business-owners, or large corporates, to conveniently access the credit they require, for whatever their defined purpose, in a seamless and a measurable experience.

CREATING VALUE continued

Fintech capabilities: compressing time and geography

Transaction volumes resulting from diaspora remittances

(KES billion)



- Transaction volumes
- Diaspora commissions

Data analytics has also allowed us to identify ways of acquiring new customers, and to leverage partnerships and collaborations with third parties such as telecommunication companies and other technology partners. The capability also permits the creative and productive use of cross-selling for the benefit of both customers, who are kept engaged through the embedding of banking into their lifestyles, as well as for the Group, for which it is also a customer retention tool.

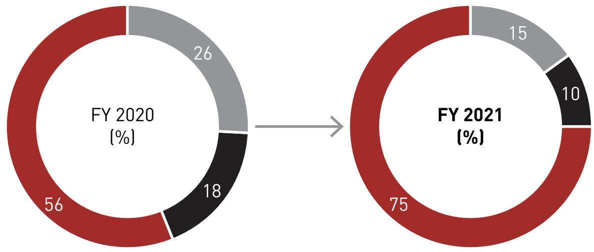
For more on data and IT, see page 47.

We have in addition extended this approach to USSD usage.

For more on partnerships, see page 13.

Fintech capabilities: lifestyle support

75% of our customers using cashless payment capabilities rather than transacting in cash



- Agency transactions
- ATM & OTC transactions
- Cashless transactions

Risks and challenges

We view our key challenges also as the key enablers of dependability, reliability and availability. To ensure that we remain in control of our risk environment, we have in place strict governance structures.

For more on governance, see page 110.

For more on training and education, see page 93.

For more on risk, see page 38.

Digital Transformation Key Performance Indicators

Financial KPIs

1. Cost savings
2. Return on Investment (ROI)
3. Revenue from digital services
4. Operating expenses
5. Time of Profitability
6. Internal Rate of Return
7. Operational Losses

Customer-Centric KPIs

1. Net Promoter Score
2. Customer Satisfaction Index
3. User Lifetime Value
4. Customer Acquisition Cost (CAC)
5. Web Traffic Metrics
6. Email Marketing performance
7. Leads/Landing page conversions

Operational KPIs

1. Annual labour Hours Savings
2. Number of digitised processes
3. Process cycle efficiency
4. % Complete and Accurate (Rework %)
5. Productivity
6. Lead time
7. Mean Time to Repair
8. Mean Time to Detect

Employer-Centric KPIs

1. Employee Net Promoter Score (ENPS)
2. Employee Turnover rate
3. Internal promotion vs External Hires
4. Absenteeism rate
5. % of Employees with Future ready skills

CREATING VALUE continued

Looking ahead

Our enterprise digitisation initiative is being led by business, rather than by IT functions. This means that the first step in any innovation is a declaration and identification by the business side of definitions and needs, and only then does the digitisation team set to work on providing the means.

We will continue to ensure the capacity of the Group to enable both the business and the customers with this customer-positive approach to progress. This in turn ensures that we do not deviate from our purpose, vision, and mission.

With an architecture in place to support this approach, we believe that our broad and bold strategic needs and targets as defined in the "Africa Recovery and Resilience Plan", will be met, and that we are well-positioned to mitigate the risks and challenges that may arise in a volatile and dynamic social, political and technological landscape in the short-, medium- and long-term.

Our human capital HC

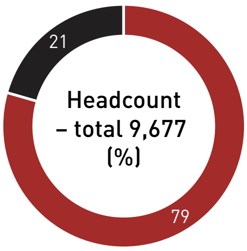
> *Our human capital comprises all the employees who work alongside each other within the Group and its subsidiaries. It is the resource that we draw upon to fulfil our mission, and the means by which we create and ultimately deliver value for our stakeholders. The management of this critical resource falls within the mandate of the Group's People Function.*

Equity Group Managing Director and CEO Dr. James Mwangi (left) and Equity Group Executive Director Mary Wangari Wamae (right) engage during the Quarter 3 2021 Investor Briefing and release of financial results.

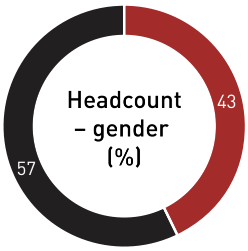
Overview

During the year under review, the People Function, which manages all human resources (HR) within the Group, continued to focus on enhancing staff productivity across the organisation, which is a key measure of efficiency, effectiveness, and business continuity. This is in line with our culture of customer-centricity and of performing at a high-level, measured against all the parameters that are guided by our values and purpose. In this respect, our emphasis during the year was on the embedding of performance measurements, employee- and team-learning, and growth through our revamped Learning Portal and select other virtual and in-person sessions.

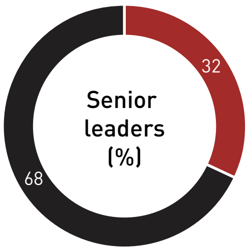
Our headcount and key personnel indicators



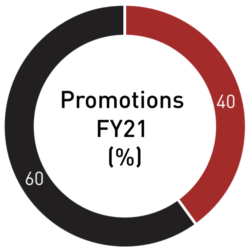
- Total permanent (7,688)
- Total temporary (1,989)



- Female
- Male



- Female
- Male



- Female
- Male

CREATING VALUE continued

Strategy and HR

During the year under review, we obtained Board approval to separate HR functions from those concerned with operations. This step was deemed necessary because the strategic imperative to effect the digitisation of the Group has seen concomitant rapid growth in new business lines and across the organisation, and the HR demands across the diverse geographies into which we have expanded.

In aligning ourselves with the overall strategic imperative to transform the Group through digitisation, HR is thus appropriately capacitated in managing the Group's human resources as they have grown together with our new business lines and sphere of operations.

The People Function undertook a number of important initiatives during the year in the following areas:

- Performance management
- Learning and development
- Talent retention
- Remuneration, recognition and rewards
- Diversity and inclusion
- Succession-planning
- Culture transformation
- Counselling and wellness

Performance management

Important progress was made in developing and maintaining a streamlined performance management system, with the objective of using this as a tool to ensure that the right people are identified in the right ways for upward mobility, salary reviews and increments.

The development of productivity matrices and a pan-Group digital dashboard forms part of this initiative. The latter, in particular, will permit immediate reference to the performance of any given person at any given time.

The HR policy provides guidelines on the metrics of the proposed scorecard. These have been disseminated to all employees, with five overall objectives outlined:

- Financial
- Operational
- Customer experience
- Risk audit and compliance
- People management

Behaviour in relation to Group values also forms part of this assessment, and employees will be asked to self-check on this metric during the performance period, which is the calendar year.

Learning and development

Capacity-building remains critical in positioning the Group to achieve its strategic goals and fulfil its purpose. During the year, we initiated various programmes, including:

- Equity digital product training, with a total of 4,000 employees certified
- Risk-management trainings on anti-fraud, environmental and social risk, information security and AML, in order to support the sustainability agenda of the business
- Trainings on leadership development, financial market sales and ecosystem banking
- Sales training
- Green energy training
- Mental health training

On average, employees attained an average of 35 hours of learning in the year.

For more on education, see page 93.

Equity Bank Fourways Supreme staff and Newlight Senior Girls School staff and students during a tree planting exercise at the school. 5,000 trees were planted during the exercise as part of Equity's 35 million trees tree-planting initiative.

CREATING VALUE continued

Talent retention

Our employee value proposition (EVP) continues to be anchored to our corporate philosophy, underpinned by our purpose of transforming the lives and livelihoods of our people. This is an important aspect of our employee retention approach as we seek to ensure that employment fulfils a greater purpose than the mere need for work.

We therefore continue in our commitment to develop our employees and to support them in achieving their career goals and personal aspirations, while delivering on our organisational goals.

With this in mind, and as part of realising our commitment to this ideal, during the year under review we became signatories to the UN Global Compact, where membership entails subscription to ten principles across four categories of endeavour relating to labour, human rights, environment, and anti-corruption.

Remuneration, recognition and rewards

Even in difficult times such as those we experienced in 2021, we were able to enhance our employee value proposition through a comprehensive salary review in May 2021, where critical roles were aligned, and increases approved across the Group. In recognition of employee commitment, loyalty and dedication in the face of demanding financial, personal and societal circumstances, bonuses were also awarded.

Our medium-term goal is to ensure that a revamped compensation and benefit structure based on productivity and performance is in place, to facilitate and determine the correct rewards for the correct people, with the correct incentives.

Diversity and inclusion

We continued to put in place initiatives that drive our diversity and inclusion agenda, such as the Equity Inspire Programme (EQUIP), which is aimed at developing a strong talent pipeline of women to take up leadership positions, with 1,869 women attending a webinar held in the third quarter.

Another key EQUIP activity was the launch of the EQUIP Book Club, whose objective is to build leadership development and provide spaces for coaching and mentoring. Our 104 clubs saw a total of 1,553 women joining – a cohort representing 61% of the female Kenyan workforce. A three-month reading programme was conducted for the first book, with bi-weekly discussions of individual chapters, led by various Group facilitators. A similar project is envisaged for our male colleagues, to be launched in FY 2022.

A leadership development session targeting women was also implemented in partnership with Swedfund.

For more on our partners and stakeholders, see page 43.

This comprised a series of workshops on individual leadership, with the aim of developing and cementing gender parity within Equity Bank Kenya, and 29 women were invited to provide feedback on ways of improving the work environment. This would include facilities such as pre- and post-maternity arrangements and lactation rooms. The goal for FY 2022 is to scale this initiative up to include all the Group's subsidiaries.

Left to Right: National Drought Management Authority (NDMA) Board Member Abdirahman Hassan, Devolution Cabinet Secretary Eugene Wamalwa and NDMA Vice Chairperson Emily Mworia hand over a dummy cheque to Saralyn Wairimu, Equity General Manager Special Projects. Equity received Ksh 558 million as part of phase 3 disbursement of the Hunger Safety Net Programme (HSNP) for onward payment to vulnerable families in Isiolo, Samburu, Tana River, Garissa, Wajir, Marsabit, Mandera and Turkana Counties.

Succession planning

In November 2021 we initiated a project to strengthen our reserve capability. To this end team leaders in every department were tasked with identifying those capable of advancing to the next level.

In addition, we proposed the institution of a talent audit. This is in acknowledgement of the fact that while we are aware of the depth and breadth of capacity within the Group, we may well not be utilising it to its full potential. It is envisaged that a talent audit will uncover this potential and allow us to leverage it to the advantage both of the individuals and the Group as an organisation.

CREATING VALUE continued

Culture transformation

In September 2021, a director was appointed to focus on culture and business transformation, with a mandate to promote the Group's strategic aim of transforming to become a technically-based provider of financial services. The means of achieving this is the embracing of change management with the objective of continually reviewing the workplace culture from a fit-for-purpose perspective.

Elements involved in this process included the revamping of our induction programme. This is a rigorous process with two weeks of classroom instruction with an analysis of case studies, followed by two weeks of branch placement, with a focus on Group culture, and the importance and meaning of the brand.

Counselling and wellness

By far the biggest health concern during the year was the persistence and pervasiveness of the Covid-19 pandemic. Mindful of the threat to both physical and mental health that this represents we remained determined to provide the best and most appropriate support to our employees and their families.

Covid-19 response

As the governments of the region in which we operate continued to relax restrictions related to preventing the spread of Covid-19, we continued to remind staff to observe the public health directives to ensure minimal exposure to the virus. Recorded internal cases reduced significantly, in line with the country decline rate.

As a company offering essential services, we continue to deploy a blended approach to work, with requisite investment in tools to enable remote working.

In FY 2021, 3% of our staff tested positive for Covid-19. Despite this rise, all affected employees recovered fully and returned to work, with no fatalities recorded.

In addition, in partnership with the Kenya Ministry of Health, the Group organised several on-site vaccination drives for staff and their eligible dependents at Equity Centre in Nairobi. As a result, with regular communication on where to access vaccines, we continue to encourage our staff to get vaccinated.

Despite this challenging environment, our employees continue to exhibit an exceptional level of resilience, commitment, and loyalty with a marked improvement in work productivity and utmost vigilance.

Wellness and counselling

We saw a trend during the year of employees taking up the medical services offered through our subsidiary Equity Afia, a franchise-model entity staffed and run by doctors who are graduates from the Equity Group Foundation's programmes – the Equity Leaders and *Wings to Fly* programmes.

For more on the Equity Group Foundation and its programmes, see page 92.

For counselling, we have an employee assistance programme, through which employees and their household members can call a hotline for support. This service continued to be well-utilised during the year under review.

For more on health, see page 95.

Whistleblowing

In the interests of human and employee rights we maintain a whistleblowing hotline and email service that employees are encouraged to access. The access details are posted on the intranet as well as on posters which are strategically placed throughout office spaces. The management of the service is outsourced.

Looking ahead

In the short term, our goal is to ensure that every business unit has a scorecard that speaks to Group strategy. In addition, we are mandated to complete the establishment of a KPI performance sheet that is aligned with that strategy.

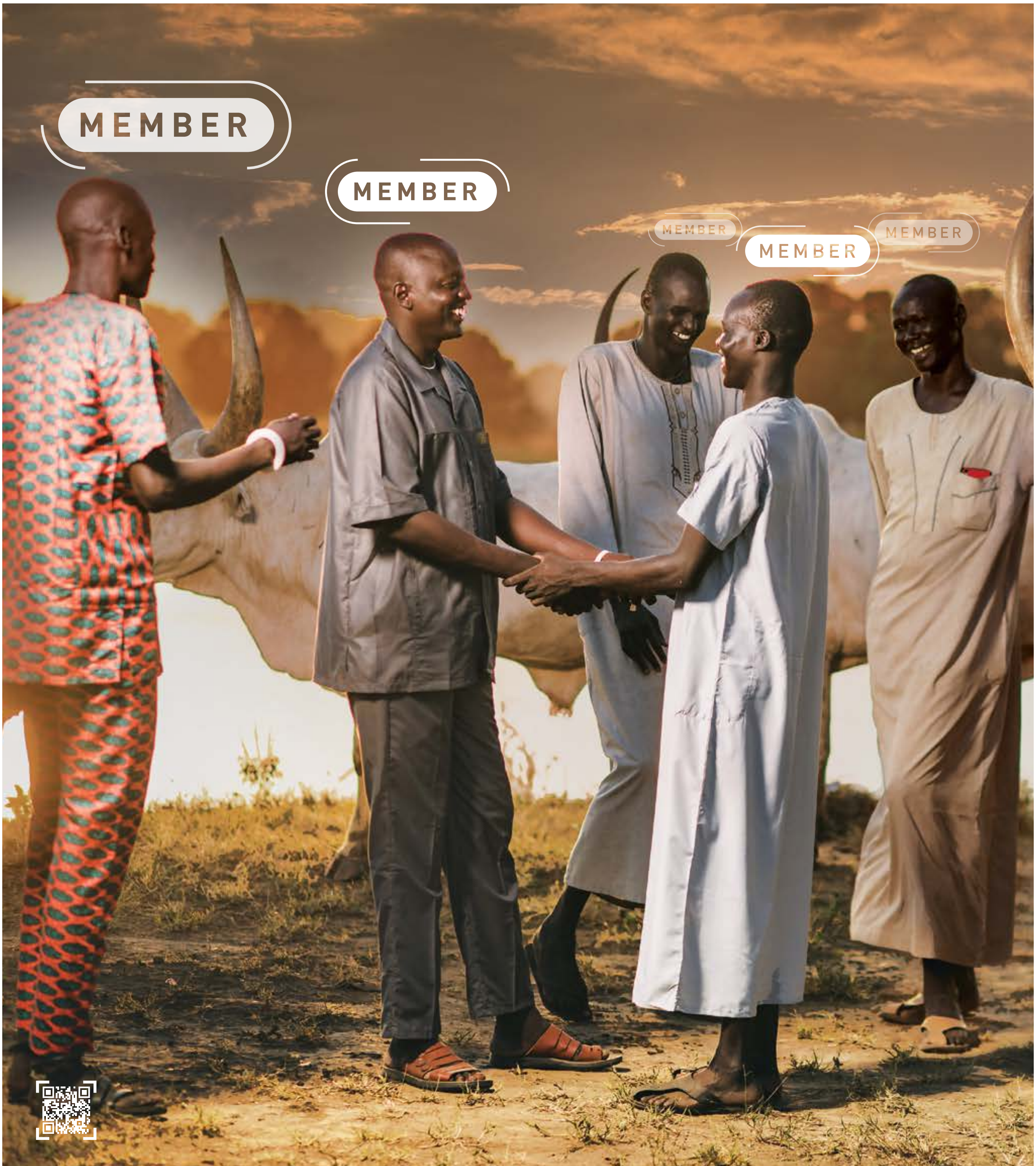
We envisage that the process of transformation on which we have already made significant progress, will be completed in the medium term. With recruitment having been unfrozen, and substantial additions made to our human capital, our next step will be to review policies, processes, and people functions, to ensure that we can provide appropriate structures.

Also in the medium term, we will be revamping our compensation and benefit structure so that it speaks to productivity and performance, so that we can be confident that the right people are being rewarded at the right level, and that we are utilising the right incentives to make those decisions.

In the long term, our objective is to continually review our fitness for purpose while strengthening the Group's culture and ability to evolve. There will be new directions, such as in the field of fintech, to whose demands and requirements we will have conform, while always remaining cognisant of the application of Group strategy to People Function operations.

For more on IT, digitisation, and strategy, see pages 47, 52 and 33 respectively.

DELIVERING COMMERCIAL VALUE



EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

DELIVERING COMMERCIAL VALUE

Financial overview FC

During the year under review, the Group's financial capital sources remained highly diversified, comprising shareholders' funds, debt investors and revenue reserves. As at 31 December 2021, our financial capital comprised Shs 1.9 billion in paid-up and assigned capital, Shs 15.3 billion in share premium, Shs 158.1 billion in retained earnings, and minority interest of Shs 7.0 billion. We are committed to continue to obtain funds from diversified sources and to utilising them in the most effective, strategic and prudent manner as we seek to generate sustainable value.

The year saw the Group increase its Tier 2 capital and senior debt facilities. Development finance institutions (DFIs) demonstrated confidence by providing us with USD361 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 that we manage our operating costs with the necessary rigour and effectiveness.

Overview of FY 2021

Value for shareholders	Strategic performance
Shareholders' funds 27% to Shs 176.2 billion (2020: 24%)	PBT growth 134% to Shs 51.9 billion (2020: -30%)
Earnings per share Shs 10.4 (2020: Shs 5.2)	Revenue growth 21% (2020: 24%)
Market capitalisation Shs 199.1 billion (2020: Shs 136.8 billion)	Return on equity 26.1% (2020: 15.3%)
Strong funding base	**Prudent risk management and asset quality**
Deposit growth 29% to Shs 959 billion (2020: 53%)	PAR 8.3% (2020:11%)
Long-term borrowings growth 48% (2020: 70%)	NPL Coverage 98.2% (2020: 89.4%)
Efficient cost management	**Adequate liquidity and capital ratios**
Cost of funds 2.7% (2020 2.8%)	Liquidity 63.4% (2020: 59.3%) Statutory minimum: 20%
Cost to income ratio 49.1% (2020: 48.5%)	Core capital/TRWA 12.9% (2020: 14.8%) Statutory minimum: 10.5%
	Total capital/TRWA 17.7% (2020: 18.9%) Statutory minimum: 14.5%

Financial management and capital allocation

Our approach to financial management is underpinned by prudence. We carefully consider how we raise, control, administer, deploy and report on our finances, while taking into account risks, costs and control, and seeking profitability.

Our capital allocation is governed by a comprehensive capital allocation strategy framework through an Internal Capital Adequacy Assessment Process (ICAAP), which ensures that we maintain 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 Group's operations.

DELIVERING COMMERCIAL VALUE continued

Agility and opportunity

We also use this principle to evaluate regional expansion opportunities to ensure that returns on financial capital are grown and sustained over the long term. Due to our strong liquidity – with our liquidity ratio standing at 63% – our balance sheet remains agile and able to adapt to opportunities and changes in our external context, enabling us to respond appropriately to borrowers and investment prospects when fluctuations arise.

Our balance sheet

Our offensive growth strategy has seen a 23% growth in net loans and advances, and an 81% growth in investment in government securities, resulting in a 28% growth in interest income.

The growth in earning assets has been funded by a 48% growth in long-term funds of Shs 104.8 billion, up from Shs 70.7 billion, and a 29% growth in total deposits of Shs 959 billion, up from Shs 740.8 billion, driving a growth in total assets of Shs 1.305 trillion, up from Shs 1.015 trillion (29%).

Kes billion	FY 2020	FY 2021	Growth
Assets			
Cash & cash equivalents	247.1	242.8	(2%)
Government securities	217.4	394.1	81%
Net loans	477.8	587.8	23%
Other assets	72.8	80.2	10%
Total assets	**1,015.1**	**1,304.9**	**29%**
Liabilities & capital			
Deposits	740.8	959.0	29%
Borrowed funds	97.1	128.3	32%
Other liabilities	38.6	41.4	8%
Shareholders' funds	138.6	176.2	27%
Total liabilities & capital	**1,015.1**	**1,304.9**	**29%**

Funding

Group total funding grew by 27% during the year under review, driven by growth in customer deposits of 29% – from Shs 740.8 billion in 2020, to Shs 959.0 billion. This was matched with a slower pace of growth in the loan book, of 23%, up to Shs 587.8 billion (2020: Shs 477.8 billion).

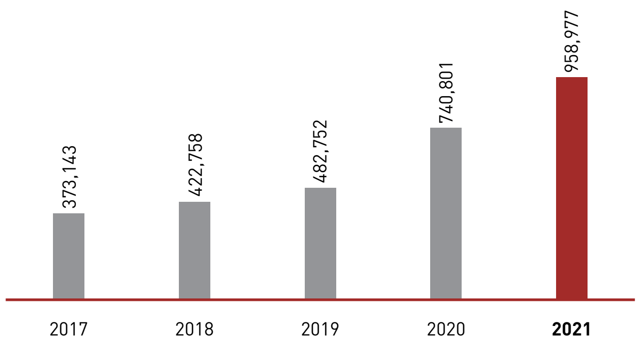
Our liquidity ratios strengthened to 63.4% (2020: 59.3%), as a result of increased investment in government securities, which grew by 81% to Shs 394.1 billion, up from Shs 217.4 billion.

Deposit growth

During the year under review, deposits grew by 29% to Shs 959 billion as a result of the availability of improved products and services that enhanced customer experience as well as convenience offered by our digital channels.

For more on IT and digitisation, see pages 47 and 52 respectively.

Growth in deposits (In Shs millions)



Non-funded income

Higher quality non-funded income grew by 15% to Shs 43.6 billon, up from Shs 37.8 billion, while net interest income recorded a 25% growth to Shs 68.8 billion, up from Shs 55.1 billion.

FX-trading income grew by 32% to Shs 8.3 billion, up from Shs 6.2 billion. E-commerce gross revenue grew to Shs 1.4 billion, up from zero, while bond-trading income increased to Shs 3.0 billion, up from Shs 2.7 billion.

DELIVERING COMMERCIAL VALUE continued

Our income statement

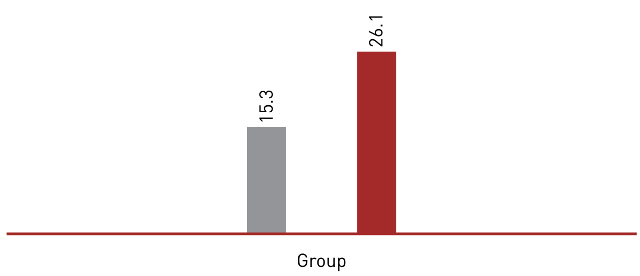
Kes billion	FY 2020	FY 2021	Growth
Interest income	73.8	94.3	28%
Interest expense	18.7	25.5	37%
Net interest income	55.1	68.8	25%
Non-funded income	37.8	43.6	15%
Total income	**92.9**	**112.4**	**21%**
Loan loss provision	25.9	4.9	(81%)
Staff costs	15.4	19.1	24%
Other operating Expenses	30.6	36.5	19%
Total costs	**71.9**	**60.5**	**(16%)**
Gain on bargain purchase	1.2	–	(100%)
PBT	22.2	51.9	134%
Tax	2.1	11.8	470%
PAT	**20.1**	**40.1**	**99%**
Earnings per share	**5.2**	**10.4**	**98%**

** Loan loss provision has been presented net of recoveries.*

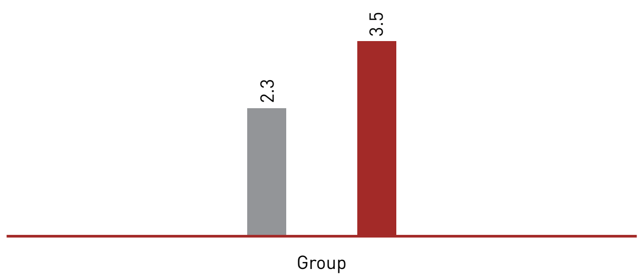
Kes billion	FY 2020	FY 2021
Gross loan loss provision	26.6	5.8
Loan recoveries	10.71	(0.9)
Net loan loss provision	25.9	4.9

Return on average equity (RoAE) and average assets (RoAA)

RoAE (%)



RoAA (%)



Against the background of the Covid-19 pandemic, its consequent disruption of global economic activities and the resultant social disruptions, we have demonstrated the strength of our strategy and resilience, our versatile business model, as well as leadership agility, and innovation and diversification capabilities, to report a 99% growth in PAT, a 29% growth in total assets and a 21% growth in total income.

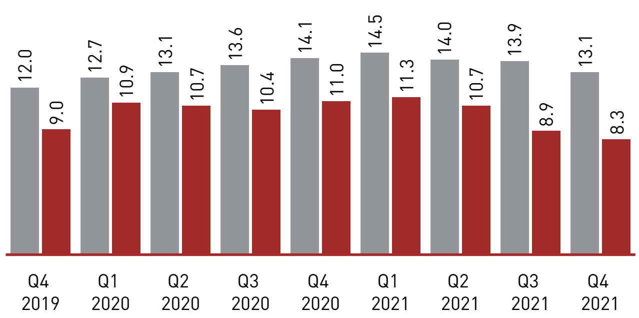
Asset quality

Our asset quality remained healthy and well above the banking sector's average. Our NPLs for the year stood at 8.3%, compared to an industry average of 13.1% in the same period, as reported in the CBK credit survey report for the quarter ended 31 December 2021.

Close management of the loan book and strong customer relationship management saw improvement of our portfolio at risk (PAR) to 8.3%, down from 11.0%, with NPL provision coverage improving to 98.2% (2020: 89.4%), and additional coverage of 29.8% from loan credit guarantee facilitation.

The improvement in quality of the loan book and its management had a significant impact on the financial performance of the Group driven by reduction in cost-of-risk, from 6.1% to 1.1%, to record an 81% reduction of loan-loss provisions to Shs 4.9 billion (2020: Shs 25.9 billion. This helped record a 16% decline in total operating expenses.

NPLs – Industry vs EGH Plc (%)



DELIVERING COMMERCIAL VALUE continued

Prudent management of Covid-19 restructured loans

The Group has continued to closely manage the Covid-19 accommodated loans of Shs 171 billion. Loans worth Shs 125 billion have resumed repayment, with Shs 5.7 billion having been downgraded to NPL and provided for (under stage 3). Shs 45 billion, constituting 7% of the total outstanding gross loan book of Shs 641 billion, remains under the Covid-19 moratorium.

Our financial ratios

	Group FY 2020	Group FY 2021
Profitability		
Yield on loans	12.4%	12.2%
Yield on government securities	10.7%	9.6%
Yield on interest earning assets	10.0%	9.5%
Cost of deposits	2.3%	2.1%
Cost of funds	2.8%	2.7%
Net interest margin	7.2%	6.8%
Cost to income ratio with provisions	48.5%	49.1%
Cost to income ratio without provisions	48.5%	49.1%
RoAE	15.3%	26.1%
RoAA	2.3%	3.5%
Asset quality		
PAR	11.0%	8.3%
NPL coverage	89.4%	98.2%
Cost of risk	6.1%	1.1%
Leverage		
Loan/Deposit ratio	64.5%	61.3%
Capital adequacy ratios		
Core capital to risk weighted assets	14.8%	12.9%
Total capital to risk weighted assets	18.9%	17.7%
Liquidity		
Liquidity ratio	59.3%	63.4%

Cost-saving and efficiency

Efficiency gains resulted in improved cost to asset ratios and cost-to-income ratios despite the lag in deployment of growth funds to high-yielding assets. Best improvements were noted in the more mature subsidiaries of Kenya, Uganda and Rwanda.

Efficiency gains enhanced Group return on equity to 26.1%, up from 15.3%, while return on assets improved to 3.5%, up from 2.3%.

DELIVERING COMMERCIAL VALUE continued

Performance against outlook

	2021 guidance	FY 2021 actual
Loan growth	20%–25%	23%
Deposit growth	20%–25%	29%
Net interest margin	7.0%–8.0%	6.8%
Non-funded income mix	40%–43%	38.8%
Cost to income ratio	40%–45%	49.1%
Return on equity	25%–30%	26.1%
Return on assets	3.6%–4.3%	3.5%
Cost of risk	1.5%–2.5%	1.1%
NPL	7%–10%	8.3%
Subsidiaries contribution (assets)	40%–45%	41%
Subsidiaries contribution (PBT)	25%–30%	22%

Our strategy of digitisation

For more on digitisation and digitisation performance, see page 52.

Diversification

EquityBCDC in the DRC continued to confirm our confidence in what has been an excellent investment decision. Deposits grew by 54%, assets by 47%, revenue by 71%, and PBT by 204%. Cost-to-asset ratio improved from 6.2% to 4.6%, while RoE improved to 14.9% (FY 2020: 8.8%). Regional subsidiaries maintained their deposit contribution to Group at 44% (2020: 44%). Revenue increased to 37% (2020: 33%) and profit before tax (PBT) and provisions to 26% (2020: 22%). We continue to confront the challenges of our subsidiaries in Tanzania and South Sudan.

For more on our subsidiaries and their performance, see page 72.

Our strategy of diversification, driven by our regional approach with operations in six countries, helped in diversifying sovereign risks, with a currency-mix risk of 56.6% local currency and 43.4% foreign currency risk, mitigating the risks inherent in exchange and translation.

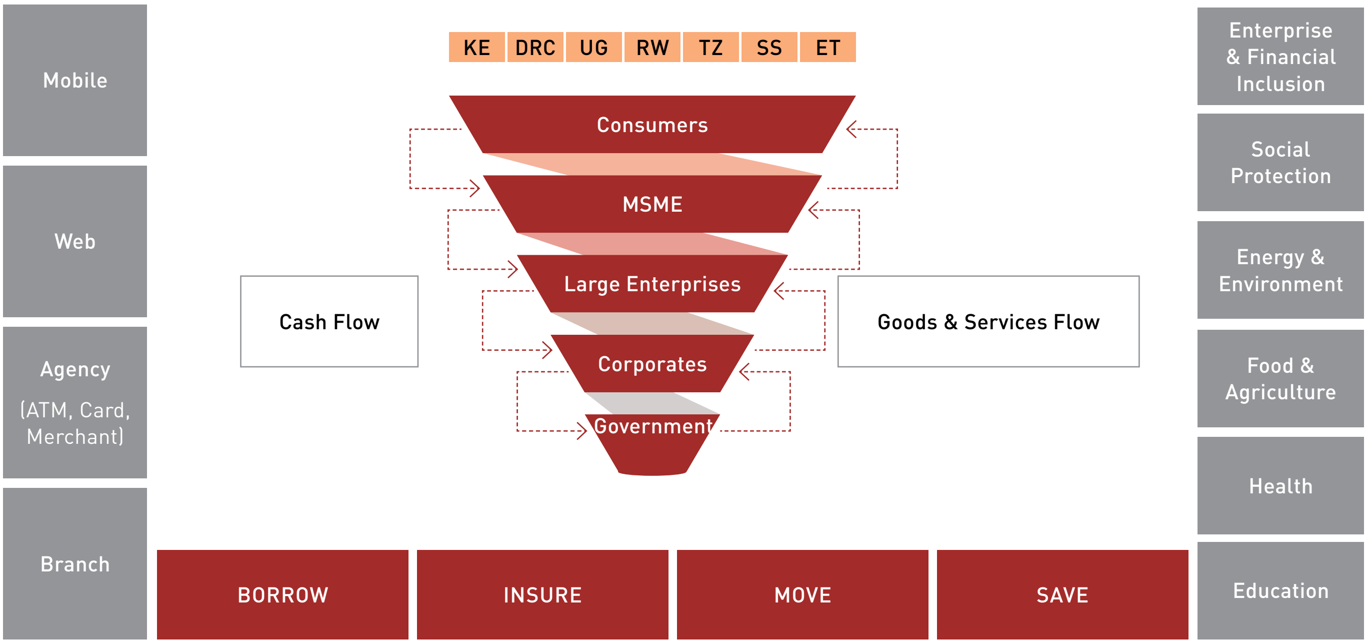
For more on risk management, see page 38.

DELIVERING COMMERCIAL VALUE continued

Commercial FC SRC

> *Our commercial operations form a fundamental part of our financial capital and are directly related to both our economic and social strategic engines. Comprising products and services, they cater to the goals that these strategic engines entail, of borrowing, insuring, moving, and saving money.*

In fulfilling its mandate, our commercial department is structured to deliver value to five banking segments, with 8,200 employees serving 16.2 million customers across six countries.



Our approach

In placing our customers at the top of our organisational pyramid, we are acknowledging that they are central to who we are and what we do as a Group. By trusting us with their deposits, they are the source of our revenue. Our mission is therefore to serve them, and provide solutions to their needs, so that we can meet both our economic- and socially-based imperatives.

In defining this approach, we take into account the competitive landscape in which we operate. This has become increasingly dynamic, with new competitors emerging, and with new ways of moving money.

We have thus refined our ability to create and maintain partnerships and collaborations by defining our capabilities using six metrics relating to our:

> Balance sheet and its size
> Regional and field presence
> Brand positioning
> Philosophy and mindset
> Existing collaborations and partnerships

This approach has resulted in cementing our shift from physical channels to self-service channels.

(For more on payments and digitisation, see pages 70 and 52 respectively.)

This change is measurable and driven also by the growth in both the need for access to credit, and consumerism.

DELIVERING COMMERCIAL VALUE continued

Our initiatives in FY 2021

During the year under review, we focused on five initiatives:

	Initiative ...	Driving ...
1	Accelerated acquisition and retention of customers	Revenue growth
2	Quadrupling transactions and channel traffic	Deposit growth and mix
3	Bolstering of customer engagement and relationships	Managed loan book quality and mix
4	Delivering on our risk and compliance mandate	First line of defence through hearts and minds
5	Executing our social impact programme	Clear relevance, brand power and positioning

For more on strategy, see page 33.

Our performance in FY 2021

Our dynamic strategy-based approach continued to yield a very evident transformation in the numbers of depositors, borrowers, and loans disbursed, with a concomitant increase in profitability, despite the inroads made by the impact of the pandemic we were determined to accommodate the needs of our customers and provide them with all possible assistance.

For more on our social contribution, see page 92.

Our transformed average deposit/loan per customer – 2015–2021

Profit and loss							
Year	NII	NFI	TI	OPEX	PBT	NFI: TI	CI Ratio
2015	34.1	21.9	56.1	32.1	24.0	39.1%	52.9%
2016	41.7	23.1	64.8	38.3	26.5	35.7%	50.2%
2017	37.6	27.6	65.2	38.3	26.9	42.3%	53.5%
2018	41.4	25.9	67.3	38.8	28.5	38.4%	52.2%
2019	45.0	30.8	75.8	44.3	31.5	40.6%	51.5%
2020	55.1	38.5	93.7	72.7	22.2	41.1%	49.2%
2021	**68.8**	**43.6**	**112.4**	**60.5**	**51.9**	**38.8%**	**49.1%**

Balance sheet							
Year	NPL	Loans (Shs billion)	Borrowers (Thousands)	Deposits (Shs billion)	Depositors (Millions)	Average loan per borrower (Shs)	Average deposits per account (Shs)
2015	3.3%	269.9	972	311.8	10	654,799	73,227
2016	6.8%	267.5	889	337.6	11	709,467	71,526
2017	6.3%	279.1	677	374.9	12	971,724	72,960
2018	7.6%	297.2	739	423.7	13	948,813	74,219
2019	8.3%	366.4	805	482.9	14	1,072,874	80,534
2020	11.8%	477.8	825	750.7	14	1,366,514	124,212
2021	**8.3%**	**587.8**	**966**	**959.0**	**16**	**1,462,075**	**150,742**

DELIVERING COMMERCIAL VALUE continued

From the perspective of the Commercial department, the year under review was characterised by strong commercial profitability and effective loan book management, with evident saliency for the Group associated with our operations in the DRC and in Kenya.

For more on finance, see page 62.

Looking ahead

In line with the development of the Group's strategic "Africa Resilience and Recovery Plan", we have established a roadmap for the short- and medium-term.

Our strategic aim is to ...	through ...
Entrench a culture that values people, enhances performance and supports business	> Customer-centric culture > Performance management system > Talent-development framework
Be market-led, innovative and customer-focused	> Revenue > Network expansion > Like-for-like growth (customer retention) > Customer-active status
Deliver quality, effective, and efficient operations	> Branch and middle-office process/system > Customer experience on digital channels > Floor management > Quick and easy channel access
Grow a high-quality balance sheet	> Loan and deposit quality > Loan and deposit growth rate > Loan and deposit mix
Value maximisation for stakeholders	> Return on equity > Return on assets > Cost of funds > Capital allocation and optimisation
Cement brand relevance and positioning	> Market engagement > Customer service > Social impact focus

We have also set out a performance agreement built upon:

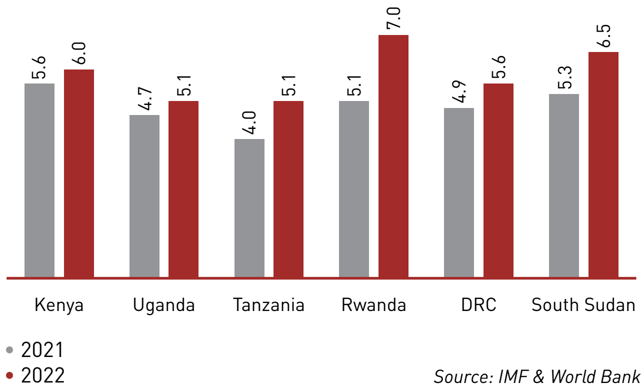
- Operational excellence, measured by:
  - Risk and compliance
  - Fit-for-purpose office culture
  - Cost-to-income ratio
  - Customer service and experience
  - Application of data analysis
- Accelerated growth and market relevance, measured by:
  - Total income
  - Loan quality and size
  - Deposit quality and size
  - Branch network
  - Sector and segment
  - Penetration
  - Social impact programmes
- People culture, productivity and coaching, measured by:
  - Customer-centricity
  - Learning and coaching
  - Talent management
  - Performance management
  - Reward and recognition

With this in mind, we are already engaged in working to deliver our short-term goals through:

- Fit-for-purpose commercial appetite and processes – borrow and move
- Relationship management – move, save and invest
- Process and channel reliability, stability and availability – move and borrow
- Product innovation and management – save, invest, insure and borrow
- The execution of social impact programmes – fusing the Equity Group Foundation with the Bank

DELIVERING COMMERCIAL VALUE continued

Projected regional GDP growth (Forecasts as at October 2021)



Source: IMF & World Bank

Group payments and channels FC IC SRC

> *Our Group Payments and Channels division forms an integral part of our financial, intellectual, social and relationship capitals, as it enables the capacity to move money within the Group, to the Group and from the Group, while at the same time providing our customers with the services and convenience that they request and require, and within the wallets that they prefer.*

Overview

The division is designed to be able to provide both channels and products, and is organisationally structured accordingly.

- **Products:** Prepaid, debit and credit cards, SMS and Fintech (e-Commerce, APIs)
- **Channels:** Mobile (App, USSD, chats), cash management and alternate channels, ATMs, merchant point-of-sale (POS), Pay With Equity, agents, and international banking

Our approach

Our approach is based on shared infrastructure, which facilitates the absorption of the best learnings and practices from each country in which we operate, with the aim of replicating them for all the others. All development is implemented at the Group level, while country subsidiaries are engaged to localise new capabilities. The subsidiaries are also empowered to engage local payment solutions and partnerships that are particular to their countries. This methodology frees each individual country to focus on local developments, needs, partnerships, and customer onboarding. There is thus no distraction caused by concerns about infrastructure at the centre. This in turn permits greater local responsiveness.

