2013
ANNUAL REPORT AND FINANCIAL STATEMENTS

EQUITY
Bank • Your Listening, Caring Partner

Equity Bank Group Headquarters, Nairobi.

CORPORATE PHILOSOPHIES

Founded as Equity Building Society (EBS) in October 1984, Equity Bank has grown to be the largest bank in Africa by customer base.

The Bank is a value driven institution with the customer at the center. One of the core values of the Bank is respect and dignity for customers. Staff are carefully selected and appointed based on attitude as they can be trained for 'skills'. The Bank in pursuit of its purpose of transforming lives and livelihoods of the African people has set a clear and well-defined corporate image and positioning that the bank can own and stay true to through a vibrant, energized and passionate team.

The tagline for Equity Bank is "Your Listening Caring Partner". The bank puts a lot of emphasis on listening to and caring for its customers. For Equity Bank, our services go beyond banking. We believe that by building a strong emotional connection with our customers, we create a better and stronger relationship which in turn enables us to achieve one of our core philosophies, to transform the lives and livelihoods of our people.

Just like the Equity logo that denotes a house, at Equity we believe in providing a 'home' to all our customers. By providing tailor made and relevant products and services, we have seen our customers find a home in Equity Bank. We continue to witness millions of our customers nurture, pursue and realize their dreams. This is what gives us inspiration and motivation to continue pursuing the Equity dream.

In line with our positioning statement, every year we rededicate ourselves to listening to the needs and aspirations of our customers, continuously innovating products and services that are relevant to them that meet their needs and that help them to live dignified lives.

In 2014 and beyond, there are abundant opportunities for all as Africa becomes the future for the 21st century. We invite you all to share in the vision and mission as we re-dedicate ourselves to work even harder for financial inclusion, empowerment and wealth creation of all, as we continue jointly pursuing the African dream.

OUR PURPOSE

We exist to transform the lives and livelihoods of our people socially and economically by availing them modern, inclusive financial services that maximize their opportunities.

OUR VISION

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

OUR MISSION

We offer inclusive, customer focused financial services that socially and economically empower our clients and other stakeholders.

POSITIONING STATEMENT

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

OUR TAGLINE

Your Listening Caring Partner.

OUR MOTTO

Growing Together In Trust.

OUR VALUES

Professionalism
Integrity
Creativity & Innovation
Teamwork
Unity of Purpose
Respect & Dignity for Customers
Effective Corporate Governance

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NOTICE OF TENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Tenth Annual General Meeting (AGM) of Equity Bank Limited will be held on **Wednesday, 26th March 2014** at **Kenyatta International Conference Centre (KICC) NAIROBI** at **10.00 am** to transact the following business:

1. The Company Secretary to read the notice convening the meeting.
2. To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 31st December 2013 together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve a first and final dividend for the year ended 31st December 2013 of KES 1.50/- per ordinary share of KES 0.50 cents each, subject to withholding tax, where applicable.
4. Election of Directors:

a) Mr. Peter Kahara Munga, a director retires by rotation in accordance with Article 100 of the Company's Articles of Association, and having attained the age of seventy years on 5th May 2013 further retires in terms of section 186 (2) of the Companies Act (Cap 486 of the Laws of Kenya) and being eligible, by virtue of a special notice given under section 186 (5), offers himself for re-election as a director.

b) Prof. Shem Migot-Adholla, a director retires by rotation in accordance with Article 100 of the Company's Articles of Association, and having attained the age of seventy years on 14th June 2012 further retires in terms of section 186 (2) of the Companies Act (Cap 486 of the Laws of Kenya) and being eligible, by virtue of a special notice given under section 186 (5), offers himself for re-election as a director.

c) Mr. Ernest Nzovu, a director retires by rotation in accordance with Article 100 of the Company's Articles of Association, and having attained the age of seventy years on 27th September 2013 further retires in terms of section 186 (2) of the Companies Act (Cap 486 of the Laws of Kenya) and does not offer himself for re-election as a director.

5. To approve the remuneration of the directors for the year ending 31st December 2014.
6. To note that the auditors Messrs Ernst & Young, being eligible and having expressed their willingness, will continue in office in accordance with section 159 of the Companies Act (Cap 486) and to authorize the directors to fix their remuneration.
7. As Special Business, to consider and if thought fit, to pass the following resolution as a Special Resolution:
   "To ratify the acquisition of Francis Thuo & Partners Limited by Equity Investment Bank Limited, a wholly owned subsidiary of Equity Investment Services Limited, which in turn is a wholly owned subsidiary of Equity Bank Limited in fulfillment of the requirement of Regulation G.06 (a) of the Fifth Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002 ("Disclosure Regulations")"
8. Any other business of which notice will have been duly received.

By order of the Board

Mary Wangari Wamae
Company Secretary
P.O. Box 75104 -00200
NAIROBI.
27th February, 2014

NOTICE OF TENTH ANNUAL GENERAL MEETING

Notes

1) A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy must be duly completed by the member and lodged with the Company Secretary at the Company's Head Office situated at EQUITY CENTRE, 9TH FLOOR, Hospital Road, Upper Hill, Nairobi, not later than 10.00 am on Monday, 24th March 2014, failing which it will be invalid. In the case of a corporate body the proxy must be under its common seal.

2) Subject to approval of shareholders, the Board of Directors has resolved to recommend to members at the forthcoming Annual General Meeting a dividend for the year ended 31st December 2013 of KES 1.50/- per share to be paid to shareholders on the register of members of the Company at the close of business on 14th March 2014. The dividend will be paid on or about 25th April 2014.

3) The full set of audited financial statements for the year ended 31st December 2013 is available at the Company's registered office at Equity Centre 9th Floor or can be downloaded at the website, www.equitybankgroup.com

BANK INFORMATION

PRINCIPAL PLACE OF BUSINESS: 9th Floor, Equity Centre
Hospital Road,Upper Hill
P.O. Box 75104-00200
NAIROBI
Tel : +254-020-2262000
Fax : +254-020-2737276,
Cell: 0711 026000 /0732 112000
info@equitybank.co.ke,
www.equitybankgroup.com
@KeEquitybank KeEquitybank

REGISTERED OFFICE: 9th Floor, Equity Centre
Hospital Road,Upper Hill
P.O. Box 75104-00200
NAIROBI

LAWYERS: Coulson Harney Advocates,
1st Floor, Block A
Nairobi Business Park
Ngong Road
P.O. Box 10643 – 00100
NAIROBI

Hamilton Harrison & Mathews
ICEA Building,
Kenyatta Avenue,
P.O. Box 30333-00100
NAIROBI

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

MRB Attorneys
KG 624 St, Kimihurura
P.O. Box 628
Kigali
RWANDA

Mark & Associates Attorneys
NIC Life House
1st Floor, Wing C
Sokoine Drive/Ohio Street
P.O.Box 8211
Dares Salaam
TANZANIA

A.F. Mpanga Advocates
9th Floor North Wing Workers House
1 Pikinton Road
P.O. Box 1520
Kampala
UGANDA

BANK INFORMATION (continued)

BANKERS: Central Bank of Kenya
P.O. Box 60000 - 00200
NAIROBI

AUDITORS: Ernst & Young
Kenya-Re Towers, Upperhill
Off Ragati Road
P.O. Box 44286 - 00100
NAIROBI

COMPANY SECRETARY: Mary Wangari Wamae
9th Floor, Equity Centre
P.O. Box 75104-00200
NAIROBI

Mr Peter K. Munga, CBS
Chairman - Equity Bank Limited

CHAIRMAN'S STATEMENT

INTRODUCTION

It's a great honour to present to you the Group's report for the year ended December 31st, 2013.
Despite the challenges that characterized the environment with the country going through a general election in Kenya, reorganization of resources to devolved government and the national security concerns, the Group was able to register impressive performance. This is attributable to its continued focus on innovation and technology, new market segments, consolidation of regional businesses and growing the networks and channels to sustain growth.

OPERATING ENVIRONMENT

Kenya maintained a stable economic environment and fiscal discipline despite the fiscal pressures from the March 2013 elections, a new devolved system of governance and public sector pay pressure.

The country saw robust economic growth expected to be slightly higher than the GDP growth rate of 4.6 percent recorded in 2012, thanks in part to a smooth conclusion to the March presidential elections as well as an increase in capital inflows, brought about in part by an increase in infrastructure activity together with stabilization of inflation, interest rates and the exchange rate in the past 18 months. Inflation remained at single digit levels.

South Sudan's economic fortunes appeared to be poised for strong growth following the gradual resumption of oil production and export starting in April 2013. The conflict borne out of political rifts erupted in December 2013 but efforts by the international community and regional bodies have seen this being contained and expectations are high that peace will resume. Despite the uncertainty the country continues to export over 200,000 barrels of oil per day.

In Uganda, the average annual inflation rate for 2013 was 5.5 percent compared to 14.0 percent in 2012. However economic growth in the first quarter of 2013/14 (July-June) slowed due to drought but full year 2014 economic growth is still projected at 6 percent-6.5 percent.

Tanzania demonstrated its bright economic prospects as the GDP growth accelerated to 7.1 percent in 2013 from 6.9 percent in 2012 as output in communications, financial services and manufacturing rose. Meanwhile inflation fell from 12.1 percent in December 2012 to 6.2 percent in November 2013. Economic growth is also expected to be boosted by the massive oil finds and also the operationalization of the Bagamoyo port.

In Rwanda the lagged effect of the aid shock in the second half of 2012 led to deceleration of growth in 2013. The economy grew by 5.9 percent and 5.7 percent in the first and second quarters of 2013, respectively, before inching up to 6 per cent in the third quarter. This growth momentum is expected to be maintained given the technological innovativeness of the country backed by very strong government policy.

BANKING SECTOR DEVELOPMENTS

The banking sector has been credited with accelerating financial inclusion and with developments that have led to increased access to banking services to the Kenyan public.
The sector is expected to continue on this growth trajectory. Ongoing reforms and initiatives by the Commercial banks and Central Bank of Kenya (CBK) will serve to further propel the banking sector to new frontiers of financial inclusion for more Kenyans to access these services. To increase financial stability CBK has adopted a consolidated supervision approach to take cognizance of the growing Pan-African nature of the Kenyan banking sector.

REGULATORY ENVIRONMENT

The Revised Prudential and Risk Management Guidelines issued in November 2012 came into effect in January 2013. New Prudential Guidelines were issued covering various operating aspects of banking operations and management. These include Outsourcing, Representative Offices of Foreign Institutions, Voluntary Liquidation, Consolidated Supervision, Stress Testing, Prompt Corrective Action and Consumer Protection. In addition, the existing nine Risk Management Guidelines were reviewed while two new guidelines on Country and Transfer Risk and Information and Communication Technology Risk Management were introduced. The above guidelines are expected to further strengthen the banking sector environment.
The Central Bank of Kenya through new Prudential Guidelines also allowed acquisition and control of banks by Non-Operating Holding Companies. This is pursuant to section 13(e) of the Banking Act. This means that a Group Non-operating holding company can engage in various activities which are limited to holding investments in subsidiaries, holding properties used by group members; raising funds to invest in, or to provide support to,subsidiaries, raising funds to conduct its own limited activities, investing funds on behalf of the group, conducting the banking activities required for its own limited functions, and providing administrative, risk management and financial services to support

CHAIRMAN'S STATEMENT

the efficient operation of the group.
Together with this was also the approval for licensed banks to engage in provision of regulated financial services and products. This includes diversified financial services such as bancassurance.
As well, new Prudential Guidelines were introduced which raised the minimum capital adequacy ratios and also increased the risk factors to consider in the computation of the Risk Weighted Assets. These will see banks requiring to increase their capital in order to meet the statutory requirements.

EQUITY INVESTMENT BANK'S ACQUISITION OF FRANCIS THUO & PARTNERS

Equity Investment Bank (EIB) is a wholly owned subsidiary of Equity Investment Services Limited, which in turn is a wholly owned subsidiary of Equity Bank Limited.
EIB is licensed by the Capital Markets Authority to operate as an investment bank. This allows it to provide the following services:

a) Offering advisory services on:
   i. Public offering of securities;
   ii. Corporate financial restructuring, takeovers, mergers, acquisitions and privatizations;
   iii. Corporate financing options including issuance of equity, debt securities or loan syndication.
b) Engaging in the business of a stock broker;
c) Engaging in the business of a dealer;
d) Promoting or arranging underwriting or issuance of securities;
e) Promoting and acting as a fund manager of collective investment schemes;
f) Providing investment advisory services and contractual portfolio management.

The Capital Markets (Licensing Requirements) (General) Regulations, 2002 provides that: 'No investment bank shall be licensed to carry out the business of a stock broker unless it acquires a controlling interest in a stockbroker that is a member of the securities exchange'.

Notwithstanding that it was licensed and that the group had an ambitious plan and dedicated resources to support the roll out of the broad range of services that EIB was licensed to undertake, EIB had been unable to do this due to the fact that it had not been admitted as a member of the securities exchange and was consequently not able to trade securities directly. The fact that it could not trade securities directly and had to rely on competitors to do so had seriously constrained EIB's activities. As a result, the Group acquired Francis Thuo & Partners to enable EIB gain admission to the Nairobi Securities Exchange (NSE) and hence effectively leverage the Groups significant resources, capital, infrastructure and client base to provide financial services in the capital markets with the intention of making high quality services available to clients in a convenient and cost effective manner much in the same way as the Group had managed to achieve in banking and insurance.

FINANCIAL RESULTS

The Group Chief Executive and Managing Director's statement has set out clearly the Bank's continuing impressive performance.
Equity Bank Group's focus on enhancing affordability, accessibility and convenience has seen its growth momentum maintained for the period ended 31st December 2013.
The Bank's earnings per share have increased to KShs 3.59 from KShs 3.26 per share. The Group achieved a return on equity(ROE) of 28 percent and return on assets (ROA)of 5.1 percent despite the massive investment in the IT platform, core banking platform, mobile and internet banking services and the branch network to support SME growth during the year. Profit before tax and exceptional items grew by 11 percent from Kshs 17.29 billion to Kshs 19.15 billion demonstrating the resilience of the bank's business model.
Against uncertain global economic recovery and despite stiff competition in many of our markets, the strong performance by the Bank once again demonstrates our ability to deliver substantial and sustained value for ourshareholders and other stakeholders.
On the customer's front, the number of customers grew from 7.8 million at close of 2012 to over 8.4 million confirming Equity bank's position as the largest bank in Africa in customer numbers and demonstrating the social and financial inclusivity of our business model.

CHAIRMAN'S STATEMENT

CORPORATE GOVERNANCE

Strong management and corporate governance continue to be key pillars of Equity Bank.
The various board committees continued to play a vital role in supporting the board and management to discharge their duties. The sub committees also continued to be guided by the regulatory framework as well as the CBK risk and prudential guidelines. With effect from 1st July 2013 Mr. Dennis Aluanga became a substantive director with Mr. Alykhan Nathoo as his alternate. Also Mr. Temitope Lawani became alternate to Mr. Babatunde Soyoye. In addition in 2013, in order to tap into the wealth of local knowledge, a new director Ms. Zahra Nuru was appointed as a member of the board for the Tanzania subsidiary. Please join me in wishing Ms Nuru great success in her role as a director.

Article 100 of the Memorandum and Articles of Association of the Bank provides for retirement of directors by rotation. Section 186(2) of the Companies Act (Cap 486 of the Laws of Kenya) provides for retirement of directors on attaining the age of seventy. During the year, the following directors are due to retire by rotation and having attained the age of seventy, offer themselves for re-election by special notice pursuant to Section 186(5) of the Companies Act (Cap 486 of the Laws of Kenya):

i. Mr. Peter Kahara Munga;
ii. Mr. Shem Migot- Adholla.

Relevant resolutions will be presented to members during the Annual General meeting for consideration.

After having served in the board since 2004, Mr. Ernest Nzovu retires by rotation and having attained the age of seventy does not offer himself for re-election. Please join me in thanking Mr. Nzovu for his dedication and sacrifice and wishing him well in his future endeavors.

DIVIDEND

The board continues to balance between maximizing shareholder value as well as the need to plough back funds into the company for future business growth.

As a demonstration of confidence in the strength of the Bank's balance sheet and sustainability of growth, the Board has recommended a dividend of Ksh1.50 per share (2012: Ksh1.25 per share) a growth of 20 percent over the previous year.

2014 OUTLOOK

2013 was another year of strong performance and the board remains confident about 2014. The economy is expected to grow at between 5.8-6.2 percent this year, even after the temporary shock of the September 21, 2013 terrorist attack in Nairobi, according to projections by the World Bank and the International Monetary Fund (IMF). We at Equity Bank will endeavor to leverage on our strength, the conducive business environment to continue championing the socio economic transformation of our people to deliver sustainable performance and contribute to the region's economic development through provision of inclusive customer- focused financial services.

CONCLUSION

Finally, I wish to express my sincere appreciation for the teams that have enabled us make these great strides over the years. Many thanks to my fellow members of the Board of Directors, the management and staff of the Equity Bank Group for their hard work, our customers for their untiring support and last but not least to all our development partners and other stakeholders who have kept faith in us throughout this journey.

Thank You

Mr. Peter Munga, CBS
Chairman – Board of Directors

Dr James Mwangi, CBS
CEO and Managing Director - Equity Bank Limited

CEO'S STATEMENT

INTRODUCTION

It is my pleasure to present to you Equity Group's annual report and financial statements for the year 2013.
In the year under review, we are pleased with our overall business performance which aligns very well with our vision and also our proven track record of consistent delivery and sustained growth. The bank is endowed with a competitive strategy, a unique culture and a very strong brand.

2013 PERFORMANCE REVIEW

I am happy to report that the Bank has continued to defy macro- economic turbulence to deliver strong growth, with profit before tax and exceptional items increasing by 11 percent to Kshs. 19 billion up from Kshs.17 billion realized the previous year.

The Group's total assets posted a 14 percent growth during the year to close at Kshs.278 billion up from Kshs.243 billion. Net customer loans reached Kshs.171 billion up by 26 percent from Kshs.136 billion. Investment in Government Securities grew by 9 percent to Kshs.44.5 billion up from Kshs.41.1 billion while cash and bank placements dropped by 23 percent to Kshs. 35 billion down from Kshs. 45 billion.

The growth in assets was mainly funded by a 16 percent growth in customer deposits to Kshs.195.1 billion up from Kshs.167.9 billion and Shareholders' funds and borrowed funds which grew by 20 percent and 1 percent respectively. Total income grew by 14 percent to Kshs.41.9 billion up from Kshs. 36.8 billion while total operating expenses grew by 16 percent to Kshs. 23.1 billion up from Kshs.19.6 billion. The growth in income was driven by a 26 percent growth in loans from Kshs.136 billion to Kshs.171 billion and 9 percent growth in investment in Government Securities resulting in growth of 11 percent in net interest income from Kshs.24.0 billion to Kshs.26.5 billion.

Strategic growth of SME business resulted in rapid growth in loan book and we sustained a quality loan book despite the challenging macro-economic environment. The group maintained a gross non performing portfolio of 5.19 percent with a coverage ratio of 53 percent that compares positively with the regional banking industry.

The funding structure of savings deposits, shareholders funds and long-term low cost debt led the net interest margin (NIM) to stabilize at 12 percent despite the Bank revising downward the lending rates by around 800bps to stimulate borrowing amid unstable interest regime. The Group's strong and liquid balance sheet characterized by a high asset quality portfolio, strong liquid asset position, loan to deposit ratio of 88 percent and a liquidity ratio of 34 percent allowed the Group to continue its strategic growth pursuit despite the increased uncertainty in the turbulent macro-economic environment.

COSTS

The Group's Cost to Income ratio reduced to 48.5 percent despite the massive investment in the IT platform, core banking platform, mobile and internet banking services and the branch network to support SME growth. Operating costs were driven by significant costs of hiring, developing and training staff to manage SME sector and build Supreme Banking centres. ICT costs have increased significantly as the Group upgraded its system and data centre, trained staff in simulating the change of its core banking software from Finacle version 7 to Finacle version 10. We are confident that going forward we shall continue to see significant improvement in the cost to income ratio as we reap the benefits of the investments in technology already made.

CEO'S STATEMENT

2013 INITIATIVES

Business Development, Innovation and Partnerships

The Bank continued to strengthen its unique business model through innovation, partnerships and enhanced use of technology and automation for a better customer experience. In line with this objective, the Bank in the year 2013 focused on a number of partnerships and strategic initiatives as follows:

Partnership with Mastercard Worldwide

We partnered with MasterCard to issue five-million MasterCard-branded debit and prepaid cards. The MasterCard debit and prepaid cards with chip-enabled technology will be issued, first into the Kenyan market and then extended into Uganda, Tanzania, Rwanda, and South Sudan, signaling the largest rollout of EMV payment cards in sub-Saharan Africa to date. The cards also introduced MasterCard PayPass™ with the first ever installation of PayPass enabled point of sale terminals across the region.
The suite of products that will be made available in the East African region will include Mobile Point of Sale (MPOS) technology which allows merchants to receive payments via low cost add-ons linked to secure applications on their mobile devices (such as a smart phone or tablet). This technology will extend the security and convenience of electronic payments to merchants and their customers who previously depended on cash to transact.

AMEX Partnership

Equity Bank has partnered with American Express where Equity Bank will act as the exclusive issuer of American Express Card products in Kenya, Tanzania and Uganda. As part of this agreement, Equity Bank became a merchant acquirer on to the American Express network in Kenya, Tanzania and Uganda in 2013.

Launch of Beba Pay

Equity Bank Group teamed up with global leader in technology Google to bring Kenyans BebaPay, a payment card which will provide a quick and convenient way to pay for bus fare without the use of cash. BebaPay is an Equity Bank product powered by Google who bring their expertise in payments and Near Field Communication (NFC) technology. The technology allows commuters to simply tap their BebaPay cards on a card reader to pay their bus fare making it easier for commuters to transact with operators.

Visa Personal Payments (VPP)

We partnered with Visa and launched Visa Personal Payments (VPP).Visa Personal Payments is a convenient, cost-effective and secure way for consumers to send funds directly to recipients with Visa cards, both domestically and internationally. Equity Bank is the first bank in Africa to offer the Visa Personal Payments sending capability. Senders can use Visa Personal Payments to make person-to-person payments, send funds to friends or family members, or make account transfers.

Airtel Collaboration

In July, Equity Group entered into a partnership with Airtel Money to offer comprehensive M-Commerce solutions to more Kenyans countrywide. The service is available to all Equity Bank customers who are subscribers of Airtel thus enabling them to perform agency cash transactions at Equity branches and has also enabled Airtel money customers to withdraw and deposit money at any Equity Bank branch or agency countrywide. Equity Bank and Airtel Money entered into a partnership that will offer comprehensive M-Commerce solutions to more Kenyans countrywide. The service which is available to all Equity Bank customers with Airtel lines enables customers from both Airtel and Equity Bank to access Airtel mobile banking platforms, perform agency cash transactions at Equity Bank branches. It also enables Airtel Money customers to withdraw and deposit money at any Equity Bank branch countrywide. The service also enables customers to check account balance and receive mini statements among other services.

PayPal Partnership

Equity Bank and PayPal signed an e-commerce partnership that will enable PayPal users to enhance international and individuals businesses to transact with Kenya service providers via a secure and convenient payment service. Merchants in Kenya can now sell to PayPal's global customer base of more than 137 million active accounts in 193 markets around the world and move the proceeds to their Equity Bank accounts. This new service allows PayPal users to withdraw funds to their qualifying Equity Bank accounts from their PayPal accounts.