Actual indicators

The accelerated migration of account activity to digital channels saw a growth of around 30% in total revenue – this, despite the total lack of fees charged for SMS alerts, amounted to a revenue loss to the Group of over Shs 2.5 billion per annum, or around Shs 200 million per month. The CBK also imposed no fee for transfer from bank to mobile wallets, which led to a loss of about Shs 2 billion. The transaction count of mobile transfers to banks, mobile wallets and subsequent SMS alerts that grew dramatically, attracted no fee which, had it been in place, would have increased our revenue.

Nonetheless, the Shs 14 billion in revenue that we did achieve, reflects a substantial increase from the Shs 9.6 attained in FY 2020, a growth rate of nearly 50% in Kenya. The other territories in which we operate showed even higher increases of between 92% and 103%.

As a result, float or deposits flowing into the Group from this new channel, yielded, from a previous zero, Shs 1 trillion in Kenya, and Shs 1.65 trillion Group-wide.

During the year we also introduced e-commerce for diaspora remittances as well as partnerships with payments facilitators with access to small and medium enterprises (SMEs). The resulting float grew volumes in 2021 to Shs 47 billion.

Having set up a dedicated e-commerce desk in FY 2021, we created processes, products and technology that culminated in our attaining revenue from this channel of Shs 2.1 billion across the Group.

For more on finance, see page 62.

DELIVERING COMMERCIAL VALUE continued

New payment options

The year under review saw us creating new value-add services in the area of payment gateways. As part of this initiative, we went live in December 2021 with our CyberSource option, through existing platforms provided by Mastercard and Visa.

Vertical industry focus

We also continued to secure our focus on vertical industries. In Kenya and South Sudan we control the majority of government collections where payments are made by card. Throughout the ongoing pandemic we have been able to work with government agents in all the countries in which we operate, except Uganda. This has meant that 95% of payment trails go through the Group.

In a second instance, we continue to follow the money as it moves through transactions. With most online payments made through online providers, we have moved to quickly onboard these providers and thereby empower the payments that drive industries such as aviation and hospitality, as well as global merchants such as Netflix and Uber.

To do this we created a value proposition for the merchants themselves, creating a differentiated pricing structure in relation to local as well as cross-border norms.

Remittances were another vertical industry that we targeted. Usually, these transactions are processed by banks domiciled in Europe or the US, who are forced to pre-fund their last-mile termination accounts in Africa. We have partnered with them by acting as the acquiring bank and covering the pre-funding gap as well as the settlement duration.

Pay with equity

During the year under review, we reinvented all our payment channels with the objective of supporting low-touch and high-velocity payments. Our most significant achievement in this regard is Pay With Equity (PWE).

PWE enables payment from any source and location whatsoever to be routed through the Group, obviating the need for merchants to activate point-of-sale (POS) systems. All that is required is a phone number, making any purchase and payment collection platform simply a function installed on a mobile device. This capacity radically disrupts the previous functionality, whereby particular platforms required their own particular wallets. Our new system is flexible enough to encompass even wallets held by competitors – a feature that enables quick and easy translation across the Group and its operating environment.

For more on our operating environment, see page 14.

This in turn has resulted in a significant increase in the number of merchants with access to Group services. Whereas prior to the year under review we had about 44,000 merchants, during the year we were able to recruit new ones at a rate of over 600 per day, with the result that we now have 157,750 merchants within our payments universe. The division therefore embarked on a recruitment initiative, to expand capacity and to onboard new merchants.

PWE has outstripped POS as a platform and is now standing at nearly two times the volumes of the older method, with turnover at Shs 138 billion (POS: Shs 89 billion).

In a related development, we will also introduce Android-based POS, which will accommodate diverse apps, and enable the acceptance of mobile money through POS. This means that our service will now be offered as PWE together with POS.

Internet banking

During the year under review, we completely remodelled our internet banking platform by introducing convenient retail access, making it safer and easier to use. With most of our customers wanting more than individual services, it is our intention to introduce web-based services tailored to SMEs. Moreover, we are also in the process of fortifying our corporate internet banking to ensure less friction in the transfer of large sums of money.

For more on IT and finance, see pages 47 and 62 respectively.

Risks and challenges

In order to creatively offset the risk entailed in the loss arising from the SMS and transaction fee moratoriums, we changed our model to one in which deposits are mobilised by Group treasury to generate profit, rather than relying on the straightforward revenue stream.

For more on risk, see page 38.

DELIVERING COMMERCIAL VALUE continued

Looking ahead

We believe that the Group is on the right path in its drive to restructure and reposition for the future. We have weighted payments in order to both drive business and become relevant in the lives of our customers. This change in our strategic approach has resulted in our being able to encounter customers daily, rather than, on average, a mere 12 times per year. The average volume of transactions has grown from just two per month, to over 30.

We are anticipating that our USSD channel will show the largest growth. This is related to our intention to add further lifestyle applications to our service in the short- and medium-term. With this in mind, we are in the process of facilitating through our channels the purchase of such continually required goods and services such as food, movie tickets and airtime.

We envisage that our digital channels will be the first point of contact with our customers, with the ability to order from our app obviating the need to utilise suppliers' platforms. This ensures that payments will become seamless as we will have brought the market to the app, where the money resides, with the result that the payment will never fail.

Also in the short- and medium-term, we will continue pre-scoring our customers for credit, making data on debit and credit transactions on accounts available to the Group. The credit team will then have the ability, in applying this score, to provide customers with a liquidity level to enable the movement of money. The division will thus use the channel to provide liquidity to consumers, merchants, agents and businesses. In this way Payments and Channels will drive customer relationships through daily and relevant targets.

In the medium- to long-term, our objective is to make our envisaged One Equity channel more inclusive, able to address both service and growth, and including both insurance and investments. In effect, One Equity will bring all the services of the Group to the channel, with fluid payments enabling the increased movement of money, providing more services, and increasing the velocity of payments by becoming relevant daily.

Our subsidiaries FC HC IC SRC MC NC

> *The operations of our subsidiaries form a fundamental part of all six of the Group's capitals, and as such, provide an integral contribution to the sustainability and growth of the business. As such, they are intimately tied to our strategic focus area 3 of geographical expansion and business diversification.*

The regulatory, socio-economic and health aspects of the diverse jurisdictions in which we operate are of great importance in tailoring our strategic approach, products and services to the needs of our customers in the six countries in which we have an operational presence.

For more on the operating environment and economic factors within which our subsidiaries operated during the year under review, see Our subsidiaries at a glance, on page 72.

Our subsidiaries at a glance

Uganda

What was important	What it means
> Opening of new branches, agencies and digital platforms > Agency Banking Company (ABC) Shared Agency Integration to allow deposits and withdrawals at both Equity and other Bank's Agent Locations > NIRA integration for NIN validation	> Launched EazzyFX, our electronic dealing/trading system to enable effective and convenient digitalised foreign exchange (FX) transactions for corporates and other customers > Change or upgrade: » Equity Mobile with pilot of One Equity mobile and web » 247 USSD accounts opened » Airtel B2C on EazzyBiz » SMS local aggregator » UMEME (Postpaid and YAKA) on USSD and Agent App channels » Interswitch float allocation for Interswitch agents
> Internal events: » Customer Service Week » International Women's Day » Sponsorships » CSR/community/health activities	> Customer Service week 4 to 8 October 2021, themed The Power of Service > Donation of mosquito nets worth UGX 40,000,000 to market vendors through Kampala Capital City Authority (KCCA), after they asked food market vendors to sleep in the markets to ensure steady supply of food during the lockdown
> Strategic partnerships	> Partnership with the UN in promoting social inclusion and improving economic outcomes and human development to contribute towards the social economic transformation of Uganda, through accelerating the attainment of the UN's Sustainable Development Goals > Partnership with the National Research Organisation in launching the inaugural Equity Naro Golf Open in November 2021 > Partnership with the Uganda Green Enterprise Finance Accelerator (UGEFA) for the provision and expansion of a green financing portfolio
> Bank of the Year Award	> *The Banker's* Bank of the Year Uganda 2021 award bestowed for the second time, in recognition of our front-line role in responding to the economic disruption caused by Covid-19, as well as for our digitisation strategy and differentiated approach that contributes towards financial inclusion

DELIVERING COMMERCIAL VALUE continued

Tanzania

What was important	What it means
> Launching of new products	> Launch of: » EazzyFX, our electronic dealing/trading system to enable effective and convenient digitised foreign exchange (FX) transactions for corporates and other customers » SADC Integrated Regional Electronic Settlement System (SIRESS) and One Equity payment platform » Eazzy Prepaid card to enable cashless transactions at local and global pay points
> Strategic partnerships	> Partnership with the PASS Trust for the acceleration of agriculture financing, with USD2 million credit guarantee provided through a risk sharing model to stimulate lending to smallholder farmers > Partnership with Tanzania Postal Corporation (TPC) on Equity Super-agent through the 300+ postal office network to promote: > Customer acquisition: » CASA » Cross-border transactions » Remittances » Collections » Agent aggregation > Partnership with NALA to facilitate remittance services in East Africa
> Internal events: » Customer Service Week » International Women's Day » Sponsorships » CSR/community activities	> Customer Service Week, themed The Power of Service celebrated in October 2021, recognising both customers and staff > Sponsorship of CRB AGM, in support of the construction sector maximising cross-sell opportunities > Celebration of five years of the successful Faith Vicoba Group, promoting the Eazzy Kikundi platform and Inua account to more than 100 groups > Donation of TZS 10 million to Makole Primary School for access to clean water during the pandemic

Rwanda

What was important	What it means
> Launching of new branch	> Opening of Kimironko branch
> Launching of new products	> Pay With Equity (Fasta Fasta) – the first product in Rwanda offering direct payment from customer accounts directly to merchant accounts via USSD, at no cost > EazzyFX, also a first for Rwanda, is our electronic dealing/trading system to enable effective and convenient digitalised foreign exchange (FX) transactions for corporates and other customers > Visa USD card > Agri-business lending product offering loans in eight value chains in a sector which currently receives only 2% of loans > RIA money transfer
> New strategic partnership initiated	> Partnership with MobiCash Rwanda to enable interoperability with MobiCash agents countrywide
> Equity Bank Rwanda's 10th anniversary	> Official anniversary activities celebrating ten years in the Rwandan market took place in February 2022
> Internal events: » Customer Service Week » International Women's Day » Sponsorships » CSR/community activities	> Selected customers rewarded with plaques during Customer Service Week > Celebration with female customers and staff, with rose bouquets, bottles of wine for customers, and cake cutting for staff > Participation in the Kwibuka 2021 27th commemoration of the 1994 genocide, with a bank team visit to the Kigali Genocide Memorial > Equity Leaders Programme launch, with 32 scholars undergoing induction, and joining the Bank until March 2022 as paid interns > Partnership with United Nations Resident Coordinators office for co-creation of social development programmes in line with Rwanda's National Development Agenda
> The African Banker Awards	> Received the Bank of the Year Rwanda award for our commitment to SMEs through: » Partnerships with Enterprise Partner Solutions (ESP) and Mastercard Foundation which committed USD2.5 million to support the Covid-19 Recovery and Resilience Programme » Supporting, through the programme, 120 SMEs in the tourism and hospitality sector » Loan restructuring » Tender automation through digitisation » Trade finance products for SMEs and retail markets

DELIVERING COMMERCIAL VALUE continued

DRC

What was important	What it means
> Merging of EBC and BCDC	> Opening of new branches, agencies and digital platforms between January and December 2021
> Launching of EquityBCDC Express	> Signing of partnerships with Masters Agents
> Launching of new products	> Equity BCDC online platform to facilitate online account management, through: » EazzyWeb » Equity Mobile App downloadable application » EazzyBiz internet banking platform intended for corporates/SMEs) » EquityPay for cashless transactions via a code » Online fintech payment solutions
> Katanga Awards 12th Edition	> Won the Katanga Awards trophy and the merit diploma of best company for financial and logistical involvement and contribution to the fight against Covid-19
> Internal events: > Customer Service Week > International Women's Day > Sponsorships > CSR/community activities	> Sponsorship of a business plan competition in partnership with PADNPME, with opening of accounts for winners > Inauguration of Likasi's first library with a capacity of 80,000 books > Wallonia Brussels – sponsorship of the 4th edition of the Zamenga literary prize > Launch of the Equity Leaders Programme > Hosting the Kenya-DRC trade mission with Kenyan entrepreneurs

South Sudan

What was important	What it means
> Launching of new outlets	> Opening of 23 new agencies and merchants
> Launching of new products	> Mobile money USSD integration with services including: » Balance enquiry » Mini-statement requests » Airtime purchase » Internal transfer with Equity » Transfer to other South Sudan banks » Transfer to Mgurush mobile wallet » Agent withdrawal » PIN change
> African Banker Award	> Won Bank of the Year Award 2021
> Internal events > Sponsorships	> Customer Service Week > Supported International Literacy Day (ILD) with SSP1 million

Our countries of operation

Kenya

> *Economic activity in Kenya continued to adapt to the pandemic and its associated restrictions. Various containment measures, such as night curfews, were in effect through most of 2021, while more economically disruptive measures such as lockdowns and travel restrictions were phased out, limiting the impact on economic activities. The vaccine rollout picked up as new shipments of vaccines arrived after a slow start due to supply constraints. This development supported economic recovery and growth through the third quarter of 2021.*

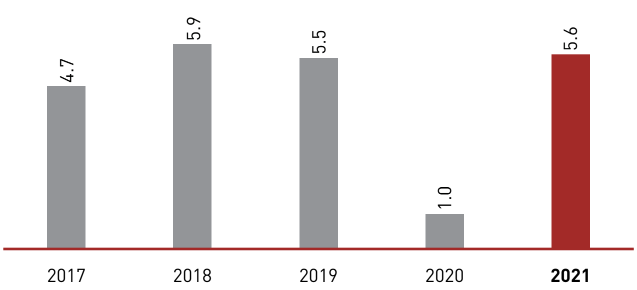
Demand-side recovery was supported by improved performance in private consumption as employment conditions and household incomes improved. However, as at the first half of 2021, agricultural output fell by 0.5% year-on-year due to below average rains.

The fiscal deficit remained at 8.4% of GDP budget as tax relief measures implemented in 2020 were reversed in January 2021 and economic growth picked up. The Kenya shilling weakened further relative to major currencies, weakening by an estimated 2.4% to close at Shs 113.2 to the US dollar (2020: Shs 109.3).

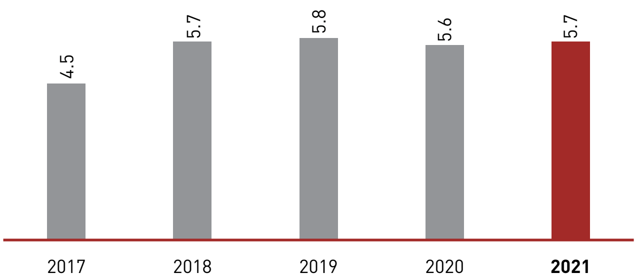
Public debt increased from 66% of GDP in 2020 to 69% in 2021, due to public investment in infrastructure, debt-management, and the pandemic. As a large part of the debt is owed to international creditors in foreign currency, public finances remained vulnerable to exchange rate movements. At 5.7%, inflation remained within the CBK's target band of 2.5% to 7.5%.

DELIVERING COMMERCIAL VALUE continued

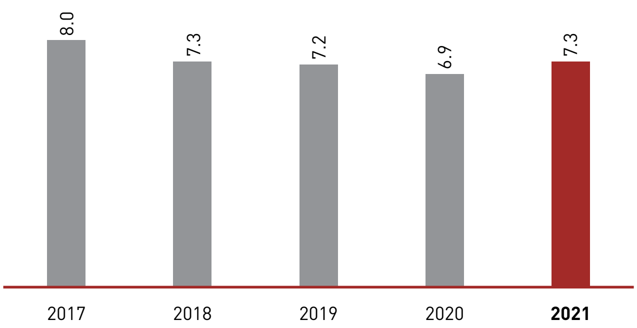
GDP (%)



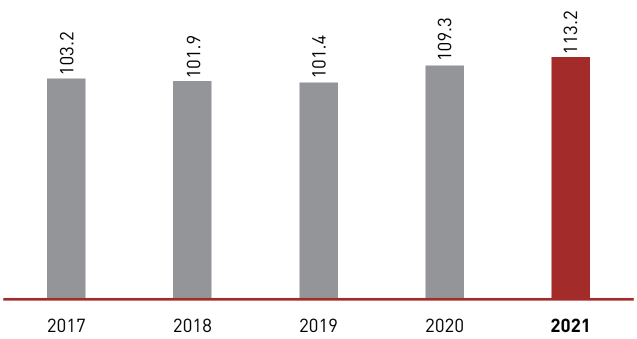
Inflation (%)



Interest rates 91 days T-bill (%)



Exchange rate Shs/USD



Despite the still slow recovery in international tourism, trade, transport, and other services, the gradual economic recovery in 2021 had a positive impact on the banking sector. As a consequence, as at Q4, NPL ratio improved to 13.1% (2020:14.1%), as uptake of digital products grew 20% year-on-year from the Shs 5.21 trillion transacted in 2020 on mobile phones – predominantly between bank accounts and digital wallets – to Shs 6.24 trillion in 2021.

For more on finance and our operating environment, see pages 62 and 14 respectively.

Performance – Key indicators: Equity Bank (Kenya) Limited FA3

Performance	2020 (Shs Million)	2021 (Shs Million)
Total revenue	63,799	72,296
Customer deposits	420,237	469,672
Total assets	667,650	877,415
PBT	14,207	41,042

Other metrics	2020	2021
Customer numbers	10,732,528	11,965,088
Employee numbers	3,982	5,897
ATMs	396	379
Branches	190	190
Agents	40,846	43,987

Looking ahead

Economic growth is projected to be 5.7% in 2022 following full re-opening of the economy and successful implementation of Economic Recovery Strategy. Inflation is projected to remain within CBK's target of between 2.5% to 7.5%. Downside risks to the outlook remains social disruption on the conditions leading to the 2022 general elections, the impact of the Russia-Ukraine conflict on global prices and the weakening of the Kenyan shilling against major currencies.

DELIVERING COMMERCIAL VALUE continued

Equity Bank (Kenya) Limited Board

Erastus J.O Mwencha | Gerald Warui | Jane Ngige | Prof. Gideon Maina | Adema Sangale | Fredrick Muchoki | Prof. Timothy Waema | Samuel Onyango | Prof. Isaac Macharia | Mary Wangari Wamae

For Kenyan board profiles, see page 249.

Uganda

“Uganda’s economy grew by 4.7% in 2021 against earlier projections of 6.3%, due to the strict lockdown re-imposed to address the resurgence of Covid-19 cases and the resultant impedance of economic recovery.”

The measures included:

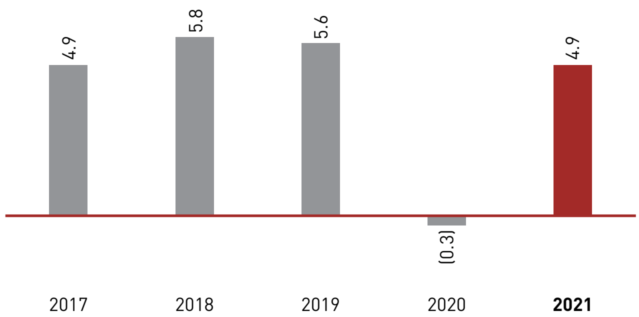
> Closure of schools
> Suspension of inter-district travel
> Closure of all educational institutions
> Shutdown of weekly open markets
> Suspension of church services

Given the limited operating hours there was minimal or no recovery in the sectors of tourism, hospitality, trade, food services, recreation and entertainment, with added curtailment resulting from global and regional supply chain disruptions. Covid-19 vaccination uptake remained low with only 4% of the population having been fully vaccinated, a factor that could possibly delay a full opening of the economy.

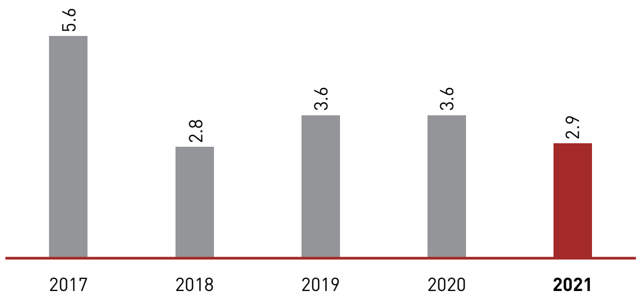
Throughout FY 2021, the Bank of Uganda (BOU) maintained the credit-relief measures and guidelines established in FY 2020, to enable supervised financial institutions to restructure loans affected by the pandemic. The BOU reduced the policy rate in June to 6.5%, in order to provide a stimulus to businesses.

With inflation at 2.9% (2020: 3.6%), some aspects of the economy remained resilient. This was well within the 5% range set by the BOU.

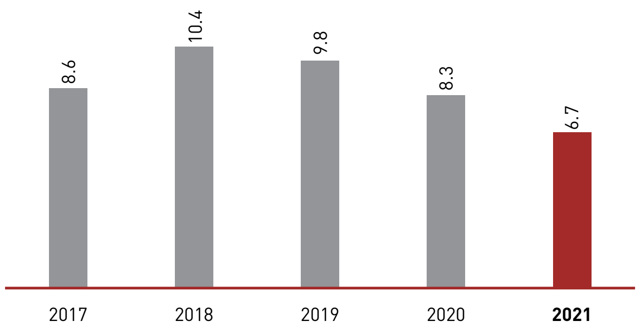
GDP (%)



Inflation (%)

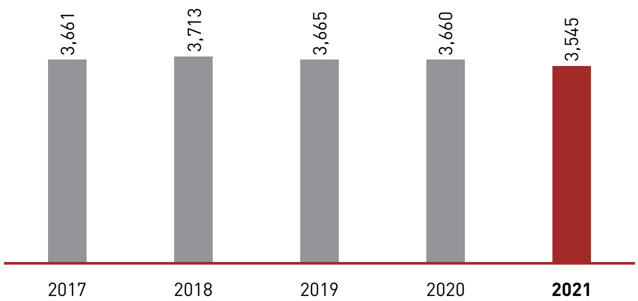


Interest rates 91 days T-bill (%)



DELIVERING COMMERCIAL VALUE continued

Exchange rate USD/USHS



The Ugandan shilling strengthened against international currencies closing the year at UGX 3,545 to the US dollar, compared with UGX 3,660 in 2020. Public debt-to-GDP ratio increased to 50.9% from the previous 46% in 2019, with the overall fiscal deficit widening to 9.9% in 2021 from 7.2% in 2020.

Tempered by the pandemic, spurred by public expenditure investments predominantly in the transport and energy sectors, GDP growth is projected to be at 5.1% in 2022. Uganda signed a tripartite East African Crude Oil Pipeline project agreement (EACOP) on 11 April 2021 with Uganda, Tanzania and Total Energies to construct a pipeline to connect its oil fields to the Port of Tanga in Tanzania. This project will inject USD15 billion in investments, amounting to around 40% of the country's GDP, and creating upwards of 10,000 jobs.

Performance – Key indicators: Equity Bank Uganda FA3

Performance	2020 (Shs million)	2021 (Shs million)
Total revenue	7,115	9,236
Customer deposits	48,447	72,944
Total assets	61,770	89,966
PBT	2,311	3,614

Other metrics	2020	2021
Customer numbers	1,084,379	1,341,275
Employee numbers	945	1,154
ATMs	48	48
Branches	43	42
Agents	3,559	5,572

Looking ahead

Economic growth is projected to accelerate in 2022, recovering some of the ground lost in 2020, and helped by strengthening domestic demand and firming exports.

Slow vaccine rollout, lingering restrictions and growing debt stocks could temper the growth.

Failure to conclude the Extended Credit Facilities (IMF-ECF) programme reviews could dent investor confidence, leading to reversals and a sudden halt to portfolio flows, with consequent volatility and a tightening of financing conditions amidst limited domestic fiscal buffers.

Equity Bank Uganda Limited Board

Mark Ocitti

Samuel Kirubi

Anthony Kituuka

Simon Lugoloobi

Allen Ssebugwawo

Dr. Norah Bwaya

Evelyn Rutagwenda

Mary Wangari Wamae

For Ugandan board profiles, see page 249.

Tanzania

GDP growth in Tanzania improved to 5.2% in Q3 2021 from 4.4% in Q3 2020, showing resilience in recovering from the effects of the pandemic. Growth was driven by a rebound in construction, agriculture, mining and quarrying, manufacturing, and public investments.

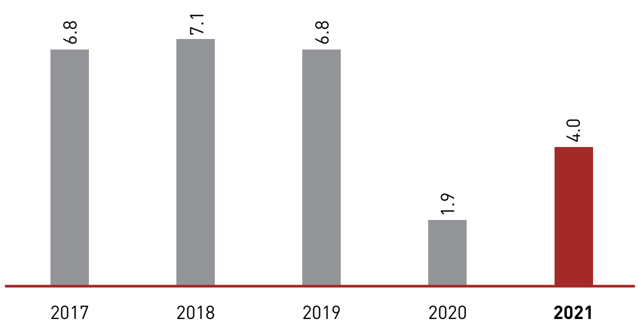
The exchange rate remained stable while headline inflation increased to 4.2% in December 2021 (2020: 3.2%), due to a rise in prices of some non-food items including garments, accommodation, household maintenance and transport. Despite the increase, inflation was still below the country's target of 5% for 2021/22.

DELIVERING COMMERCIAL VALUE continued

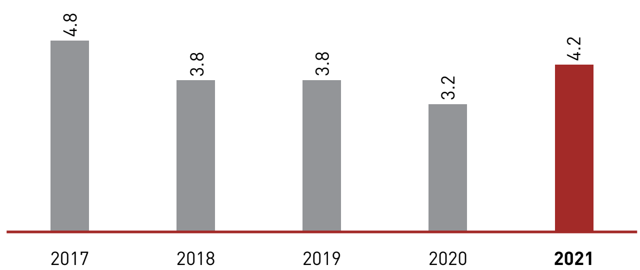
The country's monetary policy remained accommodative to support credit and economic growth. The extended broad money supply (M3) grew by 15.5% (FY 2020: 5.2%). The annual growth of private sector credit was 7.8%, above the 4.4% recorded in December 2020. The sustained recovery growth of the private sector was largely attributed by accommodative monetary conditions as well as ongoing initiatives by the government to stimulate business improvement.

Foreign exchange reserves amounted to USD6,386 million at the end of December 2021, sufficient to cover about 6.6 months of projected imports of goods and services. The import cover was within the country's benchmark of not less than four months.

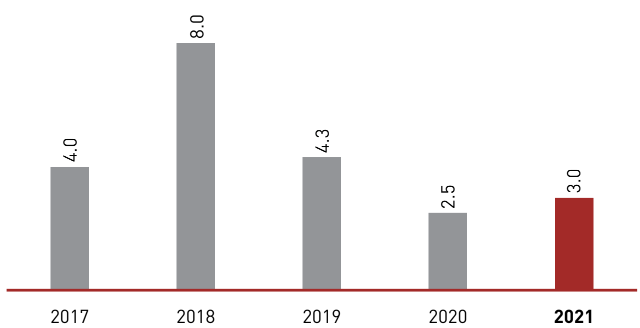
GDP (%)



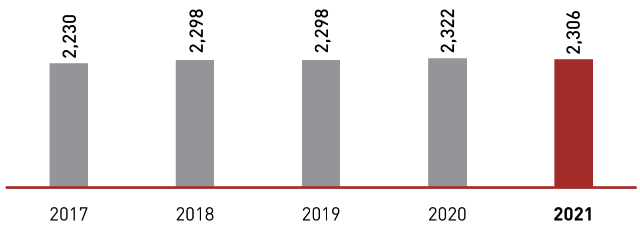
Inflation (%)



Interest rates 91 days T-bill (%)



Exchange rate USD/TShs



Performance – Key indicators: Equity Bank (Tanzania) Limited FA3

Performance	2020 (Shs million)	2021 (Shs million)
Total revenue	2,318	3,257
Customer deposits	17,839	26,021
Total assets	28,510	36,134
PBT	(426)	138

Other metrics	2020	2021
Customer numbers	519,831	482,981
Employee numbers	386	427
ATMs	21	21
Branches	14	14
Agents	3,045	4,133

Looking ahead

The economy is projected to grow at 4.8% as a result of large infrastructure projects that will bolster employment levels and help strengthen domestic demand. Inflation is projected at 4.4% as a result of surging agricultural import prices as a result of the Russia-Ukraine conflict.

DELIVERING COMMERCIAL VALUE continued

Equity Bank (Tanzania) Limited Board


Eng. Raymond Mbilinyi


Isabela Maganga


Prof. Ahmed Ame


Mary Wangari Wamae


Dino Stengel


George Theobald


Dr. Aggrey Mlimuka

For Tanzanian board profiles, see page 249.

Rwanda

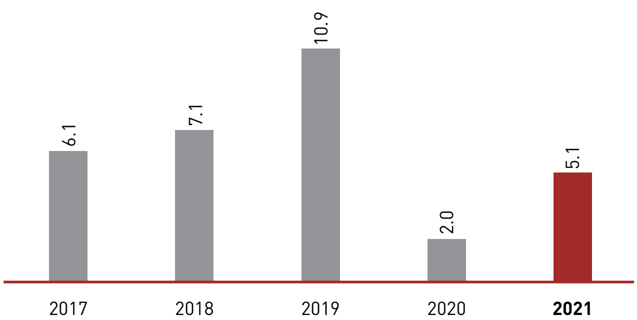
With GDP growth estimated to be 10.2% in 2021 during the year under review, Rwanda's economy continued with a strong recovery from the 2020 recession caused by the pandemic.

Growth was driven by unprecedented policy support, robust remittances and efforts to step up the vaccination rate, as well as by progress in structural reforms. It can be directly attributed to a 59% growth in exports in Q3 of 2021, in turn driven by rising commodity prices, and the good performance of domestic manufacturing and horticulture.

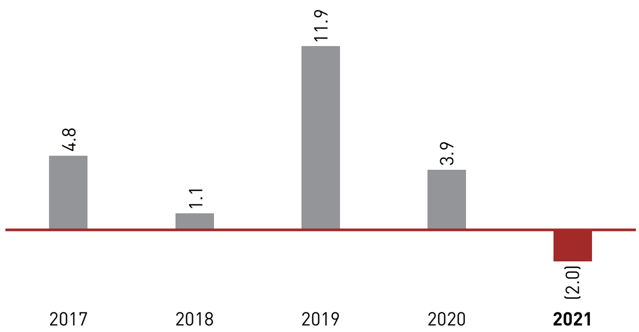
Inflation stood at -2%, well below the National Bank of Rwanda's target of 5%. However, there was a deterioration in the exchange rate of the Rwanda Franc (RWF), which led to a depreciation of the currency by 1.2% against the US dollar, moving from RWF 72.5 to the dollar in 2020 to RWF1,009.6 in 2021.

In order to stimulate growth, the central bank retained its key policy rate at 4.5% throughout 2021. The current-account deficit is estimated to stand at 10.4% of GDP in 2021, although it is projected to improve to 9.1% in 2022, mainly because a rollout of Covid-19 vaccines should trigger a rebound in tourism and foreign direct investment.

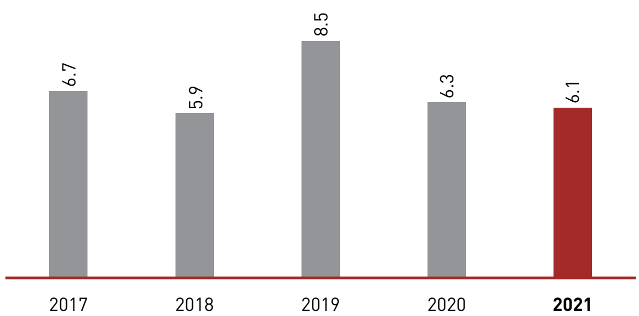
GDP (%)



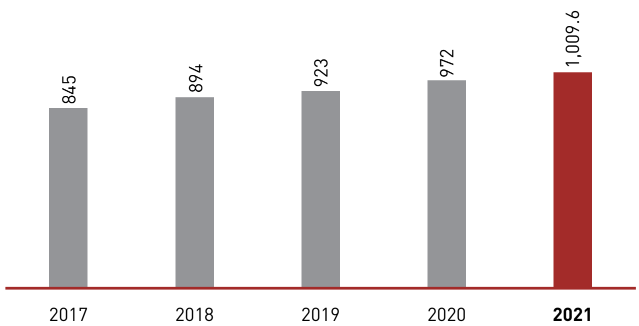
Inflation (%)



Interest rates 91 days T-bill (%)



Exchange rate USD/RWF



DELIVERING COMMERCIAL VALUE continued

The fiscal deficit narrowed to 7.8% of GDP in 2021 (2020: 8.3%) due to fiscal consolidation in the 2021/22 fiscal year. Since the onset of the pandemic, the country's public debt has drastically and systematically increased, from 58% in 2019 to 66% in 2020 and 75% in 2021, prompting the IMF to raise the debt distress assessment from low to moderate.

Performance – Key indicators: Equity Bank (Rwanda) Plc FA3

Performance	2020 (Shs million)	2021 (Shs million)
Total revenue	3,958	4,713
Customer deposits	26,966	36,875
Total assets	38,803	51,213
PBT	1,676	1,978

Other metrics	2020	2021
Customer numbers	831,963	916,325
Employee numbers	280	429
ATMs	22	24
Branches	14	15
Agents	2,421	3,331

Looking ahead

Rwanda's economy continues to recover from the impact of the Covid-19 pandemic. This recovery is being supported by sizeable monetary and fiscal policy measures, as well as the ease of the containment measures.

Headline inflation is projected to pick up to around 5% in 2022.

Equity Bank Rwanda Plc Board


Col. (Rtd.) Eugene Haguma Murashi


Hannington Namara


Dr. Patrick Uwizeye


James Mutuku


Amb. George William Kayonga


Mary Wangari Wamae


Anita Umuhire


Belinda Bwiza

For Rwandan board profiles, see page 249.

Democratic Republic of Congo (DRC)

The economy of the DRC began bouncing back from the 2020 recession with GDP increasing 5.6% in 2021 from -0.1% in the prior year. This growth was occasioned by increased cobalt output, high production of zinc and steady copper production in the first six months of the year.

Private consumption and government investment fell in 2020 by an estimated 1% and 10.2%, respectively, while social spending increases, 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 decreased from 22.0% in 2020 to 4.9% in 2021.

The national debt percentage of GDP dropped in 2021 to an estimated 11.9% from the prior year's level of 15.2%, while the Congolese Franc (CDF) depreciated by 1.9% against the US dollar between 2020 and 2021, standing at CDF 2,003 to the dollar (2020: 1,965).

With high prices for mining products, the current-account deficit is estimated to have narrowed marginally to 4.0% of GDP in 2021 (2020: 5.4%). The central bank reduced its policy rate from 18.5% to 8.5%.

Improving government policy and governance was affirmed by the reinstatement by the US of DRC eligibility for trade preferences under the African Growth and Opportunity Act (AGOA) in January 2021. The US government noted that this reinstatement recognised the progress made towards establishing a market-based economy, rule of law, political pluralism, and the right to due process, as well as the elimination of barriers to US trade and investment and the enactment of policies to reduce poverty and protect human rights.

Moreover, the reengagement by the IMF in 2019, as evidenced by its scrutiny of economic and financial policies, was a further demonstration of the DRC government's commitment to economic and financial reforms and oversight.

DELIVERING COMMERCIAL VALUE continued

The DRC's significant resource wealth is geared towards a greener and technology-orientated global economy and is reflected in:

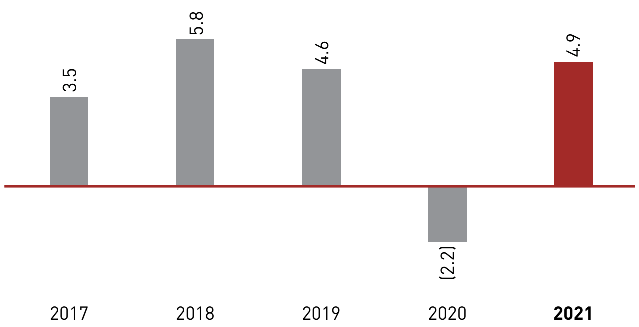
> An estimated 60% to 80% of the global reserves of Coltan/tantalite

> Significant high-grade copper reserves

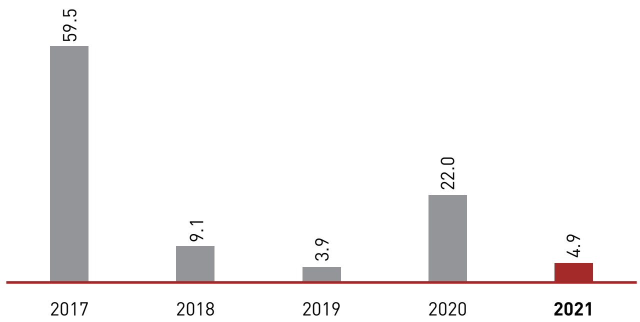
> The world's largest cobalt reserves

Both copper and cobalt demand will be accelerated by the steadily increasing usage of electric vehicles and charging stations, renewable energy and storage systems, and 5G base stations.

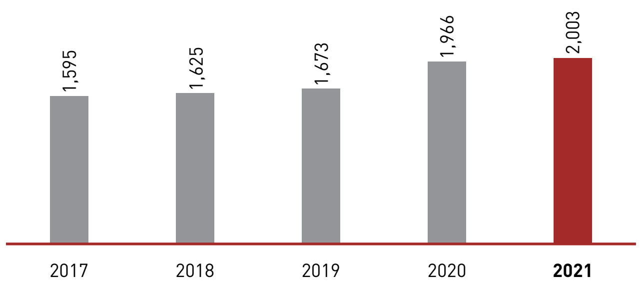
GDP (%)



Inflation (%)



Exchange rate USD/CDF



It is anticipated that with improving government policy and governance, the 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.

Performance – Key indicators: Equity Banque Commerciale Du Congo (EBCDC)

FA3

Performance	2020 (Shs million)	2021 (Shs million)
Total revenue	12,572	21,544
Customer deposits	233,985	361,378
Total assets	285,083	419,796
PBT	1,619	4,924

Other metrics	2020	2021
Customer numbers	666,603	1,236,059
Employee numbers	1,180	1,140
ATMs	119	203
Branches	44	70
Agents	3,055	3,999

Looking ahead

With the continued expansion of the Kamoa Kakula copper mine driving up investment, economic growth is forecast to accelerate further in 2022. The country's admission to the East African Community is expected to increase foreign direct investments and expand trade with the member states.

In 2021, the country's president called for a review of mining contracts with China for the mutual benefit of the countries, the realisation of which could have a beneficial effect.

However, the DRC continues to suffer from an extremely low Covid-19 vaccination rate, which threatens to prolong the health crisis.

DELIVERING COMMERCIAL VALUE continued

Equity Banque Commerciale Du Congo (EquityBCDC) Board

Nestor Ankiba	Célestin Muntuabu	Jean-Claude Tshipama	Dr. James Mwangi	Mary Wangari Wamae	Wolfgang Bertels-meier	John Wilson	Brent Malahay	Ignace Mabanza Meti	Louis Watum

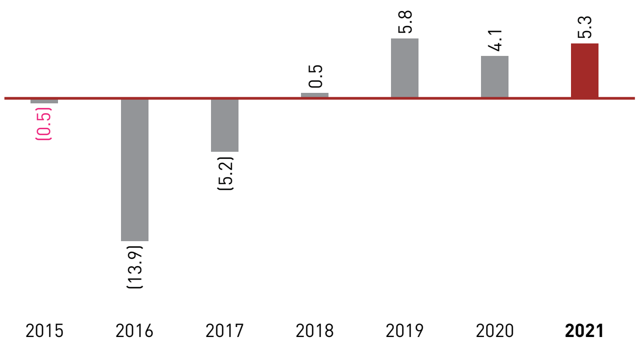
For DRC board profiles, see page 249.

South Sudan

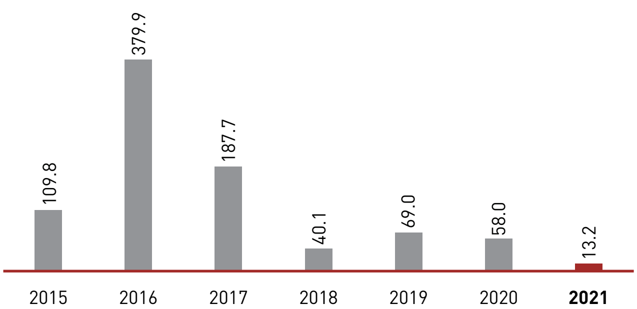
The economic recovery in 2021 remained subdued due to the impacts of the Covid-19 pandemic and the containment measures introduced, among them restriction of movement, which reduced business operating hours and prescribed border closures. Unstable global oil prices also affected the nation's growth and revenue. This unfortunate combination had a major impact on key sectors of the country's economy, especially on oil production, which accounts for 70% of GDP, as well as on the services sector and agriculture. However, GDP is projected to improve to 5.3% (2020: 4.1%).