CEO'S STATEMENT

INNOVATIONS AND TECHNOLOGY

Equity Bank Group successfully upgraded the Group's integrated and robust IT platform which will enable the Bank roll out its future technology driven innovative products, provide comprehensive business functionality and enhance customer experience. This was in partnership with Infosys Technology, IBM, Oracle and Open Way Group. The enhanced solution allows over 8.4 million Equity Bank customers to transact seamlessly across five countries- Kenya, Uganda, Rwanda, Tanzania and South Sudan.

SME Banking

The Bank in collaboration with our development partners set out to scale up and support SMEs in the country by offering comprehensive business advisory and creative solutions to support their growth and development. The Bank also launched Equity Business Club that will support businesses and entrepreneurs across East Africa.
The Bank started revamping the product offering to this segment, opened 7 Supreme Branches, recruited and is training additional relationship managers and officers and refocusing of Equity Investment Bank to SME advisory services. Consequently, lending to Small and Medium Sized enterprises (SMEs) increased by 28 percent to KShs 81.25 billion during the year. To date, the SME sector accounts for about 46 percent of the bank's loan book.

Agency Banking

The number of Equity Group agents stood at over 10,260 as at December 2013. Cash deposits and withdrawal transactions by agents grew by 47 percent between 2012 and 2013. Agents' transactions accounted for 33 percent of total bank cash transactions.
Agency banking pioneered in Kenya by Equity Bank has proved very successful. It has been approved by regulators in both Rwanda and Tanzania with Rwanda having 570 active agents and Tanzania 133. Having gained wide acceptance, focus will now shift to the commercial dimension of the model to achieve full value. The Bank will continue to roll out new products with the customers at the heart of its operation.

Mobile banking

The year 2013 saw continued success in the roll out of mobile banking services. The number of customers using mobile banking increased to 2.8 million up from 2.1 million as at the end of 2012.The Bank will continue to innovate around this space to enhance affordability, accessibility and convenience in line with our objective of increasing financial inclusion in the region.

Partnership with lenders

In order to support lending to the Small and Medium Enterprises (SME's), agriculture and women entrepreneurs in the region, the Bank entered into a long term loan agreement with the International Finance Corporation (IFC), a member of the World Bank Group, who extended a Kshs 8.3 billion (US$100 million) loan to Equity Bank Group to support lending to these segments. The financing will support the growth of Equity Bank Group's lending portfolio in Kenya, Uganda,Tanzania, South Sudan and Rwanda.

Brand visibility through Community Partnerships

The Wings to Fly scholarship program a partnership between Equity Group Foundation and The MasterCard Foundation and leveraging on Equity Bank infrastructure has continued to grow from strength to strength since it was launched by former President Mwai Kibaki in 2011 with 5,000 scholarships worth USD 40.9M from The MasterCard Foundation. To date, the program has secured additional scholarships comprising of 600 scholarships from UKAID, 2,678 scholarships from USAID, 350 from KfW and a few more through the generous donation of individuals and corporates. This brings the total to over 10,000 scholarships which was the target set for 2015.

CEO'S STATEMENT

The Bank through Equity Group Foundation has continued sponsoring the best boy and best girl in each district where it has a branch for their University education. The program dubbed Equity African Leadership Program (EALP) has benefited over 1,550 best students since 1998 with over 100 of them been admitted to top global universities including Harvard, Yale, London Business School, Stanford among others.

In an effort to broaden financial access and deepen financial inclusion, the Bank through Equity Group Foundation in partnership with The MasterCard Foundation rolled out a financial literacy program that has trained over one million youth and women beneficiaries as at the end of 2013. Branded Financial Knowledge for Africa (FiKA) the programme is supporting the growth of SMEs as drivers of economic growth by empowering entrepreneur's with knowledge, attitude and skills to better manage their businesses.

STAFF

Equity bank continued to invest in its staff to ensure all employees were well equipped for their roles. Equity bank has developed career training, mentoring and coaching programs that meet the needs of every staff member. With a total capacity of nearly 8,000 very talented staff, the bank is poised for the next level of growth in Kenya and the region.
During the year, in order to strengthen our competitiveness and innovativeness, the bank made some senior staff appointments. The bank appointed Reuben Mbindu as Human Resources Director. It also appointed Raphael Hukai as the Chief Information Officer and Enrico Nora to lead the mobile banking unit.

2014 OUTLOOK

Despite the difficult prevailing market conditions, the Group's commitment to its long-term strategy has enabled the bank to capture emerging growth opportunities in Kenya and the region. We expect that the growth momentum will be sustained through maintaining an efficient operating structure, robust agency network and mobile banking, focus on SME to embed client graduation process, prudent lending and risk management. The Group will continue to implement a winning strategy that focuses on delivering value to the customer, disciplined cost management and increasing productivity of the subsidiaries.
The Group plans to enhance its market share through consolidation of the regional business; rolling out electronic delivery channels and expanding agency banking in the recently established counties.
With the fundamentals strengthened, massive investment made and improving macro-economic environment creating huge opportunities, the outlook for 2014 looks promising.

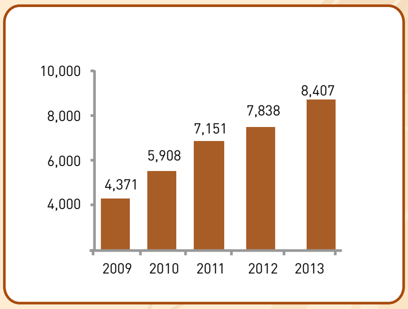
CONCLUSION

Let me conclude my remarks by expressing my gratitude to all who have enabled the Group achieve the success registered in 2013. This includes all our clients in the region for remaining loyal to the Bank and continuing to trust us. I thank the shareholders, development partners and strategic business partners for your continued support and the Board for its guidance and continued support.
Finally, all the aforementioned achievements were made possible by a passionate and enthusiastic team at Equity Bank Group comprising nearly 8,000 staff members. Thank you for continuing to live our brand pillars, essence and core values. I am confident that together guided by a common purpose and vision we shall be able to steer the Group to even greater heights of success and prosperity.

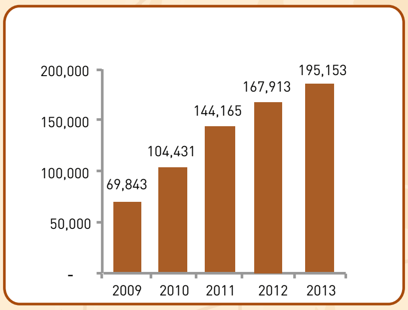
Thank you

Dr James Mwangi, CBS
Chief Executive Officer & Managing Director

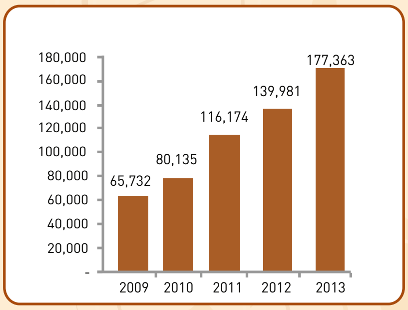
FINANCIAL HIGHLIGHTS



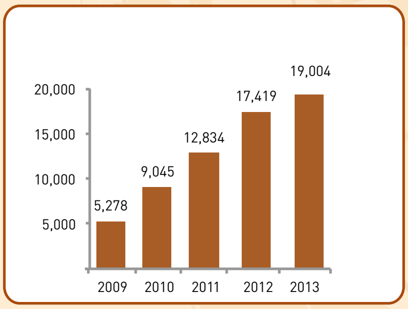
GROWTH IN CUSTOMER NUMBERS
(In Thousands)



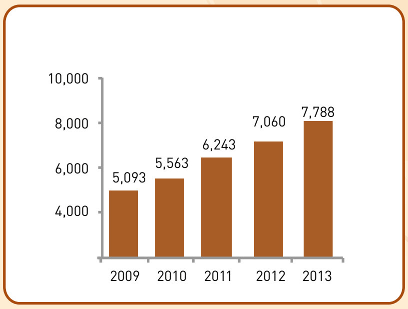
GROWTH IN CUSTOMER DEPOSITS
(In Kshs millions)



GROWTH IN GROSS LOAN PORTFOLIO
(In Kshs millions)



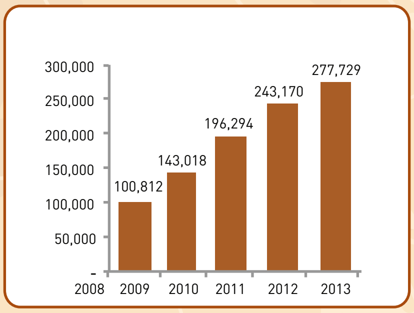
GROWTH IN PROFIT BEFORE TAX
(In Kshs millions)



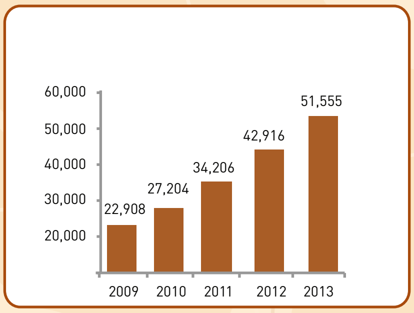
GROWTH IN STAFF NUMBERS

NB. As at 31st December 2013 1USD = KShs. 86.40

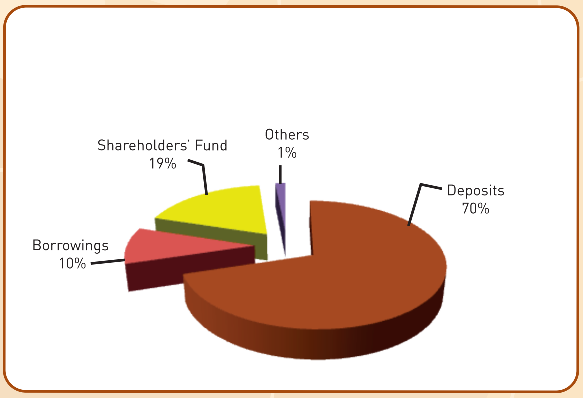
FINANCIAL HIGHLIGHTS



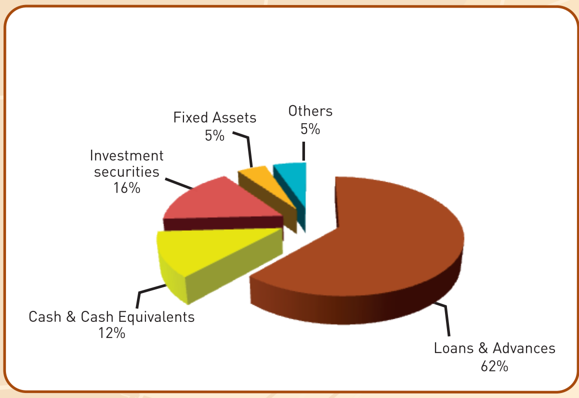
GROWTH IN TOTAL ASSETS
(In Kshs millions)



GROWTH IN SHAREHOLDERS' FUNDS
(In Kshs millions)



DISTRIBUTION OF LIABILITIES



DISTRIBUTION OF ASSETS

KEY ACHIEVEMENTS AND ACCOLADES

Equity Bank ranked 4th globally in Asset Deployment Efficiency

The Banker Magazine in 2013 ranked Equity Bank Number 4 globally in Asset Development Efficiency. The ratings, which appeared in The Banker Global Ranking Insight-Top 1000 world banks published by the magazine in July, saw the Bank also ranked No 12 in Capital Deployment Efficiency while on Soundness (Capital Asset Ratio) the Bank was ranked No 94.

Overall Best Bank in Kenya

Equity Bank was named Overall Best Bank in Kenya during the 8th edition of the Kenya Banking Awards by Think Business.

Best Bank Tier 1

Equity Bank emerged the leading bank in Kenya among Tier 1 banks (banks with an asset base of over Ksh 150 billion during the 2013 Think Business Banking Awards. Equity Bank also got the distinction of being named bank with Lowest Charges.

"Our vision of a world beyond cash is only achievable through collaborations with industry stakeholders, such as the Equity Bank partnership. Working together with governments, financial institutions, merchants and businesses, together we will be able to help modernize the payment industry and assist East Africa reach its full potential as a financial power-house competing on a global platform,"

Ajay Banga, MasterCard President and CEO after the two companies unveiled the Equity Autobranch MasterCard with Paypass 2013

Transparency Seal

Equity Bank was awarded the Micro Finance Transparency Seal. The Bank received the stamp based on disclosure on products and pricing, allowing consumers and stakeholders to make informed decisions.

"Our journey with Equity Bank is a great example of how financial institutions can accelerate growth and delight customers with the right technology foundation"

Venkataramana Gosavi, Vice President and Regional Head-Growth Markets, Finacle, Infosys.

KEY ACHIEVEMENTS AND ACCOLADES

In 2013 Equity maintained a very strong credit rating of;

Long term AA -"...very high credit quality"
Short term A1 + "...highest certainty of timely payment"

"Highest certainty of timely payment. Short-term liquidity, including internal operating factors and/or access to alternative sources of funds, is outstanding, and safety is just below that of risk-free treasury bills."

African Business Leader of the Year

Equity Bank CEO Dr James Mwangi was awarded the African Business Leader of the Year 2013 during the prestigious African Investor Awards. Dr. Mwangi won the accolade for his ongoing efforts in championing financial access and inclusivity in Africa and for displaying astute leadership in business.

Chairman of the Year 2013

Equity Bank Chairman Peter Munga was named Chairman of the Year during the 4th edition of the Capital Market Awards. Mr. Munga was cited for laying the foundation and the dream that became Equity Bank.

"Equity Bank is the leading bank in Kenya and we are truly excited by signing our second bank partnership in Africa with the Bank. Equity and PayPal have a similar focus on innovation, and this strategic partnership is a major milestone on our exciting journey in Sub-Saharan Africa to enable e-commerce across the region and integrate it into the global marketplace."

Efi Dahan, PayPal's Regional Director for Africa and Israel during the launch of PayPal-Equity partnership in 2013

Best Commercial Bank Stand

Equity Bank won the trophy for Best Commercial Bank Stand at the 2013 ASK Nairobi International Trade Fair.

"What we are delivering as IBM to Equity Bank is a solution which is technically advanced in the banking system in Africa,"

Nicholas Nesbitt, GM, IBM Eastern Africa on the upgrade of Equity Bank systems upgrade.

KEY ACHIEVEMENTS AND ACCOLADES

Best Financial Institution Award

Equity Bank stand scooped both the Best Financial Institution Stand and Best Stand Embracing Technology & Communication Systems at the ASK Nyeri show.

"Equity Bank is one of the most important banks in Kenya and owns a large branch and acquiring network in Eastern Africa region. UnionPay is very pleased to form the partnership with Equity Bank, and co-operate in Kenya and Eastern Africa"

Vice President of China Union Pay Chai Hongfeng during launch of

China Union Pay partnership with Equity Bank in 2013

Equity Bank crowned chess champions

Equity Chess team was crowned the Chess Kenya national champions. The team made its debut appearance in the league in 2013 and emerged ahead of 12 top teams drawn from across the country.

Basketball champions

Equity Bank basketball team won the 2013 Kenya Basketball Federation Division 1 League championship in the Bank's debut season in the League.

Overall Winner; Inter-Bank Games - 2013

Equity Bank retained the overall winners' title at the 29th edition of the annual Kenya Institute of Bankers (KIB) Inter-Bank games. The Bank amassed 471 points ahead of 23 financial and affiliated institutions.

"Oracle is about extreme performance, scalability, manageability, tools that allow Equity Bank to focus on the future,"

Peter Hunt, Oracle's Senior Systems Sales Director-North and east Africa, Lebanon and Jordan, during the Equity Systems upgrade launch.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

As outlined in its Vision 2030 blueprint for long-term development, Kenya aims to transform into a middle-income country with a high quality of life for all its citizens by the year 2030. The investment in socio-economic initiatives by Equity Bank and through the Equity Group Foundation(EGF) is informed by a shared value with this vision.
Equity Bank's commitment to corporate social responsibility proves that there are tremendous opportunities for innovation and growth in tackling social problems as part of its core business objectives. We also understand that addressing societal pain points through innovative initiatives, serves to unlock the economic transformation of entire communities. Equity Bank through Equity Group Foundation endeavors to expand its social investment programs in the other countries where the Bank is present.

In 2013, Equity Bank and Equity Group Foundation implemented and achieved the following:

EDUCATION PILLAR

Wings To Fly

Equity Group Foundation and Equity Bank have partnered with The MasterCard Foundation, USAID, UKaid, and the German Reconstruction Credit Institiute-KfW, in a global development alliance to support academically gifted but financially disadvantaged orphans and vulnerable children (OVCs) throughout Kenya by providing them access to secondary education which might otherwise not be available. Driven by the large numbers of academically gifted yet highly disadvantaged children who excel in primary school but lack resources to continue their education, the partners pooled resources to support Equity Group Foundation's *Wings To Fly* Program, which provides full secondary school scholarships, mentorship, and leadership training. Through this broad-based partnership, the program has achieved greater level of results. Children who could not have accessed high school are now in top public boarding schools around the nation. In this program, EGF relies on the Bank's well-established infrastructure to ensure transparent selection of qualified students, and provide efficient scholarship disbursement, program monitoring and reporting. Cumulatively, the total private sector funding to *Wings To Fly* now stands at USD $101 million and growing.

In 2013, *Wings To Fly* added 2,911 students in January, its largest cohort to date, increasing the total number of scholars supported to 6,396. In December 2013, *Wings To Fly* had its first graduating class with 159 scholars of the initial cohort of 166 (96%) successfully completing their studies and sitting their Kenya Certificate of Secondary Education (KCSE).

2013 *Wings To Fly* class during the commissioning by former President Hon. Mwai Kibaki

The Bank committed to admit all *Wings To Fly* scholars who scored a B+ in their mock exams to the Equity African Leaders Program {EALP}. In the first class, 34 scholars qualified and joined the EALP Program. This number is expected to grow after the official release of the 2013 KCSE results.

Other partners who came on board in 2013 include the Nourafchan Foundation who have commited to provide shoes for all the scholars. Gertrudes Children Hospital signed up to provide discounted medical care to all scholars.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

Annual Education & Leadership Congress

The Annual Education and Leadership Congress is the highlight of the leadership, mentoring and social transformation programs run by Equity Group Foundation which aim to develop the next generation of transformative leaders. The Congress brings together all the *Wings To Fly* scholars and seeks to nurture leadership skills and create a global mindset in the scholars by exposing them to mentoring opportunities from outstanding role models drawn from academia, business, the public service, entrepreneurship, non-profit organizations, among others. It is also the primary networking forum for the scholars and lays the foundation for long-term conversations and collaborations to create transformational change. In 2013, the 4th Annual Education and Leadership Congress was held at Kenyatta University campus in August, bringing together all the *Wings To Fly* scholars.

The theme of the 2013 Congress focused on developing a leadership culture based on values – "Value-Based Leadership". Under this theme, the scholars were mentored on the need to adopt and maintain values which will enable them become true role models and leaders.

At the close of the Congress, merit awards were presented to 30 scholars who had recorded consistent outstanding performance in academics, leadership and extra-curricular activities.

Equity African Leaders Program

Started in 1998, the Equity African Leaders Program (EALP) is a rigorous internship-based leadership development program which works to create a community of talented leaders who are capable of solving the world's most pressing challenges.

EALP selects the top boy and the top girl in the Kenya Certificate of Secondary Education (KCSE) examinations from every district where Equity Bank has a branch and provides them with paid internship opportunities and a college savings scheme to help finance their studies. EALP also invites top scholars attending global institutions to join the program through an internship experience, and 130 scholars have attended or are currently attending leading international institutions such as Harvard, Yale, Cambridge, Stanford, Williams, and the African Leadership Academy.
To date, EALP has benefited over 1,550 scholars through activities aimed at developing each scholar in three thematic areas: Academic Vitality, Professional Development, and Entrepreneurship and Innovation.
Notable EALP programs and initiatives in 2013 include the following:

- 263 scholars joined EALP based on their exceptional performance on the KCSE exam.
- The Equity Innovator Award for the best scholar business plan was started. The inaugural winner was John Muthee for his start-up company eQademy Africa, which uses mobile technology to deliver educational content to secondary school students. The award includes a grant of 300,000 KES.
- By late 2013, 11 EALP scholars received early decision admission to leading world universities bringing the total number of EALP scholars in global universities such as Yale, Havard, Princeton among others to over 100
- A new Equity Centre of Excellence was founded at the Nyawara Girls Secondary School, joining the ones already established at Kwale Girls Secondary School and Nyagatugu Boys Secondary School, where Equity Scholars mentor high school students to improve their overall KCSE performance.
- All EALP scholars serve as mentors to *Wings To Fly* scholars.

In executing these programs, EALP aims to create a community of change agents – working together to champion the socio-economic transformation of Africa.

Notable scholars and alumni include Samuel Kirubi, the first scholar under the program, who is currently CEO of Equity Bank Rwanda, Diana Mong'are, 1st Runner Up of the 2012 Anzisha Innovation Prize, and Lavender Birike, a 2012 recipient of the Moody-Stuart Scholarship to Cambridge University.

FINANCIAL LITERACY PILLAR

Equity Group Foundation, in partnership with The MasterCard Foundation, launched the Financial Knowledge for Africa (FiKA) initiative in 2010, a financial literacy programme to train women and youth to equip them with the requisite knowledge, skills and attitudes to adopt good financial management practices and ultimately transform their lives and livelihoods.
By the end of 2013, which marks the close of this phase of the FiKA initiative, a cumulative total of 1,025,769 beneficiaries have been trained since the program's inception—surpassing the original goal of 1 million trainees.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

The FiKA curriculum focuses on teaching youth and women the concepts of money and how to manage it wisely. The programme recognized the diverse financial needs of the people of Africa and developed and utilized a training curriculum with four distinct modules that include Budgeting, Savings, Bank Services and Debt Management. The four modules were delivered over 12 weeks, in a one hour class each week. This adult learning life skills course in financial education offers lifelong rewards to the participants and their dependents. By focusing on informed and strategic decision-making, the principal goal of FiKA was more than the simple provision of information, but to strengthen knowledge, attitudes and skills that lead to more prudent spending, increased saving, and borrowing with sound motives.

INNOVATION & ENTREPRENEURSHIP PILLAR

The micro and small enterprise (MSE) sector in Kenya employs about 7.5 million Kenyans or 80 per cent of the country's total employment and contributes 20% of the Gross Domestic Product (GDP). But despite its important contributions to local and national economies, the MSE sector in Kenya and across much of Africa continues to underperform compared to its potential. Numerous factors contribute to sector and individual enterprise inefficiency, including low capital outlays, the use of labour intensive technology, low level of skills and organization, limited access to organized markets and formal credit, unregulated and competitive markets, and limited access to services. At the most basic level, low levels of education and training underpin several of these factors and a large percentage of African entrepreneurs have never undergone any formal business or entrepreneurial skills training, which limits their ability to plan, spend, save, and invest to support commercial success. The result is high relative levels of indebtedness, an inability to grow both service offerings and jobs, lack of adequate reinvestment, and unrealized earnings and profit.

Equity Group Foundation jointly with Equity Bank is contributing solutions to this with a pilot Entrepreneurship Education training program in partnership with The MasterCard Foundation. With a main focus on developing practical and applicable business knowledge and management skills, the project aims at facilitating knowledge acquisition on key principles for success in entrepreneurship and business.

The project focuses on developing skills, knowledge and attitudes prerequisite to adopting effective small business management practices. The training curriculum covers eight entrepreneurial domains: record keeping, marketing, business planning, costing, stock control, buying, people management and productivity.

In 2013, the program trained 2,825 emerging youth and women entrepreneurs, bringing the total number of people trained to 8,126, against a goal of 10,000 by June 2014, and will disseminate lessons learned to the Kenyan and global micro-finance industry.