At the end of 2021, the introduction of economic reforms led to the standardisation of exchange rates, fixed at SSP 432: USD1. Annual inflation declined to 13.2 % in 2021 (FY 2020: 58%).

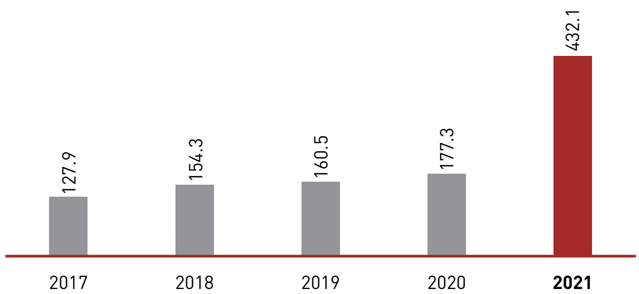
GDP (%)



Inflation (%)



Exchange rate USD/SSP



Performance – Key indicators: Equity South Sudan FA3

Performance	2020 (Shs million)	2021 (Shs million)
Total revenue	2,390	201
Customer deposits	5,683	7,946
Total assets	9,816	12,370
PBT	1,067	(328)

Other metrics	2020	2021
Customer numbers	163,603	171,912
Employee numbers	66	122
ATMs	18	20
Branches	5	5
Agents	39	39

For more on finance, see page 62.

Looking ahead

The International Monetary Fund (IMF) has granted South Sudan USD334 million under its general allocation of Special Drawing Rights (SDR). This finance secured from the IMF will address the issue of budget support as well as the economic effects of the pandemic.

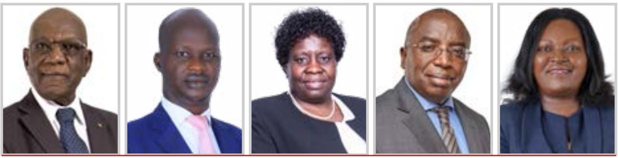
Economic stabilisation efforts in Q3 of 2021 are also supported by the significant recovery of oil prices, helping

DELIVERING COMMERCIAL VALUE continued

to increase foreign currency reserves. However, there remains a need to diversify the sources of growth and revenue to avoid reliance on the oil sector, which was characterised by price instabilities during the year.

With oil production standing at 154,000 bpd, and prices at the end of Q3 of 2021 at USD78.12 (Q2 2021: USD73.47 per barrel), the country anticipates economic recovery from public financial management reforms and the recovery of global oil prices.

Equity Bank South Sudan Board



Prof. Shem Migot-Adholla | Dr. Addis Ababa Othow | Mary Ajith | Allan Waititu | Mary Wangari Wamae

For South Sudan board profiles, see page 249.

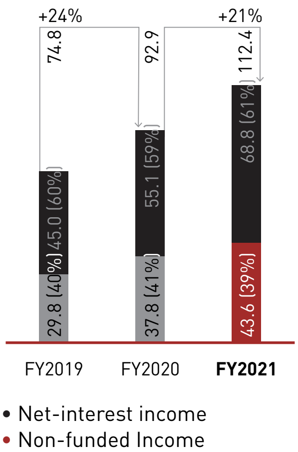
Our performance against our strategic focus areas

Non-funded income growth FA1 FC

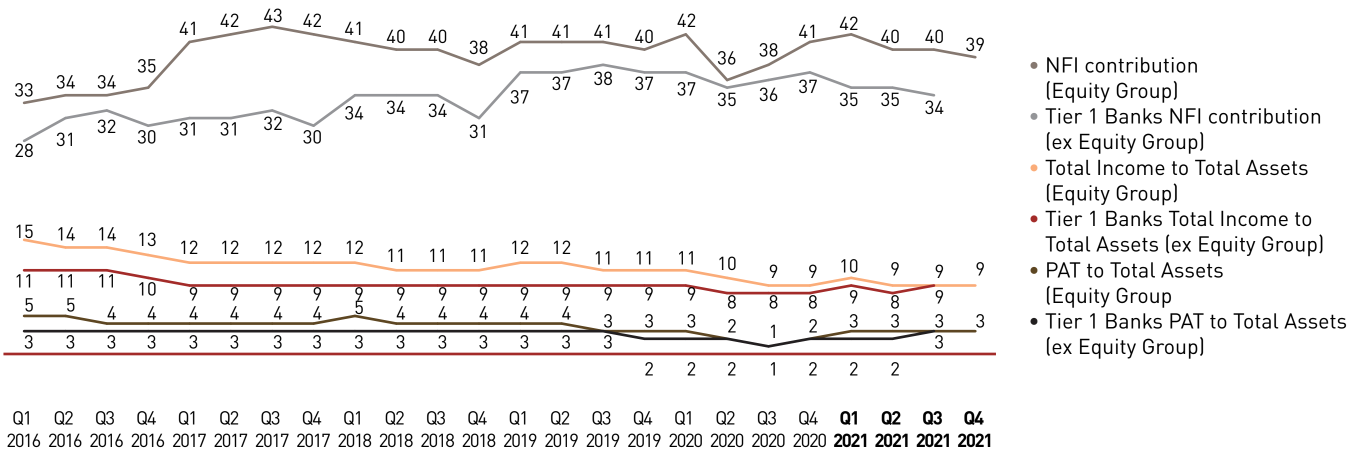
"Growth of non-funded income (NFI) is a foundational aspect of our strategy to diversify our revenue streams, improve our income mix and enhance the quality of earnings. This income stream is vital because it is more sustainable, does not consume capital through risk-weighted assets, and predominantly involves a variable cost component. Key non-funded income sources include bank charges, transaction fees, monthly account charges, and mobile banking fees, among others."

Our focus on NFI has led to superior returns compared to the market, with higher income and profitability on total assets.

Contribution to Total Income



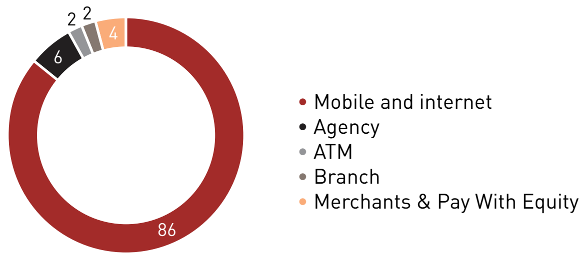
Equity Group still more diversified than the sector's average as at Q3 2021. Equity's focus on NFI has led to superior returns compared to the market with higher income and profitability on total assets (%)



DELIVERING COMMERCIAL VALUE continued

Self-service channels account for 98% of all transactions

Channels' contribution to total transactions volumes



Merchants and cards

During the year under review, our merchant and card business was impacted by Covid-19, with merchant commissions declining by 20% to Shs 1.8 billion. We nonetheless remain the leading issuer and acquirer in the market, with 3.5 million cards issued. 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.

For more on our partners, see page 13.

Trade finance

Trade finance revenues reached Shs 2.1 billion in 2021. 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

Agency banking performed well during the year under review, driven by both the expansion of our network and the number and volume of transactions processed through this channel. Agency revenue rose by 21% to Shs 2.3 billion (2020: Shs 1.9 billion).

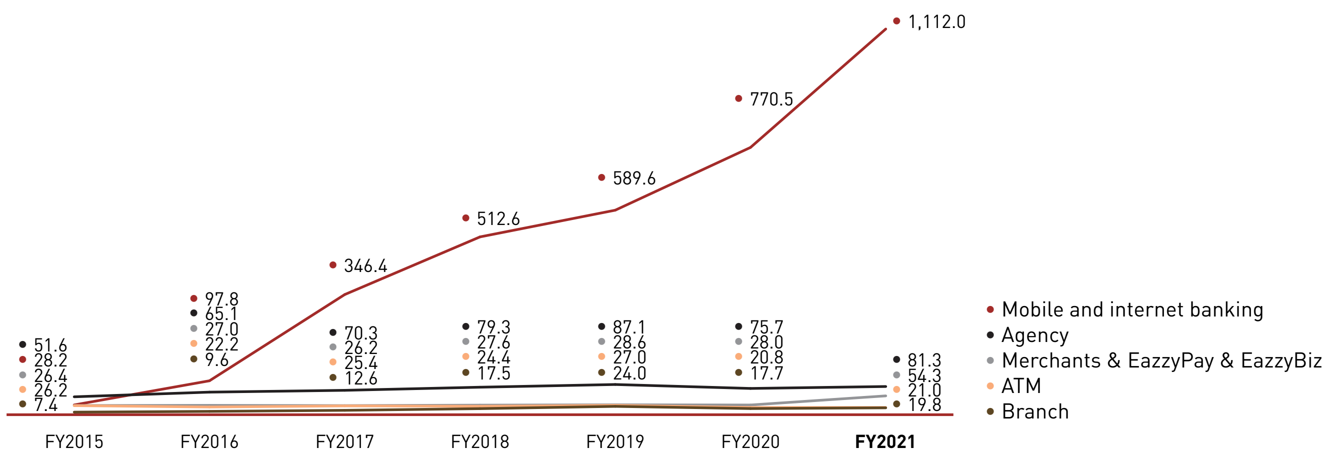
Diaspora banking

Diaspora banking offers financial solutions to individuals working and living abroad. Leveraging on technology, we make our local offerings and expertise available globally. Through our online banking products EazzyNet, Equity Direct, Eazzy Banking App, Eazzy API, EazzyChama and several partnerships with global remittance service providers, we have grown the number of accounts opened. In addition, we have increased our portfolio of services from simple banking and remittances to now include investment solutions, insurance and credit facilities.

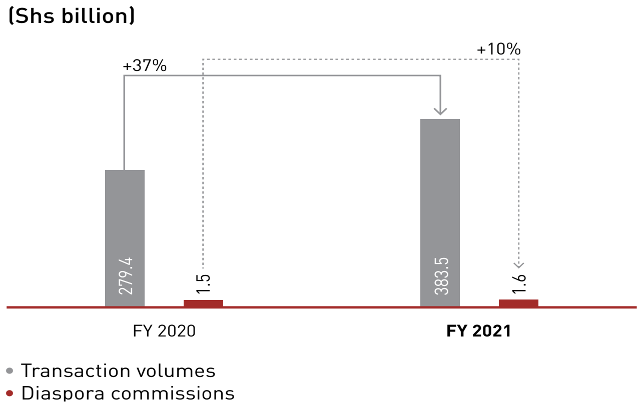
Diaspora remittances increased by 37% to Shs 383.5 billion while income generated grew by 10% to Shs 1.6 billion.

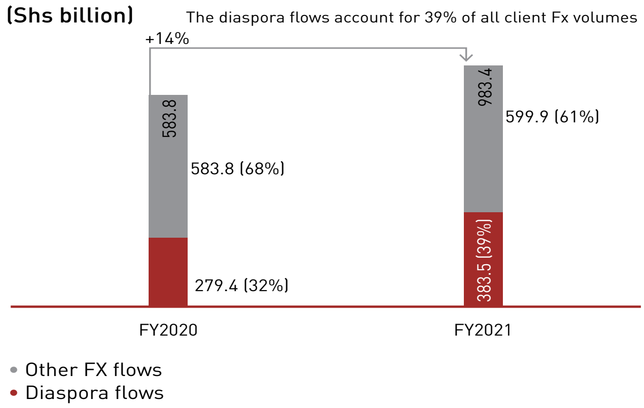
For more on our commercial operations, IT, subsidiaries and financial capital, see pages 67, 47, 72 and 62, respectively.

Transaction numbers in millions



DELIVERING COMMERCIAL VALUE continued



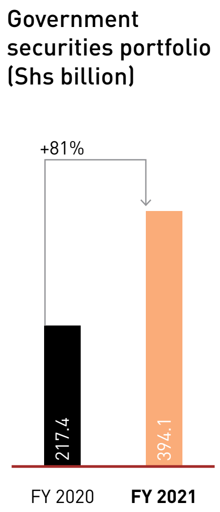


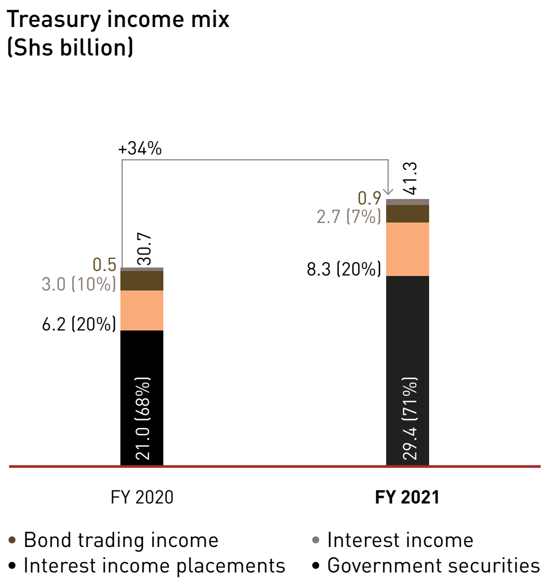
Treasury efficiency FA2 FC

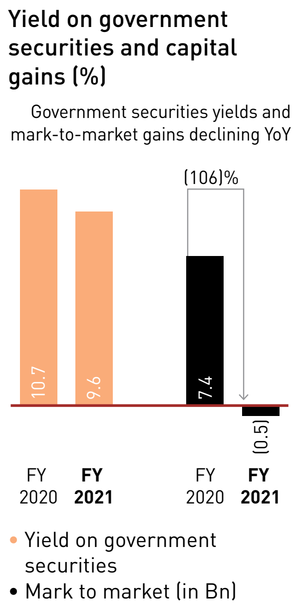
> *Treasury has increasingly become a strategic business function across all areas of the business, adding value to the operating divisions of the Group.*

While traditional treasury functions are concerned with balancing and managing the daily cash flow and liquidity of funds within the Group, we have leveraged technology to extend this mandate to include the generation of returns based on excess liquidity. By working closer with other business units, we continued during the year under review to explore and capitalise on areas of collaboration, as well as investment and cross-sell, by offering a full suite of services to customers who require treasury products. Interest income from trading in government securities was the biggest driver of growth under this pillar in FY 2021.

For more on our financial capital, see page 62.







DELIVERING COMMERCIAL VALUE continued

Geographical expansion and business diversification FA3 FC MC NC

> *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) in the DRC merged it with Equity Congo, and renamed it Equity BCDC.*

EquityBCDC is the Group's second largest subsidiary and as the second-largest bank in Congo DRC, it further enhances our regional expansion footprint. During the year under review, we continued to launch new products in our 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 Shs 1.3 trillion, and strategic dividends have already been realised as both our regional subsidiaries and the local non-banking subsidiaries grew their PAT. Their contribution to the Group stands at 21% of total PAT (2020: 28%). Regional subsidiaries continued to report double-digit returns with the exception of Tanzania and South Sudan.

For more on our financial capital and our subsidiaries, see pages 62 and 72 respectively.

FY 2021	EBTL	EBRL	EBUL	EBSS	Equity BCDC	EBIL	EIB	Finserve	Other Subs Total (% Contribution)	EBKL (% Contribution)	Group (% growth	Other Subs Contribution FY 2021	Other Subs Contribution FY 2020
Deposit	26.0	36.9	72.9	7.9	361.4				**505.2**	648.5	**959.0**	44%	44%
YoY Growth	46%	37%	51%	40%	54%				**44%**	56%	**29%**		
Loan	20.3	24.8	49.3	0.2	111.5				**206.0**	381.7	**587.8**	35%	34%
YoY Growth	33%	16%	31%	249%	23%				**35%**	65%	**23%**		
Assets	36.1	51.2	90.0	12.4	419.8	0.4	0.5	3.3	**613.7**	877.4	**1,304.9**	41%	39%
YoY Growth	27%	32%	46%	26%	47%	(18%)	(6%)	51%	**41%**	59%	**29%**		
Revenue	3.3	4.7	9.2	0.2	21.5	0.9	0.3	2.5	**42.7**	71.8	**112.4**	37%	33%
YoY Growth	40%	19%	30%	(92%)	71%	3%	1522%	79%	**37%**	63%	**21%**		
Cost before provisions	2.2	2.0	4.8	0.6	15.7	0.3	0.1	2.1	**27.6**	28.9	**55.6**	49%	44%
YoY Growth	26%	2%	19%	(52%)	57%	(18%)	26%	121%	**49%**	51%	**21%**		
PBT before provisions	1.1	2.7	4.4	(0.4)	5.8	0.6	0.2	0.4	**15.1**	42.9	**56.8**	26%	22%
YoY Growth	77%	36%	44%	(134%)	125%	15%		(9%)	**26%**	74%	**18%**		
PBT	0.1	2.0	3.6	(0.3)	4.9	0.7	0.2	0.4	**11.6**	41.0	**51.9**	22%	34%
YoY Growth	132%	18%	56%	(131%)	204%	10%	379%	7%	**22%**	78%	**134%**		
PAT	0.1	1.4	2.6	(0.2)	4.0	0.5	0.1	0.3	**8.8**	32.2	**40.1**	21%	28%
YoY Growth	129%	18%	59%	(122%)	211%	3%	441%	1%	**21%**	79%	**99%**		
RoAE	1.6%	20.8%	24.2%	(5.2%)	14.9%	235.9%	33.0	27.2%	**16.2%**	33.2%	**26.1%**		
Cost of Capital	20%	19%	19%	>25%	22%	18%	18%	18%	**21%**	18%	**19%**		

DELIVERING COMMERCIAL VALUE continued

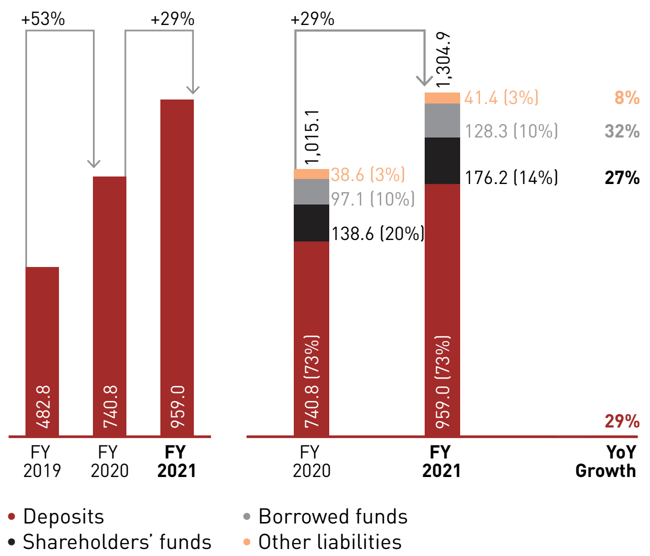
Balance sheet efficiency, optimisation and agility FA4 FC IC

> *Our balance sheet remained nimble during the year under review, enabling us to continue to invest excess liquidity as opportunities arise.*

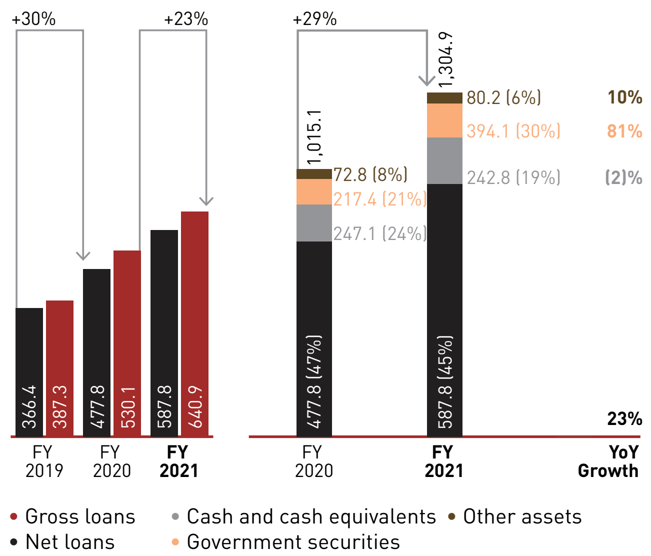
Our liquidity ratio stood at 63.4%, against the banking sector average of 54.6%, providing us with an advantageous capacity to deliver for customers, particularly borrowers. In addition to this strong liquidity, our Tier 2 capital offers further financial capabilities that we intend to deploy in lending, as we move to allocate more resources to competitive purposes in the post-interest-rate capping period, particularly in support of the SME sector. We are therefore able to focus on growing the loan book as liquidity moves from defensive purposes to a more assertive stance focused on private sector credit.

For more on our financial capital, see page 62.

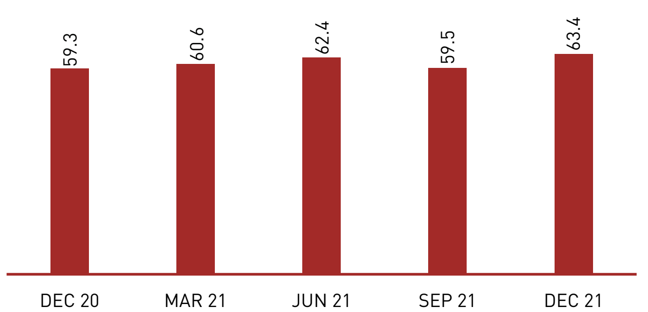
Funding structure and leverage (Shs billion)



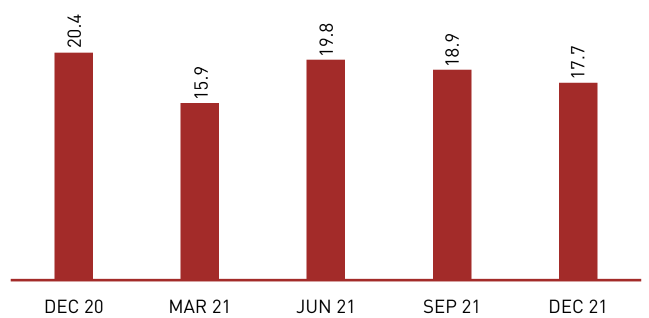
Asset mix (Shs billion)



Liquidity (Group) (%)



Total capital/RWA (%)



DELIVERING COMMERCIAL VALUE continued

Business transformation through innovation and digitisation FA5 IC HC

> *Our business model is heavily reliant on innovation and digital channels to deliver cutting edge products and services to customers.*

The year under review saw growth in the use of our digital channels in the era of the Covid-19 pandemic and the ensuing change in customer preferences to using digital solutions. The result has been a 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 third-party infrastructure to bring value-added services to our customers.

In our diaspora banking area, 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 novel innovations and improved our technology infrastructure to enhance system stability and availability while reinforcing security measures to protect our customers.

For more on digitisation, IT and operations discussions, see pages 52, 47 and 14 respectively.

Machakos County Deputy Governor Eng. Francis Maliti (centre) waters a tree seedling alongside Equity Associate Director Energy and Environment Eric Naivasha (left), Rotary District Chairperson – WASH Dr. Patrisio Njeru (right), Davis & Shirtliff Branch Coordination Manager Eng. Benjamin Ochelle (2nd left) and Equity Machakos Branch Manager Hellen Jonathan (2nd right) during the launch of a partnership between Equity Group, Novartis Kenya Limited, Davis & Shirtliff.

DELIVERING COMMERCIAL VALUE continued

Asset quality, distribution and risk mitigation FA6 FC IC HC

> *With the Group NPL ratio at 8.3%, against an industry average of 13.1% during the year under review, our asset quality moved into the single-digit range.*

We have achieved this through the diligent management of credit-risk, and proactive oversight of our customer relationships, ensuring that we have in-depth knowledge of our customers' activities and operations. Our NPL coverage at year-end stood at 98%, exclusive of credit-risk guarantees, and at 128%, inclusive of credit-risk guarantees.

For more on risk, see page 38.

For more on finance, see page 62.

Efficiency and cost optimisation FA7 FC IC HC

> *Our strategy focuses on disciplined operational efficiency with a key emphasis on cost optimisation. Overall, our goal is to transform our cost structure to manage discretionary costs and incur costs that enhance value for stakeholders and the business.*

To this end, we analyse our costs monthly to ensure greater discipline and adherence to our cost optimisation agenda. We have also focused on our delivery channels, aiming to migrate transactions to our variable-cost channels such as our digital channels, which provide us with a preferable cost structure compared to that of fixed-cost channels such as branches.

During the year under review, digitisation and automation of processes and operations continued to enable us to reduce our cost of operation. These efforts have led to a cost-to-income ratio, without loan loss provision, of 40.0% for the Kenya banking subsidiary (Group: 49.1%) while the Group's total costs decreased to Shs 60.5 billion (2020: Shs 71.9 billion), as a result of decreasing loan loss provisions.

For more on digitisation and commercial operations, see pages 52 and 67 respectively.

Impact investment and social brand development FA8 FC IC HC

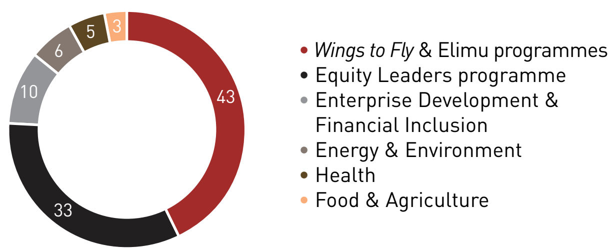
> *In line with the Group's vision of being the champion of the socio-economic prosperity of the people of Africa, we strive to empower our customers and stakeholders both socially and economically.*

We realise our social strategic goals through the Equity Group Foundation (EGF). Established in 2008, the EGF executes this vision through the design and implementation of innovative programmes that leverage the Group's infrastructure and partnerships to create shared value for the people of Africa.

We believe that the EGF has a critical role to play in ensuring the overall success of the Group. By addressing society's needs to improve quality of life, the EGF also supports the business through a methodology that we call Creating Shared Value (CSV).

The EGF's initiatives have been cumulatively funded to an amount of USD523 million. During the year under review, we continued to use both financial services and non-financial means to ameliorate poverty by offering the people of the communities and countries within which we operate, multiple paths to improved living conditions through its initiatives and projects.

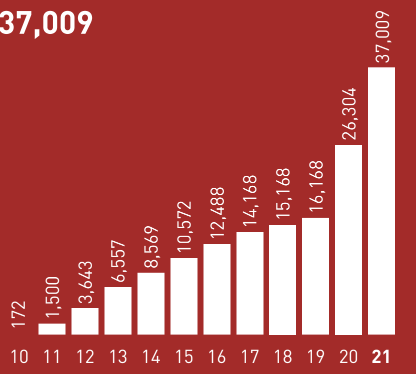
USD523 million in Social Investment Programs (%)



DELIVERING COMMERCIAL VALUE continued

Scholarships

37,009



2,318,585

Women and youth trained in financial education

316,969

MSMEs trained in entrepreneurship

KES 135.8bn

Disbursed to 197,291 MSMEs under the Young Africa Works Programme

2021 *Wings to Fly* graduates

- 98% secondary school completion
- 86% attained university entry grades

Equity Leaders Program + TVET

- 17,040 university scholars
- 688 global scholars
- 6,873 paid internships
- 3,262 TVET scholars

3,508,195

Individuals reached with social protection programs

KES 95.3bn

Disbursed via cash transfers

USD 523,216,554

Total funds raised for programmes

2.28 million

Farmers impacted

173,012

Small- and Medium-Sized farmers reached

12 million

Trees planted

329,421

Clean energy products distributed

51

EquityAfia active facilities

701,760

Cumulative patient visits to EquityAfia Clinics

For a detailed description of the EGF's activities and achievements in the year under review, see page 92.

From left: EquityBCDC Managing Director, Celestin Muntuabu, Equity Group Managing Director and CEO, Dr. James Mwangi, Vice Governor North Kivu, Major General Rommy Ekuka, North Kivu Governor, Lieutenant General Constant Kongba Ndima, CAS Ministry of Industrialization, Trade and Enterprise Development, Hon. Lawrence Karanja, Kenyan Ambassador to DRC, Amb. George Masafu among other dignitaries and guests during the official launch of the Goma leg of the Kenya-DRC Trade Mission.

DELIVERING SOCIAL VALUE

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

DELIVERING SOCIAL VALUE

The social engine of our strategy is founded on our social and relationship capital, and the conception, structure, capacity and activities of the EGF, which is a core component of our human, intellectual and social and relationship capitals. The impact of the EGF is mediated through our commitment to the betterment and progress of society, and are carried out in alignment with all 17 of the United Nations' Sustainable Development Goals (SDGs), and is implemented through initiatives, projects and partnerships among the communities in which we operate and which we serve.

Overview of EGF

The EGF was established by the Group in 2008 as a not-for-profit implementing foundation to serve as its corporate philanthropy vehicle. The Foundation champions the efforts of low-income people to transform their lives and livelihoods.

It connects women, farmers, small-business owners and youth to much needed educational, health and economic opportunities, tools and technologies that enable personal progress and wealth-creation in the face of the challenges of poverty.

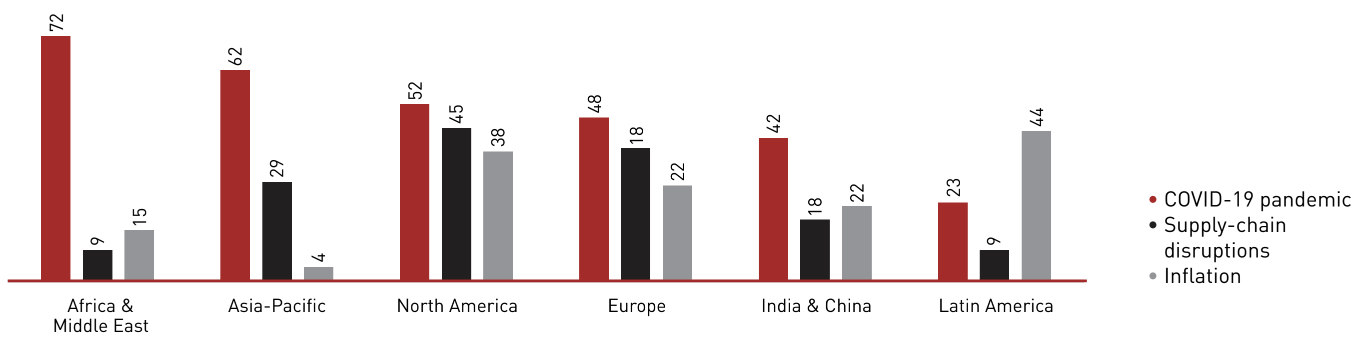
EGF programmes utilise the Group's banking infrastructure – its digital platforms, and its extensive network of bank branches and personnel. Social and economic change is further advanced by means of strategic partnerships with local and international development organisations, government, and the private sector.

Based in Nairobi, Kenya, and with a fundraising operation in the United States, EGF currently operates programmes in Kenya, Uganda, Rwanda, South Sudan, Tanzania, and the DRC. Over the past 13 years, 34 million people have benefited from the foundation's projects and initiatives, and in tandem with the Group's "Africa Recovery and Resilience Plan", the aim is to impact 100 million people by 2025.

The economic and social environment in which we work

The year under review continued to present the unique challenges arising from two related crises arising from the ongoing economic and social impact of the Covid-19 pandemic. In addition to the actual threat to lives and livelihoods, the social and health-related constraints arising from laws and regulations introduced since the advent of the pandemic in efforts to curb its spread, continued to exert significant strain on the lives and mental and physical health, as well as the economic and financial positions, of individuals, communities, businesses and countries.

The COVID-19 economic crisis (%)



DELIVERING SOCIAL VALUE continued

A McKinsey & Co survey on potential risks to economic growth show how the pandemic still poses the biggest threat to domestic growth, followed by supply chain disruptions and inflation.

In an assessment, the World Bank expects global economic growth to slow to 4.1% in 2022 and 3.2% in 2023 as more nations start unwinding unprecedented levels of fiscal and monetary policy support. The organisation also cautioned that a rise in inflation, debt and income inequality could jeopardise recovery in emerging and developing economies.

Moreover, the International Labour Organisation (ILO) has downgraded its forecast for labour market recovery in 2022, projecting a deficit relative to the fourth quarter of 2019, in hours worked globally that is equivalent to 52 million full-time jobs. It is worth noting that the previous FY 2022 estimate in May 2021, projected a deficit of 26 million full-time equivalent jobs.

The social, medical, and economic upheaval caused by the advent and persistence of Covid-19, and the constraints, measures and regulations put in place to combat it, continued to be a major factor during the year under review.

The acquisition, distribution and administering of vaccines remained key issues in the attempt to bring about a rebound, and to help frame the ability of people to resume their lives and livelihoods. Communication and access continued to be areas of great concern, as was the allaying of fear, and the provision of PPE, sanitation and other health measures.

For more on our operating environment, see page 14.

Our response

With the EGF having been engaged since its inception, on alleviating the very conditions that the ongoing presence of the pandemic has exacerbated, the EGF, during the year under review, continued to work to provide the tools and long-term solutions to the challenges faced by the people, businesses and sectors of our communities.

These solutions are provided within our six strategic areas of operation, and which guide our projects and initiatives:

- Education and Leadership Development
- Food and Agriculture
- Health
- Enterprise Development and Financial Inclusion
- Energy, Environment, and Climate Change
- Social Protection

Education and Leadership Development

> *Our key objective is to inspire leaders and to facilitate secondary school education through our* Wings to Fly *programme, by providing holistic four-year scholarships for academically talented scholars from vulnerable backgrounds.*

Selection of our scholar beneficiaries is done by the community, with our *Wings to Fly* programme including:

- Mentoring and coaching for the community-based selection boards
- Induction, with parents and children briefed on their responsibilities
- Structured mentoring
- Career guidance
- A focus on academic excellence
- Transformational leadership through an annual leadership congress and the nurturing of ethical values on the need to give back to the community
- A wrap-around component with a qualified team screening and managing medical and psycho-social issues

The EGF also runs the World Bank and Kenya Government joint programme, the *Elimu* programme which is essentially a scale-up of *Wings to Fly*. As at December 2021, both programmes had supported 37,009 scholars.

Retention

During the year when school attendance was curtailed by pandemic restrictions, we paid a monthly stipend to the scholars as an incentive for them not to drop out to seek work sustenance elsewhere. We also provided solar powered radios and a battery to allow phone recharging to continue where infrastructure does not exist. Only eight scholars were lost, as against the national figure of 40% not returning to school.

Translation of scholars into tertiary education takes place after the culmination of the secondary school component.

DELIVERING SOCIAL VALUE continued

Top performers are assisted and guided in moving on to global institutions, with 66 admissions in the year under review, while the remainder will continue in local universities and TVETs. Of the scholars finishing their secondary school phase, 86% attain university entrance grades. The remaining 14% are offered the opportunity for scholarships to TVETs.

A companion to our *Wings to Fly* programme is our Equity Leaders Programme (ELP). ELP students are offered internships at the Group to gain experience and earn money as they prepare to continue their studies. Over 6,000 scholars been awarded internships in this way. Those scholars who are not offered internship are able to benefit from outsourced Group work including commissioned-based product sales.

When our beneficiaries exit higher education, they become programme alumni, and continue to contribute to the ongoing efforts of the programme.

We were able to expand our Equity Leaders Programme to our subsidiaries in Rwanda (two scholars), DRC (128 scholars), and Uganda (123 scholars) during FY 2021. We see this expansion as an area of strategic growth.

Strategic measures

Because of the ongoing constraints of the pandemic, during the year we saw strategic opportunities in the way we could adopt technology to achieve our overall purpose in identifying, selecting, and retaining scholars. We were thus able to conduct much of our mentoring and advising of scholars using digital platforms.

Partnership with our funders at Mastercard Foundation was secured to enable ongoing support for our 13,000 scholars who needed to be Covid-19 ready for a return to school.

Gender equality

Gender equality plays a role, with our partners at KFW involved in establishing our ratios of 60:40 female to male and 50:50 within *Wings to Fly*.

Outlook

As we establish ways of operating within Covid-19, we see mentoring as a central means of relieving the pressure of the newly established regime of four-year school terms. Our wrap-around support will continue to increase in the short term.

In the medium term, we will be examining our tertiary transition methodologies, with greater encouragement for students to take technical and vocational courses, supported with entrepreneurship education, which will become more important.

In the long term, Kenya will be entering a newly structured education system with six years of secondary education in place of the current four, and we will continue our planning for aligning with that process and bringing our subsidiaries on board.

Food and Agriculture

> *We are guided by the fact that despite agriculture in the region in which we operate contributing to around 30% of GDP, it has, as a sector, received very little financial support from the financial sector. It therefore requires extensive financial intermediation, and for this reason we support transition from subsistence farming to commercially sustainable agribusiness enterprises.*

Our objective is to enable the creation of employment and enhancement of incomes, particularly for the smallholder farmers, which in turn will support the economy through foreign exchange, and ultimately the manufacturing sector through increased production, which is a strategic pillar within our "Africa recovery and Resilience Plan".

Our approach

It is our intent to play a significant role in the area of financial intermediation. This includes supporting the mobilisation of savings to enable prosperity, and borrowing to enable investment, while also taking care of the environment with the triple bottom line of people, profit and planet in mind.

To this end we use value-chains that embrace what the farmer produces, and where the product is sold. We also understand that there are eco-systems around each value chain. Thus, a dairy farmer, for example, is concerned not only with production and marketing of milk, but also requires quality animal feeds – a whole industry in itself. We have similar value-chains for all types of livestock and crops.

DELIVERING SOCIAL VALUE continued

We also acknowledge that for our support to be effective, we require productive partnerships. We therefore partner with government, and with private-sector players such as chemical or seed producers, as well as with development agencies.

We endeavour to build smallholder farmer capacity so that they can run their enterprises through:

> Training on good agricultural practices
> Financial management
> Budgeting
> Climate-aware practices

Because farmers are geographically widely spread and often cannot be easily reached physically, we apply technology to reach them. This also enables them to access our channels to obtain our services.

We run numerous programmes through collaborations and partnerships with like-minded organisations including, among others, the United Nations, IFAD, NORAD, the Bill and Melinda Gates Foundation, the European Union and others.

(For more on our partners, see page 13.)

Despite the difficulties emanating from the continued presence of Covid-19 and its ramifications, we were able to continue implementing our programmes during the year under review, despite, for example, suppliers in the hospitality industry being significantly affected.

However, as the pandemic also focused attention on the need for good nutrition as mitigation for effects of Covid-19, we saw reasonable production rates, and most of the farmers with whom we work were able to remain in business.

Looking ahead

In the short term, our goal is to increase our capacity-building programmes and reach across Kenya and the region to accelerate our social impact.

In the medium term, our goal is to scale up our learnings to the region, and to transfer knowledge to our other operating countries, so that our subsidiaries are able to run the same social impact programmes to transform lives and livelihoods as in Kenya.

Our long-term objective is to attain a 30% contribution from food and agriculture to the business of the Group. We will also continue to work hand in hand to develop the multiple synergies with the other EGF pillars.

Health

“Our goal is to expand access to affordable and high-quality health services, and our initiatives in the year under review were all aligned to that objective. During the year under review, we also supported the health sector by assisting those practitioners who needed to access credit.”

Three important initiatives, aligned with Group strategy, were undertaken during the year:

The expansion of Equity Afia

Equity Afia is our franchise of medical facilities, which are supervised by the Foundation, and run as a social entrepreneurship network. During the year we added 18 facilities to close the year with a total of 51.

These clinics model what comprises an affordable and high-quality medical facility. Our aim has been to convince the market that there is a business case in low-priced, yet quality medical care, and we have successfully accomplished this, with the network showing gratifying growth.

A total of 701,000 patients received treatment across a broad range of medical services, including practitioners, medication, pharmacy, laboratory, simple outpatient surgical procedures as well as dental and optical.

Support for all Covid-19 isolation facilities across Kenya

In the second quarter of the year, we scaled up our reach from supporting only government referral hospitals to include faith-based hospitals. With 56 public, and 60 mission hospitals we were able to safeguard the healthcare workers at a total of 116 hospitals.

Mental health and psycho-social awareness and programme for healthcare workers

While this programme was aimed particularly at healthcare workers involved in frontline Covid-19 care, it included those involved in other areas as well. In partnership with professional associations, we run a mental health call-centre, where medical workers and doctors can call for debriefs, guidance and management by trained psychologists and psychiatrists. Along with this we ran Covid-19 case management training on case and treatment evolution.

DELIVERING SOCIAL VALUE continued

In seeking to fulfil our mandate, we continued to work very closely with both the commercial and social strategic engines of the Group. We recognise that in facilitating credit within the health sector, it is essential to have a clear grasp of its challenges, one of which is helping healthcare workers to understand health as a business, as health is widely viewed as a public good, taken care of by government. For this reason, investment in healthcare is slower than it needs to be.

It is this insight that led us to offer training in entrepreneurship to healthcare professionals, in collaboration with our Financial Inclusion and Education pillars. Capacity-building has thus become a key driver for sustainability on the wider health landscape.

Challenges

Towards the beginning of the year under review we noted a dip in health services, attributable to the challenges of the hygiene measures put in place to manage the pandemic. This had an impact on the general health status of the population. This resulted in a lower level of business, and this impacted those facilities that had credit that had to be repaid. As part of the strategy of the wider Group, these loans were reviewed with the objective of restructuring them.

While communication might have also been something of a challenge, the government nonetheless did very well in keeping Kenyans informed. Infrastructure and service delivery did, however, remain a key challenge, given the ongoing Kenyan reliance on imported medication, which also was identifiable in the general disruption of supply-chains.

Risk

One potential risk arose during the year under review, from the two extensions we requested from our Mastercard Foundation partner in the supply of PPE. This emanated from the fact that our initial intention was for support over a six-month period, based on PPE high pricing at that moment.

Once we built local capacity through the repurposing of production plants and manufacturers, this enabled us to stretch the period significantly longer than what had originally been envisaged.

This presented as a risk because of the resultant slowness of uptake, as we were able to reduce the cost of PPE by up to 900%.

Partners

The Foundation has a wide range of partners, and from the health perspective, Mastercard Foundation continued to be a major supporter of our initiatives, along with Equity Bank. Later in the year we also onboarded Proparco, who were able to support capacity building, quality management, entrepreneurship education and market feasibility, enabling us to expand our programmes into the DRC. We have also entered discussions with USAID on the introduction of Equity Afia facilities into the DRC market.

We are diligent in managing our relationships with our partners, and we engage with them monthly in reporting on progress, and *ad hoc* meetings and clarifications on request. We also update the Board quarterly.

Looking ahead

We have a very positive outlook for the short-, medium- and long-term. We have already been able to scale up our facilities from an original five to 51. With the confidence engendered by experience and understanding the challenges, we have set a target for FY 2022 of a further 200 new facilities.

Our facilities currently exist in only 19 counties, and our approach in the short term will be to enter less densely populated areas, where the need still exists, although the business case might be less apparent, and extend our reach into all 47 counties in Kenya, as well as to the surrounding subsidiary markets where we operate.

We intend to continue with our commitment to safeguarding healthcare workers for an additional year, even as Covid-19 appears to be winding down. Our engagement with them will enable us to extend training offers to them in financial management and entrepreneurship, as we realise that across the region this is a skillset which is lacking in the medical field, in which, if trained, healthcare workers can practise.

In the medium term we aim to offer support wherever we see gaps in the healthcare system, or where there is no lead being taken.

Our short- to medium-term objective is also to further expand beyond Kenya with Equity Afia, first in the DRC, then Uganda, and then Rwanda, by identifying existing healthcare workers already practising there, and guiding them towards establishing a facility of their own.

DELIVERING SOCIAL VALUE continued

Enterprise Development and Financial Inclusion

> *Fundamental to this pillar is entrepreneurship, financial and digital literacy training, and business development services for the fast-growing MSME sector.*

Our key objectives are to:

- Stimulate job-creation within the economies in which we operate, especially in the informal sector, which accounts for 90% of employment opportunities in most sub-Saharan economies.
- Promote financial inclusion for marginalised and excluded groups such as young people, disadvantaged women, and to work with social protection bodies to identify vulnerable groups such as refugees or people in conflict locations.
- Migrate businesses into the digital space through a team of resident trainers deployed and hosted across our branch networks in Kenya, Uganda, the DRC, and Rwanda, and with partnerships with, among others, the Kenya National Chamber of Commerce and Industry, the Micro Small Enterprise Authority, the National Gender Affirmative Action Fund, Kenya Association of Manufacturers, and the MSME Alliance of Kenya.

For more on our partnerships and alliances, see page 13.

In partnership with the government of Kenya and the Mastercard Foundation we have initiated the Young Africa Works programme, which concluded its third year of operations in FY 2021. The objective of the programme is to create five million jobs, with a commitment from us to create 810,000 of those, supported through the financing of MSMEs for growth and development.

We launched this programme also in Uganda in 2020, with a commitment of 100,000 jobs to be created over a five-year period.

In addition, we have conducted a number of media campaigns to highlight lessons learned, and to make a call-to-action for the recruitment of new partners to enable us to realise our job-creation and economic inclusion objectives.

We have been running our financial literacy programme for 10 years, with the aim of working with not just business people, but with employees, to empower them with meta-financial capabilities. By year-end we had reached 2.3 million people, and with Young Africa Works, about 436,000 MSMEs were onboarded, with cumulative loans amounting to about Shs 136 billion.

Challenges

In order to unlock financial access for excluded groups who do not have adequate collateral, a convincing credit history, or sufficient cashflow to sustain financing, we work with partners to deploy loan guarantees or risk-sharing facilities to incentivise our commercial engine to be able to lend more to the segments we are striving to empower.

Kenya is our most mature market, and the effects of Covid-19 continued into 2021, with some industries like hospitality and tourism hardest hit. As a result, and to help mitigate the severity of the problem, the Group gave moratoriums on loan repayments.

For some time, the regulations governing interest rates have been a limitation in the provision of access to credit for businesses, but since year-end, a new single-pricing model has been approved by CBK, that will allow many more segments to be accommodated.

Digital access to borrowing, while being accelerated, remained a limiting factor during the year under review, with most people in the informal sector preferring to transact via mobile devices.

However, given our approach to digital literacy and blended training, in some parts of the country, internet connectivity continued to present a challenge in successfully communicating content.

Looking ahead

In the short- to medium-term, we are seeking to cement more partnerships in the private sector, to enable a systemic impact in the countries in which we operate.

As part of pillar four of the "Africa recovery and Resilience Plan", our aim in the medium- to long-term is to provide loans and capacity-building to five million MSMEs in the region. Our goal is to realise 25 million direct jobs, and another 25 indirect ones within five years.

DELIVERING SOCIAL VALUE continued

Energy, Environment and Climate Change

> *During the year, the pillar was changed from Energy and Environment to include Climate Change in order to promote a more deliberate intent in finding ways of transitioning households, businesses, institutions and industries to low carbon technologies and fuels. The aim is to reduce greenhouse gases (GHG) in support of climate change mitigation and to contribute to better environmental outcomes.*

Strategic objective

Our objective is to mitigate climate change and its impacts and promote adaptation measures aimed at creating resilience for communities and businesses. Internally, the Group also monitors its own emissions and is putting reduction measures in place. During the year under review, over 3,000 employees were trained in climate finance.

Key to our strategy is support for our customers and suppliers and their value chains and ecosystems in transitioning to low carbon ways of doing business and sustainably interacting with the environment.

Our work on the ground

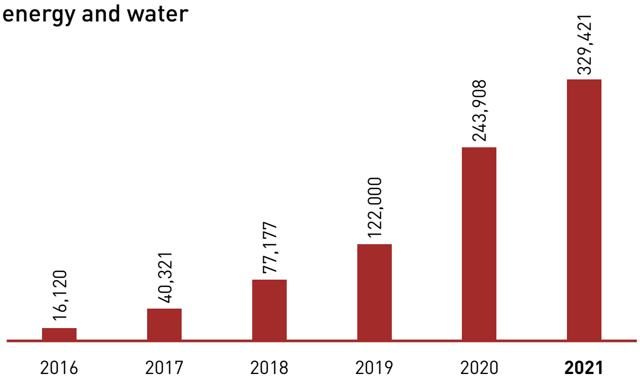
> *We established the Energy, Environment and Climate Change pillar as a result of our realisation that the majority of our customers struggle with energy poverty. They are burdened with unsustainable technologies and fuels used for heating and lighting, with the burning of fuels such as wood and kerosene constituting a threat to the planet and humanity.*

We have therefore designed programmes aimed at:

- Awareness creation and the training of end users on the benefits of switching to cleaner energy sources
- Enabling households to access clean-cooking technologies and fuels through the establishment of a wider distribution network
- The creation of an innovative loan product and channels through which households can obtain financing for clean-energy transitions

Over 329,000 households have been reached through our programmes, impacting 1.3 million people, and generating over USD31.7 million in savings, with the production of 348,000 metric tons of CO_2 (tCO_2e) prevented.

Cumulative households reached with clean energy and water



Climate change has made access to water resources increasingly challenging, especially for household use and farming. We therefore initiated a water-harvesting and storage programme, which has enabled us to reach individual households, farmers, and women in particular, providing them with an adaptation mechanism to store increasingly infrequent rainwater.

Tree planting

We launched our tree-planting campaign in October 2019 with a pledge to plant 35 million trees as part of our environmental conservation efforts. In addition to restoration of degraded lands and increase forest cover, trees provide carbon sinks and therefore help fight climate change.

During the year under review, we reached the milestone of 12 million trees planted in partnership with, among others, farmers, institutions, schools and government.

In planting trees with learning institutions, we realised that they are one of the largest consumers of wood fuel – a practice that jeopardises our tree planting efforts. Through studies conducted by ourselves and other stakeholders, we discovered that schools in Kenya require over 1 million metric tonnes of wood per year to keep their kitchens running.

DELIVERING SOCIAL VALUE continued

We therefore initiated a programme during the year under review, to transition primary and secondary schools, TVETs, universities and hospitals from wood fuel to more sustainable energy sources such as biogas or liquified petroleum gas (LPG). This provides us with the opportunity of saving a million trees from being cut down for fuel every month.

Climate finance

We target six areas relating to climate finance:

> **Renewable Energy** – we focus on enabling households, institutions and businesses to transition to cleaner sources of power such as solar and biomass. At the commercial and industrial (C&I) level, together with our partners, we assist organisations to reduce emissions and costs by conducting training and energy audits and providing financing for the installation of solar-energy systems, as well as supporting cleaner alternatives for industrial boilers.

> **Energy efficiency** – we work with SMEs and industries to enable them to become more efficient and adopt greener production processes with a lower carbon footprint. We support the acquisition of more efficient equipment that consumes less power per unit of production and produces less emissions.

> **Transportation** – we began in the year under review to explore opportunities to support e-mobility to reduce emissions on roads.

> **Green buildings** – in FY 2021, together with our partner at IFC, we began working with architects and building constructors on the importance and benefits of green construction. We are working with builders to expose them to the benefits of Excellent in Design for Greater Efficiency (EDGE) certification to help them meet green building standards in the areas of energy and water efficiency, as well as that of energy embodied in building materials.

> **Climate Smart Agriculture** – agriculture and land use are one of the major emitters of greenhouse gases. In this regard we work on many programmes in collaboration with the Agriculture pillar, to assist farmers to transition to more sustainable farming practices. The aim is also to support agricultural value-chains with the main objectives of increasing production and reducing food losses.

> **Circular economy** – we have established programmes to deal with appropriate waste-management, and recycling. For instance, at the farm level, we are supporting farmers in installing biodigesters that dispose of animal waste, thereby providing biogas for cooking and organic fertiliser (bio-slurry) for crops. We are also supporting the manufacture of briquettes from agricultural waste. We shall also be exploring the potential inherent in municipal waste and plastics ecosystems.

Challenges

Tree-planting is dependent on the weather, and the prolonged drought we experienced during 2021 was a major challenge. In some areas, we had to seek partnerships for the rehabilitation of boreholes in order to provide adequate water that would enable newly-planted trees to survive.

While the effect of Covid-19 on household income presented a challenge, it also presented an opportunity in that it spurred us to increase our interventions in water harvesting and storage at the household level in order to provide clean running water. Among the programmes that we have scaled up during the pandemic, were for:

> Clean-cooking solutions for households, especially for those exposed to household air pollution

> Household solar solutions

Looking ahead

We began the process of developing our climate finance strategy during FY 2021, with the aim of completing it during the current year.

In the medium term, our ambition is to increase the green asset portfolio share within the Group to over 25% in the next five years.

Social Protection

Social Protection continued during the year under review to focus on socio-economic risk and vulnerability and deprivation, implementing our programmes through cash transfers and cash-based assistance for vulnerable households.

DELIVERING SOCIAL VALUE continued

We also advanced other components of our social programming through:

> Capacity-building for beneficiaries
> Financial inclusion
> Providing access to products attached to the programme, such as savings, access to loans and ATC

In the wake of Covid-19, we undertook significant scaling up of the number of support agencies. With the pandemic exacerbating vulnerability, we saw numerous households requiring interventions to cushion them against the effects of Covid-19.

Partners

We work with various partners as well as with the national governments in all the countries in which we operate. We also partner with UN agencies and NGOs, with our role primarily in implementation, and ensuring that funds reach the intended recipients in a secure way, through the use of smart cards or SIM cards to foster convenience and ease of access.

With an accent on innovation, beneficiaries are also able to access funds through biometrics such as fingerprints. Also, we provide cards that have special wallets, or a multi-wallet capability that can cater with one card and one account for a refugee household that receives benefits from different agencies for various needs, such as education or nutrition.

Strategy

Our purpose of transforming lives informs our goal of reaching more vulnerable households and ensures that we do not merely act as a medium for the transfer of funds, but also play a key role in capacity-building, so that people are not systematically trapped in a reliance on humanitarian aid.

We also established financial inclusion targets for soft products in investments or savings and for making good use of the aid the beneficiaries receive.

Challenges

The challenges we faced during the year were all related to the pandemic. In particular, the community gatherings we rely on to communicate our trainings were not able to be held as much as we would have liked, because of the Covid-19 restrictions, and we could not use digital tools, as most of the beneficiaries have low levels of literacy. In addition, we continued to see instances where funding was often insufficient to support deserving households in all of their needs.

Risks

Beneficiaries have normally been enrolled into the bank systems in mass gatherings, and with Covid-19, these events continued to present a health risk during the year under review. Nonetheless, we were able to put sufficient measures in place to ensure that beneficiaries were served in safety.

From a business perspective, as vulnerability was heightened, the risk posed by the lack of a matching level of funding increased.

Looking ahead

In the short term we will continue to ensure that no-one is left behind, and that every household within our areas of operation is able to afford at least a meal a day, that they are able to take their children to school, and to access medical services. We will thus continue to provide infrastructure that enhances ease of access and improves quality of life.

In the medium term we want to increase our ability to build the capacity of beneficiaries and transition them to freedom from a reliance on humanitarian aid.

In the medium- to long-term, we will continue to aim to promote independence for beneficiaries and expand their ability to maximise self-reliance, by changing mindsets towards believing in themselves and understanding the potential for economic stability through empowered productivity.

This is tied to the cash-based assistance model. We help by providing accounts and tools that facilitate access and usage through an evolving model that enhances convenience, efficiency and accountability. This approach offers flexibility, and beyond that, dignity for deserving recipients.

DELIVERING SOCIAL VALUE continued

Our sustainability performance against strategy

We rigorously track our performance on the ground and measure the impact of our projects and initiatives. The indicators in the table below provide a focus for measuring and reporting on our CSV model and constitute a summary of our performance against our six strategic programme pillars for the year under review.

Pillar	Programme	2021	Cumulative
Education and Leadership Development	Secondary School Scholarships – *Wings to Fly* and *Elimu*	10,705	37,009
	Wings to Fly scholars qualified to join university	1,410	10,991
	Equity Leaders Programme global scholars	–	688
	Equity Leaders Programme interns	160	6,873
	Technical and Vocational Education Training Scholars	229	3,262
Food and Agriculture	Medium-sized farming enterprises	133,423	173,012
	Farmers impacted (millions)	0.04	2.28
Health	Equity Afia out-patient clinics	18	51
	Patient visits to Equity Afia	396,020	701,580
	Number of hospitals supported with PPE	60	116
Enterprise Development and Financial Inclusion	MSMEs trained in enterprise development	11,409	316,969
	MSMEs provided mentorship and/or business development services	37,772	37,772
	Financial inclusion	135,970	2,318,589
Energy, Environment and Climate Change	Clean energy products distributed	90,367	329,421
Social Protection	Individuals reached with social protection programmes (millions)	0.18	3.5
	Disbursements via cash transfers (billions)	KSh 17.9	KSh 95.3

Finance and Programme Office

> *The purpose of the Finance and Programme Office is to ensure the financial viability of the EGF by securing and managing the financial resources we need to deliver the objectives of each of its pillars, in order deliver on its overall strategy.*

To this end, the Finance and Programme Office is tasked with:

- Delivering impact in the most cost-efficient and effective way
- Maintaining a sound financial control environment
- Compliance with regulatory requirements
- Ensuring that any due diligence, internal and statutory external audits, and compliance reviews are effectively carried out
- Financial oversight and reporting to partners and the EGF Board
- Effective grant management
- Effective cost management
- Monitoring project implementation
- Delivering superior quality of service to EGF stakeholders

The EGF remained focused during the year under review, despite the inroads of the pandemic on the integration of the social and commercial engines, maximising the impact for our beneficiaries.

New partnerships

We entered into new partnerships during the year under review, with added resources from:

- A technical-assistance grant from Proparco, towards enhancing our Equity *Afia* facilities
- The Bill and Melinda Gates Foundation, with funding for a digital platform for our Food and Agriculture pillar
- Three full UN system-wide agreements with the Resident Coordinators' offices in Kenya, Rwanda and Uganda
- The Fonds National de Promotion et de Service Social (FNPSS) in the DRC for programmes addressing the most vulnerable in society

DELIVERING SOCIAL VALUE continued

Challenges

With 2021 continuing to be subject to the impact of the Covid-19 pandemic, we nevertheless had the largest intake of *Wings to Fly* and *Elimu* scholars, with the award of 10,705 scholarships. Resources were consequently stretched, and our major challenge in the year under review was to make certain that this enrolment was effectively and successfully managed.

Looking ahead

In the short- to medium-term, we will continue to strive to onboard new partners, and increase the breadth of our existing partners, with the goal of growing our programmes and increasing our footprint within the region. Our overall objective will be to continue to grow all our pillars in the regions to achieve the same level of impact that we have accomplished in Kenya.

In the long term, our aim is to become a pan-African foundation whose impact, through a diversified partner base, will be felt throughout the continent, empowering Africans to transform their lives and livelihoods.

Monitoring and evaluation

> *Monitoring and Evaluation is a support function within the EGF operating framework, whose task it is to ensure that we are able to demonstrate accountability as a corporate foundation, that we consistently track our programmes to ensure they match our mission of the social and economic transformation of the people of Africa.*

We do this by examining the extent to which we create shared value, establishing both social and commercial benefit. We view our programmes as being central to advancing that strategic goal.

Risks

Among the risks that we contend with, are the commitments that we make to the Group with respect to meeting certain targets, such as converting the loan book from 5% to 30%, and other strategic undertakings, such as reaching 100 million people by 2025.

Our monitoring during the year under review has shown that the Foundation has continued to make good strides in the effectiveness of its impact. Shared value, and the association between social and commercial value became more apparent in FY 2021. We have become more deliberate in the scaling and repetition of our programmes as we have diversified into other territories with Young Africa Works. The proof of concept of these programmes has become more evident and has therefore allowed us to attract more investment from partners to support the expansion of the projects, which will assist in the attainment of our 100 million customers by 2025.

DELIVERING SOCIAL VALUE continued

United Nations Sustainable Development Goals (UN SDGs)

The Foundation subscribes and contributes to all 17 UN SDGs, and we track our interventions against them.

Our strategic and quantitative approach to the UN SDGs

UN SDG	Our strategic approach	Our quantified achievement
1	> Financial services and non-financial means to alleviate poverty through the democratisation of access > Partnership with government	> 3,508,195 individuals reached Shs 95.3 billion disbursed via cash transfers
2	> Value-Chain Agriculture Financing Model > Partnered with the Government of Kenya and IFAD to provide agricultural subsidies through the Kenya Cereals Enhancement Programme	> Shs 8.2 billion to 81,074 farmers though Kilimo Biashara loan product > 40,000 smallholder farmers supported to increase productivity and profitability through the adoption of value-added agricultural practices > 30,944 farmers trained in financial education, agribusiness skills and good agricultural practice > 17,125 farmers linked to various market channels > 25,000 farmers assisted in accessing financial services in FY 2021
3	> Improving access to high quality and standardised health care > Enhancing quality of life and contributing to a healthier future > Implementation by Equity Afia of a sustainable, integrated health model that oversees a network of clinician entrepreneurs to provide standardised, quality healthcare throughout Kenya and the region in which we operate	> 51 outpatient facilities > 701,760 cumulative patient visits
4	> Assisting needy scholars and students to complete secondary and tertiary education	> 37,009 secondary school scholarships provided in FY 2021 > 13,568 scholars completed KCSE > 10,991 scholars qualified for university entry > 688 scholars admitted to global universities > 10,303 scholars admitted to Kenyan universities
5	> Empowering women and girls to help drive economic growth and development > Fanikisha Women suite of six loan products on both group and individual lending methodologies	> 2,318,585 Kenyan women and youth empowered with financial-literacy skills > Shs 44.6 billion cumulative disbursements to 384,596 women

DELIVERING SOCIAL VALUE continued

UN SDG	Our strategic approach	Our quantified achievement
6	> Financing water and sanitation infrastructure, including water storage, biogas digesters, and modern toilets > "Save the Mau Water Tower initiative"	> 12 million trees planted cumulatively
7	> Energy-saving products > Promotion of solar irrigation pumps, biogas, solar water heating, energy efficiency retrofits, clean biomass fuel, and water purifiers > Innovations in crop and index-linked livestock insurance	> 329,421 energy-saving products benefitting 1.3 million people
8	> Entrepreneurship programme to support job-creation and economic growth > Providing MSMEs with advice, mentorship and entrepreneurship training	> 316,969 MSMEs trained > US$ 1.4 billion accessed in loans by 197,291 MSMEs to date > 344,820 jobs estimated to have been created by MSMEs > 72,049 jobs retained through support
9	> Developing the use of breakthrough technology and innovation to become the region's leading digital bank	> 98% of transactions outside the branch > 87% of transactions online
10	> Making opportunities for technical skills training in TVET institutions available for youth > Complementary financial, entrepreneurial, and in relevant cases, agribusiness training provided > Equipping youth with skills that enhance employability, such as life-skills, agribusiness, financial and entrepreneurship education to support and encourage adoption of multiple career pathways	> 3,296 youth provided with opportunities to acquire a technical and vocational skill
11	> Working with government to improve living conditions through the provision of microfinance loans for sustainable mortgages/real estate sector	> Supporting the provision of prepaid card solutions for urban mass transport

DELIVERING SOCIAL VALUE continued

UN SDG	Our strategic approach	Our quantified achievement
12	> Entering into an Emission Reduction Purchase Agreement (ERPA) to generate > Partnering with development organisations for a results-based financing programme (RBF)	> ERPA signed with the Swedish Energy Agency to support its energy and environment programme > Additional revenue for the programme to be reinvested back into the clean energy initiative > Proceeds of RBF reinvested in the clean energy agenda
13	> Supporting productive uses of energy (PUE) in areas such as water pumping for drip irrigation and cattle drinking, aeration for aquacultures, refrigeration and poultry lighting > Involvement in pest control and electric fencing	> Increased productivity due to solar electricity used in agricultural activities > Higher yields, lower losses, faster production and improved natural resource management
14	> Working with partners on training farmers in climate-smart agriculture to reduces destruction	> Supporting access for farmers to financing for the harvesting of rainwater
15	> Working with partners on innovative solutions to support communities	> Farm-forest investment facilities that are affordable and sustainable for smallholder farmers > 12 million trees planted as part of the Group's campaign to plant 35 million trees
16	> Economic and social programmes anchored on our CSV model, to ensure distribution of opportunities to minimise conflict	> Cost-income ratio of 32%, largely due to the shared prosperity model
17	> Supporting broadband internet access through Equitel MVNO for mobile	> 3.2 million people with access to Equitel internet > US$523,216,554 raised to support the implementation of social programmes

VALUE VALIDATED

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

VALUE VALIDATED

Our global ratings and accolades

Equity Bank Credit Rating
- Global Rating: B2
- National Rating: Aa3.ke/KE-1
- Rating Outlook: Negative
- Same as the sovereign rating

World's strongest banking brands 2022
- Position 5 in the world
- Brand Strength Rating (BSR) of AAA+
- World's top 500 most valuable banking brands 2022
- Position 338 in World
- Position 1 in Sub-Saharan Africa

The Banker TOP 1000 WORLD BANKS 2021
- Position 22nd in Africa
- Position 761 largest bank globally
- Position 149th in soundness (Capital Assets to Assets ratio)
- Position 71st Profits on Capital
- Position 39th on Return on Assets

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

REPUTATION POLL INTERNATIONAL 2021 50 REPUTABLE BANK CEOs IN AFRICA
- Dr. James Mwangi recognised among 50 Most Reputable Bank CEOs in Africa

AFRICAN BANKER AWARDS
- Socially Responsible Bank in Africa, 2020
- Best Regional Bank – East Africa – Equity Bank 2021
- African Bank of the Year, 2018
- African Banker of the Year, 2018 (Dr. James Mwangi)
- Best Retail Bank in Africa, 2017

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

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)

The Bloomberg 50

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

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
- Africa best bank for SMEs 2021
- Best Bank in Africa
- Best Digital Bank in Africa
- Excellence in Leadership in Africa 2020

GCR GLOBAL CREDIT RATING CO. 2020

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

The Banker — Bank of the Year 2019 & 2020
- Bank of the Year – Kenya 2019
- Bank of the Year – Uganda 2019 & 2021
- Bank of the Year – Rwanda 2020 & 2021
- Bank of the Year – DRC 2020
- Bank of the Year – South Sudan 2019, 2020 & 2021

KENYA BANKERS ASSOCIATION

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

VISA
- Visa Top Acquiring Award 2021
- Visa E-Commerce (Acquiring) Award 2021
- Top Acquirer Award 2019

KENYA E-COMMERCE AWARDS 2021

Finserve named Best in Banking/Financial and Insurance Services

Sfi CATALYST AWARDS 2019
- Best Overall Winner – 1st Runners Up
- Most Innovative Bank – Winner
- Best in Sustainable Finance – 2nd Runners Up

WOBN AWARDS 2021
- Mary Wamae – Winner Women on Board Awards 2021
- Equity Group Foundation – 2nd runners up Women on Board Awards Organisation of the year

VALUE VALIDATED

> *As the largest financial services group in East and Central Africa, we have been named the "Fifth Strongest Banking Brand in the World" in 2022. The Group is the only new entrant among the top ten leading banking brands and has been assessed with a Brand Strength Index (BSI) of 90.8, with the strongest banking brand having scored 94.*

Dr. James Mwangi, Group CEO – Honouree of the Oslo Business for Peace Award

Dr. James Mwangi was an honouree of the 2020 Oslo Business for Peace Award, receiving the prestigious recognition for his business worthy values in championing financial inclusion for all in East and Central Africa. In the citation, Dr. Mwangi was praised for having helped achieve a social revolution by bringing banking services to people who previously had limited access to them bolstering Kenya's GDP. He was also acknowledged as an exceptional entrepreneur and humanitarian, and as a shining example of how business leaders can accelerate change and help solve the world's problems.

Our national banking awards and accolades

Think Business BANKING AWARDS 2021

Brand	Franchise Segment	Product	Leadership
1. Best Overall Bank – 10 years running **2. Best Bank in Tier 1** – 7 years running **3. Best Bank in Sustainable CSR** – 5 years running **4. Best Bank with the Lowest Charge for Individuals** – 5 years running **5. Most Customer-Centric Bank** – 2nd runners up **6. Bank Customer Centric Bank in Tier 1** – 2nd runners up	**1. Best Bank in Mobile Banking** **2. Best Bank in Product Innovation** **3. Best Bank in Agency Banking** **4. Best Bank in Internet Banking** **5. Best Commercial Bank in Microfinance** **6. Best Retail Bank** – 2nd runners up **7. Best Bank to Borrow from** – 1st runners up **8. Bank Bank in SME Banking** – 1st runners up	**1. Best Bank in Trade Finance** **2. Best Bank in Agriculture and Livestock Financing** **3. Best Bank in Asset Finance** **4. Special Judges Award for Product Innovation** – 1st Runners Up **5. Best Bank in Digital Banking** – 2nd runners up **6. Best Bank in Mortgage Finance** – 1st runners up	**1. CEO of the Year Award** – Dr. James Mwangi **2. Outstanding Young Banker of the Year** – Edwin Njoroge Kiburu

PROTECTING AND PRESERVING VALUE

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

PROTECTING AND PRESERVING VALUE

Our governance structures

> *Our corporate governance forms a critical part of our financial, human, intellectual and social and relationship capitals, and impacts every aspect of the Group's structure and operations. The Board recognises that sound corporate governance principles are the foundation upon which stakeholder trust is built. Board members therefore take their responsibility for the corporate governance agenda within the Group seriously and 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, and create value for, the various stakeholders.*

The Group is diverse and as such 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 the value of the common brand.

During the year under review, the Group complied with all the aspects of the 2015 Capital Markets Authority (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
- Transparency and disclosure.

The CMA Code of Corporate Governance has been made available to directors and senior management by upload on the Group's Board portal (eBoard).

Board operations and control

The Group observes the various principles set out in the CMA Code of Corporate Governance with regard to Board operations and control:

Appointment, composition, number and qualifications of Board members

Appointments to each of the Group boards is made in line with the Board Appointments Policy and Procedure 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.

Recommendations for new nominees for appointment to the Board are made by the Group Board Governance, Nominations and Compensation Committee. In order to make it effective, the Board's size, diversity and demographics are taken into consideration when electing Board members. The Group has in place a comprehensive Board Diversity Policy and Skills Matrix.

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 minority shareholders.

The Board as currently constituted reflects broad diversity through variation in directors' age, gender, professional qualifications, experience as well as nationality. The majority of the directors are members of professional bodies.

A Board Succession Policy and Plan is also in place to ensure the smooth transition of Board members.

Structure of the Board

Based on the current Articles of Association, the Board is required to comprise a minimum of seven directors, with the maximum set at 12.

There exist different Board committees with established terms of reference to provide guidance on broad functions of the Group such as audit, finance, strategy and investment, risk management, governance and remuneration. The Board ensures that the constitution of these committees is appropriate, with its members having the necessary skills and expertise to fulfil the respective committee mandates.

PROTECTING AND PRESERVING VALUE continued

Functions of the Board

In offering strategic guidance, leadership and oversight of the company while ensuring accountability to the Group's shareholders, the Board is required to act in the best interest of the Group and its stakeholders, keeping in mind its fiduciary duties while performing its role and responsibilities.

The Board has thus ensured that:

> Roles reserved for the Board and those delegated to management are clearly distinguished;
> The functions of the Chairperson and the CEO are exercised by separate individuals;
> The Chairperson of the Board is an independent non-executive director;
> There are established procedures to allow directors access to relevant, accurate and complete information and professional advice in order to discharge their duties effectively;
> The Group's strategy promotes its sustainability;
> There exist policies on related-party transactions and conflict of interest;
> The Board is assisted by a suitably qualified and competent Company Secretary; and
> IT-related matters and innovation.

Board independence

The Board has clearly distinguished between its independent and non-independent members. To ensure independence, the tenure of an independent Board member may not exceed a cumulative term of nine years. However, where an independent Board member attains a cumulative term of nine years, that member may continue to serve on the Board subject to re-designation as a non-independent member. The Board assesses the independence of its members on an annual basis to mitigate the risks arising from potential conflicts of interest or undue influence from interested parties.

Age limit for Board members

The age limit for directors has been set at 70 years. Any director who attains the age of 70 years will resign from the office of director at the following Annual General Meeting (AGM), and shareholders are informed of the resignation at each AGM. If any such director wishes to continue serving in the office of director, he/she must seek the approval of the shareholders at the AGM.

Board tools

The Board has established various tools to enable it to discharge its mandate effectively. The Board has formalised its ethical standards through the Code of Conduct and Ethics, and set out the key values, principles and mode of operation in an approved Board Charter.

The Board annually approves a Work Plan to guide its activities for the year with a Board evaluation carried out. To enhance its effectiveness, the Board uses an online paperless platform – eBoard by an independent third-party consultant, to assess its performance and effectiveness.

The Board Charter and Code of Conduct and Ethics have been published in the Group's website.

Governance, legal and compliance audit

In line with the requirements set by the CMA, the Group underwent governance, legal and compliance audits in 2021.

For the opinion of the governance, see page 123.

Insider dealings/trading

As a publicly listed entity, and in strict adherence to its continuing listing obligations, the Group prohibits insider trading in order to restrict anyone who has access to non-public information from potentially profiteering or avoiding loss unfairly. In this regard, the Group has in place an insider-trading and market-abuse policy which has been made available to all staff to ensure compliance.

Board induction, continuous skills development, and training

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, as well as to additional business-awareness sessions to enable them to maintain, deepen and update their knowledge and skills to effectively fulfil their responsibilities as Board members. The Group has an established Board induction and development policy.

The Group held two Board induction sessions in January and November 2021. New directors were duly inducted during these sessions, as well as during the Board Leadership and Immersion Programme held in June 2021 by Lagos Business School.

PROTECTING AND PRESERVING VALUE continued

Training

Board members are provided with regular updates on matters relevant to legal reforms, corporate governance, the corporate environment, regulatory obligations, business and 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 out during the year under review, the Group embraced the requisite technology and undertook virtual trainings and induction sessions. In addition to the Leadership and Immersion Programme, the training programmes provided to directors in the year 2021 included:

> Board Leadership, Governance and Strategy training by Harvard Business School
> Board Leadership and Immersion Programme for Directors by Lagos Business School
> Environmental, Social and Governance (ESG) Reporting Masterclass coordinated by Arise BV
> Liquidity Risk Management coordinated by Arise BV
> Board Online Approvals on eBoard training by Software Technologies Limited

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.

During the year, new directors underwent extensive induction in line with the Group Board Induction and Development Policy.

Annual Board evaluation

The Board undertakes an annual assessment of its own performance, the performance of its chairperson, that of its committees, individual members, the Group CEO and Managing Director (MD), Group Executive Director and the Company Secretary.

Following the evaluation exercise, which is led by an independent consultant, the Board deliberates on the evaluation results and subsequently implements their recommendations.

The 2021 Board evaluation was duly conducted during the year under review, and the results noted for action. As required by the regulations within their respective jurisdiction of operation, the reports were filed with the regulators.

Division of role of chairperson and chief executive officer

The Chairperson

The Board is led by an Independent Non-Executive Chairperson to bolster its independent oversight. The role of the Chairperson is to:

> provide leadership to the Board;
> ensure that effective corporate governance practices and processes are embedded within the Group; and
> ensure that the Board is functioning as required and playing its role effectively.

In order to provide effective oversight, the Chairperson is not involved in the day-to-day running of the Group, and acts as the liaison between the Board and executive management.

The Chairperson also ensures that there is effective engagement between the Group 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 Board;
> providing leadership to senior management and staff;
> overseeing the implementation of the decisions of the Board;
> ensuring the preparation of strategy, annual budgets and business plans for approval by the Board;
> establishing appropriate risk-management frameworks and internal controls; and
> ensuring that the Group's operations are consistent with its risk appetite.

The GCEO is also tasked with:

> implementing a system of employment that is fair, safe, challenging and rewarding;
> building a culture of trust, team spirit, integrity, collaboration, excellence and accountability; and
> implementing appropriate processes for staff succession planning.

PROTECTING AND PRESERVING VALUE continued

Rights of shareholders

The Group is committed to serving the legitimate interests of all shareholders and remains accountable to them. Shareholders are accorded the right to receive any information that would materially affect their shareholding, participate in any meeting of shareholders, and to be facilitated to fully participate in all resolutions of interest to them as shareholders.

In addition to their basic voting rights, 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 the Group Director for Strategy, Strategic Partnerships and Investor Relations, 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 when requested.

Our shareholders generally enjoy the right to:

> Participate and vote in shareholder meetings
> Inspect corporate documents
> Elect directors
> Be sufficiently informed
> Registration of ownership

Information on the Group's performance and other material public information is made available through the distribution of integrated reports and investor briefings, as well as on the Company's website.

For more on our shareholders, see page 121.

Stakeholder relations

The Board recognises that the Group is accountable to various stakeholders including shareholders, employees, customers/depositors, suppliers, development partners, financiers, governments, regulators and the communities in which we operate. In order to promote effective relationships with its stakeholders, the Group has set and expects the highest standards of conduct within its operations, based on our established core values.

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:

> promotes fair, just and equitable employment policies;
> promotes and is sensitive to the preservation and protection of the natural environment;
> is sensitive to and conscious of gender interests and concerns;
> promotes and protects the rights of children and other vulnerable groups;
> enhances and promotes the rights and participation of host communities; and
> supports staff and customer sensitisation.

The Group encourages feedback from all stakeholders via various channels including but not limited to general meetings, investor briefings, customer surveys, whistleblowing and feedback forms. This feedback in turn informs the Board on the issues that stakeholders are most concerned with, and these are considered when formulating the Group's strategy.

For more on our stakeholders, see page 43.

Compliance with laws and regulations

As a licensee of the CBK and listed on the Nairobi Securities Exchange (NSE), the Uganda Securities Exchange (USE) and the Rwanda Stock Exchange (RSE), the Group is bound by and complies with:

> the Banking Act and all prudential guidelines and directions given by the CBK and other regional regulators;
> the Companies Act 2015, its regulations and amendments;
> the Capital Markets Act and all subsidiary legislation;
> the NSE's rules and guidelines issued by the capital markets authorities in the three markets where the Group is listed, together with any requirements, decisions, or directions given by these authorities and the exchanges; and
> all other applicable laws and regulations governing the various lines of businesses in which it is engaged.

PROTECTING AND PRESERVING VALUE continued

Transparency and disclosure

We have consistently practised balanced disclosure of all material information concerning the Group. We publish on our website important company information including, but not limited to, financial statements, investor briefings, particulars of shareholding, Group Notices and AGM material, our Group Board Charter, our Group Corporate Governance Framework, code of ethics and key Group policies including the Group Transparency and Disclosure Policy.

Ethics and social responsibility

We believe 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 that it does so in a transparent and ethical manner. We are cognisant of the fact that it is in the interest of the Group to operate within the mandate entrusted to it by society, and to remain socially responsible. For this reason, we undertake our business in a manner that does not harm, and is respectful to, our beneficiaries and or customers.

A Code of Ethics and Conduct has been developed and disclosed on our website. The Code of Ethics has also been cascaded to all directors and employees, noting that it is to be strictly adhered to, so as to ensure that the highest ethical standards are achieved. To foster compliance with the code, it is factored into the performance evaluation, weighted with respect to the significance of our values as a measure in the overall scorecard of each employee.

For more on HR, see page 57.

The Group remains a leading player, through the EGF, in innovative social payment solutions that are humane and offer dignity to beneficiaries. Our flagship social programmes in youth and education, *Wings to Fly* and the Equity Leaders Programme are highly acclaimed for their transformational impact. Other programmes on energy, environment, and climate change, such as the Kenya off-grid solar access programme, the water harvesting and storage project, and clean energy for learning institutions and tree-planting, add both social and business value.

For more on the EGF and our social impact strategies and programmes, see page 92.

Policy on conflict of interest

The 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.

This is in recognition of the fact that it is not possible to foresee every situation that could give rise to real, apparent or potential conflicts of interest. The policy identifies the activities which may compete or conflict with the Group's interests and outlines the steps to manage any conflicts of interest, should they arise.

Whistleblowing policy

The purpose of the Whistleblowing Policy is to foster an environment and culture of information-sharing, both positive and negative, without fear of retaliation. The policy and procedure manual is designed to enable stakeholders to speak up on, among others, their experiences, observations and opinions on products, service delivery, expectations, and challenges. It also encourages employees and other relevant stakeholders to report any perceived act of impropriety based on knowledge of facts.

Policy on procurement

The Board has developed a Group Procurement Policy, in order to:

> promote best practices, transparency and professionalism in all acquisition processes within the Group;
> 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 plans; and
> ensure compliance with applicable regulations and legislations.

Accountability, risk management and internal control

In order to help manage risks we have developed a risk-intelligent culture that is founded on:

- The Group's core values
- Risk-based incentives
- Group risk governance structure
- Risk-management tools and framework
- Accountability

PROTECTING AND PRESERVING VALUE continued

In the context of the prevailing regulatory and economic environment, we assume various kinds of risks in our business and we support activities in pursuit of the attainment of our strategic objectives. We recognise that sound risk management contributes to the Group's long-term financial stability.

The Group Integrated Risk Management Policy outlines our 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, CMA and NSE reviews and cross-border supervisory colleges, as well as by credit rating agencies' reviews.

In addition, in line with the Equity 3.0 strategy, we continue to leverage technology and innovation to review risks through a holistic approach, and which is reported to our stakeholders.

For more on risk management, see page 38.

Directors' remuneration report

The Board reviews and recommends the remuneration structure of directors annually, subject to shareholders' approval. While directors' remuneration is linked to performance, it 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 the achievement of KPIs, but they are not entitled to earn fees or sitting allowances.