AGRICULTURE PILLAR

Equity Bank jointly with Equity Group Foundation has continued to support agriculture under the devolved system of Government by having a presence in all the Counties in the country.

Equity Bank and Equity Group Foundation have been championing food security since 2008 through a partnership with the Ministry of Agriculture jointly with the International Fund for Agricultural Development (IFAD), The World Bank, and the Alliance for a Green Revolution in Africa (AGRA) to support smallholder farmers as well as agrodealers through **Kilimo Biashara** product packages. In 2013, a total of KES 1,129,736,094 was disbursed to 7,668 beneficiaries, This brings the cumulative total for Kilimo Biashara to KES 4 billion amongst 62,668 beneficiaries.

Equity Group has been supporting technology adoption in the poultry subsector. The battery cage system which has been embraced as a superior production system in poultry rearing is one of the modern technologies which reduce production costs. The farmers who have embraced this technology have spread the message about the benefits and the Bank is working with Pwani Feeds to scale it up for up take as the farmers demand for it across the counties.

A farmer project financed by EBL (Thika branch) for pullets and cage-efficient technology for bird's management.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

KfW mission touring one of the operational irrigation projects in Mt Kenya region which has been financed by Equity Bank and financial education provided by Equity Group Foundation.

The Bank and Equity Group Foundation, has successfully championed food security agenda through financing irrigation schemes as mitigation toward climatic change as the country endeavor towards paradigm shift from rain fed agriculture to more sustainable food production mechanism where water conservation and utilization provides pivotal role in food production.

The Smallholder Irrigation Project for Mt Kenya region has seen the number of beneficiary households reach 4,694 covering a total of 1,799.32 acres in food production. Equity Bank financed 50 percent of the infrastructure to the tune of KES 312,275,200 which has been disbursed under a unique financing mechanism through the cooperatives which manages the water catchment. Equity Group supports farmers with loans and financial education training then link them to market such as horticulture exporting companies. Other irrigation schemes supported include Wei Wei, Sandai, Parkera, Bura, Hola and Bunyala.

Equity Bank continued to reach out to farmers through farmers field days, exhibitions, ASK Shows etc. During these events Equity Group Foundation train farmers on the importance of financial access.

The Bank in an effort to develop farmers' capacity has introduced a farmer to farmer learning programme. delivered by Equity Group Foundation. During the year 2013 farmers from Ena Irrigation Cooperative Society were supported to take a tour to Wambugu Farm, Mariba Farmer Group in Nkubu and Sagana Farmer Group.

Prof. Judith Bahemuka (centre) receives sponsorship cheque from Esther Muiruri GM Agribusiness (extreme left) during the Annual Agricultural Trade Fair at University of Eldoret. Wheat rust resistant variety was launched during the forum where the theme was transforming Agriculture through knowledge, innovation and technology application.

BGDM Bungoma Erick Tuda receives Best Financial Instituion certificate from FAO Representative Robert Alliport during the World Food Day held in Bungoma County. Equity Bank dictated items for awarding to outstanding farmers.

STATEMENT ON CORPORATE SOCIAL RESPONSIBILITY

Unlocking Agriculture Potential through Medium Sized Farms

In late 2013, Equity Group Foundation launched an innovative agriculture development project called "Unlocking Agriculture Potential through Medium Sized Farms" that seeks to strengthen approximately 2,000 medium sized farms in Kenya. The project is funded by the Embassy of the Kingdom of the Netherlands and the Equity Bank Group and seeks to increase agriculture production and incomes in key food crops across various regions in Kenya among farms generally between 10 and 100 acres in size.

These medium sized farms, often refered to as the 'missing middle', is an orphaned category, often excluded from traditional smallholder development projects and usually priced out of the market for corporate advisory services and technical assistance. Yet, given their growing influence and aggregate size, this category is becoming increasingly important in Kenya's aspirations to achieve food security and economic prosperity.
The project combines production and enterprise development interventions with the goal of increasing agriculture production, reducing the risk of farming, improving the efficiency of farming business, and increasing market linkages.

Social payments for food security

In 2013 Equity Bank and Equity Group Foundation jointly with various partners in the humanitarian food aid programmes continued to support community initiatives by providing a platform for social payments. These included World Food Programme Cash for Assets, Fresh Food Voucher payments in Dadaab and Cash Lite project in Merti Isiolo Cashless project implemented by Equity – MasterCard and World Food Programme (WFP) where WFP beneficiaries access food through electronic payments administered by selected merchants. In these initiatives, the beneficiaries are trained on financial literacy by Equity Group Foundation.

ENVIRONMENT PILLAR

Sustainable Livelihood Projects for communities around Mau Complex.

This is a partnership between Kenya Forest Service (KFS) supported by the Food and Agriculture Organization (FAO) and Equity Bank which aims at improving livelihoods of farmers around the Mau Forest catchment. The objective of the project is to make farmers start sustainable farm projects to conserve the forest. In 2013 Kenya Forest Service (KFS) was selected as winner of the Edouard Saouma Award 2012-2013 for the successful and efficient implementation of project TCP/KEN/3204, "Sustainable livelihood development in the Mau forest complex", funded by the FAO Technical Cooperation Programme (TCP) and implemented jointly with Equity Bank and Equity Group Foundation.

SCBFFE partnership- Nursery management in Tharaka, financed by Embu branch.

Support to community-based farm forestry enterprises (SCBFFE)

This programme now is on its second year in support to Community Based Farm Forestry Enterprises (SCBFFE) project in Semi-Arid areas so as to increase forest cover in this country. Various activities target livelihood improvement as the farmers take care of the trees. The partners are Kenya Forest Service who train farmers on technical issues of farm forestry while Equity Group Foundation trains and Equity Bank finances the project. Over KES 5 million has been advanced to farmers with good repayment rates.

Water Sanitation and Hygiene (WASH) Project

Through a partnership with Water.Org and Services providers, Equity Bank Group is offering training and financing of products to support water conservation. Products include : maji and jamii safi loans to finance water storage systems, dams and water pans, containers, rehabilitation, bio gas digesters and conservancy tanks among others.

BOARD OF DIRECTORS

From Left to Right

Prof. Shem Migot-Adholla | Dennis Aluanga | David Ansell | Mary Wamae | Babatunde Soyoye | Ernest Nzovu | Peter Munga |

Dr. Helen Gichohi | Dr. James Mwangi | Fredrick Muchoki | Benson Wairegi | Temitope Lawani | Alykhan Nathoo | Dr. Julius Kipng'etich

BOARD OF DIRECTORS

PETER MUNGA, CBS
NON-EXECUTIVE CHAIRMAN

Mr Munga is a Certified Public Secretary with vast experience in both public and private sector management. He holds a diploma in Human Resources and Financial Management. Mr Munga is a retired Deputy Secretary. He is the Chairman of National Oil Corporation and a Director in Micro-Enterprise Support Programme Trust (MESPT), British American Investments Company(Kenya Ltd) , Rockfeller Foundation and Equatorial Nut Processors.

DR. JAMES MWANGI, CBS
CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Dr. Mwangi holds four Honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. James has been honoured twice with Presidential national awards. He was vested the First Class Chief of the Order of the Burning Spear (CBS) national decoration-the highest presidential award to a civilian, for outstanding contribution in economic development. He is currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa , the Global Alliance for Food Security and Nutrition among others and is the Chancellor Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

BENSON I. WAIREGI, EBS
NON-EXECUTIVE VICE CHAIRMAN

Mr. Wairegi holds a Master of Business Administration and Bachelor of Commerce degrees from the University of Nairobi and is a Certified Public Accountant - CPA (K). He is the Group Managing Director of British-American Investments Company (Kenya) Ltd. (BRITAM), a publicly listed company on the Nairobi Securities Exchange and the parent company to British-American Insurance Company (Kenya) Ltd, and British-American Asset Managers Limited. He is also a Director of Housing Finance, Bramer Banking Corporation Ltd., Mauritius and Chancellor of Kenyatta University. Mr. Wairegi is a former Chairman of the Association of Kenya Insurers (AKI) and a former member of the Board of Trustees of the Insurance Training and Education Trust (ITET).

DR. JULIUS KIPNG'ETICH,CBS
CHIEF OPERATING OFFICER

Dr. Kipng'etich holds a Master of Business Administration degree and a Bachelor of Commerce (Accounting option) degree from University of Nairobi. He joined Equity after an eight year successful career as the Chief Executive Officer of Kenya Wildlife Service and was previously the Managing Director of Investment Promotion Centre. He serves on the boards of Moi Girls' Eldoret, Starehe Girls' School, Starehe Boys' Centre, Kenya Tea Development Authority and the Kenya Red Cross Society. He is a leading member of the Mau Task Force, The Steering Committee for the Marketing of Kenya Stadia, The 1st University Council Member - Management University of Africa. He is also the Patron of AIESEC – University of Nairobi.

BOARD OF DIRECTORS

DR. HELEN GICHOHI, MBS
MANAGING DIRECTOR, EQUITY GROUP FOUNDATION

Dr Gichohi holds a Ph.D. in Ecology from the University of Leicester in the UK. She also holds a Master of Science degree in Biology of Conservation and a BSc in Zoology from the Universities of Nairobi and Kenyatta University respectively. She joined Equity Group Foundation in 2012 from the African Wildlife Foundation where she served for 11 years from 2001. She joined AWF as Director of the African Heartlands Program and soon rose to become Vice President for Programs in February 2002. In 2007 she was appointed the first AWF President and led the move of AWF's Headquarters to Nairobi, Kenya from Washington DC in the USA, where the organization had been headquartered since the 1960's. She also provided overall strategic leadership to AWF's Conservation Program spanning 14 countries across Africa.

TEMITOPE LAWANI
NON-EXECUTIVE DIRECTOR

Mr Lawani received his BS in Chemical Engineering from the Massachusetts Institute of Technology, Juris Doctorate (cum laude) from Harvard Law School and MBA (2nd Year Honors) from Harvard Business School. He is co-founder and Managing Partner of Helios Investment Partners, LLP an Africa-focused private equity firm with approximately $2 billion in assets under management. Prior to forming Helios he was a Principal in the San Francisco and London offices of TPG Capital ("TPG"), a leading global private equity firm managing over $50 billion in capital. Tope is also a former Mergers & Acquisitions and Corporate Development Analyst at the Walt Disney Company in Burbank, California. He serves on the Boards of Directors of Equity Bank Ltd, Vivo Energy, First City Monument Bank PLC, Interswitch Ltd., Helios Towers Africa Limited and Mall for Africa. He also serves as a member of the Harvard Law School Dean's Advisory Board; the Overseers' Visiting Committee of the Harvard Business School; and the MIT Open Courseware Advisory Board.

FREDRICK MUCHOKI O.G.W
NON-EXECUTIVE DIRECTOR

Mr Muchoki is a businessman with vast commercial experience. He is the Managing Director of Continental Business Systems, Presta and Office Equipment Limited, Mugumo Coffee Ltd, Online Mobile Com. Ltd and Summerdale Inn Ltd.

ERNEST NZOVU
NON-EXECUTIVE DIRECTOR

Mr Nzovu holds a Bachelor of Arts degree in Economics from the University of Navarra, Spain and a Diploma in International Affairs from the University of Ife, Nigeria. He has for many years been a consultant in Human Resources Management and is a Director of Hawkins and Associates, Know How International Limited and KHI Training. He previously served as Director of Kenya Revenue Authority (KRA) and Export Processing Zones Authority (EPZA).

BOARD OF DIRECTORS

BABATUNDE SOYOYE
NON-EXECUTIVE DIRECTOR

Mr Soyoye holds a Master of Business Administration degree and Bachelor's degree in Electrical Engineering. He is a co-founder of Helios Investment Partners and a Board member of Africatel Holdings B.V.

PROF. SHEM MIGOT- ADHOLLA
NON-EXECUTIVE DIRECTOR, NON-EXECUTIVE CHAIRMAN, EQUITY BANK SOUTH SUDAN

Professor Migot holds a PhD in Sociology of Development, Master of Arts in Sociology, both from University of California, was a Special Graduate Student in Agricultural Economics (Michigan State University) and earned a Bachelor of Arts (University of East Africa). Prof Migot is a private consultant on agriculture and rural development, land policy reform and environmental issues based in Nairobi, Kenya. He is Chairman of the Council of Kibabii University College and the Board of the Center for Corporate Governance and is also a Director of Housing Finance Company of Kenya Ltd. He served as Vice-Chairman Board of Directors Kenya Wildlife Service between 2004 and 2007 and was Lead Specialist on Land Policy and Administration for Africa Region in the World Bank Headquarters. He also served (on secondment from the World Bank) as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya, where he was responsible for formulation and implementation of agricultural and rural development policy as well as general oversight of 38 state corporations. Earlier he was an Associate Research Professor at the Institute for Development Studies (IDS), University of Nairobi and has numerous publications 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 African countries.

ALYKHAN NATHOO
NON-EXECUTIVE DIRECTOR

Mr Nathoo holds a Master of Business Administration from Harvard Business School and a Bachelor of Arts with Distinction in Quantitative Economics from Stanford University. He has over 15 years of experience in Private Equity at Bain Capital, Dubai International Capital and most recently at Helios Investment Partners. He is a Partner at Helios Investment Partners with regional focus on Eastern and Southern Africa. He also sits on the Board of Continental Outdoors

DENNIS ALUANGA
NON-EXECUTIVE DIRECTOR

Mr. Aluanga holds an MBA from the University of Edinburgh Business School, UK and is a Certified Public Accountant. He is a partner at Helios Investment Partners and serves as a non-executive director at Nation Media Group, Vivo Energy Kenya and Helios Towers Tanzania. Dennis was the Chief Operating Officer at Industrial Promotion Services (East Africa) between 2008 and June 2011. Prior to joining IPS, he served in several capacities at Nation Media Group rising to the position of Chief Operating Officer

BOARD OF DIRECTORS

DAVID R. ANSELL
NON-EXECUTIVE DIRECTOR, NON-EXECUTIVE CHAIRMAN EQUITY BANK UGANDA, RWANDA, TANZANIA

Mr. Ansell holds a Bachelors degree in Mathematics from the University of North Carolina at Wilmington, another Bachelors degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business. David R. Ansell was appointed as a Director of Equity Bank in 2012, and also serves as The Chairman of the Board of Directors of Equity's 100% owned subsidiaries in Uganda, Rwanda, and Tanzania. He also serves on the Board of Directors of the affiliated company, Housing Finance. During his working career from 1968-2001; he served in various assignments at Citibank in the Emerging Markets, including 16 years in Africa. His last assignment before retiring was as President of Citibank Russia. From 1989-1991, Mr Ansell left Citibank and served as Managing Director and the first CEO of Ecobank Transnational Inc, located in Lome, Togo, but he rejoined Citibank thereafter.

JOHN STALEY
NON-EXECUTIVE DIRECTOR, EQUITY BANK UGANDA, RWANDA, TANZANIA

Mr Staley has a Masters of Science in Applied and Computational Mathematics, a Bachelor of Science in Physics and a Bachelor of Science (Honours) degree in Geophysics. He also holds a Bachelor of Commerce (Honours) degree majoring in Accounting and is a qualified Chartered Accountant. A specialist in implementing cost effective ICT solutions, John worked as the CEO of Credit Indemnity (Pty) Ltd in South Africa before joining Equity Bank. He has been actively involved in the use of mobile phones to provide financial service since 1998.

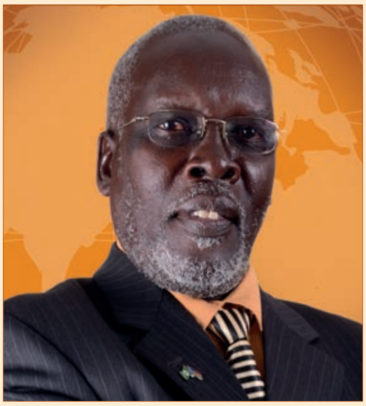
PROF. GEORGE ALIBARUHO
NON-EXECUTIVE DIRECTOR, EQUITY BANK UGANDA

Prof. Alibaruho holds a PhD degree (Economics), University of California, Berkeley. He has worked in various capacities for Makerere University, University of Nairobi, East African Community, World Bank, the United Nations, Economic Commission for Africa, World Bank, International Food Policy Research Institute in Washington DC. He is a Member Global Register's WHO'S WHO in Executives and Professionals, Rockefeller Foundation Fellowship & a Fellowship with CGIAR. He is currently Professor and Chair of the Department of Economics and the Dean of the Faculty of Arts and Social Sciences, Kabale University in Uganda.

ELIZABETH LWANGA
NON-EXECUTIVE DIRECTOR, EQUITY BANK UGANDA

Ms. Lwanga has over thirty years' experience in international development work with emphasis on Africa. She worked with the United Nations as Resident Coordinator of the UN System and United Nations Development Programme (UNDP) Resident Representative in several countries including: Sierra Leone, Swaziland, Ethiopia, Kenya and Zimbabwe. She also served as Deputy Associate Administrator and Deputy Regional Director for UNDP, Africa Regional Bureau; and as UNDP Manager of the global Gender In Development Programme. Prior to joining the UN, she worked with the All Africa Conference of Churches as Communications Director. She currently works as Innovations in Development Consultant.

BOARD OF DIRECTORS



DR. KENYI SPENCER
NON-EXECUTIVE DIRECTOR, EQUITY BANK SOUTH SUDAN

Dr. Kenyi Spencer holds a professional certificate in International Trade from the International Trade Institute of Southern Africa (Affiliate of International Association of Trade Training Organization – University of Geneva, Switzerland), Masters degree in environmental management from the University of the Free State (Bloemfontein), South Africa 2000 – 2002, Post-graduate certificate in Practical Ecology from Technische Universitat Berlin, Germany and BSc. in Science and Applied Environmental Science from the National University of Lesotho. Dr. Spencer is currently an Executive Chairman of Central Equatoria Vision 2040 Secretariat, a deputy Chairman of Central Equatorial Development Agency (CEDA), a local institution tasked with infusion of scientifically oriented agriculture to Central Equatoria farmers, and a board member of the Juba Media Group. He previously worked as a Deputy Director in KB Environment & Trade Consultancy in South Africa. He has executed many assignments for the World Bank and the Republic of South Sudan (RSS). Dr. Spencer recently published a world-acclaimed novel – the Twisted Gift in New York.

MARY JAMES AJITH
NON-EXECUTIVE DIRECTOR, EQUITY BANK SOUTH SUDAN

Mrs. Mary J. Ajith holds a law degree from Neelian University, Khartoum, Sudan and is currently a Legal Counsel, Ministry of Justice, Republic of South Sudan. Mary has also worked with various Gender and Child related organizations and holds a certificate on Gender and Development and Advanced Certificate on UN Women Peace and Security Council Resolution 1325.

EVELYN RUTAGWENDA
NON-EXECUTIVE DIRECTOR, EQUITY BANK RWANDA

Mrs. Evelyn Rutagwenda holds a Bachelor of Commerce degree from Makerere University Kampala and is a Certified Public Accountant – CPA(K). 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 in Decentralization Secretariat (Institutional Capacity Building Project), Ministry of Local Government, Uganda, and also as Chief Auditor at UCA Auditing Services among others. She is currently the Vice – Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda and on the Governing Council of the Institute of Certified Public Accountants of Rwanda.

PROF. HERMAN MUSAHARA
NON-EXECUTIVE DIRECTOR, EQUITY BANK RWANDA

Prof. Herman holds a BA Education degree, Masters of Arts in Economics and a PhD in Development Studies. He is currently an associate professor and Director of planning and development NUR. Prof. Herman previously worked as the national coordinator, African Technology Policy Studies Network, Vice President organization for social science research in Eastern and Southern Africa among others.

BOARD OF DIRECTORS

PROF. DELPHIN RWEGASIRA
NON-EXECUTIVE DIRECTOR, EQUITY BANK TANZANIA

Prof. Delphin G. Rwegasira is currently holder of the Mwalimu Julius Nyerere Professorial Chair in Development at the University of Dar es Salaam's Economics Department. He has many years of international and regional economic experience. In the early 2000s, he worked for four years as Senior Advisor at the International Monetary Fund's African Department. Previously, he had been Executive Director of the Nairobi–based African Economic Research Consortium (AERC) and member of its international Board of Directors. He also served in the African Development Bank (AfDB) as Senior Advisor to the President, and Director of Development Research and Policy. In the early 1980s, he served as Associate Professor of Economics at the University of Dar es Salaam, and as staff Director at the Bank of Tanzania (BOT). Born in Tanzania, he holds a PhD in economics from Harvard University, U.S.A., and a first-class Bachelor's degree in Statistics and Economics from the former University of East Africa (University College Dar es Salaam). He has published internationally on development and financial issues, contributed to the work of a number of expert and policy groups, and served as a member of the United Nations Committee for Development Policy

ZAHRA NURU
NON-EXECUTIVE DIRECTOR, EQUITY BANK TANZANIA

Ms. Nuru holds a Master of Science in Managerial Economics, Quantitative Methods and Business Administration including Trade and Marketing from Hult University. She is a Policy Advisor for IHAN (International Health Awareness Network) and Tanzania Women Chamber of Commerce. Previously she has worked as the Personal Assistant to the President on Diplomatic and International Affairs United Republic of Tanzania; consultant/Advisor of the United Nations Office - Special Advisor on Africa; among other capacities in the United Nations. She has also worked with the Government of the United Republic of Tanzania as Permanent Secretary for Health, Community Development, Culture, Women, Youth and sports; Deputy Permanent Secretary and Director of Management Development and Administration and Head of Planning, Ministry of Labour and Social Welfare among other capacities.

MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds an LLB degree from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya). She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private practice experience.

EXECUTIVE MANAGEMENT

DR. JAMES MWANGI, CBS
CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

James holds four Honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. James has been honoured twice with Presidential national awards. He was vested the First Class Chief of the Order of the Burning Spear (CBS) national decoration-the highest presidential award to a civilian, for outstanding contribution in economic development. He is currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa , the Global Alliance for Food Security and Nutrition among others and is the Chancellor Meru University College of Science and Technology. James has wide experience in the banking industry and inclusive finance.

DR. JULIUS KIPNG'ETICH, CBS
CHIEF OPERATING OFFICER

Julius holds a Master of Business Administration degree and a Bachelor of Commerce (Accounting option) degree from University of Nairobi. He joined Equity in 2012 after an eight year successful career as the Chief Executive Officer of Kenya Wildlife Service and was previously the Managing Director of Investment Promotion Centre. He serves on the boards of Moi Girls' Eldoret, Starehe Girls' School, Starehe Boys' Centre, Kenya Tea Development Authority and the Kenya Red Cross Society. He is a leading member of the Mau Task Force, The Steering Committee for the Marketing of Kenya Stadia, The 1st University Council Member - Management University of Africa. He is also the Patron of AIESEC – University of Nairobi. Julius joined Equity Bank in 2004 as a board member and management in 2012.

DR. HELEN GICHOHI, MBS
MANAGING DIRECTOR, EQUITY GROUP FOUNDATION

Helen holds a Ph.D. in Ecology from the University of Leicester in the UK. She also holds a Master of Science degree in Biology of Conservation and a BSc in Zoology from the Universities of Nairobi and Kenyatta University respectively. She joined Equity Group Foundation in 2012 from the African Wildlife Foundation where she served for 11 years from 2001. She joined AWF as Director of the African Heartlands Program and soon rose to become Vice President for Programs in February 2002. In 2007 she was appointed the first AWF President and led the move of AWF's Headquarters to Nairobi, Kenya from Washington DC in the USA, where the organization had been headquartered since the 1960's. She also provided overall strategic leadership to AWF's Conservation Program spanning 14 countries across Africa. Helen joined Equity Bank in 2009 as a board member and management in 2012.