Non-executive directors

Non-executive directors are appointed for a renewable term of three 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 key responsibilities of:

> constructively challenging and contributing to the development of strategy, and extending the business of the Group;
> monitoring the performance of management in meeting agreed goals and objectives, and the reporting of performance; and
> ensuring 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 business outside their usual place of business or residence. Non-executive directors do not earn a salary and they do not participate in the Group's bonus schemes or the Group's pension plan. Upon retirement or termination, non-executive directors are entitled to any accrued but unpaid directors' fees or reasonably incurred expenses, but not to any other compensation.

Insurance

The Group provides Directors' and Officers' Liability Insurance for all directors during the entire duration of their tenure. Except in instances of negligence, the Group 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 Group in connection with their *bona fide* conduct of its affairs. We have 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 executive and the non-executive directors.

Particulars of compensation of directors and key personnel are disclosed to the public in our audited financial statements in our remuneration report on page 130.

The Board meetings were held on a quarterly basis in the months of March, May, August and November. During the year, there were three *ad hoc* meetings in March, May and October. The Committee meetings on the other hand were held on a quarterly basis in March, May, August and November.

PROTECTING AND PRESERVING VALUE continued

The key areas of focus during the Board meetings were reviews of:

- the macro-economic environment and developments in the banking industry;
- financial and management performance and approval of accounts;
- the Group Corporate Governance Framework;
- the Business Continuity management in view of the Covid-19 pandemic;
- the Board Evaluation Report;
- the subsidiaries' performance; and
- Group strategy and proposed strategic investments.

Board meeting attendance FY 2021

Seven Board meetings were held during the year under review, which were attended as follows:

Director	Designation/ Role	Attendance
Prof. Isaac Macharia	Non-Executive Chairman	7/7
Mrs. Evelyn Rutagwenda	Non-Executive Vice Chairperson	7/7
Dr. James Mwangi	Group Managing Director	7/7
Dr. Edward Odundo	Non-Executive Director	7/7
Dr. Helen Gichohi	Non-Executive Director	6/7
Mr. Vijay Gidoomal	Non-Executive Director	6/7
Mrs. Mary Wangari Wamae	Executive Director	7/7
Mr. Christopher Newson*	Non-Executive Director	1/7
Mr Jonas Mushosho**	Non-Executive Director	3/7

** Retired from the Board 24 June 2021*

*** Appointed to the Board 28 July 2021*

Board evaluation

Board evaluation is performed on an annual basis, as required by the CBK, regional regulators and the CMA. For the year under review, Board evaluation was conducted by an independent consultant, with evaluation made of the Chairperson, Board members including the GCEO, Board committees and the Company Secretary, using a customised board evaluation toolkit.

The board evaluation process is intended to assess the effectiveness of the Board and contains recommendations from the consultants based on global best-practice as well as legal and regulatory requirements.

The Board evaluation questionnaire focused on the evaluation of the:

- Performance of the Board by its members
- Chairperson by other Board members
- Individual Board members by other members
- Company Secretary by the Board
- Effectiveness of Committees in conducting their mandate

The action points arising from the Board evaluations are consolidated in an action tracker to ensure full and timely implementation.

Our Board committees

The Group Board has four committees which support it in discharging its responsibilities:

- Audit Committee
- Governance, Nominations and Compensation Committee
- Strategy and Investments Committee
- Risk and Assets and Liabilities Management Committee

The secretary to each Board Committee is the head of the relevant function within the Group and Company.

In addition, the Board has established Board committees in each of the subsidiaries. These are governed by charters and aligned to the Group's delivery of its vision and mission.

PROTECTING AND PRESERVING VALUE continued

The Board audit committee

The committee 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
- The external auditors' qualifications, independence and performance

The Committee comprises four Independent and Non-Executive Directors, two of whom are Certified Public Accountants (CPAs). The committee met four times during the year under review.

Membership and attendance of committee meetings:

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

Key focus areas – FY 2021

- Review of the External Audit Plan for the year ending 31 December 2021
- Review, 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
- Consideration and recommendation of the Board Audit Committee Charter

Governance, Nominations and Compensation Committee

The committee's responsibilities are 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, while taking into account 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 review the required mix of skills and experience, in order to determine the effectiveness of the Board, and to make recommendations to the Board for new appointments
- Review and monitor Human Capital productivity

The Committee comprises seven members, five 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 an adequate understanding of the impact of compensation practices on the Group's risk profile. The committee met four times during the year under review.

Membership and attendance of committee meetings:

Mrs. Evelyn Rutagwenda	Chairperson	(4/4)
Prof. Isaac Macharia	Member	(4/4)
Dr. James Mwangi	Member	(4/4)
Mrs. Mary Wangari Wamae	Member	(4/4)
Dr. Edward Odundo	Member	(4/4)
Dr. Helen Gichohi	Member	(4/4)
Mr. Jonas Mushosho**	Member	(1/4)
Mr. Christopher Newson*	Member	(1/4)

** Retired from the Board 24 June 2021*
*** Appointed to the Committee 05 August 2021*

Key focus areas – FY 2021

- Review and recommendation of the appointment of new Board directors for nomination
- Board evaluation
- Development, review and approval of the Group Corporate Governance Framework and Board Manual
- Guidance of HR Strategy
- Review and monitoring of Human Capital productivity
- Guidance on compensation and remuneration of Board directors and staff

PROTECTING AND PRESERVING VALUE continued

Strategy and Investment Committee

The committee's role is to consider the various strategic options available to the Group and make recommendations to the Board regarding the development of the Group's long-term strategic plans.

The committee, in liaison 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 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, as 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
> Ensuring that Group-wide risk discussion and management remain key components of the strategic planning process, including the consideration of, among others, risk and opportunities relating to the economy, the environment, ethics, finance, leadership, operations, politics, reputation, strategy, competition and technology

The Committee comprises eight members, six of whom are non-executive, with four being Independent. The committee met four times during the year under review.

Membership and attendance of committee meetings:

Mr. Christopher Newson**	Chairperson [Retired]	(1/4)
Dr. Helen Gichohi***	Chairperson [Current]	(4/4)
Dr. James Mwangi	Member	(4/4)
Mr. Vijay Gidoomal	Member	(4/4)
Prof. Isaac Macharia	Member	(4/4)
Dr. Edward Odundo	Member	(4/4)
Mrs. Mary Wangari Wamae	Member	(4/4)
Mrs. Evelyn Rutagwenda	Member	(4/4)
Mr. Jonas Mushosho*	Member	(2/4)

** Appointed to the committee 05 August 2021*
*** Retired from the Board 24 June 2021*
**** Appointed as chair of the Committee 05 August 2021*

Key focus areas – FY 2021

> Group acquisitions
> Organisational change and culture
> General funding needs
> Proposal on expansion
> Impact of COVID-19
> Strategic initiatives and investments

Risk, Compliance, Assets and Liabilities Committee

The committee's responsibilities are:

» Reviewing and assessing the quality, reliability and integrity of risk management
» Ensuring that Group risk is effectively managed
» Ensuring the optimisation of the Group's assets and liabilities
» Ensuring compliance with statutory and legal requirements and Group's policies and procedures
» Reviewing on an annual basis the effectiveness of the Group's risk management practices

The Committee consists of six members, four of whom are non-executive, with three being independent. The committee met four times during the year under review.

PROTECTING AND PRESERVING VALUE continued

Membership and attendance of committee meetings:

Mr. Vijay Gidoomal	Chairperson	(4/4)
Dr. James Mwangi	Member	(4/4)
Mrs. Evelyn Rutagwenda	Member	(4/4)
Dr. Edward Odundo	Member	(4/4)
Mrs. Mary Wangari Wamae	Member	(4/4)
Mr Jonas Mushosho**	Member	(2/4)
Mr. Christopher Newson*	Member	(1/4)

** Retired from the Board 24 June 2021*
*** Appointed to the committee 5 August 2021*

Key focus areas – FY 2021

> The review of the Business Continuity Plan (BCP) for the Group
> The review of leading risk issues as defined in the Group Risk Management Policy
> Enterprise information, risk and security
> Cybersecurity strategy
> The review of BCM Strategy
> The review of global and regional macro-economic outlook
> The review of the ICAAP
> The review of compliance with AML/CTF laws, regulations and standards

Management committees

The Group has established the following Management Committees:

Management Credit Risk Committee

The responsibilities of the Management Credit Risk Committee are to:

- Periodically monitor concentrations in credit portfolio and assess efficacy of thresholds and action plans in case of threshold breach in the Group
- Review and monitor the credit portfolio quality
- Review credit vintages
- Ensure implementation and adherence to credit policies

Management Assets and Liability Committee (ALCO)

The responsibilities of the Management ALCO are to:

- Monitor and ensure optimal composition of assets and liabilities within the Group
- Monitor the liquidity positions for the banking and non-banking subsidiaries against regulatory requirements, and to conduct stress tests
- Ensure effective management of a high-quality loan portfolio
- Review and ensure that the Group's capital adequacy is within the regulatory requirements

The Group Management ALCO meets quarterly whilst the specific subsidiary Compliance and Operational Risk Committees (CORCs) meet monthly.

CORC

The responsibilities of the Compliance and Operational Risk Committee is to:

- Ensure implementation of operational policies
- Monitor compliance with internal policies and procedures and the regulatory environment
- Review operation risk management tools, procedures, methodologies, and to understand and discuss emerging trends in operational risk profile
- Review and ensure effective implementation of a robust Business Continuity (BC) and Disaster Recovery (DR) framework
- Review and discuss operational risk appetite, trends and the composition of operational risk loss data, risk-control self-assessment results, and key risk indicator breaches

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

PROTECTING AND PRESERVING VALUE continued

Our Company Secretary

Mandate and role

Our Company Secretary is Lydia Ndirangu, and she assists the Board as 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 the term of service, at the remuneration and on the conditions that the Board deems fit. During the year under review, 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 on 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 organising 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 the filing of any required returns, the updating of statutory registers and Articles of Association as well as ensuring adherence to continuous listing requirements
- Facilitating effective communication between the Group and shareholders and coordinating the publication and distribution of the annual report and financial statements
- Arranging and managing the process of conducting the AGM or extraordinary general meetings and advising of concerns to be raised at the Board meetings for shareholders' support and votes
- 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

Our shareholders

We employ diverse channels and mechanisms to communicate and disseminate information to its various stakeholders, including shareholders. These channels and mechanisms include the collection of investor feedback and communication via the investor relations function.

Financial information on the Group is available on our website and financial results are provided quarterly across a number of national publications. In addition, we facilitate interaction with senior management at the regular investor briefing sessions. Shareholders also have access to senior management during the AGM, and at any other time on request.

Particulars of shareholding

We comply with the provisions of the Capital Markets Act and all its rules, regulations and guidelines. As required by law, we make monthly reports to the CMA and the NSE on the particulars of our shareholders.

PROTECTING AND PRESERVING VALUE continued

Our top ten largest shareholders as at 31 December 2021

Shareholder	No. of shares	% Shareholding
ARISE B.V.	481,581,275	12.76
STANBIC NOMINEES LTD A/C NR3530153-1	133,962,255	3.55
JAMES NJUGUNA MWANGI	127,809,180	3.39
BRITISH-AMERICAN INVESTMENTS COMPANY KENYA LIMITED	118,890,750	3.15
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)*	106,225,400	2.81
FORTRESS HIGHLANDS LIMITED	101,010,000	2.68
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.39
EQUITY NOMINEES LIMITED A/C 00104	86,719,602	2.30
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE004667	79,997,200	2.12
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002596	77,317,500	2.04
OTHER SHAREHOLDERS	2,370,046,730	62.80
TOTAL	3,773,674,802	100

** The ESOP is not a Group-sponsored scheme*

Equity Group Holdings Plc director shareholding as at 31 December 2021

Director	No. of shares	% Shares held
Prof. Isaac Macharia	346,950	0.0092
Dr. James Mwangi[1]	127,809,180	3.39
Dr. Helen Gichohi	123,300	0.0033
Mrs. Evelyn Rutagwenda	Nil	Nil
Mr. Vijay Gidoomal	Nil	Nil
Mr. Christopher Newson	Nil	Nil
Mrs. Mary Wangari Wamae	Nil	Nil
Dr. Edward Odundo	Nil	Nil

1 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 4.39%

PROTECTING AND PRESERVING VALUE continued

Our shareholding structure as at 31 December 2021

Shareholding	No. of shareholders	No. of shares	% Shares held
1 to 500	11,277	2,649,119	0.07
501–5,000	11,957	20,440,048	0.54
5,001–10,000	1,728	13,218,719	0.35
10,001–100,000	2,208	64,028,094	1.69
100,001–1,000,000	518	186,924,422	4.95
1,000,001 and above	308	3,486,414,400	92.38
TOTAL	27,996	3,773,674,802	100

Our largest shareholders

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 – Rabobank, Norfund, NorFinance and FMO, is operational in nine countries, and manages assets in excess of USD950 million.

Their company's vision is to contribute to economic growth in Africa and the prosperity of its people by increasing financial inclusion and employment, strengthening rural development, and alleviating poverty.

Arise takes and manages minority stakes in sub-Saharan African FSPs with the core aim of building strong and stable institutions that will serve retail, SMEs, the rural sector, and clients who have not previously had access to financial services.

The company supports the growth and development of FSPs by 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 to provide a platform for people in sub-Saharan Africa to empower themselves by opening bank accounts, taking loans, and in turn building a better life for their families.

Rabobank

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

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 by 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.

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.

British-American Investments Company Kenya Limited (Britam)

Britam is a leading diversified financial services group, listed on the NSE. 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 at every step of their financial journeys.

PROTECTING AND PRESERVING VALUE continued

Governance auditor's report

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code"), requires the Board of a listed Company to subject the Company to an annual Governance Audit to check the level of compliance with sound governance practices.

The Code specifically requires the Annual Governance Audit to be conducted by a competent and recognised professional accredited for that purpose by the Institute of Certified Secretaries (ICS). In compliance with the Code, Equity Group Holdings Plc retained Ms. Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

The scope of the Audit is derived from the Code, the Companies Act, 2015 and the Governance Audit Tool developed by the ICS. More specifically, the Audit covers the following broad areas:

1. Leadership and strategic management
2. Transparency and disclosure
3. Compliance with laws and regulations
4. Communication with stakeholders
5. Board independence and governance
6. Board systems and procedures
7. Consistent shareholder and stakeholders' value enhancement
8. Corporate social responsibility and investment
9. Sustainability

Governance auditor's responsibility

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the Company in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with the Institute of Certified Secretaries' Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the Company's policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has put in place a governance framework that complies with the legal and regulatory corporate governance requirements and in this regard, we issue an unqualified opinion.

FCS. Catherine Musakali, ICPSK GA. No 006

Dorion Associates
Green Shades Apartments, Arwings Kodhek Rd., House 1C Nairobi
Tel No.: +254202353383/+254 722616119

12 May 2022

The Directors accept that: (i) The independent Governance Audit does not relieve them of their responsibilities. (ii) They are not aware of any material governance issues that may adversely impact the governance and operations of the Company. The Directors have adopted this Governance Audit report for the year ended 31 December 2021, and which discloses the state of governance within the Company.

PROTECTING AND PRESERVING VALUE continued

Statement of directors' responsibilities

The Kenya Companies Act, 2015 ("the Act") requires Directors to act in good faith, to promote the success of the Company for the benefit of its stakeholders and to avoid conflict between their personal interests and those of the Company, always acting in the best interest of the Company.

The Code of Corporate Governance for Issuers of Securities to the Public, 2015 ("the Code") requires listed companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board has applied corporate governance principles. The Code further requires that after undergoing the Governance Audit, the Directors should provide an explicit statement on the level of compliance.

As required by the Code therefore, the Directors commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code, and adopted best practices in corporate governance in order to deliver long-term value to stakeholders.

The Directors are responsible for putting in place governance structures and systems that support the practice of good governance in accordance with best practice, the requirements of the Act and the Code. The responsibility includes planning, designing and maintaining governance structures that ensure effective leadership and strategic management, transparency and disclosure, compliance with laws and regulations, communication with stakeholders, Board independence and governance, Board systems and procedures, consistent shareholder and stakeholders' value enhancement and corporate social responsibility and investment.

The Board believes that this report fairly represents the Group's material matters and that it offers a balanced view of our governance, strategy, business model and their implementationThe Board believes that this report fairly represents the Group's material matters and that it offers a balanced view of our governance, strategy, business model and their implementation.

Prof. Isaac Macharia

Board Chairman

Dr. James Mwangi, CBS

Group Managing Director and CEO

FINANCIAL STATEMENTS

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

CONTENTS

GROUP AND COMPANY INFORMATION

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Cabinet Kalongo Mbikayi
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Equity Bank (Kenya) Limited
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National Bank of Rwanda
PO Box 531
Kigali, Rwanda

Bank of South Sudan (BOSS)
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Juba, South Sudan

Bank of Tanzania
PO Box 2939
Dar es Salaam, Tanzania

Central Bank of Congo
PO Box 2627
Kinshasa, Democratic Republic of Congo

Bank of Uganda
PO Box 7120
Kampala, Uganda

Auditor

PricewaterhouseCoopers LLP
PwC Tower
Waiyaki Way/Chiromo Road, Westlands
PO Box 43963 – 00100
Nairobi, Kenya

Company secretary

Lydia Ndirangu
9th Floor, Equity Centre
PO 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 2021.

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 seven non-banking subsidiaries engaged in providing investment banking and stock-broking, insurance, 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 40,072 million (2020: Shs 20,100 million) has been added to retained earnings. The directors recommend payment of a dividend of Shs 3 per share (2020: Nil).

Business review

Against a background of COVID-19 pandemic and its consequent disruption of global economic activities with the resultant social disruptions, the Group has demonstrated a resilient, versatile business model, leadership agility, innovation and diversification capability and strength of strategy to report an 134% growth in profit before tax, a 29% growth in total assets and a 22% growth in net operating income. Resilience in execution of an offensive and defensive strategy saw regional subsidiaries maintain their Group contribution to deposits at 44% and revenue growth to 37% up from 33%.

The offensive growth strategy has seen a 23% growth in net loans and advances and a 81% growth in investment in government securities resulting into a 27% growth in interest income. The growth in earning assets have been funded by a 32% growth in long-term funds of Shs128.3 billion up from Shs97.1 billion and a 29% growth in customer deposits of Shs959.0 billion up from Shs740.1 billion driving total assets growth of 29% to Shs1.305 trillion up from Shs1.015 trillion.

The Group is increasingly shifting from its legacy brick and mortar model of fixed cost structure of branches and ATMs to variable cost, self-service model of client's own electronic devices or third-party infrastructure. Third-party channels reported an exponential growth of customer activity, contributing over 86% of transaction volumes. Eazzy Banking App grew by 57% to 779.8 million transactions from 495.9 million YoY and a value of Shs 636.9 billion from Shs 299.9 billion year on year (YoY).EazzyBiz, which is a cash management solution for SMEs had a rapid adoption in the market that resulted in a transactions growth of 37% YoY with a transaction value of Shs 1,496.3 billion from Shs 713.8 billion. The strategy of re-inventing the branches as relationship and wealth creation centers for our SMEs, corporates and high net worth individuals saw transaction volumes increase marginally to 19.8 million from 17.7 million mainly as a result of recovery from COVID-19. The transaction value increased to Shs 2,564.5 billion to Shs 1,969.1 billion signalling high net worth transactions at the branches.

Equitel's transaction value grew by 100% to Shs 1,870.0 billion up from Shs 934.2 billion and the transaction volumes increased to 328.8 million from 274.0 million. The agency network which has now grown to reach over 50,000 agents saw the transaction value grow by 61% to Shs 1,494.2 billion from Shs 929.3 billion and transactions volume grew 7% from 75.7 million to 81.3 million. Diaspora remittances grew by 37% to Shs 383.5 billion from Shs 279.4 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 34% to Shs 41.3 billion from Shs 30.7 billion driven by an increase in investment securities portfolio to Shs 394.1 billion from Shs 217.4 billion. Interest income on investment securities contributed to 71% of our total treasury income.

DIRECTORS' REPORT continued

Business review continued

The Group has continued to closely manage the COVID-19 accommodated loans of Khs171 billion. Loans worth Shs126 billion have resumed repayment with Shs45 billion constituting 7% of the total outstanding loan book remaining under Covid-19 moratorium.

On the corporate social arm, Equity Group Foundation scaled its operations to reach a spend USD513 million in social investment programs, reaching 37,009 secondary school *Wings to Fly* scholarships, 17,040 university scholarship under the Equity Leadership Program, 3,262 TVET scholarships and 688 global university scholarships, while 51 Equity Afia clinics are now operational with 701,760 patients visits. To support global initiatives to combat climate change, we have planted 7.5 million trees and financed and distributed 329,421 clean energy products.

To help build back better and support the world's focus on purpose, Equity Group Foundation scaled its financial inclusion programs reaching 2.3 million women and youth with an 11-week financial training programs. 2.28 million small scale farmers were supported to convert into agri-businesses, 317,000 MSMEs were trained in entrepreneurship and accessed them Ksh135.8 billion in credit facilities while offering the Group infrastructure to support disbursement of Shs95.3 billion in cash transfers to over 3.5 million households.

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. The Bank was recognised as position 5 in the world in the world's strongest banking brands 2022, by Brand Finance. It received a Brand Strength Rating (BSR) of AAA+.

Directors

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

Prof. Isaac Macharia	Chairman
Mrs. Evelyn Rutagwenda**	Vice Chairperson
Dr. James Mwangi*	Group CEO & Managing Director
Dr. Helen Gichohi	
Mr. Vijay Gidoomal	
Mrs. Mary Wangari Wamae*	
Dr. Edward Odundo	
Mr. Christopher Newson***	Retired on 24.06.2021
Mr. Jonas Mushosho****	Appointed on 28.07.2021

** Executive Directors*
*** Rwandese*
**** British/South African*
***** Zimbabwean*

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

a) To approve the appointment of Prof. Isaac Macharia, 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;

b) To approve the appointment of Dr. Edward Odundo, 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 approve the appointment of Mr. Jonas Mushosho, who having been appointed to the Board on 28 July 2021, retires from office by rotation in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election.

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 continues in office in accordance with the Company's Articles of Association and Section 721 of the Companies Act, 2015. The directors monitor the effectiveness, objectivity, and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

Ndirangu

Lydia Ndirangu
Secretary
21 March 2022

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

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

Executive Directors

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

Non-Executive Directors

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

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

b) to monitor the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance; and

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

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

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

Insurance

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

Share options

There are currently no share options issued by the Group to the Executive and the Non-Executive Directors. Particulars of compensation of Directors and key personnel are disclosed in Note 29.

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 2021 together with the comparative figures for 2020. The aggregate Directors' emoluments are shown on Note 29 (e):

Year ended 31 December 2021	Salary Shs' 000	Fees Shs' 000	Pension Shs' 000	Bonus Shs' 000	Other allowances Shs' 000	Gratuity[1] Shs' 000	Leave pay Shs' 000	Estimated value for non-cash benefits Shs' 000	Total Shs' 000
Dr. James Mwangi*	78,000	–	2	–	5,000	42,148	12,804	5,070	143,024
Mrs. Mary Wangari Wamae*	45,080	–	4,089	–	–	–	12	255	49,436
Prof. Isaac Macharia	–	10,282	–	–	–	–	–	–	10,282
Mrs. Evelyn Rutagwenda	–	9,856	–	–	–	–	–	–	9,856
Dr. Helen Gichohi	–	4,165	–	–	–	–	–	–	4,165
Mr. Vijay Gidoomal	–	3,946	–	–	–	–	–	–	3,946
Dr. Edward Odundo	–	4,603	–	–	–	–	–	–	4,603
Mr. Christopher Newson	–	660	–	–	–	–	–	–	660
Mr. Jonas Mushosho	–	2,003	–	–	–	–	–	–	2,003
	123,080	**35,515**	**4,091**	**-**	**5,000**	**42,148**	**12,816**	**5,325**	**227,975**

* *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 two years of service

DIRECTORS' REMUNERATION REPORT continued

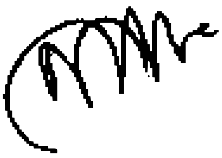
Audited information continued

Year ended 31 December 2020	Salary Shs' 000	Fees Shs' 000	Pension Shs' 000	Bonus Shs' 000	Other allowances Shs' 000	Gratuity[2] Shs' 000	Leave pay Shs' 000	Estimated value for non-cash benefits Shs' 000	Total Shs' 000
Dr. James Mwangi*	56,734	–	2	4,728	3,744	194,596	13,947	4,780	278,531
Mrs. Mary Wangari 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.*

(2) Gratuity paid in lieu of pension contribution over the past 10 years of service

On behalf of the Board



Mary Wangari Wamae

Group Executive Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The 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 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 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 assessed 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 21 March 2022 and signed on its behalf by:

Dr. James Mwangi, CBS

Group Managing Director and CEO

Prof. Isaac Macharia

Group Chairman

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 137 to 248, which comprise the consolidated statement of financial position at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2021 and the Company 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 of Equity Group Holdings Plc give a true and fair view of the financial position of the Group and of the Company at 31 December 2021 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.	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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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
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; > 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. 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. We reviewed the approach used to estimate LGD at each point during the life of the exposure including time to realisation and the recovery rate calculations. 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 current developments. 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.

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 is 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY GROUP HOLDINGS PLC continued

Other information continued

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY GROUP HOLDINGS PLC continued

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

> Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

> Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable 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 128 to 129 is consistent with the financial statements.

Directors' remuneration report

In our opinion, the auditable part of the directors' remuneration report on pages 130 to 131 has been properly prepared in accordance with the Companies Act, 2015.

Richard Njoroge

FCPA Richard Njoroge, Practising certificate No. P/1244
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

22 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 Shs' millions	2020 Shs' millions
Interest income	6	102,065	80,386
Interest expense	6	(25,534)	(18,616)
Net interest income		**76,531**	**61,770**
Fee and commission income	7(a)	21,625	16,051
Fee and commission expense	7(b)	(7,039)	(5,950)
Net fee and commission income		**14,586**	**10,101**
Net foreign exchange income	8	8,187	6,210
Other operating income	9	5,605	8,860
Fair value loss on loan notes at FVTPL	2 (d)	(128)	(3,239)
Credit impairment losses	11	(4,783)	(22,626)
Gain from bargain purchase	15(c)	–	1,177
		8,881	**(9,618)**
Net operating income		**99,998**	**62,253**
Employee benefits	12	(19,108)	(15,542)
Depreciation and amortisation	10	(7,228)	(6,601)
Other operating expenses	16	(22,286)	(17,006)
Gain/(loss) on net monetary position	36	505	(934)
Operating expenses		**48,117**	**(40,083)**
Profit before income tax		**51,881**	**22,170**
Income tax expense	18	(11,809)	(2,070)
Profit for the year		**40,072**	**20,100**
Profit attributable to:			
Owners of the parent		39,175	19,790
Non-controlling interest		897	310
		40,072	**20,100**
Earnings per share (basic and diluted) (Shs)	**30**	**10.38**	**5.24**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 Shs' millions	2020 Shs' millions
Profit for the year		**40,072**	**20,100**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value gains on investments in financial instruments measured at FVOCI	21	(10,126)	4,233
Deferred income tax	23	3,028	(1,269)
		(7,098)	2,964
Exchange differences on translation of foreign operations		4,173	221
Items that may not be reclassified to profit or loss:			
Re-measurement of defined benefit obligation	27	1,124	(636)
Deferred income tax	23	(337)	191
		787	(445)
		(2,138)	2,740
Total comprehensive income for the year, net of tax		**37,934**	**22,840**
Total comprehensive income attributable to:			
Owners of the parent		37,237	22,530
Non-controlling interest		697	310
		37,934	**22,840**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 Shs' millions	2020 Shs' millions
Interest income	6	603	423
Interest expense	6	(570)	(13)
Net interest income		**33**	**410**
Dividend income	29(h)	8,703	607
Other operating income	9	(95)	10
		8,608	617
Operating income		**8,641**	**1,027**
Credit impairment credit	11	1	–
Employee benefits	12	(10)	(53)
Depreciation and amortisation	14(a)	(2)	(2)
Other operating expenses	16	(191)	(757)
Operating expenses		**(202)**	**(812)**
Profit before income tax		**8,439**	**215**
Income tax expense	18	(138)	(56)
Profit for the year		**8,301**	**159**
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**8,301**	**159**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 Shs' millions	2020 Shs' millions
Assets			
Cash, deposits, and balances due from financial institutions	19(a)	242,782	247,093
Derivative financial assets	34	313	438
Investment securities	21	394,101	217,408
Due from related parties	29(f)	160	–
Current income tax	18	562	279
Loans and advances to customers	20	587,775	477,847
Other assets	22	22,607	19,660
Investment properties	14(d)	5,581	5,576
Property and equipment	14(a)	15,200	15,904
Right-of-use assets	14(b)	8,090	6,090
Intangible assets	15	12,803	11,591
Deferred income tax	23	14,940	13,207
Total assets		**1,304,914**	**1,015,093**
Liabilities			
Due to related parties	29(g)	–	114
Deposits from customers	24	958,977	740,801
Borrowed funds	26	128,340	97,148
Other liabilities	25	29,341	26,316
Employee benefit obligations	27	1,269	2,405
Lease liabilities	14(c)	8,900	6,688
Current income tax	18	925	1,641
Deferred income tax	23	971	1,339
Total liabilities		**1,128,723**	**876,452**
Equity			
Share capital	28(a)	1,887	1,887
Share premium	28(b)	15,325	15,325
Retained earnings		158,103	118,767
FVOCI reserve	28(c)	(1,243)	5,478
Statutory loan loss reserve	28(d)	171	577
Foreign currency translation reserve	28(f)	(5,127)	(9,300)
Other reserves	28(e)	52	(558)
Equity attributable to owners of the Company		169,168	132,176
Non-controlling interests		7,023	6,465
Total equity		**176,191**	**138,641**
Total equity and liabilities		**1,304,914**	**1,015,093**

The financial statements on pages 137 to 248 were approved for issue by the Board of directors on 21 March 2022 and signed on its behalf by:

Dr. James Mwangi, CBS

Group Managing Director and CEO

Prof. Isaac Macharia

Group Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 Shs' millions	2020 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19	11,103	8,818
Due from related parties	29(f)	203	39
Other assets	22	7,105	513
Current income tax	18	–	54
Property and equipment	14(a)	10	12
Investments in subsidiary companies	17(a)	81,235	80,452
Deferred income tax	23	113	90
Total assets		**99,769**	**89,978**
Liabilities			
Due to related parties	29(g)	1,345	442
Borrowed funds	26	11,461	10,938
Current income tax	18	62	–
Other liabilities	25	2	–
Total liabilities		**12,870**	**11,380**
Equity			
Share capital	28(a)	1,887	1,887
Share premium	28(b)	15,325	15,325
Retained earnings		69,687	61,386
Total equity		**86,899**	**78,598**
Total equity and liabilities		**99,769**	**89,978**

The financial statements on pages 137 to 248 were approved for issue by the Board of directors on 21 March 2022 and signed on its behalf by:

Dr. James Mwangi, CBS

Group CEO and Managing Director

Prof. Isaac Macharia

Group Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Attributable to owners of the Parent									
		Share capital	Share premium	Retained earnings	Statutory loan loss reserve	FVOCI Reserve	Foreign currency translation reserve	Other Reserves	Total	Non-controlling interests	Total equity
Year ended 31 December 2021		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**	**15,325**	**118,767**	**577**	**5,478**	**(9,300)**	**(558)**	**132,176**	**6,465**	**138,641**
Equity transactions with non-controlling interests	17	–	–	(245)	–	–	–	–	(245)	(139)	(384)
		1,887	**15,325**	**118,522**	**577**	**5,478**	**(9,300)**	**(558)**	**131,931**	**6,326**	**138,257**
Total comprehensive income:											
Profit for the year		–	–	39,175	–	–	–	–	39,175	897	40,072
Other comprehensive income		–	–	–	–	(6,721)	4,173	610	(1,938)	(200)	(2,138)
		–	–	39,175	–	(6,721)	4,173	610	37,237	697	37,934
Loan loss reserve transfers	28(d)	–	–	406	(406)	–	–	–	–	–	–
At end of year		1,887	15,325	158,103	171	(1,243)	(5,127)	52	169,168	7,023	176,191
Year ended 31 December 2020											
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**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Year ended 31 December 2021	Note	Share capital Shs' millions	Share premium Shs' millions	Retained earnings Shs' millions	Total equity Shs' millions
At start of year		**1,887**	**15,325**	**61,386**	**78,598**
Total comprehensive income:					
Profit for the year		–	–	8,301	8,301
At end of year		**1,887**	**15,325**	**69,687**	**86,899**
Year ended 31 December 2020					
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**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 Shs' millions	2020 Shs' millions
Operating activities			
Profit before income tax		51,881	22,170
Adjustments for:			
Depreciation and amortisation	10	7,228	6,601
Loss on disposal of property and equipment		38	9
Loss on disposal of right-of-use assets		215	–
Credit impairment charges	11	5,716	23,393
Fair value loss	20(d)	128	3,239
Interest expense on term borrowings	6	4,851	4,015
Interest expense on lease liabilities	6	626	768
Defined benefit plan costs	27	148	–
(Gain)/loss on fair valuation of investment securities	21	(66)	129
Revaluation of derivatives		125	34
Effect of foreign exchange differences		62	98
Operating profit before changes in operating assets and liabilities		**70,952**	**60,456**
Movements in:			
Investment securities at FVTPL	21	(2,383)	(92)
Loans and advances		(115,644)	(90,057)
Other assets		(2,947)	(2,440)
Deposits from customers		218,176	145,363
Related party balances		(274)	(95)
Other liabilities		3,025	2,681
Employee benefit obligations	27	(1,450)	–
Movement in restricted cash balances	19	(32,236)	(4,527)
Cash generated from operations		**137,219**	**111,289**
Income taxes paid	18	(12,195)	(10,393)
Net cash flows from operating activities		**125,024**	**100,896**
Investing activities			
Acquisition of subsidiary, net of cash acquired	15(c)	–	66,928
Purchase of property and equipment	14(a)	(1,770)	(2,240)
Proceeds from sale of property and equipment		7	57
Purchase of investment properties	14(d)	(39)	–
Purchase of intangible assets	15(a)	(3,270)	(1,752)
Purchase of investment securities (Amortised cost & FVOCI)	21	(376,066)	(171,634)
Proceeds from sale/maturity of investment securities (Amortised cost & FVOCI)	21	191,752	131,732
Net cash flows from investing activities		**(189,386)**	**23,091**
Financing activities			
Reduction in share premium		–	(738)
Proceeds from long-term borrowings	26	94,852	65,159
Repayment of long-term borrowings	26	(60,443)	(26,016)
Interest paid on term borrowings	26	(4,176)	(4,101)
Interest expense on leases	14(c)	(554)	(754)
Principal elements of lease payments	14(c)	(1,864)	(1,405)
Net cash flows from financing activities		**27,815**	**32,145**
Net increase in cash and cash equivalents		**(36,547)**	**156,132**
Cash and cash equivalents at start of year		226,912	70,780
Cash and cash equivalents at end of year	19(a)	**190,365**	**226,912**

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 Shs' millions	2020 Shs' millions
Operating activities			
Profit before income tax		8,439	215
Adjustments for:			
Depreciation on property and equipment	14(a)	2	2
Interest expense on term borrowings	6	570	13
Dividends received		(1,703)	–
Other adjustment	28(b)	–	(738)
Foreign exchange differences on borrowings		389	–
Operating loss before changes in operating assets and liabilities		**7,697**	**(508)**
Other assets		(6,592)	(354)
Related party balances		739	(155)
Other liabilities		2	(38)
Cash generated (used in)/from operations		**1,846**	**(1,055)**
Income taxes paid	18	(45)	(78)
Net cash flows from operating activities		**1,801**	**(1,133)**
Investing activities			
Investment in subsidiaries		(783)	(13,666)
Purchase of property and equipment	14(a)	–	(2)
Dividends received		1,703	–
Net cash flows from investing activities		**920**	**(13,668)**
Financing activities			
Proceeds from borrowed funds	26	–	10,925
Interest paid on borrowed funds	26	(436)	–
Net cash flows from financing activities		**(436)**	**10,925**
Net (decrease)/increase in cash and cash equivalents		**2,285**	**(3,876)**
Cash and cash equivalents at start of year		8,818	12,694
Cash and cash equivalents at end of year	**19**	**11,103**	**8,818**

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 2021:

Covid-19-related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat 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 concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021.

However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment.

NOTES continued

2. Significant accounting policies continued

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

i. New and amended standards adopted by the Group and Company continued

Covid-19-related Rent Concessions – Amendments to IFRS 16 continued

If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so. This amendment has not had a significant impact on the financial statements.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

> When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

> The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The LIBOR transition risk spans the economic risk of client portfolios, operational risk, funding risk, conduct risk, and legal risk. Given the importance of LIBOR across the financial services industry, the LIBOR transition poses significant transition risk if not addressed in a timely and comprehensive manner.

The Group has put in place the following strategic planning and risk mitigation initiatives.

i. A LIBOR transition program with clear terms of reference and executive committee oversight

ii. Business impact analysis done, and all contracts identified and the exposure quantified.

iii. Identification of risks and timely implementation of risk mitigation. These risks included operational risks and legal risks. Mitigation measures in place include:

> proposed timely communication with clients;

> revision of all LIBOR linked contracts and including legal advice; and

> training of all key stakeholders within the LIBOR ecosystem.

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

NOTES continued

2. Significant accounting policies continued

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

i. New and amended standards adopted by the Group and Company continued

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 continued

The following table contains details of all of the financial instruments that the Group holds as at 31 December 2021 which reference USD LIBOR:

	Carrying Amount	
	Assets Shs' millions	Liabilities Shs' millions
Cash, deposits, and balances due from financial institutions	49,379	–
Loans and advances to customers	139,854	–
Borrowed funds	–	78,996
	189,233	**78,811**
Off balance sheet commitments	8,207	8,207

ii. 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.	1 January 2023 (deferred from 1 January 2021)
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

NOTES continued

2. Significant accounting policies continued

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

ii. 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
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 2023 (deferred from 1 January 2022)
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

NOTES continued

2. Significant accounting policies continued

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

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

Title	Key requirements	Effective date
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
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
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.	n/a**

** *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.*

NOTES continued

2. Significant accounting policies continued

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

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

Title	Key requirements	Effective date
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is "material accounting policy information" and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: > right-of-use assets and lease liabilities; and > decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.	1 January 2023

Management is in the process of assessing the impact of the above standards on the Group's financial statements. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES continued

2. Significant accounting policies continued

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.

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.

NOTES continued

2. Significant accounting policies continued

c. Foreign currency translation continued

i. Transactions and balances

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

ii. Group companies

On consolidation, the assets and liabilities in foreign operations whose functional currencies are not the currency of a hyperinflationary currency are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at average rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

iii. Hyperinflationary economies

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

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

NOTES continued

2. Significant accounting policies continued

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. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

NOTES continued

2. Significant accounting policies continued

g. Leases continued

ii. Group as a lessee continued

To determine the incremental borrowing rate, the Group:

> where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in 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 recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised 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.

NOTES continued

2. Significant accounting policies continued

h. Income tax

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

i. Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation 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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Financial assets continued

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 using 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.

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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Financial assets continued

Fair Value through Profit or Loss (FVTPL) continued

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

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

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:

> 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.

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

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
> 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.

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

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.	FVOCI[1]
Other business models, including: Trading, managing assets on a fair value basis and maximising cash flows through sale	The business model is neither held-to-collect nor held to collect and for sale. The collection of contractual cash flows is incidental to the objective of the model.	FVTPL[2]

Notes

1. Subject to meeting the SPPI criterion.

2. The SPPI criterion is irrelevant – i.e. assets in all business models are measured at FVTPL.

Financial liabilities

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

Reclassification

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

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Derecognition and contract modification

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

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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Interest income recognition continued

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

Assets that are credit-impaired on initial recognition

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

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

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Assets that are credit-impaired on initial recognition continued

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.

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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

The general approach continued

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss. Essentially, an entity must make the following assessment at each reporting date:

Stage 1 – For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs, i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below).

ECL12m = PD12m x LGD12m x EAD12m x D12m

Stage 2 – For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

ECL LT = LT∑T=1 PDt x LGDt x EADt x Dt

Stage 3 – For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs. However the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

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 banking subsidiaries in the Group:

Central Banks 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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

Definition of default continued

This definition is largely consistent with the regulator definition that will be used for regulatory purposes. In assessing whether a borrower is in default, the Group will consider indicators that are:

> significant financial difficulty of the issuer or the borrower;
> a breach of contract – e.g. a default or past-due event;
> a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider;
> it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
> the disappearance of an active market for that financial asset because of financial difficulties; or
> the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Group has not rebutted the 90 Days Past Due (DPD) rule for identifying defaults.

Significant increase in credit risk (SICR)

The Group in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group identifies a significant increase in credit risk where

> exposures have a regulatory risk rating of "WATCH";
> an exposure is greater than 30 days past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
> an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
> by comparing an exposures:
» credit risk quality at the date of reporting; with
» the credit risk quality on initial recognition of the exposure.

The 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 in 2020 (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 and 31 December 2021, 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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

Credit risk classification

The Group allocates each exposure to a credit risk classification based on the regulatory requirements of the regulator which requires the prediction of the risk of default and applying experienced credit judgement. The Group shall use these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using the regulator's guidance, days past due, management assessment, qualitative and quantitative factors that are indicative of the risk of default.

These factors may vary depending on the nature of the exposure and the type of borrower. The Group shall undertake a thorough credit appraisal process and determine the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk classification.

Determining whether credit risk has increased significantly

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework has been aligned with the Group's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies by portfolio and will include a backstop based on delinquency (30 DPD presumption).

Quantitative factors

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Group has developed an internal rating model going forward and movement in rating grades between the reporting period and initial recognition date/the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk.

Qualitative factors

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. The management view and judgement has included the following assessments:

- Classification of exposures by any other Banks and Financial institutions or local Credit Reference Bureau (CRB);
- Unavailable/inadequate financial information/financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff in the organisation;
- 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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

Backward transitions

Backward transitions define the criteria for moving a financial asset back from Stage 2 to Stage 1 or Stage 3 to Stage 2. The Group applies the considerations of the central bank prudential guidelines to determine whether a financial asset should be upgraded from Stage 3 to Stage 2 and then Stage 1. Where an account in Stage 3 is regularised (i.e. all past due principal and interest is repaid in full) it may be upgraded to Stage 2 subject to observation of the cooling off period as defined by prudential guidelines. A facility which meets the above condition and has been classified as Stage 2 may be reclassified to Stage 1 if a sustained record of performance is maintained for a period of six (6) months.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

Restructuring

The Group renegotiates loans to customers in financial difficulties (referred to as "restructuring") to maximise collection opportunities and minimise the risk of default. Under the Group's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Group's Credit Committee regularly reviews reports on restructuring activities.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

Restructuring continued

The 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 regularised 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 0% (2020: 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:

	31 December 2021			31 December 2020		
Classification	Amount pre-restructure Shs' millions	Modification gain/loss Shs' millions	Amount post-restructure Shs' millions	Amount pre-restructure Shs' millions	Modification gain/loss Shs' millions	Amount post-restructure 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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

ECL model

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. The PDs are determined at industry level, LGD at customer or industry level (based on collateral and collections respectively) and EAD at account level. Where a borrower has been in several industries historically the Group uses the borrower's current segmentation.

In addition to the on-balance sheet facilities, the Group considered treasury products (investment securities and placements with other banking institutions) and the off-balance sheet facilities offered by the Group such as guarantees, letters of credit, overdrafts and credit cards where an exposure is present. The EAD for these facilities is based on whether there is a commitment by the Group to fund a customer and the rate of conversion of such facilities (Credit Conversion Factor – CCF).

Risk parameters in measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- PD;
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters has been derived from internally developed statistical models and other historical data that leverage regulatory models. They have been adjusted to reflect forward-looking information as described below:

Probability of default

Probability of Default ("PD") refers to the likelihood of a default occurring and is a measure of the risk of default. In order to calculate IFRS 9 PD, there is a need to develop a PD term structure for calculating ECL (forward-looking and lifetime PDs). PD estimates for loans and advances are estimates at a certain date, which has been calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and has been assessed at portfolio level for portfolios of assets that have similar characteristics. PDs have been estimated based on the theory of Markov Chain process. The method requires information regarding transitions among credit states. Credit states are defined by rating classes. The Group reviews and updates the portfolio PDs on a semi-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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

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

ECL model continued

Probability of default continued

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-collateralised 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 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.

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

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.

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.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

iii. Fair value measurement continued

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

> **Level 1** – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

> **Level 2** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

> **Level 3** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

Gains or losses on valuation of FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

NOTES continued

2. Significant accounting policies continued

i. Financial assets and liabilities continued

iii. Fair value measurement continued

The table below shows the various asset classes:

Category (as defined by IFRS 9)		Class (as determined by the Group)	Subclasses	
Financial assets	Financial assets at fair value through profit or loss (FVTPL)	Financial assets held for trading	Derivative financial assets	
		Financial assets designated at fair value through profit or loss	Loan notes at FVTPL 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.

NOTES continued

2. Significant accounting policies continued

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.

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.

NOTES continued

2. Significant accounting policies continued

m. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value-in-use, The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

n. Provisions

Provisions are recognised when the Group and Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

o. Employee benefits

i. Defined contribution 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.

NOTES continued

2. Significant accounting policies continued

o. Employee benefits continued

ii. Defined benefit plan continued

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.

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).

NOTES continued

2. Significant accounting policies continued

s. Deposits from customers

Deposits from customers are recognised 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 not yet ready for the intended use and include software, computers and equipment. These are not depreciated and are capitalised 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.

NOTES continued

2. Significant accounting policies continued

w. Financial guarantee contracts and loan commitments continued

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

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.

a. Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product/ market and associated ECL;
- Establishing groups of similar assets for the purposes of measuring ECL; and
- Determining LGDs of individually assessed loan accounts.

The expected credit loss allowance on loans and advances is disclosed in more detail in Notes 11 and 20 (b).

NOTES continued

3. Critical accounting estimates and judgements continued

b. Uncertain tax positions

Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

c. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

All financial instruments are initially recognised at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Group establishes fair value by using valuation techniques.

These include the use of recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4. Financial risk management

a. Introduction and overview

The Group and Company have exposure to the following risks from its financial instruments:

> Credit risk
> Liquidity risk
> Market risk
> Capital risk

This note presents information about the Group's and Company's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. There were no changes in the risk and capital management policies during the current financial year.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Board Risk Management Committee, which is responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

NOTES continued

4. Financial risk management continued

a. Introduction and overview continued

Risk management framework continued

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.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Group in the management of credit risk.

NOTES continued

4. Financial risk management continued

b. Credit risk continued

Management of credit risk continued

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		**2021**		**2020**	
Credit exposures	**Note**	**Shs' millions**	**%**	**Shs' millions**	**%**
On-balance sheet items					
Balances and deposits due from financial institutions*	19	180,044	15%	193,569	22%
Derivative financial assets	34	313	0%	438	0%
Investment securities	21	394,101	33%	217,408	24%
Due from related parties	29(f)	160	0%	–	0%
Loans and advances to customers at amortised cost	20(a)	586,470	51%	476,581	53%
Loans and advances to customers at FVTPL	20(d)	1,305	0%	1,266	0%
Other assets**	22	13,441	1%	13,289	1%
		1,175,834		**902,551**	
Off-balance sheet items					
Guarantees and standby letters of credit	31	77,261		67,860	
Letters of credit, acceptances and other credits	31	41,625		36,142	
		118,886		**104,002**	
		1,294,720		**1,006,553**	

Company		**2021**		**2020**	
Credit exposures	**Note**	**Shs' millions**	**%**	**Shs' millions**	**%**
On-balance sheet items					
Balances and deposits due from financial institutions	19	11,103	60%	8,818	94%
Due from related parties	29(f)	203	1%	39	1%
Other assets	22	7,105	39%	504	5%
		18,411		**9,361**	

* *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 counterparties. The arising ECL and remeasurement in the year is shown in Note 22.*

NOTES continued

4. Financial risk management continued

b. Credit risk continued

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

	2021			
Amortised cost	**Stage 1 12-month ECL Shs' millions**	**Stage 2 Lifetime ECL Shs' millions**	**Stage 3 Lifetime ECL Shs' millions**	**Total Shs' millions**
Individually and collectively impaired				
Grade 3: Substandard	–	–	11,521	11,521
Grade 4: Doubtful	–	–	28,794	28,794
Grade 5: Loss	–	–	11,590	11,590
Gross amount	**–**	**–**	**51,905**	**51,905**
Provision for impairment losses	–	–	(33,980)	(33,980)
Carrying amount	**–**	**–**	**17,925**	**17,925**
Individually and collectively impaired				
Grade 1: Normal	495,302	–	–	495,302
Grade 2: Watch	–	85,705	–	85,705
Gross amount	**495,302**	**85,705**		**581,007**
Provision for impairment losses	(4,684)	(7,778)	–	(12,462)
Carrying amount	**490,618**	**77,927**	**–**	**568,545**
Total carrying amount				**586,470**
Fair value through profit or loss				
Loans note				5,672
Fair value loss				(4,367)
				1,305
Total carrying amount				**587,775**

NOTES continued

4. Financial risk management continued

b. Credit risk continued

Exposure to credit risk – Loans and advances

	2020			
	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Amortised cost				
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**	**–**	**466,126**
Provision for impairment losses	(4,376)	(8,748)	–	(13,124)
Carrying amount	**389,040**	**63,962**	**–**	**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**

Grade 1 and grade 2 represent loans and advances that are not impaired. Grade 3, grade 4 and grade 5 refer to loans and advances that have been impaired in line with the Group's credit policy and internal model. These represent the loans and advances that the Group cannot collect according to contractual terms of the loan agreements.

Impaired loans

Impaired loans are loans which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the stage of collection of amounts owed to the Group.

NOTES continued

4. Financial risk management continued

b. Credit risk continued

Allowances for impairment

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

> Transfers between Stages 1, 2 and 3 reflective of significant increases (or decreases) of credit risk or loans and advances becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;

> Allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;

> Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;

> Impacts on the measurement of ECL due to changes made to models and assumptions; and

> Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.

Write-off policy

The Group writes off a loan balance when the credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding. For smaller balance standardised loans, write-off decisions are generally based on a product specific past due default history.

Collateral on loans and advances

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

Before attaching value to collateral, the business holding approved collateral must ensure that they are legally perfected 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	
	2021 Shs' millions	**2020 Shs' millions**
Property	558,609	525,022
Equities	84	5
Other*	62,226	68,990
Total	**620,919**	**594,017**

* *Other includes log-books, cash cover, debentures and directors' guarantees.*

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	
	2021 Shs' millions	**2020 Shs' millions**
Concentration by sector		
Gross loans and advances (overall – amortised and fair value)		
Trade	154,704	110,358
Personal household	142,122	136,390
Real estate	101,623	86,235
Energy and water	41,683	29,220
Financial services	39,704	21,561
Transport and logistics	43,171	37,557
Food and agriculture	25,889	27,822
Mining & Quarrying	24,644	18,190
Manufacturing	23,792	19,401
Tourism and Hospitality	21,789	25,319
Building and construction	17,908	14,407
ICT and Telecommunication	1,555	3,630
	638,584	**530,090**

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: (i) an inability to support normal business activity; and (ii) 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 deposit 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

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
2021						
At 31 December	**93%**	**26%**	**172%**	**346%**	**35%**	**168%**
Average for the year	**76%**	**26%**	**162%**	**499%**	**30%**	**189%**
Maximum for the year	**93%**	**32%**	**172%**	**216%**	**35%**	**247%**
Minimum for the year	**56%**	**23%**	**146%**	**100%**	**25%**	**160%**
Minimum statutory requirement	**20%**	**20%**	**20%**	**100%**	**20%**	**100%**
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%

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 2021	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	Total Shs' millions
Financial assets						
Balances and deposits due from financial institutions	242,782	–	–	–	–	242,782
Loans and advances to customers	106,086	27,548	60,252	300,674	265,929	760,489
Investment securities	59,025	30,347	32,851	115,317	442,012	679,552
Derivative financial assets	313	–	–	–	–	313
Other assets	13,441	–	–	–	–	13,441
Amounts due to related parties	160	–	–	–	–	160
Total financial assets	**421,807**	**57,895**	**93,103**	**415,991**	**707,941**	**1,696,737**
Financial liabilities						
Deposits from customers	310,811	52,975	58,645	539,894	584	962,909
Borrowed funds	3,849	6,115	5,940	82,889	43,887	142,680
Other liabilities	23,375	–	–	–	–	23,375
Lease liabilities	568	444	878	5,976	2,660	10,526
Total financial liabilities	**338,603**	**59,534**	**65,463**	**628,759**	**47,131**	**1,139,490**
Liquidity gap at 31 December 2021	**83,204**	**(1,639)**	**27,640**	**(212,768)**	**660,810**	**557,257**

NOTES continued

4. Financial risk management continued

c. Liquidity risk continued

Exposure to liquidity risk continued

	0–3 months Shs' millions	3–6 months Shs' millions	6–12 months Shs' millions	1–5 years Shs' millions	Total Shs' millions
Off-balance sheet items					
Guarantees and standby letters of credit	17,290	8,801	24,299	26,871	77,261
Letters of credit, acceptances and other documentary credits	31,961	6,510	1,596	1,558	41,625
Capital commitments	30	96	3,332	–	3,458
Loans approved but not disbursed	8,728	2,982	2,426	2,819	16,955
Total commitments and guarantees	**58,009**	**18,389**	**31,653**	**31,248**	**139,299**

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	Total 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	Total 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

Company 2021	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	Total Shs' millions
Financial assets						
Balances and deposits due from financial institutions	11,103	–	–	–	–	11,103
Amounts due from related parties	203	–	–	–	–	203
Other assets	7,105	–	–	–	–	7,105
Total financial assets	**18,411**	**–**	**–**	**–**	**–**	**18,411**
Financial liabilities						
Amounts due to related parties	1,345	–	–	–	–	1,345
Borrowed funds	–	293	293	7,945	5,895	14,425
Other liabilities	2	–	–	–	–	2
Total financial liabilities	**1,347**	**293**	**293**	**7,945**	**5,895**	**15,773**
Liquidity gap at 31 December 2021	**17,064**	**(293)**	**(293)**	**(7,945)**	**(5,895)**	**2,638**

Company 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	8,818	–	–	–	–	8,818
Amounts due from related party	39	–	–	–	–	39
Other assets	504	–	–	–	–	504
Total financial assets	**9,361**	**–**	**–**	**–**	**–**	**9,361**
Financial liabilities						
Amounts due to related parties	442	–	–	–	–	442
Borrowed funds	–	283	283	2,255	12,521	15,342
Total financial liabilities	**442**	**283**	**283**	**2,255**	**12,521**	**15,784**
Liquidity gap at 31 December 2020	**8,919**	**(283)**	**(283)**	**(2,255)**	**(12,521)**	**(6,423)**

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 non-trading activities are managed through the ALM (Asset and Liability Management) and ICAAP processes.

Management of market risks

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.

Market risk measurement techniques

i. Value at risk

The Group applies a "value at risk" (VAR) methodology to its foreign currency trading to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for each banking subsidiary, which are monitored on a daily basis by the Treasury department of each banking subsidiary.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount the banking subsidiary might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain "holding period" until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 1-day periods in the past. The Group's assessment of past movements is based on data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

NOTES continued

4. Financial risk management continued

d. Market risk continued

Market risk measurement techniques continued

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.

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:

31 December 2021	Carrying amount Shs' millions	Non-interest-bearing Shs' millions	Less than 3 months Shs' millions	3–6 months Shs' millions	6–12 months Shs' millions	1–5 years Shs' millions	More than 5 years Shs' millions
Assets							
Balances and deposits due from financial institutions	242,782	186,473	56,309	–	–	–	–
Loans and advances to customers	587,775	–	587,775	–	–	–	–
Investment securities	394,101	–	54,240	22,586	11,876	42,661	262,738
	1,224,658	**186,473**	**698,324**	**22,586**	**11,876**	**42,661**	**262,738**
Liabilities							
Deposits from customers	958,977	594,182	151,021	47,352	61,268	104,570	584
Borrowed funds	128,340	–	7,532	6,014	5,817	68,454	40,523
Lease Liabilities	8,900	–	900	841	1,276	5,173	710
	1,096,217	**594,182**	**159,453**	**54,207**	**68,361**	**178,197**	**41,817**
Interest rate sensitivity gap	**128,441**	**(407,709)**	**538,871**	**(31,621)**	**(56,485)**	**(135,536)**	**220,921**

NOTES continued

4. Financial risk management continued

d. Market risk continued

Interest rate risk continued

31 December 2020	Carrying amount Shs' millions	Non-interest-bearing Shs' millions	Less than 3 months Shs' millions	3–6 months Shs' millions	6–12 months Shs' millions	1–5 years Shs' millions	More than 5 years Shs' millions
Assets							
Balances and deposits due from financial institutions	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**

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 Shs' millions	Less than 3 Months Shs' millions	1–5 years Shs' millions	More than 5 years Shs' millions
31 December 2021				
Assets				
Cash and cash equivalents	11,103	11,103	–	–
Liabilities				
Borrowed funds	(11,461)	–	(5,786)	(5,675)
Interest rate sensitivity gap	**(358)**	**11,103**	**(5,786)**	**(5,675)**
31 December 2020				
Assets				
Cash and cash equivalents	8,818	8,818	–	–
Liabilities				
Borrowed funds	(10,938)	–	–	(10,938)
Interest rate sensitivity gap	**(2,120)**	**8,818**	**–**	**(10,938)**

During the year, a 3% increase/decrease (2020: 5%) of the annual interest rate would have the following effect on profit or loss and equity:

	Sensitivity	Group impact on profit or loss Shs' millions	Company impact on profit or loss Shs' millions	Group impact on equity Shs' millions	Company impact on equity Shs' millions
2021	**+/-3%**	**+/-1,203**	**+/-1**	**+/-842**	**+/-1**
2020	+/-5%	+/-1,834	+/-21	+/-1,284	+/-14

NOTES continued

4. Financial risk management continued

d. Market risk continued

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$ Shs' millions	GBP Shs' millions	Euro Shs' millions	ZAR Shs' millions	Others Shs' millions	Total Shs' millions
31 December 2021						
Cash and cash equivalents	103,546	266	4,557	82	440	108,891
Loans and advances to customers	320,661	113	1,383	–	–	322,157
Investment securities	125,918	–	5	–	772	126,695
Other assets	23,354	146	866	–	5	24,371
Total assets	**573,479**	**525**	**6,811**	**82**	**1,217**	**582,114**
Customer deposits	425,680	465	7,875	683	139	434,842
Borrowed funds	96,824	–	96	–	801	97,721
Other liabilities	32,985	24	53	–	6	33,068
Total liabilities	**555,489**	**489**	**8,024**	**683**	**946**	**565,631**
Net financial position	**17,990**	**36**	**(1,213)**	**(601)**	**271**	**16,483**
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

Company	2021 US$ Shs' millions	2021 Total Shs' millions	2020 US$ Shs' millions	2020 Total Shs' millions
Cash and cash equivalents	**9,187**	**9,187**	8,498	8,498
Total assets	**9,187**	**9,187**	**8,498**	**8,498**
Borrowed funds	11,461	11,461	10,938	10,938
Total liabilities	**11,461**	**11,461**	**10,938**	**10,938**
Net financial position	**(2,274)**	**(2,274)**	**(2,440)**	**(2,440)**

Group		Effect on profit before income tax Shs' millions	Effect on equity Shs' millions
	Changes in EUR		
2021	**+/-4%**	**+/-49**	**+/-34**
2020	+/-18%	+/-271	+/-189
	Changes in US$		
2021	**+/-4%**	**+/-720**	**+/-503**
2020	+/-8%	+/-1,544	+/-1,080
	Changes in GBP		
2021	**+/-2%**	**+/-1**	**+/-1**
2020	+/-11%	+/-18	+/-13
Company			
	Changes in US$		
2021	**+/-4%**	**+/-91**	**+/-64**
2020	+/-8%	+/-165	+/-124

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.

NOTES continued

4. Financial risk management continued

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 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- and medium-term basis aligned with strategic objectives.

We adopt a forward-looking, risk-based approach to capital risk management. Capital demand and supply is actively managed taking into account the regulatory, economic and commercial environment in which the Group operates.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised, and the Group and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group has complied with all externally imposed capital requirements throughout the year except for EquityBCDC (EBCDC). The Group Board of Directors has approved measures to restore EBCDC's capital above regulatory minimum.

NOTES continued

4. Financial risk management continued

e. Capital management continued

The regulatory capital position at 31 December was as follows:

	EBKL	Equity BCDC	EBTL	EBUL	EBRPLC	EBSSL
31 December 2021						
Shs' millions						
Risk Weighted Assets	704,636	216,190	22,246	61,580	36,162	1,424
Core Capital	93,843	20,041	3,314	12,162	7,211	4,035
Total Capital	132,496	23,666	3,460	12,162	7,211	4,035
Deposits	648,453	361,378	26,021	72,944	36,875	7,946
Core capital/TRWA	13.3%	9.3%	14.9%	19.7%	19.9%	283.3%
Statutory minimum	10.5%	7.5%	12.5%	10.0%	10.0%	8.0%
Excess	2.8%	1.8%	2.4%	9.7%	9.9%	275.3%
Total capital/TRWA	18.8%	10.9%	15.6%	20.8%	19.9%	283.3%
Statutory minimum	14.5%	10.0%	14.5%	12.0%	15.0%	12.0%
Excess	4.3%	0.9%	1.1%	8.8%	4.9%	271.3%
Core capital/deposits	20.0%	5.5%	9.9%	16.7%	10.5%	50.8%
Statutory minimum	10.8%	8.0%	8.0%	10.0%	8.0%	8.0%
Excess	12%	(2.5%)	1.9%	6.7%	2.5%	42.8%
31 December 2020						
Shs' millions						
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%

	Group 2021 Shs' millions	Group 2020 Shs' millions
Total risk-weighted assets	1,051,432	809,585
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	17.7%	19.0%
Total tier 1 capital expressed as a percentage of risk-weighted assets	12.9%	14.8%

NOTES continued

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. Non-performance risk refers to the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred. 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 2021 (2020: 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:

	Valuation Technique	**Significant observable input**	**Range (Weighted average) 2021**	**2020**
Level 2				
FVOCI investment securities	Fair value at closing rate	Quoted yields	7–11%	7%–10.5%
Amortised cost investment securities	Fair value at closing rate	Quoted yields	9.5–11.5%	9.5%–11.5%
FVTPL investment securities	Fair value at closing rate	Quoted yields	6–10.5%	7%–10.5%
Level 3				
Currency swaps and forwards	Forward pricing model	Interest curve	1.8–3.3%	2%–3.5%
Loans note at FVTPL*				
Financial liabilities				
Deposits from customers – fixed deposits	Discounted cash flow	Fixed rate and fixed time period	4–8%	5%–8.5%
Borrowed funds	Discounted cash flow	Expected cash flows	4–6%	4%–5%

** 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 cash flow 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 cash flow streams is covered, albeit partially, by a government guarantee. In valuing the hybrid instrument, management has only considered 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 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions	Total Shs' millions
At 31 December 2021				
Financial assets fair value disclosures:				
Investment securities – FVOCI	–	377,153	–	377,153
Loan note at FVTPL	–	–	1,305	1,305
Derivative financial assets	–	313	–	313
Investment securities – FVTPL	–	3,242	–	3,242
Total financial assets at fair value	**–**	**380,708**	**1,305**	**382,013**
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**

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:

Group	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions
At 31 December 2021					
Cash balances and deposits in financial institutions	242,782	242,782	–	–	242,782
Investment securities – amortised cost	13,706	12,711	–	12,711	–
Amounts due from related parties	160	160	–	–	160
Loans and advances at amortised cost	586,470	586,470	–	–	586,470
Other assets	13,441	13,441	–	–	13,441
Total financial assets	**856,559**	**855,564**	**–**	**12,711**	**842,853**
Deposits from customers	958,977	958,977	–	–	958,977
Borrowed funds	128,340	128,340	–	–	128,340
Lease liabilities	8,900	8,900	–	–	8,900
Other liabilities	29,341	29,341	–	–	29,341
Total liabilities	**1,125,558**	**1,125,558**	**–**	**–**	**1,125,558**

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					
Balances and deposits due from 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**

Company	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' million	Level 3 Shs' millions
At 31 December 2021					
Cash balances and deposits in financial institutions	11,103	11,103	–	–	11,103
Due from related parties	203	203	–	–	203
Other assets	7,105	7,105	–	–	7,105
Total financial assets	**18,411**	**18,411**	**–**	**–**	**18,411**
Borrowed funds	11,461	11,461	–	–	11,461
Due to related parties	1,345	1,345	–	–	1,345
Other liabilities	2	2	–	–	2
Total liabilities	**12,808**	**12,808**	**–**	**–**	**12,808**

	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' million	Level 3 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
Other liabilities	442	442	–	–	442
Total liabilities	**11,380**	**11,380**	**–**	**–**	**11,380**

NOTES continued

6. Interest income

	Group		Company	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Interest income				
Loans and advances to customers	64,074	52,280	–	–
Cash and cash equivalents	942	2,246	603	423
Credit related fees	7,595	6,621	–	–
Investment securities at amortised cost	3,347	5,273	–	–
Investment securities at FVOCI	26,107	13,966	–	–
	102,065	**80,386**	**603**	**423**
Interest expense				
Deposits from banks	(2,198)	(150)	–	–
Deposits from customers	(17,859)	(13,683)	–	–
Borrowed funds (Note 26)	(4,851)	(4,015)	(570)	(13)
Lease liabilities (Note 14)	(626)	(768)	–	–
	(25,534)	**(18,616)**	**(570)**	**(13)**
Net interest income	**76,531**	**61,770**	**33**	**410**

7. Net fee and commission income

	Group	
	2021 Shs' millions	2020 Shs' millions
a. Fee and commission income		
Recognised at a point in time		
Service fees and commission	21,494	15,931
Custodial fee income	131	120
	21,625	16,051
b. Fee and commission expense		
Fee and commission expense	(7,039)	(5,950)
Net fee and commission income	**14,586**	**10,101**

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

8. Net foreign exchange income

	Group	
	2021 Shs' millions	2020 Shs' millions
Net foreign exchange gain	**8,187**	**6,210**

NOTES continued

9. Other operating income

	Group 2021 Shs' millions	Group 2020 Shs' millions	Company 2021 Shs' millions	Company 2020 Shs' millions
Realised gain on investment securities	2,951	3,056	–	–
Profit on disposal of property and equipment	–	7	–	–
Rental income	339	244	–	–
Insurance brokerage income	179	889	–	–
Other income*	2,136	4,664	(95)	10
	5,605	**8,860**	**(95)**	**10**

** Other income includes unrealised 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

	2021 Shs' millions	2020 Shs' millions
Depreciation on property and equipment (Note 14 (a))	3,338	3,428
Amortisation of intangible assets – Software (Note 15 (a))	1,987	1,341
Depreciation of right-of-use assets (Note 14 (b))	1,903	1,832
	7,228	**6,601**

11. Credit impairment losses

	Note	Group 2021 Shs' millions	Group 2020 Shs' millions	Company 2021 Shs' millions	Company 2020 Shs' millions
Movements during the year:					
Increase in other assets	22	71	5	–	–
(Decrease)/increase in money market	19 (a)	(146)	352	(1)	–
Increase in investment securities	21	71	19	–	–
Loans and advances:					
Increase/(decrease) in Stage 1	20 (b)	308	(956)	–	–
(Decrease)/increase in Stage 2	20 (b)	(971)	4,559	–	–
Increase in Stage 3	20 (b)	6,383	19,414	–	–
Net increase in impairment losses		**5,716**	**23,393**	**(1)**	**–**
Loan recoveries		(933)	(767)	–	–
Statement of profit or loss		**4,783**	**22,626**	**(1)**	**–**

12. Employee benefits

	Group 2021 Shs' millions	Group 2020 Shs' millions	Company 2021 Shs' millions	Company 2020 Shs' millions
Salaries and other staff costs	17,700	14,365	10	53
Defined contribution plans	1,260	1,055	–	–
Defined benefit plans (Note 27)	148	122	–	–
	19,108	**15,542**	**10**	**53**

The average number of permanent staff in the Group for the year was 7,688 (2020: 7,119).

NOTES continued

13. Lease expenses

	Note	Group 2021 Shs' millions	Group 2020 Shs' millions	Company 2021 Shs' millions	Company 2020 Shs' millions
VAT & service charge		**158**	**377**	**–**	**4**

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

14. a. Property and equipment – Company

	2021 Shs' millions	2020 Shs' millions
Equipment, furniture & fittings		
Cost		
At start of year	14	12
Additions during the year	–	2
At end of year	**14**	**14**
Accumulated depreciation		
At start of year	2	–
Charge for the year	2	2
At end of year	**4**	**2**
Net book value at end of year	**10**	**12**

14. a. Property and equipment – Group

	Freehold land & buildings Shs' millions	Leasehold improvements Shs' millions	Motor vehicles Shs' millions	Equipment, furniture & fittings Shs' millions	Computers Shs' millions	Work-in-progress Shs' millions	Total Shs' millions
31 December 2021							
Cost							
At start of year	6,213	12,972	1,205	9,620	17,535	849	48,394
Translation differences	738	298	39	1,080	(383)	(140)	1,632
Additions	35	350	36	231	320	798	1,770
Transfers	13	330	–	70	219	(632)	–
Disposals	(20)	(387)	(83)	(794)	(1,139)	–	(2,423)
At end of year	**6,979**	**13,563**	**1,197**	**10,207**	**16,552**	**875**	**49,373**
Accumulated depreciation							
At start of year	947	9,579	967	6,650	14,347	–	32,490
Translation differences	(1)	160	46	641	(123)	–	723
Charge for the year	248	1,014	98	812	1,165	1	3,338
Disposals	(7)	(375)	(83)	(786)	(1,127)	–	(2,378)
At end of year	**1,187**	**10,378**	**1,028**	**7,317**	**14,262**	**1**	**34,173**
Net book value at end of year	**5,792**	**3,185**	**169**	**2,890**	**2,290**	**874**	**15,200**

NOTES continued

14. a. Property and equipment – Group continued

	Freehold land & buildings Shs' millions	Leasehold improvements Shs' millions	Motor vehicles Shs' millions	Equipment, furniture & fittings Shs' millions	Computers Shs' millions	Work-in-progress Shs' millions	Total 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**

14. b. Right-of-use assets – Group

	Group 2021 Shs' millions	Group 2020 Shs' millions
Cost		
At start of year	9,619	9,055
Acquisition of a subsidiary	–	266
Remeasurements	3,006	239
Disposals	(220)	–
Translation differences	679	59
At end of year	**13,084**	**9,619**
Accumulated depreciation		
At start of year	3,529	1,713
Acquisition of a subsidiary	–	25
Remeasurements	118	(56)
Charge for the year	1,903	1,832
Disposals	(220)	–
Translation differences	(336)	15
	4,994	**3,529**
Net book value at end of year	**8,090**	**6,090**

NOTES continued

14. c. Lease liabilities – Group

	Group 2021 Shs' millions	Group 2020 Shs' millions
Current	3,017	1,990
Non-current	5,883	4,698
	8,900	**6,688**
Movement during the year:		
At start of year	6,688	7,496
Acquisition of a subsidiary	–	271
Remeasurements	3,006	314
Interest expense	626	768
Interest paid	(554)	(754)
Principal elements of lease payments	(1,864)	(1,405)
Translation differences	998	(2)
	8,900	**6,688**
Amounts recognised in the statement of profit or loss:		
Depreciation charge of right-of-use assets – branches and ATMs	1,903	1,832
Interest expense	626	768
	2,529	**2,600**

Amounts recognised in the statement of cash flows:	2021 Shs' millions	2020 Shs' millions
The total cash outflow for leases was as follows:		
Financing cash flows from leases	2,418	1,405

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 are held in Democratic Republic of Congo (DRC) were valued by ImmoAf, the Group's external qualified professional valuer who has experience in the location and category of the respective investment property.

ii. Non-current assets – at fair value

	Group 2021 Shs' millions	Group 2020 Shs' millions
At start of the year	5,576	–
Acquisition of a subsidiary	–	5,075
Additions	39	–
Translation differences	(34)	501
At 31 December	**5,581**	**5,576**

iii. Amounts recognised in profit or loss for investment properties

	2021	2020
Rental income from operating leases	200	231
Direct operating expenses from property that generated rental income	(123)	(76)

iv. Fair value hierarchy

Investment properties	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions	Total Shs' millions
31 December 2021	**–**	**–**	**5,581**	**5,581**
31 December 2020	–	–	5,576	5,576

NOTES continued

14. d. Investment properties continued

The following are the main inputs:

- Occupancy rate (Between 91% to 94% (2020: 92.5% to 95%))
- Weighted average rent of Shs 1,647 (2020: Shs 2,400) per square metre
- Risk-adjusted discount rates (Weighted average 4.2% (2020: 3.8% to 5.2%)
- Market rental growth (Weighted average of between 2.3% to 2.7% (2020: 2.5% to 2.6%))

15. Intangible assets – Group

	2021 Shs' millions	2020 Shs' millions
Software & acquired intangible assets	10,738	9,621
Goodwill	2,065	1,970
	12,803	**11,591**

15. a. Software and acquired Intangible assets

Group 31 December 2021	Software Shs' millions	Acquired intangible asset Shs' millions	Work in progress Shs' millions	Total Shs' millions
Cost				
At start of year	14,940	1,882	1,114	17,936
Translation differences	(146)		(107)	(253)
Additions	83	–	3,187	3,270
Transfers	1,524	–	(1,524)	–
Disposals	(51)	–	–	(51)
At end of year	**16,350**	**1,882**	**2,670**	**20,902**
Amortisation				
At start of year	8,315	–	–	8,315
Translation differences	(87)	–	–	(87)
Amortisation	1,410	577	–	1,987
Disposals	(51)	–	–	(51)
At end of year	**9,587**	**577**	**–**	**10,164**
Net book value at end of year	**6,763**	**1,305**	**2,670**	**10,738**
31 December 2020				
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**

NOTES continued

15. a. Software and 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 EBCDC (formerly BCDC) in 2020 as explained in Note 15c.

15. b. Goodwill

	Carrying amount at 1 January Shs' millions	Other adjustment Shs' millions	Effect of exchange rate changes Shs' millions	Carrying amount at 31 December Shs' millions
31 December 2021				
Equity Bank Uganda Limited	719	–	50	769
Equity BCDC	1,251	–	45	1,296
	1,970	**–**	**95**	**2,065**
31 December 2020				
Equity Bank Uganda Limited	887	–	(168)	719
Equity Bank Congo S.A	2,216	(1,009)	44	1,251
	3,103	**(1,009)**	**(124)**	**1,970**

The other adjustment in 2020 was 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.

Equity BCDC

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

	Equity Bank Uganda Limited		Equity BCDC	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Value-in-use	86,432	58,068	80,560	31,169
Projected growth in net interest income – 2021	12%	44%	52%	38%
Projected growth in net interest income – 2022	28%	29%	66%	17%
Projected growth in non-interest income – 2021	48%	24%	73%	25%
Projected growth in non-interest income – 2022	28%	24%	16%	25%
Weighted average cost of capital	22%	20%	25%	26%

NOTES continued

15. b. Goodwill continued

The 2021 actual growth for EquityBCDC varied from projected growths in 2020 due to the efficiencies achieved after the merger of BCDC and EBCL in 2020. Details of the merger are disclosed on Note 15d.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:

> Budgeted PAT – Budgeted PAT has been based on values achieved in the past five years adjusted for efficiencies expected from implementation of Group initiatives.

> Long-term growth rate is based on projected GDP growth rate for each subsidiary.

> Weighted average cost of capital is the pre-tax risk adjusted discount rate 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.

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

On 7 August 2020, EGH Plc acquired 66.53% shareholding in BCDC (226,000 new shares) with a par value of USD100,000 from George Arthur Forrest, and obtained control of BCDC. The shares were acquired for a cash consideration of USD95 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 to 31 December 2020, BCDC 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. 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.

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.

NOTES continued

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

On 30 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	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Software licencing and other IT related costs	5,001	4,398	–	–
Consultancy, legal and professional fees	1,964	1,655	113	306
Electricity, water and repairs and maintenance	1,483	1,265	–	–
Travel and accommodation	1,560	1,078	4	12
Marketing, advertising and sponsorship	1,272	1,274	2	3
Publications, stationery and communications	1,002	824	2	1
Lease expenses (Note 13)	158	377	–	4
Auditors' remuneration	69	62	2	2
Other expenses	9,777	6,073	68	429
	22,286	**17,006**	**191**	**757**

17. a. Investment In subsidiary companies

	Country of incorporation	Shareholding	2021 Shs' millions	2020 Shs' millions
Banking				
Equity Bank (Kenya) Limited	Kenya	100%	40,733	40,733
EquityBCDC	DRC	77.5%	17,388	17,005
Equity Bank (South Sudan) Limited	South Sudan	100%	5,712	5,712
Equity Bank Uganda Limited	Uganda	100%	6,053	6,053
Equity Bank Tanzania Limited	Tanzania	100%	6,200	6,200
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				
Equity Group Insurance Holdings Limited	Kenya	100%	400	–
Insurance brokerage				
Equity Bancassurance Intermediary Limited (Formerly 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			**81,235**	**80,452**

NOTES continued

17. a. Investment in subsidiary companies continued

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).

On 30 December 2021, EGH Plc received regulatory approval to acquire shares previously held by Equity Bank Congo S.A ESOP in EquityBCDC at a consideration of Shs 383 million, increasing EGH Plc's shareholding in EquityBCDC to 77.5% (2020: 75.5%)

On 28 July 2021, Equity Group Insurance Holdings Limited (EGHIL), a fully owned subsidiary of EGH Plc was incorporated with a share capital of Shs 400 million. The subsidiary will hold the insurance line of business for the Group.

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.

17. b. Non-controlling interests (NCI)

Set out below is the summarised financial information of EquityBCDC which has non-controlling interest that is material to the Group:

	Group	
	2021 Shs' millions	**2020 Shs' millions**
Summarised statement of financial position		
Total assets	419,796	285,083
Total liabilities	388,688	258,624
Equity	31,108	26,459
Accumulated NCI	7,023	6,465
Summarised statement of comprehensive income		
Operating income	18,694	9,679
Profit for the period	3,989	1,281
Other comprehensive income	(890)	–
Total comprehensive income	3,099	1,281
Profit allocated to NCI	897	310
Summarised statement of cash flows		
Cash flows from operating activities	94,006	30,395
Cash flows to investing activities	(20,437)	3,373
Cash flows from financing activities	4,351	1,451
Net increase in cash and cash equivalents	**77,920**	**35,219**

NOTES continued

17. c. Interests in unconsolidated structured entity

Equity Group Holdings Plc does not consolidate the results of Equity Group Foundation (the "Foundation") which was incorporated on 12 February 2008 under the Companies Act (Cap 486) as a company limited by guarantee. It is a charitable organisation set up to provide a platform to development partners, government, the private sector as well as local and international organisations for the implementation of high impact development programmes which include *Wings to Fly* Scholarship Programme.

The programmes 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. The table below summarises EGF's source of funding:

	Shs' millions 2021	Shs' millions 2020
Donors	3,755	2,150
Equity Group Holdings Plc	28	209
Total donations income	**3,783**	**2,359**

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	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Current income tax:				
Current year charge	11,486	9,811	161	61
Prior year understatement/(overstatement)	1	14	–	–
Deferred income tax (Note 23):				
Current year credit	322	(7,755)	(23)	(5)
Income tax expense	**11,809**	**2,070**	**138**	**56**

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	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Profit before income tax	**51,881**	**22,170**	**8,439**	**215**
Income tax using the enacted corporation tax rate	15,564	5,543	2,532	54
The effect of differential tax rate in South Sudan (20% (2020: 20%))	33	53	–	–
Prior year understatement	1	14	–	–
Income not subject to tax	(3,941)	(2,267)	(2,611)	2
Impact of use of different deferred tax rate	–	(1,239)	–	–
Other differences	152	(34)	217	–
	11,809	**2,070**	**138**	**56**
Current income tax liability/(asset)				
At start of year	1,362	1,776	(54)	(37)
Acquisition of a subsidiary	–	473	–	–
Charge for the year	11,486	9,811	161	61
Prior year understatement	1	14	–	–
Translation differences	(290)	(319)	–	–
Paid during the year	(12,196)	(10,393)	(45)	(78)
At end of year	**363**	**1,362**	**62**	**(54)**
Made up of:				
Tax payable	925	1,641	62	–
Tax recoverable	(562)	(279)	–	(54)
	363	**1,362**	**62**	**(54)**

18. Income tax continued

Tax rates are as follows:

	Group Shs' millions	EGH Plc Shs' millions	EBKL Shs' millions	EBUL Shs' millions	Equity BCDC Shs' millions	EBRPLC Shs' millions	EBIL Shs' millions	EBTL Shs' millions	EBSSL Shs' millions	Others* Shs' millions
31 December 2021										
Profit before tax	51,881	8,439	41,042	3,614	4,924	1,978	931	138	(327)	627
Enacted tax rate	30%	30%	30%	30%	30%	30%	30%	30%	25%	30%
Income tax using the enacted corporation tax rate	15,564	2,532	12,313	1,084	1,477	593	279	41	(82)	188
31 December 2020										
Profit before 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

EGH Plc – Equity Group Holdings Plc, EBKL – Equity Bank Kenya Limited, EBUL – Equity Bank Uganda Limited, EBRPLC – Equity Bank Rwanda Plc, EBIL – Equity Bancassurance Intermediary Limited (Formerly 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 institutions

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

	Group		Company	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Cash in hand	62,738	53,524	–	–
Unrestricted balances with central banks	498	23,829	–	–
Money market placements	70,005	94,562	–	–
Cash balances with banks	57,590	55,508	11,105	8,821
	190,831	**227,423**	**11,105**	**8,821**
12-month ECL:				
At 1 January	(511)	(159)	(3)	(3)
Re-measurement during the year	(146)	(352)	1	–
Translation differences	191	–	–	–
At 31 December	**(466)**	**(511)**	**(2)**	**(3)**
Included in cash and cash equivalents	190,365	226,912	11,103	8,818
Restricted balances with central banks	52,417	20,181	–	–
Net carrying amount	**242,782**	**247,093**	**11,103**	**8,818**
Movement in restricted balances:				
At start of year	20,181	15,654	–	–
Movement during the year	32,236	4,527	–	–
At end of year	**52,417**	**20,181**	**–**	**–**

The restricted funds with the central banks in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Democratic Republic of Congo are not interest earning and are based on the value of deposits as adjusted by central banks' requirements from time to time. These funds (restricted balances with central banks) are not available for use by the Group in its day-to-day operations.