MARY WAMAE
COMPANY SECRETARY AND DIRECTOR OF CORPORATE STRATEGY

Mary holds an LLB degree from the University of Nairobi, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya). She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private practice experience. She joined Equity Bank in 2004.

Executive management

JOHN STALEY
CHIEF OFFICER-FINANCE,INNOVATION AND TECHNOLOGY

John has a Masters of Science in Applied and Computational Mathematics, a Bachelor of Science in Physics and a Bachelor of Science (Honours) degree in Geophysics. He also holds a Bachelor of Commerce (Honours) degree majoring in Accounting and is a qualified Chartered Accountant. A specialist in implementing cost effective ICT solutions, John worked as the CEO of Credit Indemnity (Pty) Ltd in South Africa before joining Equity Bank in 2009. He has been actively involved in the use of mobile phones to provide financial service since 1998.

REUBEN MBINDU
DIRECTOR OF HUMAN RESOURCES

Reuben holds a BSc. in Computer Science from Germany and is a full member of the Institute of Human Resource Management in Kenya. He has expertise in various fields including technology, auditing, communication and human resources having worked at senior management levels in various organizations. Reuben joined Equity Bank in 2013 from Standard Chartered, where he was the Director of Human Resources for East Africa. He has also held other senior positions within Standard Chartered including Head of Corporate Affairs - East Africa, Chairman of the Nairobi Marathon, Head of Human Resources - Tanzania and Regional Head of Human Resources Operations for Africa. While at Standard Chartered, he had the opportunity to work in different markets including United Kingdom, Hong Kong, Tanzania, Zambia and South Africa. He made a major contribution in the design and automation of global HR processes in Standard Chartered. Reuben has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany).

RAPHAEL HUKAI
CHIEF INFORMATION OFFICER

Mr. Hukai holds a BSc. degree in Computer Science from the Institute of International Politics of Beijing, China. He joined Equity Group in December 2013 after over 16 years of service at IBM Corporation, where he worked at many leading banks around the world, providing executive consulting on banking/IT technology and governance. He also has extensive experience in insurance and e-commerce.

JUMAANE TAFAWA
DIRECTOR INVESTMENTS AND STRATEGIC INITIATIVES

Jumaane holds an MPA from Harvard University. He joined Equity Bank in 2012. At the Group level, he overseas all SME related strategic initiatives across Equity Bank Group, including Equity Bank SME division, Equity Investment Bank, Equity Consulting Group, Equity Insurance Agency and Equity Group Foundation. He also leads major group-level partnerships and collaborations. Jumaane has over a decade of business strategy and small and medium enterprise (SME) development experience gained through his work in the private, government and nonprofit sectors, in 60+ countries. He has spent most of his career as a management consultant improving the effectiveness of multiple SME development programs across the world, especially across Sub-Saharan Africa.

EXECUTIVE MANAGEMENT

GERALD WARUI
DIRECTOR CUSTOMER EXPERIENCE, RESEARCH AND DEVELOPMENT

Gerald holds an Executive Masters of Business Administration degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is also a Certified Public Accountant CPA (K) and a graduate of Advanced Management Program offered by Strathmore- IESE Business School, Barcelona Spain. A career banker, Gerald has vast experience in operations and customer service. Prior to his current position, he served as the Director of Operations and Customer Service. He joined Equity Bank in 1998.

HILDAH MUGO
DIRECTOR OF OPERATIONS

Hildah holds a Masters degree in Business Administration - Strategic Management, a Bachelor of Business Administration in Entrepreneurship and is an Associate of Kenya Institute of Bankers. She is a graduate of Advanced Management Program offered by Strathmore- IESE Business School, Barcelona Spain. Prior to joining Equity Bank in 2004, Hildah had acquired extensive banking experience in operations, compliance, customer service and consumer banking for over ten years with Barclays Bank of Kenya.

MICHAEL WACHIRA
DIRECTOR OF TREASURY AND TRADE FINANCE

Michael holds a Bachelor of Science degree in Economics and a Master of Science in Investment Management. He is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). Prior to joining Equity Bank in 2009 Michael worked in Brussels, Belgium for the Fortis Bank group. Michael has also worked as an Emerging Markets Proprietary Trader focusing on the Middle East and Africa for Cargill Financial Markets based in London.

ALLAN WAITITU
DIRECTOR SPECIAL PROJECTS

Allan is a Certified Systems Engineer, and a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). He has over 26 years experience in information technology and banking and previously served as Equity Bank's General Manager of Operations. Allan joined Equity Bank in 2004.

ISAAC MWIGE
DIRECTOR OF RELATIONSHIP BANKING

Isaac holds a Masters degree in International Business Administration from the United States International University and a Bachelor of Business Administration Degree from University of Eastern Africa Baraton. He has over 17 years experience in Banking covering Corporate, Business & Retail Banking and has previously worked with Standard Chartered Bank, most recently as the Director, Transaction Banking for East Africa. Prior to that, he was based in Ghana heading Transaction Banking for the West African Cluster. He previously also worked with Commercial Bank of Africa for five years. Isaac joined Equity Bank in 2011.

EXECUTIVE MANAGEMENT

ELIZABETH GATHAI
DIRECTOR OF CREDIT

Elizabeth holds a Masters degree in Business Administration from the University of Nairobi, Bachelor of Commerce degree in finance, and a Certified Public Accountant CPA (K). She is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain) and Management Executive Programme (Maastricht School of Management (MSM)-Netherlands). Elizabeth joined Equity Bank in 2001.

BILDARD FWAMBA
GENERAL MANAGER, INTERNAL AUDIT

Bildard holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and is a Certified Public Accountant, CPA (K). He is also writing his dissertation for an MBA at Strathmore Business School. He has over15 years experience in Finance and Audit and previously worked with Central Bank of Kenya and British American Insurance Company. Bildard joined Equity Bank in 2004.

AYOTUNDE ABOABA
GENERAL MANAGER, RISK

Ayo holds a Masters Degree in Mathematical Finance from the University of Oxford, England, A Msc in Information Technology, A post Graduate Diploma in Actuarial Science, a Bsc degree in Maths and Statistics. Prior to joining the bank, Ayo served at Moody's Analytics; Independent FOREX Trader, LCH Clearnet as the Quantitative Analyst, UBS London as a credit Valuer, Dresdner Kleinwort as the Quantitative Structurer, Fitch Ratings as the Quantitative Developer and Barclays Bank as the Senior Analyst Programmer in London. Ayo joined Equity Bank in 2012.

FRANCIS C G MILLS - ROBERTSON
MANAGING DIRECTOR, EQUITY BANK UGANDA

Francis holds a BA (Hons) Social Sciences degree from the Kwame Nkrumah University of Science and Technology, Ghana and is an Associate member of the Oxford University Society. A Business leader with over 15 years cumulative experience in Banking and Finance, Francis last worked as the Executive Director, Consumer Banking at Standard Chartered Bank Ghana, before joining Equity Bank Uganda in 2010.

PAUL GITAHI
MANAGING DIRECTOR, EQUITY BANK SOUTH SUDAN

Paul is a career banker with over 24 years experience and previously worked with ABC Bank and Cooperative Bank. He has extensive banking experience in operations, marketing and customer service. Paul served previously as the General Manager in charge of marketing in Equity Bank Kenya before taking up his present position. Paul joined Equity Bank in 2006.

EXECUTIVE MANAGEMENT

SAMUEL KIRUBI
MANAGING DIRECTOR, EQUITY BANK RWANDA

Samuel holds a Masters Degree in Business Administration (Finance) from Moi University and a Bachelor of Arts degree in Economics and Statistics from Egerton University. He is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain). Since joining Equity Bank in 2001, Samuel has gained vast experience in operations, marketing and customer service. Samuel was previously the Chief Operations Officer in Equity Bank South Sudan.

JOSEPH IHA
MANAGING DIRECTOR, EQUITY BANK TANZANIA

Joseph holds a Bachelor of Education in Accounting and Mathematics from the University of Nairobi and has also attended various professional courses in banking. He has over 15 years banking and leadership experience in Credit, Corporate banking and Operations. Before to joining Equity Bank Tanzania, he worked as the General Manager, Credit in Equity Bank Uganda and General Manager, Corporate Banking Division at Equity Bank Kenya. Joseph joined Equity Bank in 2005. He previously worked with Co-operative Bank of Kenya for six years in various capacities.

APOLLO NJOROGE
EXECUTIVE DIRECTOR, EQUITY BANK UGANDA

Apollo holds a Bachelor of Science (Hons) from University of Nairobi in Mathematics and Physics, Masters Degree in International Business Administration in Finance from United States International University and a Diploma in Banking. Prior to his current posting he was the General Manager Corporate Banking in Equity Bank Kenya and has wide experience of 17 years in banking. Apollo joined Equity Bank in 2008.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with, the audited financial statements for the year ended 31st December 2013 in accordance with Section 22 of the Kenyan Banking Act and Section 157 of the Kenyan Companies Act, which discloses the state of affairs of the Bank and its subsidiary companies.

1. ACTIVITIES

The Bank is engaged in the business of banking and is licensed under the Banking Act. The Bank has also invested in nine wholly owned subsidiaries whose activities are as shown under note 17b.

2. RESULTS

The Bank and Group results for the year are set out on page 51 - 116.

3. DIVIDENDS

The Board has recommended a dividend of KShs 1.50/- per share subject to the approval of shareholders at the Annual General Meeting.

4. DIRECTORS

The directors who served during the year and to the date of this report are set out below:

Peter Kahara Munga	- Chairman
Dr. James Njuguna Mwangi **	- Chief Executive Officer & Managing Director
Benson Irungu Wairegi *	- Vice-chairman
Fredrick Mwangi Muchoki *	
Julius Kangogo Kipng'etich **	- Chief Operating Officer
Ernest Mattho Nzovu	
Babatunde Temitope Soyoye +	
Temitope Olugbeminiyi Lawani #*+	
Prof. Shem Migot- Adholla	
Dr. Helen Gichohi**	
David Ansell****	
Dennis Aluanga	
Alykhan Nathoo***	

*	Retired by rotation on 27th March 2013 and were re-elected.
**	Executive Director
***	Canadian, Alternate director to Dennis Aluanga
****	American
+	British
#	Alternate director to Babatunde Soyoye

REPORT OF THE DIRECTORS

Article 100 of the Memorandum and Articles of Association of the Bank provides for retirement of directors by rotation. Section 186(2) of the Companies Act (Cap 486 of the Laws of Kenya) provides for retirement of directors on attaining the age of seventy. During the year, the following directors are due to retire by rotation and having attained the age of seventy further retire in terms of Section 186 (2) of the Companies Act (Cap 486 of the Laws of Kenya) and being eligible, offer themselves for re-election by special notice pursuant to Section 186(5) of the Companies Act (Cap 486 of the Laws of Kenya):

i. Mr Peter Kahara Munga;
ii. Prof. Shem Migot- Adholla.

Mr Ernest Nzovu retires by rotation and having attained the age of seventy does not offer himself for re-election as a director.

5. AUDITORS

The auditors, Ernst & Young, have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act and subject to Section 24(1) of the Banking Act.

6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 27th February 2014.

BY ORDER OF THE BOARD

Mary Wangari Wamae - Company Secretary

4th March 2014

STATEMENT OF CORPORATE GOVERNANCE

The Group and the Bank has built its business on very strong corporate governance principles based on the application of high and consistent ethical standards in our relationships with all customers, employees and other stakeholders. This is consistent with the Bank's core value of effective corporate governance that has led to a strong commitment to conduct business in accordance with best business practices based on the principles of accountability and responsibility, compliance with relevant laws and regulations, risk management, appropriate checks and balances and the delivery on commitments to all stakeholders. The Group and the Bank has also kept abreast with international developments incorporate governance for the promotion of enhanced transparency, integrity and the rule of law.

The Board of Directors is responsible for ensuring proper and sound corporate governance within the Group. Good corporate governance is therefore a fundamental part of the culture and the business practices of the Group and is also one of the core values of the Group.

OVERSIGHT ROLE OF THE BOARD OF DIRECTORS

The Board's most significant responsibilities include guiding the Group with a view to ensuring long-term, sustainable returns for shareholders whilst delivering exceptional services to our customers and having regard to the interests of all other stakeholders, including staff, regulators and the communities in which the Group operates.

The Board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst also reviewing and monitoring proper corporate governance throughout the Group.

The Board has provided strong leadership to the Bank resulting in the Bank taking banking services to the furthest reaches of the society, the East African Region and in the generation of great shareholder wealth. The Board of Directors has continued to supervise the delivery of strong business growth coupled with continued delivery of very strong financial performance.

The Board has also attracted outstanding directors who have shown great commitment and enthusiasm in discharging their duties and obligations to the Bank while also demonstrating the spirit and ethos of the organization. The directors subscribe to the Code of Corporate Practices which is constantly reviewed and which guides them in the fulfillment of their duties and responsibilities to shareholders, customers, employees and respective communities. The code of corporate practices provides for the selection criteria and processes for the board selection.

During the year, eleven directors served on the board with two alternates and five full board meetings were held.

Mr Benson Wairegi, Mr Fredrick Muchoki and Mr Temitope Lawani retired by rotation from the Board at the Annual General Meeting on 27th March 2013 and were re-elected. Mr Dennis Aluanga became a substantive director with Mr. Alykhan Nathoo as his alternate. As well, Mr Temitope Lawani became an alternate director to Mr Babatunde Soyoye.

The director's attendance to the meetings was as follows:

	Board	Audit Committee	Credit Committee	Risk Management & ALCO Committee	Strategy & Investment Committee	Tendering & Procurement Committee	Governance, Board Nomination & Staff Remuneration
Number of meetings held							
	5	4	4	4	5	4	4
	Number of meetings attended (maximum possible)						
Peter Kahara Munga	4 (5)				3 (5)		3 (4)
Dr. James Njuguna Mwangi	5 (5)				4 (5)		4 (4)
Benson Irungu Wairegi	5 (5)	4 (4)		4 (4)	5 (5)		
Frederick Mwangi Muchoki	5 (5)		4 (4)			4 (4)	
Ernest Mattho Nzovu	5 (5)	3 (4)	4 (4)			4 (4)	4 (4)
Dr. Julius Kangogo Kipng'etich	5 (5)				3 (5)		
Prof. Shem – Migot Adholla	5 (5)		4 (4)	4 (4)	4 (5)		
Babatunde Temitope Soyoye	3 (3)	2(2)		2 (2)			2 (2)
Temitope Olugbeminiyi Lawani	3 (5)						
Dr. Helen Gichohi	5 (5)					3 (4)	4 (4)
David Ansell	4 (5)		4 (4)	2 (4)			
Denis Aluanga	2 (2)	2 (2)		2 (2)	5 (5)		2 (2)

STATEMENT ON CORPORATE GOVERNANCE (Continued)

The board also conducts an annual self evaluation exercise in keeping with the highest international standards. The evaluation focuses on the role and responsibility of the Board, structure, composition, functions and processes, information and meetings- amongst other critical areas. The results of this evaluation are submitted to the Central Bank of Kenya as required under the Prudential Guidelines for institutions licensed under the Banking Act. The remuneration of the directors is an item on the agenda at every Annual General Meeting of the members of the Bank.

BOARD COMMITTEES

The Board has established seven board committees governed by charters and aligned to the Bank's delivery of its vision and mission. The secretary to each board committee is the head of the relevant function within the Group and the Bank.

The following is the composition of the board committees:

	Board Committee	Members
i.	Governance, Board Nomination and Staff Remuneration Committee	Mr. Dennis Aluanga - Chair Mr. Peter Munga Mr. Ernest Nzovu Dr. Helen Gichohi Dr. James Mwangi
ii.	Audit Committee	Mr. Benson Wairegi – Chair Mr. Ernest Nzovu Mr.Dennis Aluanga
iii.	Risk Management and ALCO Committee	Prof. Shem Migot-Adholla - Chair Mr. Benson Wairegi Mr. David Ansell Mr.Dennis Aluanga
iv.	Credit Committee	Mr David Ansell- Chair Mr. Fredrick Muchoki – Vice Chair Mr. Ernst Nzovu Prof. Shem Migot-Adholla
v.	Tendering and Procurement Committee	Mr Fredrick Muchoki – Chair Mr Ernest Nzovu Dr Helen Gichohi
vi.	Strategy and Investment Committee (incorporating Systems & Processes)	Mr. Dennis Aluanga - Chair Dr. Julius Kipng'etich Mr. Benson Wairegi Mr. Peter Munga Prof. Shem Migot- Adholla Dr. James Mwangi Mr. Temitope Lawani
vii.	Board Executive Committee	Mr. Peter Munga- Chair Dr. James Mwangi Mr. Benson Wairegi

STATEMENT ON CORPORATE GOVERNANCE (Continued)

Governance, Board Nominations and Staff Remuneration Committee ensures implementation and compliance with Human Resource Policies, makes recommendations to the board for policy on executive and senior management remuneration so as to attract and retain high caliber staff and motivate them to implement the Group strategy. The committee also ensures the Board appointments maintain a good mix of skills, experience and competence in various fields of expertise.

Audit Committee provides independent oversight of the Group's financial reporting and internal control system, ensures that checks and balances are in place and the Group has and adheres to sound policies, processes and procedures that deliver business strategic plans effectively. The committee receives and reviews findings of internal and external audits and actions taken to address them. It is comprised of three non-executive directors.

Risk Management and ALCO Committee ensures quality, integrity and reliability of the Group risk management. The Committee also discharges duties relating to corporate accountability and associated risks in terms of management assurance and reporting. The Committee is responsible for ensuring that there are updated documented policies, procedures and processes for risk management and monitors compliance with them and regularly reviews the adequacy of the Risk Management framework in relation to the risks faced by the Group.

Credit Committee reviews and oversees the overall lending policy of the Group and its subsidiaries ensures lending systems and procedures are adequate and adhered to and also ensures full compliance with Central Bank of Kenya prudential guidelines, Bank of Uganda guidelines, Bank of South Sudan guidelines (Sudan), National Bank of Rwanda (BNR), Bank of Tanzania guidelines, Banking Act and International Financial Reporting Standards to guarantee high quality asset portfolio.

Tendering and Procurement Committee oversees and keeps the Board appraised of issues pertaining to the tendering and procurement of goods and services including regularly reviewing the tendering and procurement procedures.

Strategy and Investment Committee supervises the development of corporate strategy and monitors implementation of strategy. It manages the process of resource allocation to increase shareholder value in pursuit of the vision of the Bank and Group. It also reviews and considers the proposed strategic investments and makes recommendations to the Board and advices the management accordingly.

Executive Committee provides coaching and mentoring for the Chief Executive and provides the link between the Board and the management. The committee provides a first line of support and response to management.
Board members have open access to management through the Chairman, Group Chief Executive Officer or Group Company Secretary. Regular presentations are made by management to Board and Board Committee meetings and directors may seek briefings from management on specific matters. The Board seeks additional information, where appropriate. In accordance with the Companies Act Cap 486 the Company Secretary is a member of the Institute of Certified Public Secretaries of Kenya(ICPSK).

THE BANK'S RISK MANAGEMENT FRAMEWORK

The Bank's Board of Directors is the primary risk supervisor, exercising its role through various board-approved committees. The Board has delegated the day-to-day operations of the Group and the Bank to management but remains accountable for ensuring that operations are carried out in compliance with applicable laws and regulations that they are consistent with safe and sound banking practices.

The Bank has instituted an end-to-end, forward-looking framework for risk management, in line with the Central Bank regulations and with a view towards eventual, advanced Basel III compliance. Within this framework all risks associated with the Bank's business and operations, and those specific to the Group and the Bank, are actively owned and managed by the respective business units supported by an integrated risk management hierarchy. With the Risk Management function playing a monitoring and supporting role, this hierarchy utilizes, among other tools, a comprehensive risk register that records all extraordinary events (positive or negative) occurring across all departments in all subsidiaries. This risk register is then coupled with a risk control self-assessment platform that enables area experts across the Bank to offer forecasts of risk; to be reconciled statistically with subsequently registered events, by risk function analysts. The combination of an historical register and a forward-looking assessment system enables the risk function's predictive analytics team to offer strategic guidance to the business function heads that leverages both operations and experience: blending quantitative and qualitative elements.

STATEMENT ON CORPORATE GOVERNANCE (Continued)

Predictive risk analytics are furthermore driven by the identification of key risk drivers that are considered in the formulation of quarterly and yearly forecasts as well as in the creation of stress tests. The Bank's provisions and capital (established by Board Risk & ALCO committee) are compared against plausible forecasts as well as stressed scenarios to enable an adequate allocation of financial cushioning in any eventual market circumstance. The sensitivity of the Bank's financial position then outlines for the Risk Management function the Bank's risk profile: a key factor used in assessing expansion, investment and operating opportunities and activities. Risk limits are also assessed to ensure the risk profile's alignment with business objectives and current market conditions. Moreover, the Bank has continued to strengthen the risk management team by creating a more comprehensive structure that now comprises a Head of Risk and a Board Risk Management Committee that works with specialized units as well as the rest of the Senior Management team.

The Risk Function's Compliance Assurance docket reviews the compliance framework and specific compliance issues by all business units and supports and follows up on implementation of Internal Audit, External Audit and regulators' recommendations. In addition, the compliance enforcement team works with businesses so as to close any gaps that are identified through audit and business reviews.

The Bank's Internal Audit department plays a vital role within governance processes by keeping the Board and senior management aware of risk and control issues and by assessing the effectiveness of risk management. Reporting to the Audit Committee of the Board, the department objectively and independently evaluates the existing risk and internal control framework and analyses business processes and associated controls.

The Bank has also continued to invest in building its operational resilience by deploying a state of the art technology and has migrated to a tier 4 data center that will ensure high system availability, security and redundancy capability.

FINANCIAL REPORTING AND DISCLOSURES

The performance of the Group and the Bank's businesses is reported by management and the Board who have to maintain proper books and records of the Group's activities and to lay before the Group's annual general meeting, an income statement and a statement of financial position reflecting a true and fair view of the Group's state of affairs.

Financial information on the Group's performance is prepared using appropriate accounting policies and standards, which are applied consistently. Financial statements are produced in accordance with International Financial Reporting Standards (IFRS) and the requirements of all the relevant statutes, rules and regulations. The Group also complies with all relevant requirements by all other regulatory authorities such as the Retirement Benefits Authority, the Nairobi Stock Exchange (NSE), Uganda Securities Exchange and other relevant ones in all countries in which we operate.

In accordance with the Banking Act, Capital Markets Authority Act, continuing listing obligations and the Central Bank of Kenya prudential guidelines, the Bank ensures that shareholders and other stakeholders are provided with full and timely information on performance at least once every quarter. Operational procedures, controls and policies have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets.

DEVELOPMENT PARTNERS

The Group and the Bank has established relationships and partnerships with several organizations in its quest for the highest standards of corporate governance, accountability and business growth.

Some of these institutions include, but are not limited to:-

1. The MasterCard Foundation
2. UK Agency for International Development (UKaid)
3. United States Agency for international Development (USAID)
4. Deutsche GesellschaftfuerInternationaleZusammenarbeit (GIZ)
5. Hong Kong Shangai Banking Corporation(HSBC)
6. Bill and Melinda Gates Foundation
7. World Food Programme (WFP)
8. German Development Bank (KfW)
9. United Nations International Fund for Children (UNICEF) jointly with Red Cross
10. United Nations Capital Development Fund (UNCDF)

11. Swiss Foundation for Technical Co-operation (Swisscontact)

STATEMENT ON CORPORATE GOVERNANCE (Continued)

12. Consultative Group Assisting the Poor (CGAP)
13. Financial Sector Deepening Trust (FSD)
14. International Fund for Agricultural Development (IFAD)
15. Alliance for a Green Revolution in Africa (AGRA)
16. The World Bank jointly with the Kenya Forest Service
17. Food and Agriculture Organization (FAO)
18. Action Against Hunger (ACF)
19. Food for the Hungry (FH)
20. Millennium Promise of Earth Institute
21. Kenyatta University
22. China Development Bank
23. ResponsAbility Global Microfinance Fund
24. Dexia Micro Credit Fund
25. Blue Orchard Loans for Development SA
26. Duetsche Bank Microfinace Fund
27. Ontwikelinslanden N.V (FMO)
28. Micro Finance Sector Support Credit (Ministry of Finance)
29. Micro Finance Enhancement Facility (MEF)
30. International Finance Corporation (IFC)
31. European Investment Bank (EIB)
32. Technoserve
33. BizCorps Inc.
34. African Development Bank
35. Nourafchan Foundation
36. International Labour Organisation (ILO)
37. Africa Nazarene University
38. Kenya Tea Development Agency (KTDA)
39. Visa
40. MasterCard Worldwide
41. Google
42. PayPal
43. American Express

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

1. Association of Microfinance Institutions (AMFI)
2. Kenya Bankers Association (KBA)
3. Women's World Banking (WWB)
4. Global Network for Banking Innovation (GNBI)
5. Small Business Banking Network (SBBN)
6. Micro Finance Network (MFN)
7. Global Agenda Council on Emerging Multinationals 2010
8. World Economic Forum
9. Clinton Global Initiative
10. African Leadership Network (ALN)
11. UN Economic and Social Council
12. G8 New Alliance for Food Security & Nutrition
13. Global Agenda Council on New Models of Economic Thinking of the World Economic Forum

PARTICULARS OF SHAREHOLDING

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

The following are details of key strategic shareholders of the Bank:

STATEMENT ON CORPORATE GOVERNANCE (Continued)

HELIOS EB INVESTORS L.P. (HELIOS)

Helios invested in excess of Ksh 11 billion in 2007 to become the largest shareholder in Equity Bank with 24.45%.

Helios is an Africa-focused private investment firm which operates a family of funds and their related co-investment entities, aggregating more than $1.7 billion in capital commitments, pursuing a full range of investment types, including business formations, growth equity investments, structured investments in listed entities and large scale leveraged acquisitions across Africa.

Helios manages capital on behalf of a group of investors, comprising of several leading global funds, endowments and foundations, sovereign wealth funds, family offices, high net-worth individuals and development finance institutions, and all of Helios' own investment professionals. Notable among the investors are:

- U.S. Overseas Private Investment Corporation ("OPIC")
- CDC Group PLC
- International Finance Corporation ("IFC").

One of the few independent Pan-African private equity investment firms founded and led by Africans, Helios has access to an extensive global network of strategic, operational and financial partners and works actively with senior management of companies in which it has invested, including through its representation on the board of the portfolio companies.

Among the other major investments undertaken by Helios in Africa are:

- The acquisition of Interswitch Limited, the leading electronic payments processing company in Nigeria.
- The US$ 50 million acquisition of a 16% shareholding in First City Monument Bank PLC;
- Vivo Energy, a joint venture between Helios and Vitol Group formed to acquire Royal Dutch Shell PLC's downstream businesses in Africa for over US$1 billion.

BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED (BRITAM)

Britam is a diversified financial services Group with interests in insurance, asset management, private equity, property and banking. It is a company listed on the Nairobi Securities Exchange. Britam Group has six subsidiaries in Kenya, Uganda, South Sudan and Rwanda. The largest shareholder in Britam is British-American (Kenya) Holdings Limited which in turn is controlled by British-American Insurance Company (Mtius) Limited, a company incorporated in Mauritius.

Director's shareholding as at 31st December 2013:

DIRECTOR	NUMBER OF SHARES	%
Peter Munga	15,417,690	0.42
Dr. James Mwangi	127,809,180	3.45
Benson Wairegi	9,075,000	0.25
Julius Kangogo Kipng'etich	1,102,950	0.03
Fredrick Muchoki	800,060	0.02
Temitope Lawani	NIL	
Ernest Nzovu	NIL	
Babatunde Soyoye	NIL	
Prof Shem Migot-Adholla	NIL	
Dr. Helen Gichohi	NIL	
Alykhan Nathoo	NIL	
Dennis Aluanga	NIL	
David Ansell	NIL	

STATEMENT ON CORPORATE GOVERNANCE (Continued)

As at 31st December 2013, the following was the shareholding and distribution:

NAME	NO. OF SHARES	%
HELIOS EB INVESTORS	905,162,550	24.45
BRITISH-AMERICAN INVESTMENTS COMPANY (K) LTD	263,455,230	7.12
EQUITY BANK EMPLOYEES' SHARE OWNERSHIP PLAN	138,534,200	3.74
JAMES NJUGUNA MWANGI	127,809,180	3.45*
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9069	123,637,800	3.34
EQUITY NOMINEES LIMITED A/C 00104	110,000,000	2.97
FORTRESS HIGHLANDS LIMITED	101,010,000	2.73
ANDREW MWANGI KIMANI	90,426,800	2.44
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.43
MAEWA HOLDINGS LTD	64,371,200	1.74
OTHER 24,852 SHAREHOLDERS	1,688,255,150	45.59
TOTAL SHARES	3,702,777,020	100.00

*By Virtue of his shareholding and units in British American Investments Company (K) Limited and Employee Share Ownership Plan (ESOP) respectively, Dr James Mwangi's total direct and indirect shareholding is 4.88%.

DISTRIBUTION OF SHARES

Shareholding	No. of Shareholders	No. of Shares	% Shares Held
1 – 500	8,748	2,300,362	0.06%
501 - 5,000	11,441	21,103,675	0.56%
5,001 - 10,000	1,739	13,728,473	0.37%
10,001 – 100000	2,238	65,134,067	1.75%
100,001 - 1000,000	447	148,609,005	4.01%
1,000,001 and above	249	3,451,901,438	93.22%
Total	24,862	3,702,777,020	100.00%

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and its subsidiaries (the Group) as at the end of the financial year and of the operating results of the Group and the Bank for that year. It also requires the directors to ensure the Group and the Bank keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Bank and of the operating results of the Group and the Bank.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

Nothing has come to the attention of the directors to indicate that the Group and the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Director: ______________________________

Director: ______________________________

Secretary: ______________________________

27th February 2014.

Building a better working world

Ernst & Young
Certified Public Accountants
Kenya Re Towers
Upper Hill
Off Ragati Road
PO Box 44286-00100
Nairobi GPO, Kenya

Tel: +254 20 2715300
Email: info@ke.ey.com
www.ey.com

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EQUITY BANK LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Equity Bank Limited and subsidiaries, (the Group) which comprise the consolidated statement of financial position as at 31 December 2013, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 51 to 116.

Directors' responsibility for the financial statements

The directors of the Bank and the Group are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Equity Bank Limited and subsidiaries as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

(i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;
(ii) In our opinion, proper books of account have been kept by the Bank and the Group, so far as appears from our examination of those books; and
(iii) the Bank and the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is
Herbert Chiveli Wasike - P/No. P.1485

Ernst & Young

Nairobi, Kenya
Friday, March 7, 2014

CONSOLIDATED INCOME STATEMENT

		Group		Bank	
In millions of Kenya Shillings	**Note**	**2013**	**2012**	**2013**	**2012**
Interest income	8	**31,890**	30,848	**28,310**	28,497
Interest expense	8	**(5,399)**	(6,884)	**(4,620)**	(6,385)
Net interest income		**26,491**	**23,964**	**23,690**	**22,112**
Fee and commission income	9(a)	**2,992**	2,301	**2,291**	1,809
Net fee and commission income		**2,992**	**2,301**	**2,291**	**1,809**
Net trading income	9(b)	**1,932**	2,090	**964**	821
Other operating income	10	**10,446**	8,472	**8,793**	7,133
Operating Income before impairment losses		**41,861**	**36,827**	**35,738**	**31,875**
Net impairment loss on financial assets	11	**(2,402)**	(1,608)	**(1,836)**	(1,456)
Operating income after Impairment losses		**39,459**	**35,219**	**33,902**	**30,419**
Personnel expenses	12	**(9,043)**	(7,172)	**(7,405)**	(5,905)
Operating lease expenses	13	**(1,319)**	(1,213)	**(839)**	(847)
Depreciation and amortisation	14, 15	**(2,526)**	(2,316)	**(2,100)**	(2,018)
Other Operating expenses	16	**(7,768)**	(7,269)	**(5,325)**	(5,589)
Total Operating expenses		**(20,656)**	**(17,970)**	**(15,669)**	**(14,359)**
Profit before tax and equity accounted income		**18,803**	17,249	**18,233**	16,060
Share of profit of associate	17(a)	**201**	171	**-**	-
Profit before income tax		**19,004**	**17,420**	**18,233**	**16,060**
Income tax expense	18	**(5,726)**	(5,340)	**(5,591)**	(5,063)
Profit for the year		**13,278**	**12,080**	**12,642**	**10,997**
Attributed to: **Equity holders of the parent**		**13,278**	**12,080**	**12,642**	**10,997**
Earnings per share (basic and diluted)	29	**3.59**	3.26	**3.41**	2.97

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Group		Bank	
In millions of Kenya Shillings	Note	2013	2012	2013	2012
Profit for the year		**13,278**	12,080	**12,642**	10,997
Exchange differences on translation of foreign operations		**(40)**	(76)	**-**	-
Transfer of available for sale reserve to profit and loss on sale of investment.	21	**(157)**	(124)	**(157)**	(124)
Gain on fair valuation	21	**187**	454	**159**	454
Other comprehensive income for the year		**(10)**	254	**2**	330
Total comprehensive income for the year net of tax		**13,268**	**12,334**	**12,644**	**11,327**
Attributed to:-					
Equity holders of the parent		**13,268**	**12,334**	**12,644**	**11,327**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		Bank	
In millions of Kenya Shillings	Note	2013	2012	2013	2012
Assets					
Cash and cash equivalents	19	**34,528**	45,134	**21,930**	35,467
Loans and advances to customers	20(a)	**171,363**	135,692	**152,029**	122,410
Investment securities	21	**44,572**	41,101	**32,949**	32,792
Amounts due from related parties	22(g)	**122**	2	**1,063**	983
Other assets	23	**11,149**	7,243	**9,167**	6,459
Tax recoverable	18	**550**	55	**470**	-
Investments in associate	17(a)	**1,574**	1,457	**1,113**	1,113
Investments in subsidiary companies	17(b)	**-**	-	**10,284**	8,204
Property and equipment	14	**9,796**	9,072	**6,942**	6,530
Prepaid leases	14(c)	**180**	292	**4**	4
Intangible assets	15	**2,069**	1,415	**1,542**	1,123
Goodwill	17(c)	**887**	887	**-**	-
Deferred tax assets	24	**939**	820	**701**	744
Total assets		**277,729**	**243,170**	**238,194**	**215,829**
Liabilities					
Deposits from customers	25	**195,153**	167,913	**158,745**	142,386
Tax payable	18	**64**	2,365	**-**	2,258
Other liabilities	27	**4,219**	3,369	**3,151**	2,759
Borrowed funds	26	**26,736**	26,569	**25,612**	25,755
Deferred tax liability	24	**2**	38	**-**	-
Total liabilities		**226,174**	**200,254**	**187,508**	**173,158**
Equity					
Share capital	28(a)	**1,851**	1,851	**1,851**	1,851
Share premium	28(b)	**12,161**	12,161	**12,161**	12,161
Retained earnings		**32,662**	25,088	**31,272**	24,308
Available for sale reserve	28(c)	**(702)**	(732)	**(730)**	(732)
Loan loss reserve	28(d)	**753**	603	**578**	454
Foreign currency translation reserve	28(f)	**(643)**	(603)	**-**	-
Revaluation reserve		**32**	32	**-**	-
Other reserves	28(e)	**(113)**	(113)	**-**	-
Proposed dividends	28(h)	**5,554**	4,629	**5,554**	4,629
Total equity		**51,555**	**42,916**	**50,686**	**42,671**
Total liabilities and equity		**277,729**	**243,170**	**238,194**	**215,829**

The financial statements were approved by the Board of Directors on 27th February 2014 and signed on its behalf by:-

Mr Peter K. Munga, CBS
Director

Dr James Mwangi, CBS
Director

Mary Wangari Wamae
Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group

For the year ended 31 December 2013

In millions of Kenya Shillings	notes	Share capital	Share Premium	Retained earnings	Loan loss reserve	Available-for-sale reserve	Foreign currency translation reserve	Revaluation reserve	Other reserves	Proposed dividend	Total equity
At 1 January 2013	**28**	**1,851**	**12,161**	**25,088**	**603**	**(732)**	**(603)**	**32**	**(113)**	**4,629**	**42,916**
Total comprehensive income:											
Profit for the year		-	-	13,278	-	-	-	-	-	-	13,278
Other comprehensive income				-	-	30	(40)	-		-	(10)
Loan reserve transfers		-	-	(150)	150	-	-	-	-	-	-
Dividends:											
Final for 2012 paid	28	-	-	-	-	-	-	-	-	(4,629)	(4,629)
Proposed for 2013	28	-	-	(5,554)	-	-	-	-	-	5,554	-
At 31 December 2013		**1,851**	**12,161**	**32,662**	**753**	**(702)**	**(643)**	**32**	**(113)**	**5,554**	**51,555**
For the year ended 31 December 2012											
At 1 January 2012	28	1,851	12,161	17,719	521	(1,062)	(529)	34	(113)	3,703	34,285
Total comprehensive income:											
Profit for the year		-	-	12,080	-	-	-	-	-	-	12,080
Other comprehensive income		-	-	-	-	330	(74)	(2)	-	-	254
Loan reserve transfers		-	-	(82)	82	-	-	-	-	-	-
Dividends:											
Final for 2011 paid	28	-	-	-	-	-	-	-	-	(3,703)	(3,703)
Proposed for 2012	28	-	-	(4,629)	-	-	-	-	-	4,629	-
At 31 December 2012		1,851	12,161	25,088	603	(732)	(603)	32	(113)	4,629	42,916

STATEMENT OF CHANGES IN EQUITY

Bank

In millions of Kenya Shillings

For the year ended 31 December 2013	Share capital	Share premium	Retained earnings	Loan loss reserve	Available for sale reserve	Proposed dividend	Total equity
As at January 2013	**1,851**	**12,161**	**24,308**	**454**	**(732)**	**4,629**	**42,671**
Total comprehensive income:							
Profit for the year	-	-	12,642	-	-	-	12,642
Other comprehensive income	-	-					
Loan reserve transfers	-	-	(124)	124	2	-	2
Dividends:							
Final for 2012 paid	-	-	-	-	-	(4,629)	(4,629)
Proposed for 2013	-	-	(5,554)	-	-	5,554	-
At 31 December 2013	**1,851**	**12,161**	**31,272**	**578**	**(730)**	**5,554**	**50,686**
For the year ended 31 December 2012							
As at January 2012	1,851	12,161	17,974	420	(1,062)	3,703	35,047
Total comprehensive income:							
Profit for the year	-	-	10,997	-	-	-	10,997
Other comprehensive income	-	-	-	-	330	-	330
Loan reserve transfers	-	-	(34)	34	-	-	-
Dividends:							
Final for 2011 paid	-	-	-	-	-	(3,703)	(3,703)
Proposed for 2012	-	-	(4,629)	-	-	4,629	-
At 31 December 2012	1,851	12,161	24,308	454	(732)	4,629	42,671

CONSOLIDATED STATEMENT OF CASH FLOWS

		Group		Bank	
In millions of Kenya Shillings	**Note**	**2013**	**2012**	**2013**	**2012**
Cash flows from operating activities					
Net profit before taxation		**19,004**	17,420	**18,233**	16,060
Adjustments for:					
Depreciation	14	**2,182**	2,016	**1,784**	1,734
Impairment and amortisation of intangible assets and prepaid lease	15	**820**	300	**316**	284
Unrealised exchange (gains) / losses		**(100)**	(286)	**(60)**	(288)
Loss / (Profit) on disposal of Property and equipment		**6**	(4)	**(3)**	(6)
Provision for non-performing loans	11	**2,402**	1,608	**1,836**	1,456
Share of profit of associate	17a	**(201)**	(171)	**-**	-
Dividends received	17a	**(84)**	(80)	**-**	-
Interest on term borrowings	8	**1,325**	1,474	**1,375**	1,508
Operating profit before working capital changes		**25,354**	**22,277**	**23,481**	**20,748**
Loans and advances		**(38,073)**	(23,476)	**(31,454)**	(17,380)
Other assets		**(3,906)**	(2,205)	**(2,787)**	(1,495)
Finance lease receivable		**-**	1	**-**	-
Customer deposits		**27,240**	23,748	**16,359**	16,893
Due from related parties		**(120)**	122	**-**	-
Other liabilities		**849**	804	**391**	573
Cash generated from operations		**11,344**	**21,271**	**5,990**	**19,339**
Income taxes paid	18	**(8,677)**	(4,002)	**(8,276)**	(3,728)
Net cash generated from / (used in) operating activities		**2,667**	**17,269**	**(2,287)**	**15,611**
Cash flows from investing activities					
Purchase of property, equipment & prepaid leases	14(a),(c)	**(3,482)**	(3,782)	**(2,196)**	(2,236)
Purchase of intangible assets	15	**(998)**	(363)	**(736)**	(331)
Proceeds from sale of property and equipment	14	**206**	27	**3**	22
Additional capital injected into subsidiaries		**-**	-	**(2,080)**	(1,532)
Dividend received		**84**	80	**-**	-
Purchase of investment securities	21	**(15,008)**	(25,893)	**(10,060)**	(17,091)
Proceeds from sale of investments securities	21	**11,565**	15,625	**9,902**	14,829
Net cash used in investing activities		**(7,633)**	**(14,306)**	**(5,167)**	**(6,339)**
Cash flows from financing activities					
Dividend paid	28(h)	**(4,629)**	(3,703)	**(4,629)**	(3,703)
Proceeds from long term borrowings		**1,825**	13,581	**719**	13,745
Repayment of long term borrowings		**(1,632)**	(1,804)	**(862)**	(1,759)
Interest paid on term borrowings	8	**(1,325)**	(1,474)	**(1,375)**	(1,508)
Net cash (used in) / generated from financing activities		**(5,761)**	**6,600**	**(6,147)**	**6,775**
Net (decrease) / increase in cash and cash equivalents		**(10,727)**	**9,563**	**(13,597)**	**16,047**
Effect of foreign exchange differences		**121**	289	**60**	290
Cash and cash equivalents at the beginning of the year	19(b)	**45,134**	35,282	**35,467**	19,130
Cash and cash equivalents at the end of the year	**19(b)**	**34,528**	**45,134**	**21,930**	**35,467**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Equity Bank Limited (The "Bank") is incorporated, registered under the Kenyan Companies Act (Cap 486 Laws of Kenya) and domiciled in Kenya. The address of the Bank's registered office is 9th Floor, Equity Centre, Hospital road, Upper Hill. The Bank is licensed under the Kenya Banking Act (Chapter 488), and continues to offer retail banking, microfinance and related services.

The Bank has subsidiaries in Kenya, Uganda, South Sudan, Rwanda and Tanzania. Its shares are listed on the Nairobi Securities Exchange and Uganda Securities Exchange.

The consolidated financial statements for the year ended 31st December 2013 were authorised for issue according with resolution of the directors on 27 February 2014

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations:

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available –for sale investments and property and equipment all of which have been measured at fair value. The consolidated financial statements are presented in Kenya Shillings and all values are rounded to the nearest million Kenya Shillings, except when otherwise indicated.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the IASB and the requirements of the Kenyan Companies Act.

(b) Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

(c) Functional and presentation currency

The consolidated financial statements are presented in Kenya Shillings, which is the Bank's functional currency and have been rounded off to the nearest million.

(d) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Bank and its subsidiaries as at 31 December each year.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated.

Subsidiaries are consolidated from the date on which the group obtains control of the subsidiary and cease to be consolidated from the date on which loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee), exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

The Group consolidates an investee and present in its consolidated financial statements the investee's assets, liabilities, equity, income, expenses and cash flows, if the Group has the current ability to direct those activities of the investee that significantly affect the investee's returns and can benefit by using that ability.
The accounting policies for the subsidiaries are consistent with the policies adopted by the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounting policies (continued)

2.2 Significant accounting estimates, judgments and assumptions

The preparation of financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities at the date of the financial statements and the income and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates, default rate assumptions for asset backed securities. The effect of credit risk has been taken into account when determining the fair value of financial liabilities.

The valuation of financial instruments is described in more detail in Note 7.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). The impairment loss on loans and advances is disclosed in more detail in Note 11 and 20(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounting policies (continued)

2.2 Significant accounting estimates, judgments and assumptions (Continued)

Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Vehicles, equipment and intangible assets

Critical estimates are made by the directors in determining depreciation and amortisation rates for vehicles, equipment and intangible assets. In assessing the useful life and residual values of property, plant and equipment, the group considers past experience, macro-economic changes, technological obsolescence and maintenance programs

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit wil be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3. Changes in accounting policy and disclosures

The Group and Bank applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 Employee Benefits (Revised 2011), IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. In addition, the application of IFRS 12 Disclosure of Interests in Other Entities resulted in additional disclosures in the consolidated financial statements.

Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group and Bank.

The nature and the impact of each new standards and amendments are described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

The standard became effective for annual periods beginning on or after 1 January 2013. It replaced the requirements of IAS 27 Consolidated and Separate Financial Statements that address the accounting for financial statements and SIC 12 Consolidation – Special Purpose Entities. IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The changes requires management to make significant judgment to determine which entities are controlled and therefore required to be consolidated by the parent. There are no other entities within the group that required to be consolidated in the adoption of these standards.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

The standard became effective on 1 January 2013. It replaced IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-monetary Contributions by venturers. Because IFRS 11 uses the principle of control in IFRS 10 to define control, the determination of whether joint control exists may change. The adoption of IFRS 11 did not have an impact on the accounting treatment of investments currently held by the Group and Bank.

3. Changes in accounting policy and disclosures (continued)

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities.(Note 17)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's and Bank's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group and Bank has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's and Bank's financial position or performance.

IAS 19 Employee Benefits (Revised 2011)

The amendments to IAS 19 remove the option to defer the recognition of actuarial gains and losses, i.e., the corridor mechanism. All changes in the value of defined benefit plans will be recognised in profit or loss and other comprehensive income. The effective date of the standard was 1 January 2013. The amendments will not have an impact on the group's and bank's defined contribution scheme.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group and Bank has early adopted these amendments to IAS 36 in the current period since the amended/additional disclosures provide useful information as intended by the IASB.

Accordingly, these amendments have been considered while making disclosures for impairment of non-financial assets. These amendments would continue to be considered for future disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in accounting policy and disclosures (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's and Bank's financial statements are listed below. The Group and Bank intends to adopt applicable standards when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9

Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's and Bank's financial assets, but will not have an impact on classification and measurements of the Group's and Bank's financial liabilities. The Group and Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group and Bank, since none of the entities in the Group and Bank would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group and Bank.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group and Bank do not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group and Bank has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

IAS 19 Employee Benefits

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for annual periods beginning on or after 1 July 2014 and will have no impact on the Group and Bank as it does not have any defined benefit plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Changes in accounting policy and disclosures (continued)

IAS 36 Impairment of Assets

The IASB has issued amendments to IAS 36- Impairment of Assets which clarifies the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify the IASB's original intention that the scope of these disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendment is effective for year ends beginning on or after 1 January 2014 and will have no impact on the Group and Bank.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements (except as otherwise disclosed).