19. b. Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

Group	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Cash and cash equivalents (Note 19(a))	190,365	226,912	11,103	8,818
Liquid investments:				
FVOCI and FVTPL investment securities (Note 21)	380,395	201,564	–	–
Borrowed funds – repayable within one year (Note 26)	(19,363)	(23,779)	–	–
Borrowed funds – repayable after one year (Note 26)	(108,977)	(73,369)	(11,461)	(10,938)
Lease liabilities (Note 14 (c))	(8,900)	(6,688)	–	–
Net cash	**433,520**	**324,640**	**(358)**	**(2,120)**
Cash and liquid investments	570,760	428,476	11,103	8,818
Gross debt – fixed interest rates	(47,311)	(17,838)	–	–
Gross debt – variable interest rates	(89,929)	(85,998)	(11,461)	(10,938)
	433,520	**324,640**	**(358)**	**(2,120)**

NOTES continued

20. Loans and advances to customers

	2021 Shs' millions	2020 Shs' millions
Loans and advances at amortised cost	586,470	476,581
Loans and advances at fair value through profit or loss	1,305	1,266
	587,775	**477,847**

a. Loans and advances at amortised cost

	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
At 31 December 2021				
Gross loans and advances	495,302	85,705	51,905	632,912
Loss allowance	(4,684)	(7,778)	(33,980)	(46,442)
Net loans and advances	**490,618**	**77,927**	**17,925**	**586,470**
At 31 December 2020				
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**

	Gross		Net	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Current portion	292,289	126,241	270,841	123,293
Non-current portion	340,623	398,344	315,629	353,288
	632,912	**524,585**	**586,470**	**476,581**

NOTES continued

20. Loans and advances to customers continued

b. Impairment on financial assets

	2021			
	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total ECL Shs' millions
Loss allowance as at 1 January	4,376	8,748	34,880	48,004
Transfer to 12 months ECL	3,309	(2,986)	(323)	–
Transfer to lifetime ECL not credit impaired	(167)	3,853	(3,686)	–
Transfer to lifetime ECL credit impaired	(1,264)	(359)	1,623	–
Net remeasurement	(2,514)	(1,391)	6,870	2,965
Net financial assets originated	2,278	549	2,001	4,828
Financial assets derecognised	(1,390)	(692)	(414)	(2,496)
Translation differences	56	56	310	422
	308	**(970)**	**6,381**	**5,719**
Write-offs	–	–	(7,281)	(7,281)
Loss allowance as at 31 December	**4,684**	**7,778**	**33,980**	**46,442**

	2020			
	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total ECL 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

	2021			
	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	**393,416**	**72,710**	**58,459**	**524,585**
Movements during the year:				
Transfer to 12 months ECL	21,010	(18,976)	(2,034)	–
Transfer to lifetime ECL not credit impaired	(26,344)	34,660	(8,316)	–
Transfer to lifetime ECL credit impaired	(7,526)	(4,630)	12,156	–
Net remeasurement	(26,377)	(555)	(2,117)	(29,049)
Net financial assets originated	245,858	12,092	5,303	263,253
Financial assets derecognised	(110,953)	(10,487)	(14,890)	(136,330)
Translation differences	6,218	891	3,344	10,453
Gross carrying amount as at 31 December	**495,302**	**85,705**	**51,905**	**632,912**

	2020			
	Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total ECL 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

c. Movements per sector

31 December 2021	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	6,508	2,971	4,928	**14,407**	18,379	4,997	5,844	**29,220**	16,407	1,938	3,216	**21,561**
Transfer to 12 months ECL	641	(837)	196	**–**	22	(22)	–	**–**	161	(209)	48	**–**
Transfer to Lifetime ECL not credit impaired	(199)	910	(711)	**–**	(396)	1,220	(824)	**–**	(434)	342	92	**–**
Transfer to Lifetime ECL credit impaired	(489)	(18)	507	**–**	(47)	(277)	324	**–**	(1,307)	(91)	1,398	**–**
Net remeasurement	(653)	198	207	**(248)**	2,518	(1,760)	2,884	**3,642**	(4,770)	(121)	(3,918)	**(8,809)**
Net financial assets originated	6,006	417	261	**6,684**	11,301	–	–	**11,301**	25,911	783	158	**26,852**
Financial assets derecognised	(5,184)	(734)	(242)	**(6,160)**	(2,378)	(254)	(1,498)	**(4,130)**	(9,178)	(366)	(276)	**(9,820)**
Translation differences	3,553	(41)	(287)	**3,225**	584	254	812	**1,650**	9,153	387	380	**9,920**
Gross carrying amount as at 31 December	**10,183**	**2,866**	**4,859**	**17,908**	**29,983**	**4,158**	**7,542**	**41,683**	**35,943**	**2,663**	**1,098**	**39,704**
Loss allowance as at 1 January	76	194	2,591	**2,861**	56	1,273	4,434	**5,763**	161	105	2,957	**3,223**
Transfer to 12 months ECL	22	(25)	3	**–**	1	(1)	–	**–**	2	(14)	12	**–**
Transfer to Lifetime ECL not credit impaired	(4)	480	(476)	**–**	(1)	19	(18)	**–**	(10)	18	(8)	**–**
Transfer to Lifetime ECL credit impaired	(13)	(18)	31	**–**	(1)	(9)	10	**–**	(21)	(3)	24	**–**
Net remeasurement of loss allowance	(6)	(316)	623	**301**	137	(112)	3,154	**3,179**	(73)	(43)	(2,698)	**(2,814)**
Net financial assets originated	109	15	78	**202**	102	–	–	**102**	241	26	36	**303**
Financial assets derecognised	(104)	(78)	149	**(33)**	(23)	(10)	(38)	**(71)**	(136)	(17)	(203)	**(356)**
Write-offs	–	–	(118)	**(118)**	–	–	(16)	**(16)**	–	–	(4)	**(4)**
Translation differences	132	12	(58)	**86**	32	(3)	12	**41**	166	15	640	**821**
Loss allowance as at 31 December	**212**	**264**	**2,823**	**3,299**	**303**	**1,157**	**7,538**	**8,998**	**330**	**87**	**756**	**1,173**
Net loans and advances	**9,971**	**2,602**	**2,036**	**14,609**	**29,680**	**3,001**	**4**	**32,685**	**35,613**	**2,576**	**342**	**38,531**

NOTES continued

20. Loans and advances to customers continued

c. Movements per sector continued

31 December 2021	Food and agriculture Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions	ICT and Telecommunication Stage 1 12-month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions	Manufacturing 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	19,096	6,872	1,854	**27,822**	3,323	60	247	**3,630**	6,863	6,342	6,196	**19,401**
Transfer to 12 months ECL	518	(513)	(5)	**–**	6	(6)	–	**–**	191	(285)	94	**–**
Transfer to Lifetime ECL not credit impaired	(1,403)	1,643	(240)	**–**	–	–	–	**–**	(459)	4,805	(4,346)	**–**
Transfer to Lifetime ECL credit impaired	(393)	(640)	1,033	**–**	–	–	–	**–**	(31)	(481)	512	**–**
Net remeasurement	(2,169)	(4,138)	(114)	**(6,421)**	(143)	(1)	(216)	**(360)**	(689)	1,009	4	**324**
Net financial assets originated	13,339	2,794	1,148	**17,281**	1,120	–	–	**1,120**	4,123	1,138	16	**5,277**
Financial assets derecognised	(11,065)	(1,639)	(602)	**(13,306)**	(447)	(24)	(8)	**(479)**	(1,415)	(1,252)	(125)	**(2,792)**
Translation differences	336	71	106	**513**	(2,307)	(26)	(23)	**(2,356)**	1,630	(90)	42	**1,582**
Gross carrying amount as at 31 December	**18,259**	**4,450**	**3,180**	**25,889**	**1,552**	**3**	**–**	**1,555**	**10,213**	**11,186**	**2,393**	**23,792**
Loss allowance as at 1 January	152	2,513	560	**3,225**	12	12	154	**178**	4	87	4,066	**4,157**
Transfer to 12 months ECL	29	(29)	–	**–**	–	–	–	**–**	2	(4)	2	**–**
Transfer to Lifetime ECL not credit impaired	(11)	133	(122)	**–**	–	–	–	**–**	–	2,368	(2,368)	**–**
Transfer to Lifetime ECL credit impaired	(8)	(52)	60	**–**	–	–	–	**–**	–	(35)	35	**–**
Net remeasurement of loss allowance	(48)	(2,321)	269	**(2,100)**	(2)	(3)	(2)	**(7)**	(26)	(1,877)	429	**(1,474)**
Net financial assets originated	128	131	110	**369**	(1)	(1)	(134)	**(136)**	59	32	9	**100**
Financial assets derecognised	(114)	(99)	63	**(150)**	3	–	–	**3**	(27)	(18)	87	**42**
Write-offs	–	–	(182)	**(182)**	–	–	–	**–**	–	–	(90)	**(90)**
Translation differences	33	1	65	**99**	(5)	(8)	(18)	**(31)**	97	34	(14)	**117**
Loss allowance as at 31 December	**161**	**277**	**823**	**1,261**	**7**	**–**	**–**	**7**	**109**	**587**	**2,156**	**2,852**
Net loans and advances	**18,098**	**4,173**	**2,357**	**24,628**	**1,545**	**3**	**–**	**1,548**	**10,104**	**10,599**	**237**	**20,940**

20. Loans and advances to customers continued

c. Movements per sector continued

31 December 2021	Mining and quarrying				Personal household				Real estate			
	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	16,402	34	1,754	**18,190**	123,746	5,606	7,038	**136,390**	63,937	12,319	9,979	**86,235**
Transfer to 12 months ECL	1,251	–	(1,251)	**–**	2,602	(2,415)	(187)	**–**	5,950	(5,797)	(153)	**–**
Transfer to Lifetime ECL not credit impaired	(3,044)	3,044	–	**–**	(1,129)	1,297	(168)	**–**	(6,893)	8,252	(1,359)	**–**
Transfer to Lifetime ECL credit impaired	(7)	(1)	8	**–**	(1,203)	(526)	1,729	**–**	(1,295)	(405)	1,700	**–**
Net remeasurement	919	157	(1,560)	**(484)**	(12,008)	(264)	(16)	**(12,288)**	4,524	(774)	(385)	**3,365**
Net financial assets originated	7,511	272	2	**7,785**	80,735	1,180	1,292	**83,207**	17,834	965	242	**19,041**
Financial assets derecognised	(6,070)	–	(120)	**(6,190)**	(38,142)	(1,615)	(3,921)	**(43,678)**	(6,117)	(1,042)	(1,676)	**(8,835)**
Translation differences	4,123	(3)	1,223	**5,343**	(19,745)	(556)	(1,208)	**(21,509)**	1,302	90	425	**1,817**
Gross carrying amount as at 31 December	**21,085**	**3,503**	**56**	**24,644**	**134,856**	**2,707**	**4,559**	**142,122**	**79,242**	**13,608**	**8,773**	**101,623**
Loss allowance as at 1 January	1,740	–	1,122	**2,862**	611	674	3,952	**5,237**	377	913	5,467	**6,757**
Transfer to 12 months ECL	1	–	(1)	**–**	186	(69)	(117)	**–**	346	(261)	(85)	**–**
Transfer to Lifetime ECL not credit impaired	–	–	–	**–**	(12)	78	(66)	**–**	(39)	453	(414)	**–**
Transfer to Lifetime ECL credit impaired	(257)	252	5	**–**	(13)	(324)	337	**–**	(5)	(48)	53	**–**
Net remeasurement of loss allowance	(101)	63	37	**(1)**	(305)	96	458	**249**	(333)	11	883	**561**
Net financial assets originated	4	8	2	**14**	655	80	699	**1,434**	99	39	34	**172**
Financial assets derecognised	(15)	–	(42)	**(57)**	(392)	(158)	916	**366**	(33)	(66)	188	**89**
Write offs	–	–	–	**–**	–	–	(3,419)	**(3,419)**	–	–	(1,076)	**(1,076)**
Translation differences	(1,354)	–	(1,072)	**(2,426)**	295	(169)	(629)	**(503)**	15	2	91	**108**
Loss allowance as at 31 December	18	323	51	**392**	1,025	208	2,131	**3,364**	427	1,043	5,141	**6,611**
Net loans and advances	**21,067**	**3,180**	**5**	**24,252**	**133,831**	**2,499**	**2,428**	**138,758**	**78,815**	**12,565**	**3,632**	**95,012**

NOTES continued

20. Loans and advances to customers continued

c. Movements per sector continued

	Tourism and hospitality				Trade				Transport and logistics			
31 December 2021	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	9,797	14,057	1,465	**25,319**	89,183	11,986	9,189	**110,358**	19,775	5,528	6,749	**32,052**
Transfer to 12 months ECL	(1,547)	1,649	(102)	**–**	7,029	(6,418)	(611)	**–**	4,186	(4,123)	(63)	**–**
Transfer to Lifetime ECL not credit impaired	(2,833)	3,652	(819)	**–**	(6,230)	6,176	54	**–**	(3,324)	3,319	5	**–**
Transfer to Lifetime ECL credit impaired	(52)	765	(713)	**–**	(2,342)	(2,029)	4,371	**–**	(360)	(927)	1,287	**–**
Net remeasurement	(1,429)	(2,811)	1,212	**(3,028)**	(14,424)	7,128	2,021	**(5,275)**	1,947	822	(2,236)	**533**
Net financial assets originated	509	503	53	**1,065**	64,529	3,075	2,047	**69,651**	12,940	965	84	**13,989**
Financial assets derecognised	(246)	(178)	(129)	**(553)**	(26,324)	(2,675)	(4,199)	**(33,198)**	(4,387)	(708)	(2,094)	**(7,189)**
Translation differences	(1,083)	31	38	**(1,014)**	10,828	630	1,710	**13,168**	(2,156)	144	126	**(1,886)**
Gross carrying amount as at 31 December	**3,116**	**17,668**	**1,005**	**21,789**	**122,249**	**17,873**	**14,582**	**154,704**	**28,621**	**5,020**	**3,858**	**37,499**
Loss allowance as at 1 January	100	1,800	328	**2,228**	914	728	4,419	**6,061**	173	449	4,830	**5,452**
Transfer to 12 months ECL	76	(55)	(21)	**–**	2,535	(2,455)	(80)	**–**	109	(73)	(36)	**–**
Transfer to Lifetime ECL not credit impaired	(46)	116	(70)	**–**	(34)	178	(144)	**–**	(10)	10	–	**–**
Transfer to Lifetime ECL credit impaired	–	(8)	8	**–**	(880)	(109)	989	**–**	(66)	(5)	71	**–**
Net remeasurement of loss allowance	(41)	(57)	488	**390**	(1,616)	3,202	4,359	**5,945**	(100)	(34)	(1,130)	**(1,264)**
Net financial assets originated	6	15	–	**21**	748	155	1,026	**1,929**	128	49	141	**318**
Financial assets derecognised	(1)	(15)	(85)	**(101)**	(497)	(190)	(1,204)	**(1,891)**	(51)	(41)	(245)	**(337)**
Write offs	–	–	(3)	**(3)**	–	–	(1,273)	**(1,273)**	–	–	(1,100)	**(1,100)**
Translation differences	(30)	5	10	**(15)**	563	97	1,451	**2,111**	112	70	(168)	**14**
Loss allowance as at 31 December	**64**	**1,801**	**655**	**2,520**	**1,733**	**1,606**	**9,543**	**12,882**	**295**	**424**	**2,363**	**3,083**
Net loans and advances	**3,052**	**15,867**	**350**	**19,269**	**120,516**	**16,267**	**5,039**	**141,822**	**28,326**	**4,595**	**1,495**	**34,416**

NOTES continued

20. Loans and advances to customers continued

c. Movements per sector continued

31 December 2020	Food and agriculture Stage 1 12-month ECL Shs' millions	Food and agriculture Stage 2 Lifetime ECL Shs' millions	Food and agriculture Stage 3 Lifetime ECL Shs' millions	Food and agriculture Total Shs' millions	ICT and Telecommunication Stage 1 12-month ECL Shs' millions	ICT and Telecommunication Stage 2 Lifetime ECL Shs' millions	ICT and Telecommunication Stage 3 Lifetime ECL Shs' millions	ICT and Telecommunication Total Shs' millions	Manufacturing Stage 1 12-month ECL Shs' millions	Manufacturing Stage 2 Lifetime ECL Shs' millions	Manufacturing Stage 3 Lifetime ECL Shs' millions	Manufacturing 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**

20. Loans and advances to customers continued

c. Movements per sector continued

	Building and construction				Energy and water				Financial services			
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	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	Mining and quarrying Stage 1 12-month ECL Shs' millions	Mining and quarrying Stage 2 Lifetime ECL Shs' millions	Mining and quarrying Stage 3 Lifetime ECL Shs' millions	Mining and quarrying Total Shs' millions	Personal household Stage 1 12-month ECL Shs' millions	Personal household Stage 2 Lifetime ECL Shs' millions	Personal household Stage 3 Lifetime ECL Shs' millions	Personal household Total Shs' millions	Real estate Stage 1 12-month ECL Shs' millions	Real estate Stage 2 Lifetime ECL Shs' millions	Real estate Stage 3 Lifetime ECL Shs' millions	Real estate Total 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 Stage 1 12-month ECL Shs' millions	Tourism and hospitality Stage 2 Lifetime ECL Shs' millions	Tourism and hospitality Stage 3 Lifetime ECL Shs' millions	Tourism and hospitality Total Shs' millions	Trade Stage 1 12-month ECL Shs' millions	Trade Stage 2 Lifetime ECL Shs' millions	Trade Stage 3 Lifetime ECL Shs' millions	Trade Total Shs' millions	Transport and logistics Stage 1 12-month ECL Shs' millions	Transport and logistics Stage 2 Lifetime ECL Shs' millions	Transport and logistics Stage 3 Lifetime ECL Shs' millions	Transport and logistics Total 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**

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	
	2021 Shs' millions	2020 Shs' millions
Loan note	5,672	5,505
Fair value loss	(4,367)	(4,239)
Non-current	**1,305**	**1,266**
Movement in fair value loss:		
At 1 January	(4,239)	(1,000)
Fair value loss in current year	(128)	(3,239)
At 31 December	**(4,367)**	**(4,239)**

The financial asset at fair value through profit or loss relates to long term note issued to the Group in 2017 following a restructure of facilities to a customer in the airline industry (original borrower company). The loan note earns a coupon rate of interest, is partly guaranteed by the Government of Kenya and is secured by shares held by the issuer in the original borrower company. The ultimate amount recoverable on the loan note will depend on the value realised when the underlying shares are disposed of (including any upswing) and any guarantee called in the event of loss. The instrument is considered a loan instrument with an embedded derivative and has therefore been classified as an asset at fair value through profit or loss.

The use of the discounted cash flow approach is 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, 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

	2021 Shs' millions	2020 Shs' millions
Investment securities at amortised cost		
At start of year	15,855	21,584
Acquisition of a subsidiary	–	10
Purchase of securities	3,031	4,524
Maturity of securities	(5,189)	(10,685)
Translation differences	15	422
At end of year	**13,712**	**15,855**
12-month ECL:		
At 1 January	(11)	(11)
Re-measurement during the year	5	–
At 31 December	**(6)**	**(11)**
Net carrying amount	**13,706**	**15,844**
Investment securities at FVOCI		
At start of year	201,163	150,192
Purchase of investment securities	373,035	167,110
Sale/maturity of investment securities	(186,563)	(121,047)
Net gain/(loss) on fair valuation	(10,126)	4,233
Translation differences	(198)	675
At end of year	**377,311**	**201,163**
12-month ECL:		
At 1 January	(83)	(64)
Re-measurement during the year	(76)	(19)
Translation differences	1	–
At 31 December	**(158)**	**(83)**
Net carrying amount	**377,153**	**201,080**
Investment securities at FVTPL		
At start of year	484	507
Purchase of investment securities	6,561	1,347
Sale of investment securities	(4,178)	(1,255)
Net gain on fair valuation	66	(129)
Translation differences	309	14
Net carrying amount	**3,242**	**484**
Total investment securities	**394,101**	**217,408**
Current	89,063	126,191
Non-current	305,038	91,217
Total	**394,101**	**217,408**

The weighted average effective interest rate at 31 December 2021 was 9.63% (2020: 9.88%).

NOTES continued

22. Other assets

	Group		Company	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Settlement and clearing accounts	2,412	3,040	–	–
Prepaid expenses	9,166	6,371	18	9
Refundable deposits	733	548	–	–
Sundry debtors	2,898	4,087	362	–
Other assets	7,935	6,049	7,000	779
	23,144	**20,095**	**7,380**	**788**
12-month ECL:				
At 1 January	(435)	(430)	(275)	(275)
Re-measurement during the year	(71)	(5)	–	–
Translation differences	(31)	–	–	–
At 31 December	**(537)**	**(435)**	**(275)**	**(275)**
Net carrying amount	**22,607**	**19,660**	**7,105**	**513**

Other assets are settled no more than 12 months after the reporting date. All the balances are non-interest-bearing. Other assets for the Company includes the dividend receivable from EBKL.

23. Deferred income tax

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

Group – 31 December 2021	At start of year Shs' millions	Recognised in profit or loss Shs' millions	Translation differences Shs' millions	Recognised in OCI Shs' millions	At end of year Shs' millions
Property, equipment and software	187	(292)	(352)	–	(457)
Loan impairment provision	13,654	(366)	1,017	–	14,305
Provision for accrued leave	109	11	(9)	–	111
Other temporary differences	938	530	(628)	–	840
Deferred income	(802)	(205)	(200)	–	(1,207)
FVOCI reserves	(2,403)	–	(137)	3,028	488
Other reserves (Deferred benefit obligation)	185	–	41	(337)	(111)
	11,868	**(322)**	**(268)**	**2,691**	**13,969**

Company – 31 December 2021	At start of year Shs' millions	Recognised in profit or loss Shs' millions	Translation differences Shs' millions	Recognised in OCI Shs' millions	At end of year Shs' millions
Loan impairment provision	90	23	–	–	113

NOTES continued

23. Deferred income tax continued

Group 31 December 2020	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
Property, equipment and software	809	34	(663)	7	–	187
Loan impairment provision	6,204	7,473	607	(630)	–	13,654
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	185
	6,342	**7,755**	**(305)**	**(846)**	**(1,078)**	**11,868**
Company 31 December 2020						
Loan impairment provision	**85**	**5**	**–**	**–**	**–**	**90**

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	
	2021 Shs' millions	**2020 Shs' millions**	**2021 Shs' millions**	**2020 Shs' millions**
The balance at 31 December is made up of:				
Deferred income tax asset	14,940	13,207	113	90
Deferred income tax liability	(971)	(1,339)	–	–
	13,969	**11,868**	**113**	**90**

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

Deposits from customers are analysed below:

	Group 2021 Shs' millions	Group 2020 Shs' millions
Retail customers		
Savings deposits	46,022	143,809
Current deposits	79,417	76,241
Term deposits	44,911	41,787
Transactional deposits	151,807	53,756
	322,157	**315,593**
Corporate customers		
Term deposits	232,556	146,324
Current deposits	350,123	247,196
Transactional deposits	32,130	26,727
Savings deposits	19,697	3,096
Margin on guarantees	2,314	1,865
	636,820	**425,208**
	958,977	**740,801**
Current	435,142	336,143
Non-current	523,835	404,658
Total	**958,977**	**740,801**

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2021 was 5.3% (2020: 7.22%). 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	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Short-term employee benefits	542	506	–	–
Settlement and clearing accounts	3,042	8,664	–	–
Accounts payable and sundry creditors	14,813	7,773	–	–
Accrued expenses	4,978	5,750	2	–
Deferred income	5,966	3,623	–	–
	29,341	**26,316**	**2**	**–**
Current	24,565	23,359	2	–
Non-current	4,776	2,957	–	–
	29,341	**26,316**	**2**	**–**

26. Borrowed funds

	Group		Company	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Equity Bank (Kenya) Limited (EBKL)				
International Finance Corporation (IFC)	33,355	21,806	–	–
KFW DEG	11,539	11,145	–	–
Proparco	11,453	11,000	–	–
DEG-CDC-FMO	11,368	10,935	–	–
CDC Group Plc	5,666	–	–	–
African Development Bank (AfDB)	5,087	8,191	–	–
responsibility	–	1,103	–	–
European Investment Bank	16,806	–	–	–
KFW (Ministry of Finance) – SIPMK	18	52	–	–
Overnight Borrowings	3,793	5,721	–	–
Equity Group Holdings Plc (EGH Plc)				
African Development Bank (AfDB)	11,461	10,938	11,461	10,938
Inter-bank money market borrowings:				
Equity Bank (Kenya) Limited (EBUL)	50	–	–	–
Equity Banque Commerciale Du Congo (EquityBCDC)	–	4,430	–	–
EBUL				
European Investment Bank	1,257	1,600	–	–
Uganda Energy Credit Capitalisation Company	153	–	–	–
EBTL				
European Investment Bank	3,813	4,295	–	–
EBRPLC				
National Bank of Rwanda	5,101	3,788	–	–
EquityBCDC				
European Investment Bank	5,617	1,816	–	–
International Finance Corporation (IFC)	1,591	–	–	–
FPM	–	328	–	–
BCC	212	–	–	–
	128,340	**97,148**	**11,461**	**10,938**

NOTES continued

26. Borrowed funds continued

	Group		Company	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Current	19,363	23,779	–	13
Non-current portion	108,977	73,369	11,461	10,925
	128,340	**97,148**	**11,461**	**10,938**
Movement during the year:				
At 1 January	97,148	56,714	10,938	–
Proceeds from borrowed funds	94,852	65,159	–	10,925
Repayment of borrowed funds	(60,443)	(26,016)	–	–
Interest charged on borrowed funds	4,851	4,015	570	13
Interest paid on borrowed funds	(4,176)	(4,101)	(436)	–
Translation differences	(3,892)	1,377	389	–
	128,340	**97,148**	**11,461**	**10,938**

Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
31 December 2021							
African Development Bank	Long-term loan	11,461	Unsecured	USD	6-month LIBOR+4.9%	24 December 2027	570
31 December 2020							
African Development Bank	Long-term loan	10,938	Unsecured	USD	6-month LIBOR+4.9%	24 December 2027	13

NOTES continued

26. Borrowed funds continued

31 December 2021 – Group Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
International Finance Corporation (IFC), EBKL	Long term loan	11,488	Unsecured	USD	LIBOR+ 5.30%	15 March 2026	578
International Finance Corporation (IFC) COVID-19, EBKL	Long term loan	5,663	Unsecured	USD	LIBOR+1.90%	30 June 2022	62
International Finance Corporation (IFC), EBKL	Long term loan	3,170	Unsecured	USD	LIBOR +3.15%	15 March 2023	136
IFC B1 & C – Subordinated Debt, EBKL	Long term loan	13,034	Unsecured	USD	LIBOR+ 5.6%	15 December 2028	20
CDC Group Plc, EBKL	Long term loan	5,666	Unsecured	USD	LIBOR+ 4.85%	15 December 2028	8
KFW-DEG, EBKL	Long term loan	11,538	Unsecured	USD	LIBOR+5.00%	15 August 2026	610
Proparco, EBKL	Long term loan	11,453	Unsecured	USD	LIBOR+5.30%	15 July 2027	295
Africa Development Bank, EGH Plc	Long term loan	11,461	Unsecured	USD	LIBOR+ 4.9%	24 December 2027	570
African Development Bank, EBKL	Long term loan	5,087	Unsecured	USD	LIBOR +2.85%	1 February 2023	186
European Investment Bank, EBKL	Long term loan	3,398	Unsecured	SHS	6.97%	1 October 2027	217
European Investment Bank, EBKL	Long term loan	10,063	Unsecured	SHS	7.74%	1 April 2028	425
European Investment Bank, EBKL	Long term loan	3,345	Unsecured	SHS	6.31%	1 October 2027	122
KFW (Ministry of Finance) – SIPMK, EBKL	Long term loan	18	Unsecured	SHS	4.00%	30 December 2024	2
DEG-CDC-FMO-Facility A, EBKL	Long term loan	7,106	Unsecured	USD	LIBOR+ 2.85%	15 November 2027	215
DEG-CDC-FMO-Facility B, EBKL	Long term loan	4,262	Unsecured	USD	LIBOR+ 2.65%	15 November 2027	188
Overnight Borrowings by EBKL	Short term loan	3,793	Unsecured	Various	Various	Various	320
National Bank of Rwanda, EBRPLC	Medium term loan	1,414	Unsecured	RWF	8.00%	13 August 2023	113
National Bank of Rwanda, EBRPLC	Medium term loan	2,787	Unsecured	RWF	8.00%	13 October 2023	142
National Bank of Rwanda (COVID-19 Economic Recovery Fund), EBRPLC	Short term	901	Unsecured	RWF	0% to 2%	16 October 2035	60
Uganda Energy Credit Capitalisation Company, EBUL	Medium term	153	Unsecured	USHS	5%	21 November 2026	2
European Investment Bank, EBUL	Medium term loan	1,257	Unsecured	USHS	10.83%	20 October 2024	52
Overnight Borrowings by EBUL	Short term loan	50	Unsecured	Various	Various	Various	21
European Investment Bank, EBTL	Medium term loan	3,813	Unsecured	USD	LIBOR +4.5%	20 October 2027	250
European Investment Bank, EquityBCDC	Medium term loan	1,591	Unsecured	USD	Between 4.67% and 5.23%	20 April 2027	75
International Finance Corporation (IFC), EquityBCDC	Medium term loan	5,617	Unsecured	USD	6%	7 October 2024	161
Central Bank of Congo, EquityBCDC	Medium term loan	212	Unsecured	USD	3%	24 April 2024	5
FPM, EquityBCDC	Medium term loan	–	Unsecured	USD	6%	16 September 2021	16
		128,340					**4,851**

NOTES continued

26. Borrowed funds continued

31 December 2020 – Group Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year 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	LIBOR+ 2.65%-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%	9 October 2021	26
National Bank of Rwanda, EBRPLC	Medium term loan	2,203	Unsecured	RWF	8.00%	9 August ,2023	67
National Bank of Rwanda (COVID-19 Economic Recovery Fund), EBRPLC	Short term	536	Unsecured	RWF	0% –2%	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% and 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

27. Retirement benefits obligation – Defined benefit plan

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

	2021 Shs' millions	2020 Shs' millions
Movement in retirement benefit obligations:		
At 1 January	2,405	–
Acquisition of a subsidiary	–	1,854
Interest cost	86	49
Past service cost	62	73
Benefits paid by the plan	(448)	(207)
Recognised actuarial (losses)/gains	(1,124)	636
Translation differences	288	–
Present value of funded obligations	**1,269**	**2,405**
The net charge recognised in the income statement/other comprehensive income is as follows:		
Interest cost (profit or loss)	86	49
Recognised actuarial cost (OCI)	1,124	(636)
Past service cost (profit or loss)	62	73
The movement in the retirement benefit obligations in the statement of financial position is as follows:		
At 1 January	2,405	–
Acquisition of a subsidiary	–	1,854
Employer contributions	(448)	(207)
Charge to income statement	148	122
Charge to the OCI	(1,124)	636
Translation differences	288	–
At 31 December	**1,269**	**2,405**
Summary of benefit and contribution structure		
Eligible and active members (Number)	1,140	512
Normal retirement age (Years)	65	63

Key assumptions	2021 % pa	2020 % pa
The principal actuarial assumptions used at the reporting date were:		
Discount rate	6	3
Expected rate of salary increase	6	5
Inflation	3	15.84
Mortality rate	0.98	0.94

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

Impact	Shs' millions	
Discount rate (+/-1% movement)	+/-65	+/-142
Inflation rate (+/-2% movement)	+/-58	+/-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	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Authorised – 4,114,196,688 (2020: 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 (2020: 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 2020 was to correctly state the share premium on the acquisition of Equity Bank Congo S.A in 2015.

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. Statutory loan loss reserve

The loan loss reserve represents excess of the loans and advances impairment provision determined in accordance with the Central Banks of 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 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 respective currencies 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	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Final dividend declared and paid: Shs (Nil) (2020: Nil)	–	–	–	–

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 (2020: 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	
	2021 Shs' millions	2020 Shs' millions
At start of year	1,651	1,356
Acquisition of a subsidiary	–	340
Interest charged	134	75
Loans disbursed	1,325	417
Repayments	(575)	(537)
Translation differences	19	–
At end of year	**2,554**	**1,651**
Current	160	91
Non-current	2,394	1,560
Total	**2,554**	**1,651**

NOTES continued

29. Related parties and related party transactions continued

b. Loans to employees

	Group 2021 Shs' millions	Group 2020 Shs' millions
At start of year	7,274	5,484
Acquisition of a subsidiary	–	294
Interest charged	518	281
Loans disbursed	5,034	3,597
Repayments	(3,086)	(2,382)
Translation differences	98	–
At end of year	**9,838**	**7,274**
Current	368	383
Non-current	9,470	6,891
Total	**9,838**	**7,274**

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 2021 Shs' millions	Group 2020 Shs' millions
At start of year	4,523	2,833
Acquisition of a subsidiary	–	–
Interest charged	70	112
Loans disbursed	1,025	1,676
Repayments	(300)	(98)
At end of year	**5,318**	**4,523**
Current	91	91
Non-current	5,227	4,432
Total	**5,318**	**4,523**

These are loans to associates of executive and non-executive directors. The total amount of loans and advances granted was in ordinary course of business. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.

d. Key management personnel compensation

	Group 2021 Shs' millions	Group 2020 Shs' millions
Remuneration to executive directors:	192	324
Company*	1,102	991
Group**	4,201	3,262
Remuneration to key management	**5,495**	**4,577**

** 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.*

NOTES continued

29. Related parties and related party transactions continued

d. Key management personnel compensation continued

	Group	
	2021 Shs' millions	2020 Shs' millions
Remuneration to key management:		
Salaries and short-term benefits	4,014	3,117
Pension	187	145
	4,201	**3,262**

e. Directors' emoluments

	Group		Company	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Directors of EGH Plc				
As executives	192	324	–	–
Fees for non-executive directors	36	25	36	25
	228	**349**	**36**	**25**
Directors of subsidiaries who are not directors of EGH Plc:				
As executives	1,102	991	–	–
Fees for non-executive directors	132	124	–	–
	1,234	**1,115**	**–**	**–**

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 DRC 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	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Equity Group Foundation	160	–		–
Equity Investment Bank Limited	–	–	3	39
Equity Insurance Group Holdings Ltd	–		200	–
	160	**–**	**203**	**39**

g. Amounts due to related parties

	Group		Company	
	2021 Shs' millions	2020 Shs' millions	2021 Shs' millions	2020 Shs' millions
Equity Group Foundation	–	114	–	–
Equity Bank (Kenya) Limited	–	–	925	22
Equity Investment Services Limited	–	–	420	420
	–	**114**	**1,345**	**442**

NOTES continued

29. Related parties and related party transactions continued

h. Dividend income from subsidiaries

	Company	
	2021 Shs' millions	**2020 Shs' millions**
Equity Bank (Kenya) Limited	7,000	–
Equity Bancassurance Intermediary Limited (Formerly Equity Insurance Agency)	400	400
Equity Bank (South Sudan) Limited	303	107
Equity Investment Bank Limited	150	100
Finserve Africa Limited	850	–
	8,703	**607**

Related parties are only the subsidiary companies in addition to Equity Group Foundation, which is a related party by virtue of common directorship. Transactions with related parties are carried out in the normal course of business. The outstanding balances as at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. For the year ended 31 December 2021, the Group has not recorded any impairment loss on receivables relating to the amounts owed by related parties (2020: 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.

30. Earnings per share

The calculation of basic earnings per share for the Group at 31 December 2021 is based on the profit attributable to ordinary shareholders of Shs 39,174 million (2020: Shs 19,790 million) and the weighted average number of ordinary shares outstanding of 3,774 million (2020: 3,774 million).

	Group	
	2021 Shs' millions	**2020 Shs' millions**
Profit for the year attributable to equity shareholders	39,174	19,790
Number of shares: (in millions)		
Issued and weighted average number of ordinary shares at start and end of year: 3,773,674,802 (2020: 3,773,674,802))	3,774	3,774
Basic and diluted earnings per share (in Kenya Shillings)	**10.38**	**5.24**

31. 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	
	2021 Shs' millions	**2020 Shs' millions**	**2021 Shs' millions**	**2020 Shs' millions**
Guarantees and standby letters of credit	77,261	67,860	–	–
Letters of credit, acceptances and other documentary credits	41,626	36,142	–	–
	118,887	**104,002**	**–**	**–**

NOTES continued

31. Off-balance sheet contingencies and commitments continued

Group

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

	Group 2021 Shs' millions	Group 2020 Shs' millions
Capital commitments	3,458	2,296
Loans approved but not disbursed	16,955	56,337
	20,413	**58,633**

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 – 2021	0–3 months Shs' millions	3–6 months Shs' millions	6–12 months Shs' millions	1–5 months Shs' millions	Total Shs' millions
Guarantees and standby letters of credit	17,290	8,801	24,299	26,871	77,261
Letters of credit, acceptances and other documentary credits	31,961	6,510	1,596	1,558	41,625
Capital commitments	30	96	3,332	–	3,458
Loans approved but not disbursed	8,728	2,982	2,426	2,819	16,955
Total commitments and guarantees	**58,009**	**18,389**	**31,653**	**31,248**	**139,299**
Group – 2020					
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**

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.

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 2021 Shs' millions	Group 2020 Shs' millions
National Social Security Fund	196	188
Pension Scheme	1,064	867
	1,260	**1,055**

NOTES continued

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 (SMEs) – 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 organisations 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 female clients. They have a characteristic of flexibility on collaterals since the majority of women don't have formal collaterals, yet have good business ideas.

Farm input – facilities granted to customers in the agricultural sector of the economy for inputs and working capital needs.

Mortgage loan – facilities granted to customers in pursuit of housing needs. The mortgages are advanced for both residential and commercial purposes. This is available to both salaried and business clients.

Asset finance loan – granted to our customers for purchase of both movable and immovable assets. Majority of the customers are in business.

Trade finance – products for customers in business and facilitates purchase of goods and services and subsequent payments thereof. Various products are extended under trade finance including Bid bonds, LCs and Guarantees, among others.

Development loan – a facility granted to customers in the construction to finance the project in terms of materials and other overheads. Majority of customers accessing this product are predominantly in SME and Corporate sectors.

Business loan – credit facilities granted to business customers for working capital needs.

Biashara Imara – working capital facility provided to micro clients with no conventional collateral.

It is not practicable to segregate revenues from external customers for each product and service as the information is not available and the cost to develop it would be excessive. There are no other distinct significant business segments within each entity to necessitate detailed disclosures.

NOTES continued

33. Segment information continued

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 Shs' millions	Uganda Shs' millions	South Sudan Shs' millions	Rwanda Shs' millions	Tanzania Shs' millions	DRC Shs' millions	Total Shs' millions
At 31 December 2021							
Total assets	695,436	89,966	12,370	51,213	36,134	419,796	1,304,915
Total liabilities	579,463	77,397	8,334	43,909	30,931	388,688	1,128,722
Net interest income	56,391	6,406	51	3,144	1,940	8,599	76,531
Total operating income	67,637	8,267	(239)	3,651	1,989	18,694	99,999
Depreciation and amortisation	4,286	717	195	221	360	1,449	7,228
Total expenses including impairment of financial assets	26,082	4,653	89	1,672	1,850	13,770	48,116
Profit before income tax	41,555	3,614	(328)	1,978	138	4,924	51,881
Additions to property and equipment	774	428	34	155	124	254	1,769
Additions to intangible assets	3,012	29	–	8	100	45	3,194
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 amortisation	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

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 counterparty amounted to 10% or more of the Group's total revenue in 2021 or 2020. 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 on the next page 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 swaps 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.