(a) **Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred including acquisition cost, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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 consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

The good will recognised by the group relates to Equity Bank Uganda subsidiary. It is the difference between the net book value of the assets of the subsidiary at the time of acquisition and the purchase consideration paid. After initial recognition the good will is assessed for impairment factoring in the financial performance of subsidiary.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in profit or loss.

In the Bank accounts, investments in subsidiaries are accounted for at cost less accumulated impairments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (continued)

(b) Associates

The group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised or separately tested for impairment.

The income statement reflects the share of the results of operations of the associate. This is the profit attributable to equity holders of the associate and therefore is profit after tax and minority interests in the subsidiaries of the associates. Where there has been a change recognised in the equity or other comprehensive income of the associate, the group recognises its share of any changes and discloses this, when applicable, in other comprehensive income or the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

At company level, the investment in associate has been accounted for at cost.

(c) Foreign currency transactions

The Group's consolidated financial statements are presented in Kenya Shillings, which is also the parent company's functional currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) **Transactions and balances**
Transactions in foreign currencies are initially recorded by the group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising from non-trading activities are taken to other operating income in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(ii) **Group companies**
The assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their income statements 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 income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (continued)

(iii) Hyperinflationary economies

The bank considers an economy to be hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100%. Balances from subsidiaries in hyperinflationary economies are consolidated after adjusting for effects of inflation on the balances and reported at current cost rather than historical cost. The comparative balances are also restated for the same effects. The gain or loss from the adjustment is passed through the profit or loss. In adjusting for the effects of inflation the bank uses the commodity price index as the basis for the adjustment.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Interest income and expense are recognised in the income statement on the accrual basis;
Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities on the accrual basis taking into account the effective interest basis and interest on available-for-sale debt instruments on an effective interest basis.
- Interest on financial assets and liabilities are considered to be the group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.
- Dividend income is recognised when the bank's right to receive that payment is established.

(e) Fee and commission

Fee and commission income including account servicing fees, investment management fees, placement fees and syndication fees, are recognised as the related services are performed. Other fee and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(f) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

(g) Leasing

(i) Determination

The determination of whether an arrangement is a lease or it 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

Leases which do not transfer to the Group substantially all the risk and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Contingent rental payable are recognised as an expenses in the period in which they are incurred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (continued)

(h) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised for all taxable temporary differences, except:

- Where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income statement; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised in other comprehensive income or equity are also recognised in other comprehensive income or equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (continued)

(i) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances, on the date that they are originated. Financial assets and liabilities are initially recognised on the trade date, i.e. the date at which the group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derecognition

Financial assets

The group derecognises a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- The rights to receive cash flows from the asset have expired
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Liabilities

The group derecognises a financial liability when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of new liability. The difference between carrying value of the original liability and the consideration paid is recognised in income statement.

(iv) Offsetting Financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a currently legally enforceable right to set off the recognised amounts and there is an intention either to settle 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 by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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. Gain or loss on valuation of financial assets and liabilities is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (Continued)

(i) Financial assets and liabilities (Continued)

(vi) Fair value measurement (continued)

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.

(vii) Identification and measurement of impairment

At each reporting date, the Bank and group assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are also collectively assessed for impairment.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the group on terms that the group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group and Bank.

In assessing collective impairment the group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss (only applicable for loans and receivables and held-to-maturity assets).

Impairment losses on available-for-sale debt investment are recognised by transferring the difference between the amortised acquisition cost and current fair value out of other comprehensive income to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The group treats 'significant' generally as 20% and 'prolonged' as greater than 1 year. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in the fair value after impairment are recognised directly in other comprehensive income and accumulated in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (Continued)

(i) Financial assets and liabilities (Continued)

(viii) Renegotiated loans

Where possible, the bank seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

(ix) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the group and the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in the income statement. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(x) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the group does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method less allowance for impairment, except when the group chooses to carry the loans and advances at fair value through profit or loss. The losses arising from the impairment are recognised in profit or loss.

(xi) Financial guarantees

In the ordinary course of business, the bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statement (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in credit loss expense. The premium received is recognised in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(j) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks 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 as loans and receivables and carried at amortised cost in the statement of financial position.

(k) Investment securities

(i) Fair value through profit or loss

Fair value through profit or loss investment securities are those that are classified as either held-f or trading or those which are specifically designated as such.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (Continued)

(k) Investment securities (continued)

(ii) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

After initial recognition, held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are neither classified as held for trading nor designated at fair value through profit and loss. These are those securities that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value, with unrealised gains/losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised or impaired.

Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

The bank has not designated any loans or receivables as available for sale.

(iv) Borrowings

Borrowings are recognised initially at fair value. After initial measurement borrowings are subsequently measured at amortised cost using the effective interest rate method.

(v) Borrowing costs

Borrowing costs directly attributed to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are recognised as an expense when incurred. The bank did not have any qualifying assets during the year.

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost less accumulated depreciation and impairment losses.

After initial recognition, some classes of property and equipment held by an associate (i.e. not held by the group) are measured at fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed every 3 years to ensure that the fair value of the revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case, the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (Continued)

(l) Property and equipment (continued)

(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 the Bank 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 incurred. 4. Significant accounting policies (Continued)

(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. Leased assets are amortised over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

The annual rates of depreciation (2.5% - 33.3%) in use are as follows:-

Freehold land	**Nil**
Buildings	**2.5%**
Motor vehicles	**25%**
Office equipment, furniture and fittings	**12.5%**
Computer hardware	**33.3%**
ATM machines, core banking software and hardware	**20%**
Village cell banking vans	**25%**

Leasehold improvements are written off over their estimated useful life 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.

Any gain or loss arising on derecognition of an asset is recognised in other operating income in the income statement in the year the asset is derecognised.

(iv) Revaluation

Where assets are revalued, the whole class of the asset is revalued and carried at revalued amount.

(m) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and impairment losses, in line with the Group's policy on depreciation. (see 4 (L) (iii), above).

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life, from the date it is available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (Continued)

(n) Intangible Assets

The group's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the group. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. 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 life. 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.

Subsequent expenditure on software assets is capitalised when the recognition criteria for intangible assets are met. All other expenditure is expensed as incurred.

The intangible assets have a maximum useful life of five years.

The Bank's softwares are developed by external consultants and hence the Bank does not incur any research and development costs. Softwares in test mode stage are held as work in progress until they are certified as fully operational.

(o) 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 of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The CGU is used when assessing for impairment. 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 those expense categories consistent with the function of the impaired asset, except for a property previously re-valued where the valuation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets other than goodwill an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. 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, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. Impairment losses on goodwill are not reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Significant accounting policies (Continued)

(p) Provisions

Provisions are recognised when the Group has 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.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus 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.

(r) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the income attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the year.

(s) Dividends

Dividends are recognised as a liability and deducted from equity in the year in which they are declared. Proposed dividends are disclosed as a separate component of equity until declared.

(t) Sale and repurchase agreements

Securities purchased from the Central Bank of Kenya under agreement to resell (reverse repos), are disclosed as treasury bills as they are held to maturity after which they are repurchased and are not negotiable or discounted during the tenure.

(u) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management

(a) Introduction and overview

The group and the Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks

This note presents information about the group'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.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has established the Board Risk Management Committee, which is responsible for developing and monitoring group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Risk Management Committee is responsible for monitoring compliance with the group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The Board Risk Management Committee is assisted in these functions by Risk Management Department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Risk Management Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the group considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the group management through the Chief executive officer. Management has delegated this responsibility to various 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 various 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 business unit concerned. Renewals and reviews of facilities are subject to the same review process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

- 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 Bank Credit on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the group in the management of credit risk.

Each business unit is required to implement group credit policies and procedures, with credit approval authorities delegated from the group Credit Committee. Each business unit has a Credit Risk Manager who reports on all credit related matters to local 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 business units and group Credit processes are undertaken by Internal Audit.

Exposure to credit risk

(i) **Loans and advances to customers**

		Group		Bank	
In millions of Kenya Shillings	**Notes**	**2013**	**2012**	**2013**	**2012**
Amortised cost	20	**177,363**	139,981	**157,330**	126,533
Individually impaired					
Grade 3: Substandard		**1,266**	701	**1,016**	559
Grade 4: Impaired (doubtful)		**5,726**	1,368	**5,106**	1,281
Grade 5: Impaired (loss)		**2,255**	2,243	**2,067**	2,179
Gross amount		**9,247**	4,312	**8,189**	4,019
Allowance for impairment		**(4,760)**	(3,402)	**(4,759)**	(3,401)
Past due but not impaired		**4,487**	910	**3,430**	618
Collectively impaired					
Grade 1: Normal		**163,085**	130,413	**145,281**	118,418
Grade 2: Watch		**5,031**	5,255	**3,860**	4,097
Gross amount		**168,116**	135,668	**149,141**	122,515
Allowance for impairment		**(1,240)**	(887)	**(542)**	(722)
Carrying amount		**166,876**	134,781	**148,599**	121,793
Total carrying amount		**171,363**	135,691	**152,029**	122,411

The grading above i.e grade 1, grade 2, grade 3, grade 4 and grade 5 refer to the duration for which a loan instalment is outstanding as defined below:

Note:

Grade 1- 0-30 days
Grade 2- 31-90 days
Grade 3- 91-180 days
Grade 4- 181-365 days
Grade 5 – Over 365 days

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

(ii) Cash and cash equivalents

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Cash and balances with bank	**12,171**	11,091	**7,342**	7,179
Unrestricted balances with Central Banks	**11,674**	14,069	**6,229**	9,395
Restricted balances with Central Banks	**1,486**	1,689	**-**	-
Money market placements	**9,197**	18,285	**8,359**	18,893
As at 31 December	**34,528**	**45,134**	**21,930**	**35,467**

(iii) Investment securities

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Held to maturity				
As at 1 January	31,108	22,908	22,798	22,604
Purchase of Investment securities	6,183	9,866	1,234	1,064
Proceeds from retirement of bonds	(3,842)	(1,666)	(2,306)	(870)
As at 31 December	**33,449**	**31,108**	**21,726**	**22,798**

	Group		Bank	
	2013	2012	2013	2012
Available for sale				
As at 1 January	**9,993**	7,595	**9,993**	7,595
Purchase of Investment securities	**8,826**	16,027	**8,826**	16,118
Sales of Investment Securities	**(7,726)**	(13,959)	**(7,596)**	(13,959)
Reclassification to profit or loss	**(157)**	(124)	**(157)**	(124)
Profit / (Loss) on fair valuation	**187**	454	**159**	454
	11,123	**9,993**	**11,223**	**10,084**
As at 31 December	**44,571**	**41,101**	**32,949**	**32,882**

Impaired loans

Impaired loans are loans for which the group and the Bank 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. These loans are graded 3, 4 and 5 in the group's internal credit risk grading system.

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 level of security / collateral available and / or the stage of collection of amounts owed to the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Allowances for impairment

The group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

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, charge off decisions generally are based on a product specific past due status.

Collateral on Loans and Advances

The group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired or when a borrower has cleared a loan and would like to obtain another facility at the time when the validity of the valuation has since expired.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

Loans and advances to customers

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Against individually impaired				
Property	**4,631**	356	**4,531**	328
Equities	**22**	1	**22**	1
Other	**1,567**	248	**1,498**	244
Against collectively impaired				
Property	**1,623**	6,075	**225**	1,709
Equities	**2**	1	**2**	1
Other	**2,132**	631	**126**	180
Against past due but not impaired				
Property	**60,424**	52,658	**60,409**	52,658
Equities	**35**	9	**35**	9
Other*	**46,699**	38,086	**46,649**	38,085
Total	**117,134**	**98,065**	**113,497**	**93,215**

*Other includes log books, cash cover, debentures and director's guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

Loans and advances to customers

The group and the Bank monitor concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	Group		Bank	
In millions of Kenya Shillings	**2013**	**2012**	**2013**	**2012**
Concentration by sector				
Consumer	48,021	42,652	43,448	38,819
Micro Enterprises	13,649	12,776	13,209	11,623
Agriculture	5,455	4,141	5,379	4,141
Small Enterprises	81,249	63,642	66,305	55,180
Medium Enterprises	28,989	16,770	28,989	16,770
	177,363	**139,981**	**157,330**	**126,533**

(iv) Liquidity risks

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from its financial liabilities.

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 and the Bank's reputation.

Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the group as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Board Risk Management Committee.

Exposure to liquidity risk

The key measure used by the group and the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

Details of the reported Bank ratio of net liquid assets to deposits at the reporting date and during the reporting year were as follows:

At 31 December 2013

	Kenya	Uganda	South Sudan	Rwanda	Tanzania
At 31 December	34%	49%	73%	27%	34%
Average for the year	41%	43%	71%	43%	44%
Maximum for the year	45%	49%	75%	69%	65%
Minimum for the year	34%	38%	68%	27%	34%
Minimum statutory requirement	20%	20%	20%	20%	20%

At 31 December 2012

	Kenya	Uganda	South Sudan	Rwanda	Tanzania
At 31 December	46%	39%	88%	75%	32%
Average for the year	39%	36%	101%	100.3%	40%
Maximum for the year	46%	39%	116%	194%	56%
Minimum for the year	31%	34%	88%	48%	32%
Minimum statutory requirement	20%	20%	20%	20%	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

(i) Group - 2013

In millions of Kenya Shillings	Less than 3 months	3-6 Months	6-12 Months	1-5 Years	More than 5 years	Totals
Financial assets						
Cash and cash equivalents	31,625	-	-	976	-	32,601
Loans and advances to customers	9,235	2,780	19,670	84,652	82,641	198,977
Investment securities	1,025	5,167	8,127	5,610	32,268	52,197
Amounts due from related parties	122	-	-	-	-	122
Accounts receivable	5,593	-	-	-	-	5,593
Funds in clearing	1,342	-	-	-	-	1,342
Total financial assets	48,942	7,947	27,797	91,238	114,909	290,832
Financial liabilities						
Deposits from customers	78,737	10,195	7,878	4,180	120,765	221,755
Borrowed funds	2,366	957	1,951	5,014	21,724	32,012
Total financial liabilities	81,103	11,152	9,829	9,194	142,489	253,767
Liquidity Gap 31 December 2013	(32,161)	(3,204)	17,968	82,043	(27,580)	39,105

Group - 2012

In millions of Kenya Shillings	Less than 3 months	3-6 Months	6-12 Months	1-5 Years	More than 5 years	Totals
Financial assets						
Cash and cash equivalents	43,115	-		974	1,476	45,565
Loans and advances to customers	14,965	4,965	14,269	83,509	35,206	152,914
Investment securities	2,813	1,660	6,565	5,402	32,260	48,700
Amounts due from related parties	2	-	-	-	-	2
Accounts receivable & prepayments	2,783	-	-	-	-	2,783
Funds in clearing	1,411	-	-	-	-	1,411
Total financial assets	65,089	6,625	20,834	89,885	68,942	251,375
Financial liabilities						
Deposits from customers	68,668	5,568	9,499	3,020	104,000	190,755
Borrowed funds	1,741	-	689	5,803	24,249	32,482
Total financial liabilities	70,409	5,568	10,188	8,823	128,249	223,237
Liquidity Gap 31 December 2012	(5,320)	1,057	10,646	81,062	(59,307)	28,138

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

(ii) Bank - 2013

In millions of Kenya Shillings	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years	Totals
Financial assets						
Cash and cash equivalents	21,067	-	-	976	-	22,043
Loans and advances to customers	7,746	1,796	17,250	70,644	80,030	177,466
Investment securities	151	1,447	1,098	5,610	32,268	40,574
Amounts due from related parties	1,063	-	-	-	-	1,063
Accounts receivable	5,066	-	-	-	-	5,066
Funds in clearing	790	-	-	-	-	790
Total Financial assets	35,882	3,243	18,348	77,231	112,298	247,002
Financial liabilities						
Deposits from customers	59,865	2,364	3,439	255	92,851	158,745
Borrowed funds	1,832	-	1,778	4,977	17,025	25,612
Total Financial liabilities	61,697	2,364	5,217	5,203	109,876	184,357
Liquidity Gap 31 December 2013	(25,815)	879	13,131	72,028	2,422	62,645

Bank - 2012

In millions of Kenya Shillings	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years	Totals
Financial assets						
Cash and cash equivalents	34,605	-	-	974	-	35,579
Loans and advances to customers	13,119	3,940	12,377	73,883	35,206	138,525
Investment securities	1,885	308	537	5,401	32,259	40,390
Amounts due from related parties	854	-	-	146	-	1,000
Accounts receivable and prepayments	2,438	-	-	-	-	2,438
Funds in clearing	1,218	-	-	-	-	1,218
Total Financial assets	54,119	4,248	12,914	80,404	67,465	219,150
Financial liabilities						
Deposits from customers	51,360	1,845	6,962	807	104,000	164,974
Borrowed funds	77	-	689	6,763	24,249	31,778
Total Financial liabilities	51,437	1,845	7,651	7,570	128,249	196,752
Liquidity Gap 31 December 2012	2,682	2,403	5,263	72,834	(60,784)	22,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rate, 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.

Management of market risks

The Bank and group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the group is managed by the Treasury Department. Accordingly, the foreign exchange position is treated as part of the group's trading portfolios for risk management purposes (refer to note 33).

Overall authority for market risk 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 risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios
Currently, the Bank and group does not hold a significant trading portfolio and is therefore not largely exposed to market risks associated with such portfolios.

Exposure to interest rate risk – non-trading portfolios
The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Board Risk Management Committee is the monitoring body for compliance with these limits and is assisted by Treasury Back Office and Finance Department in the day-to-day monitoring activities, while Risk Management Department carries out regular reviews. A summary of the group's interest rate gap position on non-trading portfolios is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

Group Interest Rate Risk

In millions of Kenya Shillings	Carrying amount	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years
31 December 2013						
Assets						
Cash and cash equivalents	9,197	8,333	-	-	864	-
Loans and advances to customers	171,363	10,161	2,780	19,670	74,913	63,838
Investment securities	44,572	1,567	4,625	8,127	4,965	25,288
	225,132	20,061	7,405	27,797	80,743	89,126
Liabilities						
Deposits from customers	195,153	78,737	10,195	7,878	3,699	94,644
Borrowed funds	26,736	2,448	875	1,951	4,385	17,025
	221,889	81,185	11,070	9,829	8,084	111,669
Interest rate sensitivity gap at 31 December 2013	3,243	(61,124)	(3,665)	17,968	72,659	(22,543)
31 December 2012						
Assets						
Cash and cash equivalents	18,286	17,424	-	-	862	-
Loans and advances to customers	135,692	14,965	4,966	14,269	73,901	27,591
Investment securities	41,101	2,813	1,660	6,566	4,780	25,282
	195,079	35,202	6,626	20,835	79,543	52,873
Liabilities						
Deposits from customers	167,913	68,668	5,568	9,499	2,673	81,505
Borrowed funds	26,569	1,741	-	689	5,135	19,004
	194,482	70,409	5,568	10,188	7,808	101,509
Interest rate sensitivity gap at 31 December 2012	597	(35,207)	1,058	10,647	71,735	(47,636)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)

(v) Market risks (Continued)

Bank Interest Rate Risk

In millions of Kenya Shillings	Carrying amount	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years
31 December 2013						
Assets						
Cash and cash equivalents	8,359	7,495	-	-	864	-
Loans and advances to customers	152,029	8,674	1,796	17,250	62,517	61,792
Investment securities	32,949	151	1,447	1,098	4,965	25,288
	193,337	16,320	3,243	18,348	68,346	87,080
Liabilities						
Deposits from customers	158,745	59,865	2,364	3,439	226	92,851
Long term borrowings	25,612	1,832	-	1,778	4,977	17,025
	184,357	61,697	2,364	5,217	5,203	109,876
Interest rate sensitivity gap at 31 December 2013	8,980	(45,377)	879	13,131	63,143	(22,796)
31 December 2012						
Assets						
Cash and cash equivalents	18,894	18,032	-	-	862	-
Loans and advances to customers	122,410	13,119	3,940	12,377	65,383	27,591
Investment securities	32,792	1,885	308	537	4,780	25,282
	174,096	33,036	4,248	12,914	71,025	52,873
Liabilities						
Deposits from customers	142,386	51,360	1,845	6,962	714	81,505
Long term borrowings	25,755	77	-	689	5,985	19,004
	168,141	51,437	1,845	7,651	6,699	101,509
Interest rate sensitivity gap at 31 December 2012	5,955	(18,401)	2,403	5,263	64,326	(47,636)

Sensitivity analysis in millions of Kenya shillings:

	Group	Bank
2013 ± 5%	208	449
2012 ± 5%	30	298

Sensitivity on profit or loss is the effect of the assumed changes in interest rates on interest bearing assets and liabilities..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Financial risk management (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 equity 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.

(e) Capital management

Regulatory capital

The Central Bank of Kenya sets and monitors capital requirements for the Banking industry as a whole.

In implementing current capital requirements The Central Bank of Kenya requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets (excluding computer software), and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital.

The group's and the Bank'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 Bank 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 and Bank has complied with all externally imposed capital requirements throughout the year.

The Bank's regulatory capital position at 31 December was as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Tier 1 capital				
Ordinary share capital (Note 28)	**1,851**	1,851	**1,851**	1,851
Share premium (Note 28)	**12,161**	12,161	**12,161**	12,161
Retained earnings	**32,590**	25,088	**31,272**	24,308
Goodwill	**(887)**	(887)	**-**	-
Less investment in equity instruments of other institutions- (Note 17 (a) and (b))	**(1,574)**	(1,457)	**(10,526)**	(8,796)
Total	**44,141**	**36,756**	**34,758**	**29,524**
Tier 2 capital				
Collective allowances for impairment (Note 28d)	**735**	567	**579**	454
Qualifying subordinated liabilities	**8,814**	14,762	**8,814**	14,762
Total	**9,549**	**15,329**	**9,393**	**15,216**
Total regulatory capital	**53,690**	**52,085**	**44,151**	**44,740**
Risk-weighted assets				
Total risk-weighted assets	**208,849**	162,506	**187,346**	148,660
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	**26%**	32%	**24%**	30%
Total tier 1 capital expressed as a percentage of risk-weighted assets	**21%**	23%	**19%**	20%

6. Use of estimates and judgments

Management discusses with the Board Audit Committee all the developments, selection and disclosure of the group's and the Bank's critical accounting policies and estimates and the application of these policies and estimates as disclosed in notes 2.2, above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Financial assets and liabilities

Group

Accounting classifications and fair values

In millions of Kenya Shillings	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair Value
31 December 2013						
Assets						
Cash and cash equivalents	-	34,528	-	-	34,528	34,640
Loans and advances	-	171,363	-	-	171,363	198,977
Investment securities	33,349	-	11,223	-	44,572	52,197
	33,349	**205,891**	**11,223**	**-**	**250,463**	**285,814**
Liabilities						
Deposits from customers	-	-	-	(195,153)	(195,153)	(221,755)
Borrowed funds	-	-	-	(26,736)	(26,736)	(32,012)
	-	**-**	**-**	**(221,889)**	**(221,889)**	**(253,767)**
31 December 2012						
Assets						
Cash and cash equivalents	-	862	-	44,272	45,134	45,565
Loans and advances	-	135,692	-	-	135,692	152,914
Investment securities	31,108	-	9,993	-	41,101	48,700
	31,108	**136,554**	**9,993**	**44,272**	**221,927**	**247,179**
Liabilities						
Deposits from customers	-	-	-	(167,913)	(167,913)	(190,755)
Borrowed funds	-	-	-	(26,569)	(26,569)	(32,482)
	-	**-**	**-**	**(194,482)**	**(194,482)**	**(223,237)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Financial assets and liabilities (continued)

Bank

In millions of Kenya Shillings	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair Value
31 December 2013						
Assets						
Cash and cash equivalents	-	-	-	21,930	21,930	22,043
Loans and advances	-	152,029	-	-	152,029	177,467
Investment securities	21,726	-	11,223	-	32,949	40,574
	21,726	**152,029**	**11,223**	**21,930**	**206,908**	**240,084**
Liabilities						
Deposits from customers	-	-	-	(158,745)	(158,745)	(184,401)
Borrowed funds	-	-	-	(25,612)	(25,612)	(30,958)
	-	**-**	**-**	**(184,357)**	**(184,357)**	**(215,359)**
31 December 2012						
Assets						
Cash and cash equivalents	-	862	-	34,605	35,467	35,579
Loans and advances	-	122,410	-	-	122,410	138,525
Investment securities	22,798	-	9,993	-	32,792	40,390
	22,798	**123,272**	**9,993**	**34,605**	**190,669**	**214,494**
Liabilities						
Deposits from customers	-	-	-	(142,386)	(142,386)	(164,974)
Borrowed funds	-	-	-	(25,755)	(25,755)	(31,778)
	-	**-**	**-**	**(168,141)**	**(168,141)**	**(196,752)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Financial assets and liabilities (continued)

The table below shows certain financial assets and financial liabilities that have been measured at either fair value, analysed by the level of valuation method. The three levels of valuation methodology used are:

- Level 1 – use quoted prices in active markets for identical assets or liabilities
- Level 2 – use inputs for the asset or liability other than quoted prices, that are observable either directly or indirectly
- Level 3 – use inputs for the asset or liability that are not based on observable market data such as internal models or other valuation methods.

Group and Bank

In millions of Kenya Shillings	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2013					
Financial assets at fair value					
Available for sale financial assets					
Non-current and current investment					
Government bonds and bills	21	11,223	-	-	11,223
Total financial assets at fair value		**11,223**	**-**	**-**	**11,223**

Group and Bank

In millions of Kenya Shillings	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2012					
Financial assets at fair value					
Available for sale financial assets					
Non-current and current investment					
Government bonds and bills	21	9,993	-	-	9,993
Total financial assets at fair value		9,993	-	-	9,993

8. Interest income

	Group		Bank	
In millions of Kenya Shillings	**2013**	**2012**	**2013**	**2012**
Interest income				
Cash and cash equivalents	**390**	192	**272**	258
Loans and advances to customers	**27,848**	27,531	**24,847**	25,390
Investment securities	**3,652**	3,125	**3,191**	2,849
Total interest income	**31,890**	**30,848**	**28,310**	**28,497**
Interest expense				
Deposits from banks	**(103)**	(196)	**(33)**	(141)
Deposits from customers	**(3,971)**	(5,214)	**(3,212)**	(4,736)
Borrowings	**(1,325)**	(1,474)	**(1,375)**	(1,508)
Total interest expense	**(5,399)**	**(6,884)**	**(4,620)**	**(6,385)**
Net interest income	**26,491**	**23,964**	**23,690**	**22,112**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Fee, commission and trading income

(a) Net fee and commission income

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Fee and commission income				
Retail banking customer fees	**1,829**	1,521	**1,487**	1,216
Corporate baking credit related fees	**1,017**	684	**781**	569
Other	**146**	96	**23**	24
Total fee and commission income	**2,992**	**2,301**	**2,291**	**1,809**

(b) Net trading income

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Bonds trading income	**66**	124	**66**	124
Foreign exchange gain	**1866**	1,966	**898**	697
	1,932	**2,090**	**964**	**821**

10. Other operating income

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Rental income	**14**	1	**14**	1
Temporary Overdrafts/Un-cleared effects	**1,813**	1,486	**1,777**	1,473
ATM-application & withdrawal fees	**1,535**	1,490	**1,387**	1,393
Salary remittance commission	**1,125**	1,012	**1,047**	934
Counter withdrawal charges	**739**	635	**433**	416
Other*	**5,220**	3,848	**4,135**	2,916
	10,446	**8,472**	**8,793**	**7,133**

* Other income relates to commissions charged on the various products offered by the group to the customers.

11. Allowances for impairment

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Balance at 1 January	**4,289**	2,350	**4,123**	2,287
Specific provisions for the year	**2,243**	1,317	**1,750**	1,200
General provisions for the year	**311**	373	**211**	290
Interest suspended during the year*	**734**	410	**673**	380
Write-offs during the year	**(1,425)**	(79)	**(1,331)**	-
IAS 39 adjustment	**(150)**	(82)	**(124)**	(34)
Balance at 31 December	**6,000**	**4,289**	**5,301**	**4,123**

*The interest suspended relates to the portion of interest income on non-performing loans not charged to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Allowances for impairment (continued)

Impairment loss for the year is arrived at as follows:

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Charge for the year : General provisions	309	373	210	290
Specific provisions	2,243	1,317	1,750	1,200
	2,552	1,690	1,960	1,490
IAS 39 adjustment -write back of over provisions	**(150)**	**(82)**	**(124)**	**(34)**
Net impairment loss on financial assets	**2,402**	**1,608**	**1,836**	**1,456**

IAS 39 adjustment relates to the excess provision between IAS 39 requirements, regulatory authorities and Central Bank of Kenya prudential guidelines.

12. Personnel expenses

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Salaries and other staff costs	8,509	6,776	6,959	5,567
Contributions to defined contribution plans	534	396	446	338
	9,043	7,172	7,405	5,905

13. Operating lease expenses

Non-cancellable operating lease rentals paid are as follows:

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Lease rentals	1,319	1,213	839	847

The Group and the Bank leases a number of branch and office premises under operating leases. The leases typically run for a year up to ten years, with an option to renew the lease after that date. Lease payments are increased accordingly to reflect market lease rentals as detailed in Note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Property, equipment and leasehold land

(a) Property and equipment

Group 2013

In millions of Kenya Shillings	Freehold land & buildings	Leasehold improvements	Motor vehicles	Office equipment, furniture& fittings	Computers	Village cell banking vans	Work-in-Progress	Total
COST								
At 1 January 2012	197	4,920	132	2,295	4,774	33	761	13,112
Additions	-	898	68	533	1,213	70	736	3,518
Transfers	-	548	6	100	258		(912)	-
Disposals	-	-	(9)	-	(30)	-	(9)	(48)
At 31 December 2012	**197**	**6,366**	**197**	**2,928**	**6,215**	**103**	**576**	**16,582**
Additions	-	676	30	355	235	-	1,822	3,118
Transfers	-	678	14	216	206	-	(1,114)	-
Disposals	(8)	(178)	(9))	(29)	(34)	-	-	(258)
At 31 December 2013	**189**	**7,542**	**232**	**3,470**	**6,622**	**103**	**1,284**	**19,442**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Property, equipment and leasehold land (continued)

(a) Property and equipment

Group

In millions of KenyaShillings	Freehold land & buildings	Leasehold improvements	Motor vehicles	Office equipment, furniture & fittings	Computers	Village cell banking vans	Work-in-Progress	Total
DEPRECIATION								
At 1 January 2012	18	1,603	79	980	2,810	33	-	5,523
Charge for the year	3	676	33	317	981	6	-	2,016
Disposals			(9)		(20)			(29)
At 31 December 2012	21	2,279	103	1,297	3,771	39	-	7,510
Charge for the year	3	826	39	383	931			2,182
Disposals	(1)	(11)	(5)	-	(29)	-	-	(46)
At 31 December 2013	23	3,094	137	1,680	4,673	39	-	9,646
NET CARRYING AMOUNT **At 31 December 2012**	176	4,087	94	1,631	2,444	64	576	9,072
At 31 December 2013	**166**	**4,448**	**95**	**1,790**	**1,949**	**64**	**1,284**	**9,796**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Property, equipment and leasehold land (continued)

(b) **Property and equipment**
Bank

In millions of Kenya Shillings	Freehold land & buildings	Leasehold improvements	Motor Vehicles	Office equipment, furniture & fittings	Computers	Work-in-progress	Total
COST							
At 1 January 2012	40	3,986	118	1,943	4,384	462	10,933
Additions	-	699	8	275	1,113	141	2,236
Transfers		124	6	99	256	(485)	-
Disposals			(9)		(24)	(3)	(36)
At 31 December 2012	40	4,809	123	2,317	5,729	115	13,133
Additions	-	557	13	199	178	1,249	2,196
Transfers	-	137	-	42	168	(347)	-
Disposals	-	-	(3)	-	(27)	-	(30)
At 31 December 2013	**40**	**5,503**	**133**	**2,558**	**6,048**	**1,017**	**15,299**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Property, equipment and leasehold land (continued)

(b) Bank

In millions of Kenya Shillings	Freehold land & Buildings *	Leasehold improvements	Motor vehicles	Office equipment, furniture & fittings	Computers	Work-in-progress	Total
DEPRECIATION							
At 1 January 2012	9	1,379	87	871	2,543	-	4,889
Additions	-	546	17	253	918	-	1,734
Disposals	-		(9)	-	(11)	-	(20)
At 31 December 2012	9	1,925	95	1,124	3,450	-	6,603
Charge for the year	-	618	15	279	872	-	1,784
Transfers	-	6	-	13	(19)	-	-
Disposals	-	-	(3)	-	(27)	-	(30)
At 31December 2013	**9**	**2,549**	**107**	**1,416**	**4,276**	**-**	**8,357**
NET CARRYING AMOUNT							
At 31 December 2012	31	2,884	28	1,193	2,279	115	6,530
At 31 December 2013	**31**	**2,954**	**26**	**1,142**	**1,772**	**1,017**	**6,942**

* The depreciation on buildings is not reflected on this table since the charge is below KShs 1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Property, equipment and leasehold land (continued)

(c) Prepaid operating lease rentals

The movement in prepaid operating lease rentals during the year was as follows:

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Cost				
At 01 January	**297**	33	**5**	5
Acquisitions	**365**	264	**-**	-
At 31 December	**662**	**297**	**5**	**5**
Amortisation and impairment				
At 1 January	5	4	1	1
Amortisation for the year	110	1	-	-
Impairment(South Sudan)	367	-	-	-
At 31 December	482	5	1	1
Net carrying amount				
At 31 December	**180**	**292**	**4**	**4**

(d) Investment property

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Cost				
At 1 January	8	8	8	8
At 31 December	**8**	**8**	**8**	**8**

The depreciation on investment property is not reflected on this table since the charge is below KShs 1 million.

This relates to a piece of land bought by Equity Building Society prior to conversion to Equity Bank Limited with initial intention to resale to its members. The bank generates no rent income and incurs no expenditure with relation to this property. The land is inaccessible which limits the bank's ability to reasonably determine its fair value. The directors are of the opinion that the carrying amount approximates the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Intangible assets

a) **Group**

In millions of Kenya Shillings	Software	Work- in- progress	Total
COST			
At 1 January 2012	1,559	495	**2,054**
Additions	297	66	**363**
Transfers	516	(516)	**-**
At 31 December 2012	2,372	45	**2,417**
Additions	266	732	**998**
Transfers	25	(25)	**-**
At 31 December 2013	**2,663**	**752**	**3,415**
AMORTISATION AND IMPAIREMENT			
At 1 January 2012	702	-	**702**
Charge for the year	300	-	**300**
Transfers	-	-	**-**
At 31 December 2012	1,002	-	**1002**
Charge for the year	344	-	**344**
At 31 December 2013	**1,346**	**-**	**1,346**
NET CARRYING AMOUNT			
At 31 December 2012	1,370	45	**1,415**
At 31 December 2013	**1,317**	**752**	**2,069**

The Group's intangible assets include the value of computer software. The WIP is composed of software in development.

b) **Bank**

In millions of Kenya Shillings	Software	Work- in-progress	Total
COST			
At 1 January 2012	1,209	496	**1,705**
Additions	264	66	**330**
Transfers	516	(516)	**-**
At 31 December 2012	1,989	46	**2,035**
Additions	179	557	**736**
Transfers	25	(25)	**-**
At 31 December 2013	**2,193**	**578**	**2,771**
AMORTISATION AND IMPAIREMENT			
At 1 January 2012	629	-	**629**
Charge for the year	284	-	**284**
Transfers	-	-	**-**
At 31 December 2012	913	-	**913**
Charge for the year	316	-	**316**
At 31 December 2013	**1,229**	**-**	**1,229**
NET CARRYING AMOUNT			
At 31 December 2012	1,076	46	**1,122**
At 31 December 2013	**964**	**578**	**1,542**

The Group's intangible assets include the value of computer software. The WIP is composed of software in development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Other expenses

	Group		Bank	
In millions of Kenya Shillings	**2013**	**2012**	**2013**	**2012**
Cost				
Software licensing and other	**613**	760	**524**	677
Auditors' remuneration	**20**	19	**11**	10
Other*	**7,135**	6,490	**4,790**	4,902
Balance at 31 December	**7,768**	7,269	**5,325**	5,589

*Other expenses mainly comprise of Office expenses, promotion expenses ,consultancy fees, electricity, security, printing and stationery, printing of securities, repairs and subscriptions.

17. (a) Investment in associates

	Group		Bank	
In millions of Kenya Shillings	**2013**	**2012**	**2013**	**2012**
Balance as at 1 January	**1,457**	1,366	**1,113**	1,260
Share of profit	**201**	171	**-**	-
Correction of immaterial error	**-**	-	**-**	(147)
Dividends received	**(84)**	(80)	**-**	-
Balance as at 31 December	**1,574**	**1,457**	**1,113**	**1,113**

The bank has total shareholding of 24.85% in Housing Finance. Housing Finance is a banking institution whose principal activity is provision of mortgage products and is part of the Group's strategic operations, with the principle place of business located at Rehani House, Kenyatta Avenue, Nairobi.The group's share of the associated assets, liabilities, revenue and profits is as shown below:

	Group		Bank	
In millions of Kenya Shillings	**2013**	**2012**	**2013**	**2012**
Current assets	**9,238**	8,905	**9,238**	8,905
Non-current assets	**37,585**	31,781	**37,585**	31,781
Current liabilities	**14,477**	12,572	**14,477**	12,572
Non-current liabilities	**26,572**	22,968	**26,572**	22,968
Revenue	**2,857**	2,223	**2,857**	2,223
Profit after tax	**809**	687	**809**	687
Share of profit from associated company	**201**	171	**-**	-

The share of profit from associated company is from 24.85%, while all the other figures relate to 100% of the associate's position and results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. (b) Investment in subsidiary companies (Continued)

In millions of Kenya Shillings	Principal activity	Percentage shareholding	Bank 2013	Bank 2012
Equity Bank Uganda Ltd	Banking	100%	3,965	3,965
Equity Consulting Group Ltd	Consultancy	100%	0.5	0.5
Equity Insurance Agency Ltd	Insurance brokerage	100%	100	100
Equity Nominees Ltd	Custodial services	100%	0.1	0.1
Equity Investment Services Ltd	Investment banking	100%	420	420
Finserve Africa Ltd	IT outsourcing	100%	351	0.5
Equity Bank South Sudan Ltd	Banking	100%	2,537	1,242
Equity Bank Rwanda Ltd	Banking	100%	1,478	1,044
Equity Bank Tanzania	Banking	100%	1,432	1,432
			10,284	8,204

The Bank had nine wholly owned subsidiary companies as at 31 December 2013; Equity Bank Uganda Limited, Equity Bank South Sudan Limited, Equity Bank Rwanda Limited, Equity Bank Tanzania Limited, Equity Consulting Group Limited, Equity Investment Services Limited, Equity Nominees Limited, Finserve Africa Limited and Equity Insurance Agency Limited.

All the subsidiaries except Equity Bank Uganda Limited, Equity Bank Rwanda Limited, Equity Bank Tanzania Limited and Equity Bank South Sudan Limited are incorporated in Kenya.

(c) Goodwill arising from the acquisition of Equity Bank Uganda Limited (formerly Uganda Microfinance Limited (UML)

In millions of Kenya Shillings	2013 KShs	2012 KShs
Purchase price for 100% stake	1,666	1,666
Add: Acquisition costs	34	34
Total acquisition cost	1,700	1,700
Less: Carrying amount of tangible and separable identifiable intangible assets	(554)	(554)
Less: Fair value adjustments of tangible assets and separable identifiable intangible assets	(259)	(259)
Goodwill	887	887

The goodwill of KShs 887 million arose from the acquisition of Equity Bank Uganda Limited (formerly Uganda Microfinance Limited) in April 2008, which has been 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.

Management has considered both internal sources (current and future performance) and external sources (business and regulatory environment) and no adverse impairment indicators have been identified and no likelihood of an impairment loss. Management will continue to review and assess the goodwill annually for any impairment in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Income tax

Recognised in the income statement

In millions of Kenya Shillings	Group		Bank	
	2013	2012	2013	2012
Current tax expense				
Current year	**5,881**	5,878	**5,548**	5,569
	5,881	5,878	**5,548**	5,569
Deferred tax expense				
Current year (Note 24)	**(155)**	(538)	**43**	(506)
Total income tax expense	**5,726**	**5,340**	**5,591**	**5,063**
Reconciliation of effective tax rate				
In millions of Kenya Shillings				
Profit before tax and equity income	**19,004**	17,249	**18,233**	16,060
Income tax using the enacted corporation tax rate	**5,747**	**5,157**	**5,470**	**4,818**
Non-deductible expenses	**(21)**	183	**121**	245
Total income tax expense in income statement	**5,726**	**5,340**	**5,591**	**5,063**
Income tax recognised in the statement of financial position				
Balance brought forward	**2,310**	434	**2,258**	417
Charge for the year	**5,581**	5,878	**5,548**	5,569
Paid during the year	**8,677**	(4,002)	**(8,276)**	(3,728)
	(486)	**2,310**	**(470)**	**2,258**
Made up of:				
Tax payable	**64**	2,365	**-**	2,258
Tax recoverable	**(550)**	(55)	**470**	-
	(486)	**2,310**	**470**	**2,258**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Income tax (continued)

Tax rates are as follows:

	Total	Kenya	Uganda	South Sudan	Insurance	Nominees	Others
2013		30%	30%	20%	30%	30%	30%
Profit before tax and equity income	**19,004**	18,233	55	286	407	(3)	(26)
Income tax using the enacted corporation tax rate	**5,747**	5,470	17	57	122	-	(81)
2012		30%	30%	20%	30%	30%	30%
Profit before tax and equity income	**17,249**	16,060	57	1,082	334	17	(301)
Income tax using the enacted corporation tax rate	**5,157**	4,818	17	216	100	6	-

19. Cash and cash equivalents

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Cash and balances with bank	**12,171**	11,091	**7,343**	7,179
Unrestricted balances with Central Banks	**11,675**	14,068	**6,228**	9,395
Restricted balances with Central Banks	**1,486**	1,689	**-**	-
Money market placements	**9,196**	18,286	**8,359**	18,893
	34,528	**45,134**	**21,930**	**35,467**

20. Loans and advances to customers

(a) Loans and advances to customers at amortised cost

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Consumer	**48,021**	42,652	**43,448**	38,819
Micro Enterprises	**13,649**	12,776	**13,209**	11,623
Agriculture	**5,455**	4,141	**5,379**	4,141
Small and Medium Enterprises	**81,249**	63,642	**66,305**	55,180
Large Enterprises	**28,989**	16,770	**28,989**	16,770
Gross amount	**177,363**	**139,982**	**157,330**	**126,533**
Current (settled no more than 12 months)	**38,612**	34,544	**33,020**	29,733
Non-current portion (settled more than 12 months after reporting period)	**138,751**	105,437	**124,310**	96,800
Gross amount	**177,363**	**139,981**	**157,330**	**126,533**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Loans and advances to customers (continued)

The terms and conditions normally provided for the loans and advances to customers are as follows:

Consumer, Agriculture and Micro Enterprises - These are interest bearing facilities to retail customers. The loans are designed to meet requirements for customers in employment, in agriculture and those running Micro-Enterprises. These loans are charged processing fees and insurance

Small, Medium and Large Enterprises - These are loans to small and medium customers and they are all interest bearing. Collateral is a requirement for all facilities.
These loans are charged processing fees, insurance and legal fees.

(b) Allowance for impairment

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Balance as at 1st January	**4,289**	2,350	**4,123**	2,287
Charge for the year;				
Collective impairment	**309**	373	**210**	290
Specific impairment	**2,243**	1,317	**1,750**	1,200
IAS 39 adjustment- write back of overprovision	**(150)**	(82)	**(124)**	(34)
	2,402	1,608	**1,836**	1,456
Suspended interest	**734**	410	**673**	380
Write offs	**(1,425)**	(79)	**(1,331)**	-
	1,711	1939	**1,178**	1,836
Total impairment	**6,000**	4,289	**5,301**	4,123
Net loans and advances	**171,363**	**135,692**	**152,029**	**122,410**

IAS 39 adjustment relates to the excess provision between IAS 39 requirements and the Regulatory Authorities (Central Banks) prudential guidelines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Investment securities - (Government bonds and bills)

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Held to maturity				
As at 1st January	**31,108**	22,908	**22,798**	22,604
Purchase of investment securities	**6,183**	9,866	**1,234**	1,064
Proceeds from retirement of bonds	**(3,842)**	(1,666)	**(2,306)**	(870)
	33,449	31,108	**21,726**	22,798
Available for sale - Current				
As at 1st January	**9,993**	7,595	**9,993**	7,595
Purchase of Investment securities	**8,826**	16,027	**8,826**	16,027
Sale of Investment Securities	**(7,696)**	(13,629)	**(7,596)**	(13,628)
	11,123	9,993	**11,223**	9,994
As at 31st December	**44,572**	**41,101**	**32,949**	**32,792**

22. Related parties

The bank enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

(a) **Loans to key management personnel**

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Balance at 1 January	**578**	306	**553**	303
Interest charged	**51**	39	**50**	35
Loans disbursed	**375**	310	**320**	272
Repayments	**(129)**	(76)	**(127)**	(57)
Balance at 31 December	**874**	**578**	**796**	**553**
Current	**175**	115	**159**	110
Noncurrent	**699**	463	**637**	443
Total	**874**	**578**	**796**	**553**

(b) **Loans to employees**

Balance at 1 January	**3,015**	2,601	**2,850**	2,601
Interest charged	**234**	194	**233**	180
Loans disbursed	**2,074**	1,776	**2,061**	1,526
Repayments	**(1,422)**	(1,556)	**(1,416)**	(1,457)
Balance at 31 December	**3,978**	**3,015**	**3,729**	**2,850**
Current	**796**	603	**746**	570
Noncurrent	**3,182**	2,412	**2,983**	2,280
Total	**3,978**	**3,015**	**3,729**	**2,850**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Related parties (Continued)

No impairment losses have been recorded against balances outstanding during the year and no specific allowance has been made for impairment losses on balances at the year end.

(c) Loans to related parties

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Balance at 1 January	**3,456**	3,184	**3,456**	3,184
Interest charged	**80**	157	**80**	157
Loans disbursed	**1,152**	3,479	**1,152**	3,479
Repayments	**(3,424)**	(3,364)	**(3,424)**	(3,364)
Balance at 31 December	**1,263**	**3,456**	**1,263**	**3,456**
Current	**253**	691	**253**	691
Noncurrent	**1,010**	2,765	**1,010**	2,765
Total	**1,263**	**3,456**	**1,263**	**3,456**

These are loans to shareholders, directors and any of their associates. The total amount of loans and advances granted was in ordinary course of business. Transactions with related parties are at arm's length.

(d) Key management personnel compensation

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Remuneration to executive directors	**329**	685	**291**	605
Remuneration to Key Management	**2,379**	448	**2,263**	275
	2,708	1,133	**2,554**	880

In addition to their salaries, the Bank also contributes to a post-employment defined contribution plan, and the National Social Security Fund (NSSF), on their behalf.