NOTES continued

34. Derivative financial assets and liabilities continued

Group	2021 Notional amount asset Shs' millions	2021 Notional amount liability Shs' millions	2021 Fair value of asset Shs' millions	2021 Fair value of liability Shs' millions	2020 Notional amount asset Shs' millions	2020 Notional amount liability Shs' millions	2020 Fair value of asset Shs' millions	2020 Fair value of liability Shs' millions
Forward exchange contracts	28,988	28,988	28,880	28,568	17,587	17,587	27,840	27,414
Swaps	2,987	2,987	2,738	2,737	6,168	6,168	6,994	6,982
Spot	234	234	233	233	729	729	728	728
	32,209	**32,209**	**31,851**	**31,538**	**35,580**	**35,580**	**35,562**	**35,124**

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:

	2021 Fair value of asset Shs' millions	2021 Fair value of liability Shs' millions	2021 Net amount presented Shs' millions	2020 Fair value of asset Shs' millions	2020 Fair value of liability Shs' millions	2020 Net amount presented Shs' millions
Forward exchange contracts	28,880	28,568	312	27,840	27,414	426
Swaps	2,739	2,738	1	6,994	6,982	12
Spot	234	234	–	729	729	–
	31,853	**31,540**	**313**	**35,563**	**35,125**	**438**

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 200.191 billion (2020: Shs 171.991 billion). The income for the period for custodial services was Shs 123.183 million (2020: Shs 158.893 million) while the expenses amounted to Shs 43.048 million (2020: Shs 41.793 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.

NOTES continued

36. Hyperinflation accounting continued

The financial statements are based on historical cost approach. The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of measuring unit current at the reporting date.

On the application of IAS 29, the Group used conversion coefficients derived from the consumer price index (CPI) in the Republic of South Sudan. CPIs and the corresponding conversion coefficients are presented below:

Year	CPI	Conversion coefficient
31 December 2021		
2016	2,799	5.5
2017	4,502	3.4
2018	6,306	2.0
2019	10,657	2.0
2020	16,841	0.9
2021	15,405	1
31 December 2020		
2015	357	47.1
2016	2,799	6.0
2017	4,502	3.7
2018	6,306	2.7
2019	10,657	1.6
2020	16,841	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:

	2021 Shs' millions	2020 Shs' millions
Monetary liabilities at 1 January	7,316	4,456
Increase in net monetary liabilities during the year	116	3,434
Monetary liabilities at 31 December	7,432	7,890
Restated monetary liabilities at 31 December	(8,230)	(6,056)
(Loss)/gain on monetary liabilities (a)	**(798)**	**1,834**
Monetary assets at 1 January	11,614	6,972
Increase in net monetary assets during the year	(748)	5,407
Monetary assets at 31 December	10,866	12,379
Restated monetary assets at 31 December	(12,169)	(9,611)
(Loss)/gain on monetary assets (b)	**(1,303)**	**2,768**
Net monetary position gain/ (loss) (a-b)	**505**	**(934)**

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 0.9 (2020: 1.6).

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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Prof. Isaac Macharia

Professor of ENT, Head and Neck Surgery at the University of Nairobi, Prof Macharia 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

Evelyn Rutagwenda

Evelyn holds a Bachelor of Commerce degree from Makerere University, Kampala. She is a Certified Public Accountant and member of the Institute of Certified Public Accountants of Rwanda (ICPAR).

She previously worked as the Auditor General for the Republic of Rwanda; as the Secretary-General of Uganda National Chamber of Commerce and Industry (UNCCI); consultant/project accountant for Decentralization Secretariat (Institutional Capacity Building Project); Ministry of Local Government, Uganda and also as Chief Auditor at UCA Auditing Services among others.

Evelyn spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR) and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio and elected member of the Governing Council. In 2009, she received an ACCA Achievements Award for her outstanding contribution to developing the accountancy and finance profession.

She is currently a Non-Executive Director of Equity Bank Uganda Limited, Chair of the Boards of 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, Equity Bank Uganda Limited

Dr. James Mwangi, CBS

James holds six 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 recognised 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 five 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 to 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, EquityBCDC S.A, Finserve Africa, Equity Group Foundation

Mary Wangari Wamae

Mary holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a graduate of the Advanced Management Programme (Strathmore – IESE Business School, Barcelona Spain) and the Advanced Management Programme at Harvard Business School. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified 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. She is the overall winner of the 2021 Angaza Awards: Women to Watch in Banking & Finance as well as overall winner of the 2021 Women on Board Award held by the Women on Board Network (WOBN). She was recognised for her efforts in demonstrating purpose, authenticity, resilience, innovation, and sustainable contribution in economic and social-impact initiatives.

CONSOLIDATED BOARD OF DIRECTORS' PROFILES

continued

Boards: Executive Director, Equity Group Holdings Plc, Non – Executive Director, Equity Bank (Kenya) Limited, Equity Bank South Sudan Limited, Equity Bank Rwanda PLC, Equity Bank, Uganda Limited, Equity Bank Tanzania Limited, EquityBCDC Congo S.A, Finserve, Africa Limited, Equity Investment Bank Limited, Equity Bancassurance, Intermediary Limited, Equity Group Foundation

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. The Company is a listed entity and has investments in automotive and equipment distribution, financial services, real estate, manufacturing and agriculture. 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 amongst 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, Chairman, Equity Investment Bank

Dr. Helen Gichohi, MBS, OGW

Helen holds a PhD. in Ecology from the University of Leicester in the UK, MSc (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 two awards of 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 Global Africa Wildlife Foundation and Kenya Wildlife Service Boards.

Boards: Non-Executive Director, Equity Group Holdings Plc

Dr. Edward Odundo Phd, MBS

Edward holds a PhD in Business Administration (Strategic Management) from The University of Nairobi, 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 books titled "The Doctrine of Strategic Planning" and "The Doctrine of Entrepreneurship".

Boards: Non-Executive Director, Equity Group Holdings Plc, Chairman, Equity Life Assurance Kenya Limited

Jonas Mushosho

Jonas holds a Bachelor of Accounting Science from University of South Africa, Bachelor's Degree in Accounting and an MBA from the University of Zimbabwe. He also has postgraduate qualifications from the University of Cape Town, Graduate School of Business, London Business School and Harvard Business School among others. He is a Chartered Accountant and a Fellow of the Institute of Chartered Secretaries and Administrators.

He previously served in senior leadership positions in both the private and public sectors. He has led multi-national portfolios in different lines of business, particularly in financial services. He served as the Chief Executive Officer at Old Mutual Zimbabwe Limited between 2012 and 2019. He also doubled up as the Managing Director for Old Mutual Rest of Africa, where he was responsible for strategy implementation, stakeholder management, investment performance management, governance and compliance and functional effectiveness of the Old Mutual Business in 12 countries in the continent.

He is currently a Director at Brooks & Oracle, a council member at Zimbabwe Open University and serves as a non-executive director at Delta Corporation.

Boards: Non-Executive Director, Equity Group Holdings Plc

CONSOLIDATED BOARD OF DIRECTORS' PROFILES

continued

Lydia Ndirangu

Lydia is a seasoned and accomplished professional with over 11 years of local and international experience in Tax, Regulatory and Compliance Services.

She holds a Law Degree from the University of Nairobi and is an Advocate of the High Court. She also holds a Master's in Law in Public Finance from the University of Nairobi and is a Certified Secretary and a Certified Public Accountant. Lydia is also a member of the Law Society of Kenya (LSK), the Institute of Certified Secretaries of Kenya (ICS) and the Institute of Certified Public Accountants of Kenya (ICPAK).

Prior to her appointment, she was the Group Head of Tax for Equity Group Holding Plc. Prior to joining EGH, Lydia served as a Senior Manager at EY and prior to that as a Manager at KPMG. Her role as the principal advisor for local and international organizations has equipped her to contribute substantively to the Group's regulatory compliance.

Boards: Company Secretary, Equity Group Holdings Plc, Equity Bank (Kenya) Limited, Equity Group Foundation, Equity Bank Rwanda Plc, Equity Life Assurance Kenya Limited

Erastus J.O Mwencha, EGH

Erastus holds an MA in Economics from the University of York and a B.A. (Hons) in Economics from the University of Nairobi. He was decorated by the President of the Republic of Kenya with the highest State commendation, "Elder of the Order of the Golden Heart" (EGH), in recognition of his contribution to national and regional development. He is 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 the Brenthurst Foundation and Coalition for Dialogue on Africa (CoDA).

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

Gerald Warui

Gerald holds an Executive Master's in 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 Programme 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

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, NGOs 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. Gideon Maina

Prof. Gideon Maina is currently the Vice Chancellor of Pioneer International University, a position he has held since 2014. Prof. Gideon holds a Bachelor of Arts in Political Science from Maseno University, an MA in Political Science, and International Law from The Harvard Kennedy School (HKS) and a Ph.D. in Political Science/International Law from the University of Cape Town, South Africa.

He is an expert in Political Science and International Law with over 15 years of academic research, institutional and administrative expertise in local and international institutions, boards, and task teams. He is a great mentor, an institutional builder, an organisational change strategist and a transformative leadership coach. Prof. Gideon has served in top management positions of regional universities as a dean and later DVC students' affairs-Catholic University of Eastern Africa (CUEA), acting Vice-Chancellor at Catholic University of Eastern Africa, Vice Chancellor of Pioneer International University (PIU), President of Rotary international and Director at Africa Policy Institute Resources and Environmental Governance Programme.

Currently, he is a consultant on governance, arbitration, bilateral and multilateral negotiations, foreign policy, International Humanitarian Law at the Kenya Foreign Service Institute, the International Peace Support Training Centre (IPSTC) and the Kenya delegation of ICRC. He is also a key consultant of the International Trade Centre, a UN agency that deals with trade enhancement across the globe.

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's 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 and North America. She has worked at

CONSOLIDATED BOARD OF DIRECTORS' PROFILES

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UNEP as Chief of Brand and as a Senior Vice President Africa for a social impact organisation. 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 recognised 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 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 Kenyan Government. She is passionate about Africa and sits on the Boards of several private and public sector organisations on the continent across various sectors.

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

Fredrick Muchoki, OGW

Fredrick is a businessman with vast commercial experience. He is the Managing Director of Continental Business Systems, Presta and Office Equipment Limited and Mugumo Coffee Ltd.

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 Bachelor's 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 organisations in Kenya. He sits in the Council of Strathmore University, Member, Board of Directors of Kenya Medical Research Institute (KEMRI) 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 a former CEO of Deloitte East Africa. He has extensive audit and advisory experience, having served for over 38 years in various audit and advisory 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 Honours) 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 Company Secretaries (ICS) and a Member of the Institute of Certified Public Accountants of Uganda (ICPAU). 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

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, ACAMS, ASF) in Cameroon, Central Africa Republic, and DRC.

In ExxonMobil, he served as Managing Director and Executive board member in countries such as Togo, Zambia, Zimbabwe, Cameroon, Chad and Equatorial Guinea. He also served as Assistant Lecturer at Kinshasa University in the DRC and is the current Chairman of the National Refinery Company (SOCIR). Nestor 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 and he is graduated from Harvard – Advanced Executive Program, USA. Prior to joining the banking sector, he worked with the International Training Center, a consulting cabinet specialised 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: Non-Executive Chairman, EquityBCDC S.A.

CONSOLIDATED BOARD OF DIRECTORS' PROFILES

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Jean-Claude Tshipama

Jean-Claude holds an Executive Master's 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: Deputy Managing 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 in agribusiness and hospitality companies in Africa. He is at present a non-executive director in financial institutions in Europe, Africa and Asia.

Boards: Non-Executive Chairman, 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 privatisation 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, and subsequently Group Chief Risk & Compliance 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.

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

Ignace Mabanza 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

Louis Watum

Louis holds a MSc in Chemical Engineering from 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 General Manager of Kipushi Corporation SA (DRC) and President of Chamber of Mines (DRC).

Boards: Non-Executive Director, EquityBCDC S.A

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 Master's in Business Administration degree from the Heriot-Watt University, Edinburgh, UK and an Advanced Management Program certificate from the London Business School. He is a distinguished C-Suite executive with 30 years of operational and strategic experience gained from working in blue-chip companies in the Downstream Oil, Telecoms and FMCG sectors.

Boards: Non-Executive Chairman, Equity Bank Uganda Limited

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Samuel Kirubi

Samuel holds a Master's Degree in Business Administration (Finance) from Moi University and a Bachelor of Arts degree in Economics and Statistics from Egerton University. He is a graduate of Advanced Management Programme (Strathmore IESE Business School, Barcelona Spain). He joined Equity Bank in 2001 and has gained vast experience in operations, marketing, and customer service. Samuel previously served as the Chief Operations Officer in Equity Bank South Sudan and most recently as the Managing Director, Equity Bank Rwanda.

Boards: Managing Director, Equity Bank Uganda Limited

Anthony Kituuka

Anthony holds an MBA in Oil and Gas from Middlesex University, London and a 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 15 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

Simon Lugoloobi

Simon holds a Bachelors Degree in Statistics and an MBA (Edinburgh Business School, Heriot-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

Allen Ssebugwawo

Allen holds a Bachelor of Commerce degree from Makerere University. She is a Fellow of the Association of Chartered Certified Accountants (FCCA-UK), a member of the Institute of Certified Public Accountants of Uganda (CPA–U) and holds an MBA from the University of New England, Australia. She is a strategist and business performance leader with a strong commercial, finance and execution background.

She started her career as an external auditor for Deloitte and EY and thereafter obtained experience across diverse industries such as financial services (JP Morgan and Royal Bank of Canada in Australia) and consumer goods in Uganda and Kenya (EABL and Unga Millers Uganda). She is currently the General Manager and a Director for G4S Secure Solutions Uganda Ltd and previously founded Zynamics (U) Limited. Prior to that, she held the position of General Manager in Unga Millers, Uganda and spent eight years in EABL/ UBL – DIAGEO in several senior and executive roles in finance and general management, her last role in UBL being Route to Consumer Director. She is also a Trustee of the Duke of Edinburgh's Award in Uganda.

Boards: Non-Executive Director, Equity Bank Uganda Limited

Dr. Norah Bwaya

Norah holds a Bachelor's 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, Organisation Development Consultant, Facilitator/ trainer and public speaker with working experience across four careers (Accountancy, Marketing, Insurance, Coaching) in 21 countries across three continents (Africa, Europe, America). As a coach, she has served top executives in over 100 organisations. She is the Founder of the first coaching firm in Eastern Africa – Coach Africa Ltd. Norah has served on several 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

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 to 2005 before being posted as Defence Attaché to the Republic of South Africa from 2005 to 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 Chairman, Equity Bank Rwanda Plc

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Hannington Namara

Hannington is the Managing Director of Equity Bank Rwanda. He holds a degree in Business Administration (Finance) 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 20 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 organisations in the past including TradeMark East Africa, Rwanda Private Sector Fedaeration, Commercial Bank of Rwanda (BCR), Rwanda Investment Export Promotion Agency (RIEPA – now known as Rwanda Development Board). He holds several positions of responsibility in Boards of corporates and parastatals.

Boards: Managing Director, Equity Bank Rwanda Plc

Dr. Patrick Uwizeye

Patrick holds a degree of Doctor of Business Administration (DBA) from the Heriot-Watt University, UK, a Master of Science (MSc) in Strategic Planning from the same University, MBA in Financial Management from the University of Hull, UK and Master's 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

Steven Mutabazi (Deceased)

Steve held a Master of Engineering Science and Bachelor of Engineering degrees from Monash University, Melbourne, Australia. He had 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 six years led the rollout of 4G LTE covering 95% of the population, led 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.

His last active professional engagement was provision of executive advisory services to global technology companies establishing operations in Africa.

Boards: Non-Executive Director, Equity Bank Rwanda Plc, Non-Executive Director, Equity Bank Rwanda Plc

James Mutuku

James holds a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 20 years' experience in Treasury business having worked as a treasury dealer for Co-operative Bank of Kenya, Head of Money Markets and Fixed Income at KCB Kenya and the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya. Before joining Equity Bank, he was the immediate country Head of Financial Markets for Standard Chartered Bank Uganda, where he also doubled up as the Co-Head SCB Uganda Wholesale Bank. He brings a wealth of experience in balance sheet management, fixed income trading and general treasury management. He joined Equity Bank in 2016.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

Amb. George William Kayonga

George holds a Master's 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, Governing Board One Acre Fund. He has had a 16-year career 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. George has also had a 12-year career in the Private sector managing own supply chain and logistics companies.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

Anita Umuhire

Anita holds an MBA in Leadership and Sustainability from the University of Cumbria (Robert Kennedy College), UK, a Higher Diploma in Accountancy, and a Bachelor of Commerce both from The University of the Witwatersrand, South Africa.

She is a Chartered Accountant with over 15 years' experience in Finance gained in various sectors: banking, audit, not-for-profit and the Fast-Moving Consumer Goods industry; spanning over South Africa, Rwanda, and Kenya. She is currently the Deputy MD of Inyange Industries and has previously served in senior management positions at KCB Bank Rwanda; Regional Centre on Small Arms (RECSA), Kenya; Urwego Opportunity Bank; Guaranty Trust Bank (GTB) Rwanda (ex. FINA Bank); FINA Bank Rwanda (now GBT) and EY, South Africa. She presently holds board positions in CIMERWA, Intare Investments Ltd and Giheke Dairy Ltd.

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Anita is a member of the South African Institute of Chartered Accountants and the Institute of Certified Public Accountants of Rwanda. She has completed CFA, Level 1 and is working towards Level 2.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

Belinda Bwiza

Belinda Bwiza holds a Bachelor of Business Administration, Finance from Brock University, St. Catharines, Ontario, an MBA and a Chartered Professional Accountant Designation from Wilfrid Laurier University, Toronto, Ontario.

She is currently the Deputy Country Director at One Acre Fund Rwanda and has previously served as General Manager at Sawa Citi Ltd., Kigali. Previously, Mrs. Bwiza served as a Senior Financial Analyst at the Ministry of Training, Colleges and Universities, Toronto, Ontario. Prior to that she served for over five years in the financial services sector as Supervisor – Investor Relations at Citco Fund Services, Toronto and Senior Client and Advisor Specialist at CIBC Mellon Global Securities Services, Toronto.

She presently holds board positions in Rwanda National Investment Trust as Chairperson and EarthEnable as a Member.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

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 Chairman, Equity Bank South Sudan 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

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 organisations 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 34 years' experience in information technology, operations and in Social Impact 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

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

Isabela Maganga

Isabela is a career banker with over 15 years of experience. She holds a Master of Science in Finance and Investments from Coventry University, a Bachelor's degree in Environmental Science and Management from Sokoine University of Agriculture. She also holds a high Diploma in Banking from Milpark Business School. Certified Expert on SME Finance from Frankfurt Business school. Prior to her appointment, Isabela was the Head of Commercial at the Bank.

Boards: Acting Managing Director, Equity Bank (Tanzania) Limited

Prof. Ahmed Ame

Ahmed holds a Doctor of Philosophy (PhD) in Business Administration from the University of Dar es Salaam; a Licentiate in Business Administration from UMEA University in Sweden; an MBA 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 specialisation 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 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

Prof. Honest Prosper Ngowi (Deceased)

Professor Ngowi held 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 was an 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 was active in the academics, research and consultancy industries with over 25 years of experience.

He had 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 was the founder of Ngowi TV, which is an online television channel dedicated to Economic, Business and Development perspectives. He was also a founder and Managing Director of ANO Consortium, a consulting firm. He was 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 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. Ltd 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 producer in Tanzania). He is also the Chairman of The Marginpar Group (a group of flower farms) in Kenya, Ethiopia and The Netherlands (and in that capacity holds Directorships in Holland and Switzerland) and the Chairman of Nomad Group (a chain of safari lodges) in Tanzania.

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

Dr. Aggrey Mlimuka

Dr. Mlimuka holds a Bachelor of Laws Degree, LL.B (Hons) from the University of Dar es Salaam and Masters in Law (LL.M) from the same University. Additionally, he has a Postgraduate Diploma in International Law and Organisation for Development from the Institute of Social Studies, The Hague. He has an LL.M *(magna cum laude)* and Doctor Juris *(magna cum laude)* both from the University of Hamburg. He is an Advocate of the High Court of Tanzania since December 1989. He is a member of the Tanganyika Law Society and the East African Law Society.

He has worked as a Journalist at *Shirika la Magazeti ya Chama Ltd.* Publishers of *Uhuru/Mzalendo* newspapers, State Attorney at the Tanzania Attorney General Chambers, Tutorial Assistant, Assistant lecturer, lecturer and eventually as a senior lecturer at the University of Dar es Salaam Faculty of Law. Dr. Mlimuka has also served as the National Project Coordinator, ILO/Strengthening Labour Relations in East Africa (SLAREA) in Tanzania. He held the position of Executive Director and Chief Executive Officer, Association of Tanzania Employers (ATE). He is a member of the Labour Economic and Social Council (LESCO) under the Ministry of Labour and Employment, a Trustee of Public Servants Social Security Fund (PSSSF) where he also serves as the Vice Chairperson of the Board of Trustees, and he is the Chairman of the Fair Competition Commission (FCC).

Dr. Mlimuka is also the author of the book titled "The Eastern African States and the Exclusive Economic Zone: The Case of EEZ Proclamations, Maritime Boundaries and Fisheries" as well as several articles in various journals.

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

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 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.

Boards: Managing Director, Finserve Africa Limited

Daniel Szlapck

Daniel holds Master of Business Administration from Kellogg Graduate School of Management at Northwestern University, Certification in Strategic Management from Cornell University School of Hotel Management and a Bachelor of Arts in Economics *(Magna Cum Laude)* from Tufts University. He has extensive experience in business management, strategy, finance, business restructuring, customer support and sales and marketing. He is currently an investor and was previously the Head of Global operations at Branch International where he was responsible for Kenya, Nigeria, India, Mexico and a member of the San Francisco-based senior leadership team. He has previously served as CEO, Fairview Hotel, Country Lodge & City Lodge East Africa, Nairobi, Product Manager of RIVIO in Santa Clara, CA and Financial Analyst at J.P. Morgan Securities Inc in New York.

Boards: Non-Executive Director, Equity Investment Bank

GROUP EXECUTIVE MANAGEMENT PROFILES

Dr. James Mwangi, CBS

Group Managing Director and Chief Executive Officer

James holds six 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 EY 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 honouree of the 2020 Oslo Business for Peace Award, also described as the 'Nobel Prize for Business".

On the regional front, James was also recognised 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 five 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 (NASAN), 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 to 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 Wangari Wamae

Group Executive Director

Mary holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a graduate of the Advanced Management Programme (Strathmore – IESE Business School, Barcelona Spain) and the Advanced Management Programme at Harvard Business School. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya, Women Corporate Directors and the Kenya Section of International Commission of Jurists. She is 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.

Olanrewaju Bamisebi

Group Director IT and Operations

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, Enterprise 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.

GROUP EXECUTIVE MANAGEMENT PROFILES continued

Lydia Ndirangu

Company Secretary

Lydia is a seasoned and accomplished professional with over 11 years of local and international experience in Tax, Regulatory and Compliance Services.

She holds a Law Degree from the University of Nairobi and is an Advocate of the High Court. She also holds a Masters in Law in Public Finance from the University of Nairobi and is a Certified Secretary and a Certified Public Accountant. Lydia is also a member of the Law Society of Kenya (LSK), the Institute of Certified Secretaries of Kenya (ICS) and the Institute of Certified Public Accountants of Kenya (ICPAK).

Prior to her appointment, she was the Group Head of Tax for Equity Group Holding Plc. Prior to joining EGH, Lydia served as a Senior Manager at EY and prior to that as a Manager at KPMG. Her role as the principal advisor for local and international organisations has equipped her to contribute substantively to the Group's regulatory compliance.

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.

Elizabeth Gathai

Director, Digitisation 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.

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 specialised in the audit of banking institutions, leasing companies, investment banks and broker-dealers with KPMG in New York and Kenya.

Christine Browne

Group Director Legal Services

Christine is a Chevening alumnus who holds a Master of Laws from UCL – University of London. She is an accomplished legal practitioner and has previously worked at The World Bank and the Industrial Promotion Services (K) Limited (IPS). She joined the Group in 2014 after a six-year stint as Principal Counsel at East African Development Bank. Prior to her current position, she was the General Manager for Legal, Corporate Banking, Equity Bank (Kenya) Ltd. Christine is a member of Law Society of Kenya, Institute of Certified Public Secretaries of Kenya and International Commission of Jurists, Kenya Section.

Joy Dibenedetto

Group Director, Communications

Joy holds a Bachelor's degree in Speech Pathology and Audiology from Marymount Manhattan College in New York. 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 maximised the impact and brand awareness of social innovators, corporations, NGOs, media, academia, and service organisations 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.

GROUP EXECUTIVE MANAGEMENT PROFILES continued

Gerald Warui

Managing Director, Equity Bank (Kenya) Limited

Gerald holds an Executive Masters in 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 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-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.

GROUP EXECUTIVE MANAGEMENT PROFILES continued

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 organisations in the past including TradeMark East Africa, Rwanda Private Sector Federation, Commercial Bank of Rwanda (BCR), Rwanda Investment Export Promotion Agency (RIEPA – now known as Rwanda Development Board). He holds several positions of responsibility in Boards of corporates and parastatals.

Isabela Maganga ,

Acting Managing Director, Equity Bank (Tanzania) Limited

Isabela is a career banker with over 15 years of experience. She holds a Master of Science in Finance and Investments from Coventry University, a Bachelor's degree in Environmental Science and Management from Sokoine University of Agriculture. She also holds a Diploma in Banking from Milpark Business School. She is a certified Professional Banker and Certified Expert on SME Finance. Prior to her appointment, Isabela was the Head of Commercial at the Bank.

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 specialised 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 S.A.

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 EUTELSAT, he headed EUTELSAT Broadband in Africa, ensuring that their broadband business is successfully deployed across Africa to connect the unconnected.

Janet Maingi

Managing Director, Azenia Technology Limited

Janet holds a Bachelor of Commerce in Banking & Finance from Kenyatta University, a Diploma in Human Resources Management from Kenya Institute of Management, Nairobi, an MBA from Kingston University (London, UK) and is a Certified Public Accountant, Part I.

She has diverse professional experience in operations and administration in the ICT sector. Prior to joining Azenia, Janet was a consultant in Business Operations for Lordship Africa, Country Director at Andela, Director of Finance & Administration at BRCK and Group – Head of Administration and Supply Chain Management at Wananchi Group (ZUKU).

For over 20 years, Janet's career has revolved around Strategy Formulation/Implementation, Project Management, Operations, People Management and Administration in start-ups and fast-growing organisations.

Angela Okinda

Managing Director, Equity Life Assurance Kenya Limited

Angela holds a Bachelor of Science degree in Actuarial Science from the University Nairobi and is a Certified Financial Analyst (CFA) finalist. She is also a certified Bullet-Proof Manager from Crestcom International, Colorado, USA.

Prior to her appointment, she was the Director for Pensions in Africa for Zamara Group across six (6) countries, Divisional Head of Umbrella Solutions Zamara Actuaries, Administrators & Consultants Kenya, Executive Director for Zamara Actuaries, Administrators & Consultants Uganda and Director for Corporate and Pension Services Limited. She also successfully served as the Chairperson of the inaugural Alexander Forbes Junior Board, served in the Innovations Committee and Enterprise-Wide Risk Management Committee for the business as well as served as a member of Finance and Investments Committees and the Governance, Benefits & Communications Committees for the Zamara Fanaka Retirement Fund.

Angela serves as the National Coordinator, East African Community – Financial Services Providers Council and has served as a Judge for the Institute of Retirement Funds for South Africa over the last four years. She is a member of the Insurance Institute of Kenya (IIK), the Chartered Financial Analyst Institute as well as The Actuarial Society of Kenya (TASK).

NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

EVERYDAY OVER 15 MILLION MEMBERS ARE TRANSFORMING AFRICA

NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

Notice is hereby given to Shareholders that the Eighteenth Annual General Meeting (AGM) of Equity Group Holdings PLC ("the Company") will be held on Wednesday, 29th June 2022 at 10.00 a.m. by electronic means, for the purpose of considering and, if thought fit, passing the resolutions set out below.

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

AGENDA

1. CONSTITUTION OF THE MEETING

To read the notice convening the meeting, table proxies received and confirm the presence of a quorum.

2. ORDINARY BUSINESS

i. Consideration of the Audited Financial Statements for the financial year ended 31st December, 2021.

To receive, consider and adopt the audited financial statements for the year ended 31st December 2021 together with the Chairman's, Directors' and Auditors' reports thereon.

ii. Dividend

To declare a first and final dividend of Kshs 3/- per share in respect of the financial year ended 31st December 2021, to be paid on or about 30th June 2022 to the shareholders on the register as at the close of business on 20th May 2022.

iii. Remuneration of Directors

To receive, consider and approve the Directors' Remuneration Report and the remuneration paid to the Directors for the financial year ended 31st December, 2021.

iv. Election of Directors

a. To approve the appointment of Prof. Isaac Macharia, 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;

b. To approve the appointment of Mr. Jonas Mushosho, who having been appointed by the Board on 4th May 2021, retires from office by rotation in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election;

c. 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:

(i) Dr. Edward Odundo;

(ii) Mrs. Evelyn Rutagwenda;

(iii) Mr. Vijay Gidoomal; and

(iv) Dr. Helen Gichohi.

v. Appointment of Auditors

To appoint Messrs PricewaterhouseCoopers as auditors of the Company until the conclusion of the next Annual General Meeting in accordance with Section 721 of the Companies Act and to authorise the Directors to fix their remuneration for the ensuing financial year in accordance with the provisions of Section 724 (1) of the Companies Act, 2015.

NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING continued

3. SPECIAL BUSINESS

a) Special Resolution

Amendment to Articles of Association of the Company

To amend Article 90 of the Articles of Association of the Company to allow the directors of the Company to appoint in addition to the managing director, other executive directors of the Company to the Board. The amendment is proposed because Article 90 currently only refers to the Managing Director, but the Company is growing and has the position of Executive Director of the Company as well.

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

Amendment to the Articles of Association of the Company

"That, by way of special resolution, Article 90 of the Articles of Association of the Company be and is hereby amended by adding the phrase "other executive director position of the Company" or "executive director" (as applicable) immediately after the words "Managing Director" wherever it appears;

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

Lydia N. Ndirangu
Company Secretary
P.O. BOX 75104-00200
NAIROBI.
6th June 2022

NOTES

1. The Company has convened and is conducting this virtual (by electronic means) annual general meeting in the manner prescribed in Article 54A of its Articles of Association.
2. Registration for the AGM shall open on Monday 6th June 2022 at 9:00 am and will close on Monday, 27th June, 2022 at 5:00 pm.
3. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:
   a) Dialling *370# on their Equitel mobile telephone lines or *483*851# on their Safaricom, Airtel or Telkom mobile telephone lines; and following the prompts or
   b) Sending an email request to be registered to EquityAGM@image.co.ke
   c) Shareholders with email addresses will receive a registration link via email through which they can use to register.

   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 at hand. For assistance shareholders should dial the following helpline numbers: (+254) 709 170 037/ 709 170 000 from 9:00 a.m. to 5:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.
4. 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.
5. In accordance with Section 670 of the Companies Act, 2015, the Company's Audited Financial Statements for the year ended 31 December 2021 may be viewed on the Company's website https://equitygroupholdings.com/investor-relations/.

   The reports may also be accessed upon request by dialling the USSD code above and selecting the Reports option.

NOTICE OF THE 18TH ANNUAL GENERAL MEETING

continued

The reports and agenda can also be accessed on the livestream link.

6. A copy of this Notice and the Proxy form may also be viewed on the Company's website https://equitygroupholdings.com/investor-relations/ or by dialling the above USSD codes.
7. Shareholders wishing to raise any questions or clarifications regarding the resolutions proposed to be passed at the AGM may do so by:

    1.a. Sending their written questions by email to EGHAGM2022@equitygroupholdings.com; or

    1.b. Shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialling the USSD code above and selecting the option (Ask Question) on the prompts; or

    1.c. 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

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

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

    All questions and clarifications must reach the Company on or before Friday, 24th June 2022 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 Tuesday, 28th June 2022. 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 Tuesday, 28th June 2022.
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/proxies 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 EGHAGM2022@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 Monday, 27th June 2022. Any person appointed as a proxy should submit his/her mobile telephone number to the Company not later than 5.00 pm on Monday, 27th June 2022. Any proxy registration that is rejected shall be communicated to the Shareholder concerned no later than 10.00 am on Tuesday, 28th June 2022 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 an d 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).

PROXY FORM

THE EIGHTEENTH ANNUAL GENERAL MEETING TO BE HELD VIA ELECTRONIC COMMUNICATION ON 29TH JUNE 2022
THE GROUP COMPANY SECRETARY,
EQUITY GROUP HOLDINGS PLC
EQUITY CENTRE, 9TH FLOOR,
HOSPITAL ROAD, UPPER HILL,
P.O BOX 75104-00200
NAIROBI

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 29th June, 2022 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:

1. ORDINARY BUSINESS

i. Consideration of the Audited Financial Statements for the financial year ended 31st December, 2021.

To receive, consider and if thought fit, adopt the Audited Financial Statements and Directors' Remuneration Report for the year ended 31st December, 2021, together with the Chairman's, Directors' and Auditors' reports thereon.

For:	
Against:	
Withheld:	

PROXY FORM continued

ii. Dividends

To declare a first and final dividend of Kshs 3/- per share with respect of the financial year ended 31st December, 2021.

For:
Against:
Withheld:

iii. Remuneration of Directors

To approve the report of the remuneration of the Directors for the year ended 31st December, 2021.

For:
Against:
Withheld:

iv. Election of Directors

a. To approve the appointment of Prof. Isaac Macharia, 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:

b. To approve the appointment of Mr. Jonas Mushosho, who having been appointed by the Board on 4th May 2021 retires from office by rotation in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for re-election;

For:
Against:
Withheld:

c. 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:

(i). Dr. Edward Odundo;

For:
Against:
Withheld:

(ii).Mrs. Evelyn Rutagwenda:

For:
Against:
Withheld:

PROXY FORM continued

(iii). Mr. Vijay Gidoomal; and

For: ______________________

Against: ______________________

Withheld: ______________________

(iv). Dr. Helen Gichohi:

For: ______________________

Against: ______________________

Withheld: ______________________

(v). To pass an ordinary resolution pursuant to section 721 of the Companies Act, 2015 to appoint PricewaterhouseCoopers 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: ______________________

2. SPECIAL BUSINESS

a) Special Resolution

Amendment to Articles of Association of the Company

To amend Article 90 of the Articles of Association of the Company to allow the directors of the Company to appoint in addition to the managing director, other executive directors of the Company to the Board. The amendment is proposed because Article 90 currently only refers to the Managing Director, but the Company is growing and has the position of Executive Director of the Company as well.

For: ______________________

Against: ______________________

Withheld: ______________________

As witness to my/our hands this ______________________ day of ______________________ 2022

Signature(s) ____

ELECTRONIC REGISTRATION CONSENT FORM

Please complete in BLOCK CAPITALS

Full name of member(s): ______________________________

____

____

Address: ______________________________

____

____

Mobile Number [ ]

Date: ______________________________

Signature: ______________________________

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 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 29th June 2022. [ ]

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 EGHAGM2022@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 Monday, 27th June, 2022, 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 Monday, 27th June, 2022. Any proxy registration that is rejected shall be communicated to the Shareholder concerned no later than 10:00 am Tuesday, 28th June, 2022 to allow time to address any issues.

NEW OPPORTUNITIES

Equity Group MD and chief executive officer James Mwangi.

by Mwangi Alberto

More than 250 Kenyan investors recently jetted into the Democratic Republic of Congo (DRC) on a two-week trade mission organised by the governments of Kenya and the DRC, in partnership with Equity Group. More than 2,000 Congolese delegates registered in the four-leg tour joined them. Equity Group MD and chief executive officer James Mwangi said decisions to invest should be driven and guided by facts and figures, adding that perceptions of the DRC have been wrongly shaped by media and do not reflect the reality on the ground, hence the need for the fact finding mission by the delegates. Others present were Trade CS Betty Maina, Equity Group chairman Prof Isaac Macharia, Kenyan Ambassador to the DRC George Masafu and EquityBCDC MD Celestin Muntuabu.

PD/MWANGI ALBERTO

Trade CS Betty Maina addresses the conference.

Eve Bazaiba, DRC Vice Prime Minister and Minister of Environment.

DRC's Postal Service MD Didier Musete Lekan.

EquityBCDC managing director Celestin Muntuabu.

Delegates follow the proceedings.

Monday, November 23, 2020 / People daily 17

SAFEGUARDING KENYA: Kenya Covid-19 Fund Board Health Technical Committee chair Prof Isaac Macharia (left) with Kenya Covid-19 Fund Board Health Committee chair Dr James Mwangi officially hand over PPEs to Cabinet Secretary Ministry of Defence Dr Monica Juma (centre), Vice Chief of Defence Forces Lt-Gen Levi Mghalu and KDF Director of Medical Services Maj-Gen Dr George Ng'ang'a (right). The PPEs worth over Sh1.3 million were part of the second consignment of PPEs valued at Sh135 million. PD/ ALICE MBURU

Monday, April 26, 2021 / People daily 20

CONTINENTAL EXPANSION: President Uhuru Kenyatta (2nd left) listens to Equity Group managing director and CEO James Mwangi explain a point during the unveiling of a commemoration plaque at EquityBCDC's Equity Centre in the Democratic Republic of Congo alongside (from left) Governor of Central Bank of Congo Déogratias Mutombo, EquityBCDC managing director Célestin Mukeba, Equity Group non-executive chair Isaac Macharia and Equity BCDC non-executive chair Nestor Ankiba. EquityBCDC is now the second largest commercial bank in DRC. PSCU

Monday, July 26, 2021/ People daily 17

HELPING THE NEEDY: A Wings to Fly beneficiary receives a cheque from Kiambu Deputy Governor Joyce Ngugi at Thika High School. Looking on is Equity Bank's MD Gerald Warui. More than 140 academically promising scholars from humble backgrounds who sat the 2020 KCPE examinations have been commissioned to join Wings to Fly, Elimu Scholarship programmes in Kiambu County. Equity Group has been at the forefront of championing secondary school education scholarships for 11 years now. PD/MATHEW NDUNGU

Wednesday, March 10, 2021 / People daily 16

Equity to help schools get modern fuel technologies

Equity Bank will finance installation of equipment for a project dubbed "clean Cooking" in learning institutions to help them transform to modern cooking technologies that are environment- friendly than wood-fuel.

"We are going to finance learning institutions to get modern technologies to promote clean energy transition which will help conserve the environment and forest cover," said James Mwangi, Equity Group Managing Director and CEO during the launch of the project.

Dr Mwangi added that as a financial provider they have decided to lead the way in the journey to conserve the environment which will go a long way in reducing greenhouse gas emissions by 30 percent by the year 2030.

Speaking during the event, Education Cabinet Secretary Prof George Magoha urged all the learning Institutions to embrace modern clean cooking technology to save tree cover in schools, save costs that come with use of wood and better health of those accessing the school compound."

Last year, Equity committed to planting 35 million trees to contribute and rally the country towards the achievement of 10 percent forest cover 20 million of which will be planted in learning institutions.

– Bernard Sigei

Education CS Prof George Magoha (right), Environment PS Chris Kiptoo (second right) and Equity Group MD, CEO Dr James Mwangi (third right) and Alliance High School Principal William Mwangi (left) during the launch.

Thursday, February 11, 2021 / People daily 19

Protecting students

From left: Equity Group chairman and Chair Kenya Covid-19 Fund Board Health Technical Committee, Prof Isaac Macharia (left) and Secretary of the Kenya Covid-19 Fund Board, Principal Administrative Secretary, Kennedy Kihara hand over PPEs to Kenya Medical Training College (KMTC) Student Council chairman Shadrack Yego, Orthopaedic and Trauma Medicine final year student Sharon Cheruto and Clinical Medicine students representative Asher Otiende. The Foundation and Covid-19 Fund have donated 500,000 surgical masks valued at Sh2.5 million to benefit 8,292 final year medical students from KMTC. PD/ALICE MBURU

Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi

Tel: 0763 000 000

Email: info@equitygroupholdings.com

www.equitygroupholdings.com

EQUITY