(e) Directors' emoluments

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
As non-executive	**24**	22	**21**	20
As executives	**2,379**	605	**2,263**	605
	2,403	**627**	**2,284**	**625**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Related parties (Continued)

(g) Amounts due from related parties

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Equity Insurance Agency	**-**	-	**154**	45
Equity Bank Uganda Limited	**-**	-	**48**	110
Equity Bank South Sudan Limited	**-**	-	**72**	146
Equity Bank Rwanda	**-**	-	**69**	85
Equity Bank Tanzania	**-**	-	**454**	533
Equity Investment Bank Limited	**-**	-	**44**	2
Equity Investment Services Limited	**-**	-	**18**	18
Equity Nominees	**-**	-	**42**	42
Equity Group Foundation	**122**	2	**122**	2
Finserve Africa	**-**	-	**40**	-
	122	**2**	**1,063**	**983**

Related parties are only the subsidiary companies in addition to Equity Group Foundation which is a related party by virtue of common directorship.

23. Other assets

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Investment property (note 14(d))	**8**	8	**8**	8
Accounts receivable and prepayments	**5,593**	2,783	**4,191**	2,438
Accrued income	**2,494**	2,513	**2,221**	2,311
Funds in clearing	**1,343**	1,411	**790**	1,218
Other	**1,711**	528	**1,957**	484
	11,149	**7,243**	**9,167**	**6,459**

Other assets are settled no more than 12 months after reporting date apart from investment property which is more than 12 months. All the balances are non interest bearing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Plant, equipment and software	**417**	159	**486**	180
Allowance for loan losses	**491**	751	**356**	751
Allowance for accrued Leave	**5**	14	**-**	5
Unrealised exchange losses	**(20)**	(120)	**(18)**	(124)
Unrealised exchange gains	**(138)**	(66)	**(123)**	(68)
Tax Losses	**182**	44	**-**	-
Net tax asset	**937**	**782**	**701**	**744**

Group deferred tax assets and liabilities are attributable to the following:

In millions of Kenya Shillings	2013			2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, equipment and software	**486**	**(69)**	**417**	206	(47)	159
Allowances for loan losses	**491**	**-**	**491**	751	-	751
Allowance for accrued Leave	**4**	**-**	**4**	14	-	14
Unrealised exchange losses	**-**	**(20)**	**(120)**	4	(124)	(120)
Unrealised exchange gains	**-**	**(138)**	**(138)**	3	(69)	(66)
Tax losses	**181**	**-**	**181**	44	-	44
	1,164	**227**	**937**	**1,022**	**(240)**	**782**

*The deferred tax asset and deferred tax liability at group level in the statement of financial position have been separated as they relate to different tax jurisdictions as required by IAS 12. The net of the two amounts is analysed in the table above.

Bank deferred tax assets and liabilities are attributable to the following:

In millions of Kenya Shillings	2013			2012		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, equipment and software	**486**	**-**	**486**	180	-	180
Allowances for loan losses	**356**	**-**	**356**	751	-	751
Allowance for accrued Leave		**-**	**-**	5	-	5
Unrealised exchange losses	**-**	**(18)**	**(18)**	-	(124)	(124)
Unrealised exchange gains	**-**	**(123)**	**(123)**	-	(68)	(68)
	842	**(141)**	**701**	**936**	**(192)**	**744**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Deferred tax assets and liabilities (continued)

Movements in temporary differences during the year – Group

In millions of Kenya Shillings	Opening Balance	Recognised in profit or loss	Recognised in OCI	Closing balance
2013				
Property, equipment and software	159	258	-	417
Allowances for loan losses	751	(260)	-	491
Provision for accrued leave	14	(9)	-	5
Unrealised exchange losses	(120)	100	-	(20)
Unrealised exchange gains	(66)	(72)	-	(138)
Tax losses	44	138	-	182
	782	**155**	**-**	**937**

In millions of Kenya Shillings	Opening Balance	Recognised in profit or loss	Recognised in OCI	Closing balance
2012				
Property, equipment and software	90	69	-	159
Allowances for loan losses	191	560	-	751
Provision for accrued leave	31	(17)	-	14
Unrealised exchange losses	2	(122)	-	(120)
Unrealised exchange gains	(70)	4	-	(66)
Tax loss	-	44	-	44
	244	**538**	**-**	**782**

Movements in temporary differences during the year – Bank

In millions of Kenya Shillings	Opening Balance	Recognised in profit or loss	Recognised in OCI	Closing balance
2013				
Property, equipment and software	180	306	-	486
Allowances for loan losses	751	(395)	-	356
Provision for accrued leave	5	(5)	-	-
Unrealised exchange losses	(124)	106	-	(18)
Unrealised exchange gains	(68)	(55)	-	(123)
	744	**(43)**	**-**	**701**
2012				
Property, equipment and software	99	81	-	180
Allowances for loan losses	191	560	-	751
Provision for accrued leave	18	(13)	-	5
Unrealised exchange losses		(124)	-	(124)
Unrealised exchange gains	(70)	2	-	(68)
	238	**506**	**-**	**744**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Deposits from customers

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Retail customers				
Term deposits	**15,431**	12,720	**13,694**	12,093
Current deposits	**44,296**	33,393	**34,283**	27,949
Savings deposits	**100,500**	86,555	**89,441**	78,548
	160,227	132,668	**137,418**	118,590
Corporate customers				
Term deposits	**18,012**	18,187	**12,238**	15,871
Current deposits	**13,159**	13,557	**5,685**	4,981
Savings	**3,755**	3,501	**3,404**	2,944
	34,926	35,245	**21,327**	23,796
	195,153	167,913	**158,745**	142,386
Current	**98,240**	83,735	**65,668**	60,167
Non current	**96,913**	84,178	**93,077**	82,219
Total	**195,153**	**167,913**	**158,745**	**142,386**

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 - This is a deposit account 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Borrowed funds

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Dexia Micro Credit Fund	**-**	689	**-**	689
Deutsche Bank Microfinance Fund	**614**	612	**614**	612
China Development Bank Corporation	**3,240**	4,308	**3,240**	4,308
China Development Bank Corporation	**4,938**	3,261	**4,938**	3,261
Ontwikelinslanden N.V (FMO)	**3,221**	3,221	**3,221**	3,221
International Finance Corporation(IFC)	**8,640**	8,615	**8,640**	8615
Ministry of Youth Affairs	**85**	85	**85**	85
Micro Finance Sector Support Credit (Ministry of Finance)	**224**	315	**224**	315
Microfinance Enhancement Facility (MEF)	**1,296**	1,292	**1,296**	1,292
responsibility	**1,296**	1,292	**1,296**	1,292
KFW	**1,827**	1,756	**1,827**	1,756
Ministry of Finance (GOK)	**226**	232	**226**	232
Equity Bank-Uganda	**-**	-	**5**	77
Bank Of South Sudan	**875**	-	**-**	-
Tropical Bank limited-Uganda	**-**	-	**-**	-
NC Bank Tanzania Limited	**-**	27	**-**	-
Kenya Commercial Bank-Uganda	**-**	1	**-**	-
Diamond Trust bank-Uganda	**65**	86	**-**	-
Imperial Bank	**-**	161	**-**	-
Centenary Bank	**-**	193	**-**	-
Orient Bank	**189**	-	**-**	-
FINA Bank	**-**	160	**-**	-
Housing Finance Bank	**-**	96	**-**	-
NIC Bank Uganda Limited	**-**	48	**-**	-
Cairo Bank Uganda Limited	**-**	32	**-**	-
Bank of Africa Uganda Limited	**-**	86	**-**	-
	26,736	26,568	**25,612**	25,755
Current (settled no more than 12 months)	**3,572**	2,506	**2,443**	2,429
Noncurrent portion (settled more than 12 months after reporting period)	**23,164**	24,063	**23,169**	23,326
	26,736	26,569	**25,612**	25,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Borrowed funds (continued)

At the end of the year, the following loan balances were outstanding:

i) Long term loan of US$ 7,105,970 (KShs 614M) from Deutsche Bank Microfinance Fund, a company incorporated in Germany. The loan, which is secured by directors' guarantee, accrues interest at the fixed rate of 9.5% p.a. and will mature on 31st December 2014. The effective interest rate is 11.18%. A finance cost of KShs 69.6M (2012: KShs 68M) has been included in profit or loss for the year.

ii) Medium term loan of US$ 50M (KShs 3.2B) from China Development Bank, a company incorporated in China. The loan which is secured by directors' guarantee accrues interest at the rate of LIBOR 6M +2.2% margin plus interest tax as applicable and will mature on 20th September 2016. A finance cost of KShs 121.2M (2012: KShs 146.2M) has been included in profit or loss for the year.

iii) Medium term loan of US$ 56.8M (KShs 4.93B) from China Development Bank, a company incorporated in China. The loan which is secured by directors' guarantee accrues interest at the rate of LIBOR 6M +2.6% margin plus interest tax as applicable and will mature on 28th November 2017. A finance cost of KShs 172.3M (2012: Kshs.10.5M) has been included in profit or loss for the year.

iv) Loan of US$ 15M (KShs 1.3B) from ResponsAbility Global Microfinance Fund an unincorporated mutual fund organised under Luxembourg law. The loan which is secured by directors guarantee accrues interest at a rate of LIBOR 6M +3.07% margin plus interest tax as applicable; US$ 10M matures on 11th August 2016 (long term) while US$ 5M will mature on 11th August 2014 (medium term). A finance cost of KShs 53.7M (2012 KShs 55.9M) has been included in profit or loss for the year.

v) Medium term loan of US$ 15M (KShs 1.3B) from Microfinance Enhancement Facility (MEF) S.A. SICAV-SIF (Cyrano Pool) a public limited company incorporated in Luxembourg. The loan which is secured by directors' guarantee accrues interest at a rate of LIBOR 6M +3.0% margin plus interest tax as applicable and will mature on 1st September 2014. A finance cost of KShs 53.4M (2012: Kshs. 56.5M) has been included in profit or loss for the year.

vi) Long term loan of US$ 19,571,940 (KShs 1.8B) from KFW, a public law institution registered in Germany with its headquarters in Frankfurt. The subordinated loan which is secured by directors' guarantee accrues interest at a rate of LIBOR 6M +3.3% margin plus interest tax as applicable and will mature on 13th December 2018. A finance cost of KShs 65.2M (2012: 13.1M) has been included in profit or loss for the year.

vii) Medium term loan of US$ 100M (KShs 8.6B) from International Finance Corporation, an organisation established by Articles of Agreement among its member countries including the Republic of Kenya.
The loan which is secured by directors' guarantee accrues interest at the rate of LIBOR 6M + 2.75% margin plus interest tax as applicable and will mature on 15th March 2019. A finance cost of KShs 283.3 (2012: KShs 186.3) has been included in profit or loss for the year.

viii) Long-term loans totalling KShs 3.221B from FMO, a company incorporated in the Netherlands. The loans, which are secured by directors' guarantee, accrue interest at varied rates depending on the CBK 91 T-bill rate plus a 3.5% margin at the beginning of each quarter. KShs 1.507B will mature on 15th June 2015 and another KShs 1.714B will mature on 15th June 2015. A finance cost of KShs 427.51M (2012: KShs 591.4M) has been included in profit or loss for the year.

ix) Medium term loans totalling KShs 85M from Ministry of Youth Affairs. The loan, which is secured by directors' guarantee, accrues interest at the fixed rate of 1% p.a. KShs 50M will mature on 20th April 2014 and Ksh 35M on 10th April 2015. A finance cost of Kshs 0.8 M (2012: Kshs 0.8 M) been included in profit or loss.

x) Medium term loan of KShs 224M from Ministry of Finance. The loan, which is secured by directors' guarantee, Kshs 33M accrues interest rate at the reducing balance rate of 6% p.a. and will mature on 27th December 2014; Kshs 191M accrues interest rate at the reducing balance rate of 4% p.a. and will mature on 27th June 2015. A finance cost of KShs 12.2M (2012: KShs 15.2M) has been included in profit or loss.

xi) On 30 December 2013, Equity Bank Uganda Limited borrowed USD 0.75 from Diamond Trust Bank through the interbank money market at a rate of 2% for a period of 7 days. The funds were to be repaid in full on the maturity date of 6th January 2014.

xii) On 30 December 2013, Equity Bank Uganda Limited borrowed USD 1M from Orient Bank through the interbank money market at a rate of 2% for a period of 7 days. The funds were to be repaid in full on the maturity date of 6th January 2014.

xiii) On 27 December 2013, Equity Bank South Sudan Limited borrowed SSP 30M from Bank Of South Sudan Bank through the interbank money market at a rate of 2% for a period of 7 days. The funds were to be repaid in full on the maturity date of 3rd January 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. Other liabilities

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Short term employee benefits	**12**	21	**-**	-
Creditors and accruals	**803**	1,160	**188**	766
Other *	**3,404**	2,188	**2,963**	1,993
	4,219	3,369	**3,151**	2,759
Current	**4,192**	3,312	**3,124**	2,701
Non-current	**27**	57	**27**	58
	4,219	3,369	**3,151**	2,759

* Other liabilities relate to accruals made as at year end.

28. Share capital and reserves

	Group		Bank	
	2013	2012	2013	2012
(a) Authorised				
Issued and fully paid 3,702,777,020 Ordinary shares of KShs 0.5	**1,851**	1,851	**1,851**	1,851

Movement in ordinary shares

	Group		Bank	
In millions	2013	2012	2013	2012
On issue at 1st January	3,703	3,703	3,703	3,703
On issue at 31 December	3,703	3,703	3,703	3,703

As at 31 December 2013 the authorised share capital comprised of 3.7 billion ordinary shares (2012: 3.7 billion), with a par value of KShs 0.5. All issued shares are fully paid.

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 Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Share capital and reserves (continued)

The top ten largest shareholders as at 31 December 2013 were:

Name	No. of Shares	%
HELIOS EB INVESTORS	905,162,550	24.45
BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED	263,455,230	7.12
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	138,534,200	3.74
JAMES NJUGUNA MWANGI	127,809,180	3.45
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9069	123,637,800	3.34
EQUITY NOMINEES LIMTED A/C 00104	110,000,000	2.97
FORTRESS HIGHLANDS LIMITED	101,010,000	2.73
ANDREW MWANGI KIMANI	90,426,800	2.44
AIB NIMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.43
MAEWA HOLDINGS LTD	64,371,200	1.74
OTHER 24,852 SHAREHOLDERS	1,688,255,150	45.59
TOTAL SHARES	**3,702,777,020**	**100**

The distribution of shares as at 31st December 2013 was as shown on page 7.

(b) Share premium

Share premium arose from the issue of shares at a price higher than the par value of the shares.

(c) Available for sale reserve

The available for sale reserve is attributable to marking to market of investment securities classified under the available-for-sale category. This is shown on the statement of comprehensive income and also on the income statement when the underlying asset has been derecognised or impaired.

(d) Loan loss reserve

The Loan loss reserve represents excess loan loss provision determined from computation of impairment of loans and advances as per International Accounting Standards (IAS) No. 39 against the requirements of the Central Bank of Kenya prudential guidelines. This amount is not available for distribution.

(e) Other reserves

The other reserves represent pre-acquisition reserves from Uganda. In addition, grants amounting to KES 26 were received from United Nations Capital Development Fund (UNCDF) in support of microfinance business in Tanzania. The grant is to be amortised over 8 months period.

(f) Foreign currency translation reserve

The foreign exchange transactions reserve represents translation of Uganda Shillings, South Sudan Pounds, Tanzania Shillings and Rwanda Francs to Kenya Shillings.

(g) Revaluation reserves

Revaluation reserve represents revaluation surplus on property and equipment on associate company.

(h) Dividends

The following dividends were declared and paid by the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Share capital and reserves (continued)

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
KShs 1.50 per ordinary share of KShs 0.5 (2012– KShs1.25)	5,554	4,629	5,554	4,629

After the respective reporting dates the following dividends were proposed by the directors in respect of years. The dividends have not been provided for and there are no income tax consequences.

29. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the group as at 31 December 2013 is based on the profit attributable to ordinary shareholders of KShs 13,278 million (2012: KShs 12,080 million) and the weighted average number of ordinary shares outstanding of 3,702million.
The calculation of basic earnings per share for Bank as at 31 December 2013 is based on the profit attributable to ordinary shareholders of KShs 12,642 million (2012: KShs 10,997 million) and the weighted average number of ordinary shares outstanding of 3,702 million.

	Group		Bank	
(in millions of Kenya Shillings)	2013	2012	2013	2012
Profit for the year attributable to equity shareholders	13,278	12,080	12,642	10,997
Number of shares: (in millions) Issued ordinary shares at 1 January	3,703	3,703	3,703	3,703
Weighted average number of ordinary shares at 31 December	3,703	3,703	3,703	3,703
Earnings per share:				
Basic earnings per share (in Kenya Shillings)	3.59	3.26	3.41	2.97
Diluted earnings per share (in Kenya Shillings)	3.59	3.26	3.41	2.97

30. Dividend per share

Proposed dividends are accounted for as a separate component of equity until they have been declared at an Annual General Meeting.
At the forthcoming Annual General Meeting to be held on 26th March 2014 a final dividend in respect of the year ended 31 December 2013 of KShs 1.50 (2012 – KShs 1.25) for every ordinary share of KShs 0.5 is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for resident and 10% for non-resident shareholders.

31. Off statement of financial position contingencies and commitments

Group and Bank
In the ordinary course of business, the Group and the Bank conduct 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Guarantees and standby letters of credit	9,168	5,985	9,111	5,167
Letters of credit, acceptances and other documentary credits	2,148	2,319	2,077	2,303
	11,316	8,304	11,188	7,470

Nature of contingent liabilities

Guarantees are generally written by a bank to support performance by a customer to third parties to the tune of cash collateral equivalent to the customer's financial obligation. The Bank will only be required to utilize this collateral to meet the obligation in the event of the customer's default.

Letters of credit commit the bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Commitments

Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Capital commitments	292	371	177	75
Loans approved but not disbursed	46,887	12,349	45,583	12,104
	47,179	12,720	45,760	12,179

Group and Bank lease

The Group and Bank has entered into commercial property leases on a number of branches and office premises under operating leases. These non-cancellable leases have remaining terms of between one and 10 years. All leases include a clause that enables upward revision of the rental charges on an agreed basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 31st December are as follows:

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
Within one year	367	343	46	18
After one year but not more than five years	2,634	3,471	1,579	2,395
More than five years	2,955	3,720	2,420	2,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Retirement Benefit Obligations

The Bank contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF).

The Bank also operates a defined contribution pension scheme for the staff. The contributions are charged to profit or loss in the period in which they relate.

	Group		Bank	
In millions of Kenya Shillings	2013	2012	2013	2012
National Social Security Fund	14	67	13	13
Pension Scheme	238	218	223	183
	252	285	236	196

33. Foreign currency exposure – Group

Currency risk is the risk that the value 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 hedging strategies used to ensure that positions are maintained within the established limits. The amounts below summarize the foreign currency exposure position as at 31st December 2013.

As at 31 December 2013

In million of Kenya Shillings	UGX	USD	SSP	GBP	Euro	ZAR	JPY	Others	Total
Assets									
Cash and cash equivalents	2,047	10,201	3,994	602	794	79	78	1,948	19,743
Loans and advances to customers	4,480	31,347	4,621	5	2	-	-	5,893	46,348
Investment securities	1,201	-	8,950	-	-	-	-	1,245	11,396
Finance lease receivable									
Property and equipment	610	-	1,241	-	-	-	-	843	2,694
Prepaid leases	20	-	118	-	-	-	-	35	173
Intangible assets	11	-	4					30	45
Other assets	418	707	566	-	4	-	-	529	2,224
Tax recoverable	54	-	-	-	-	-	-	12	66
Total Assets	**8,841**	**42,255**	**19,494**	**607**	**800**	**79**	**78**	**10,535**	**82,689**
Equity and liabilities									
Customer deposits	7,378	17,128	13,652	169	804	2	-	7 460	46,593
Borrowed funds	32	23,039	875	-	-	-	-	109	24,055
Current tax liabilities	-	-	66	-		-	-	-	66
Other liabilities	296	230	110	8	33	-	-	322	999
Statutory loan loss reserve	132	-	24	-	-	-	-	-	156
Retained earnings	(545)	-	464	-	-	-	-	434	515
Other capital reserve	32	-	-	-	-	-	-	26	58
Total liabilities and shareholder's funds	**7,325**	**40,397**	**15,191**	**177**	**837**	**2**		**7,483**	**71,412**
Net financial position	**1,516**	**1,858**	**4,303**	**430**	**(37)**	**77**	**78**	**3,052**	**11,277**
As at 31 December 2012									
Total Assets	7,420	41,869	9,677	670	1,007	88	78	6,308	67,117
Total Liabilities	5,852	32,553	13,884	196	759	1	-	2,972	56,217
Net financial position	1,568	9,316	(4,207)	474	248	87	78	3,336	10,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Foreign currency exposure – Group (continued)

Sensitivity analysis

The following tables demonstrates the sensitivity to a reasonable possible change in the UGX, USD and SSP with all other variables held constant on the group's profit before tax due to changes in fair value of monetary assets and liabilities and the groups equity due to changes in the fair value of the monetary assets and liabilities of the subsidiaries. The group's exposure to foreign currency changes for all other currencies is not material.

	Changes in UGX	Effect on profit before tax
2013	±8%	121
2012	±15%	53
	Changes in SSP	**Effect on profit before tax**
2013	±5%	215
2012	±7%	338
	Changes in USD	**Effect on profit before tax**
2013	±5%	93
2012	±7%	151

Foreign currency exposure – Bank

As at 31 December 2013

In million of Kenya Shillings	USD	GBP	Euro	ZAR	JPY	Others	Total
Assets							
Cash and cash equivalents	4,600	563	565	79	78	470	6,354
Loans and advances to customers	26,982	4	2	-	-	-	26,989
Amounts due from group companies	230	1	1	-	-	73	301
Other assets	364	-	-	-	-	5	351
Total Assets	**32,176**	**568**	**568**	**79**	**78**	**548**	**33,995**
Equity and liabilities							
Customer deposits	8,412	146	583	2	-	4	9,146
Borrowed funds	21,851	-	-	-	-	5	21,856
Amounts due to group companies	83	-	-	-	-	1	84
Other liabilities	196	8	32	-	-	-	236
Total liabilities and shareholders' funds	**30,542**	**154**	**615**	**2**	**-**	**10**	**31,322**
Net financial position	**1,634**	**414**	**(47)**	**77**	**78**	**538**	**2,673**
As at 31 December 2012							
Total Assets	27,936	648	861	88	78	1,155	30,765
Total Liabilities	25,593	142	616	2		104	26,456
Net financial position	2,343	505	245	86	78	1,051	4,309

The following tables demonstrates the sensitivity to a reasonable possible change in the US$ with all other variables held constant on the Banks profit tax due to changes in fair value of monetary assets and liabilities and the Bank's equity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Foreign currency exposure – Bank (continued)

	Changes in USD	Effect on profit before tax
2013	±5%	117
2012	±7%	164

34. Operating Segment

A segment is a distinguishable component of the group and the Bank 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 and small and medium sized enterprises in each of the entities. For management purposes the results of each business unit (entity) is reviewed separately for the purpose of making decisions. There are therefore no distinct significant business segments within each entity to necessitate detailed disclosures.

ii) Operating segments

The Bank operates in five geographical markets that is Kenya, Uganda, South Sudan, Rwanda and Tanzania. The table below shows the distribution of the group's total assets, net interest income, total operating income, total expenses and profit before tax.

	2013						2012					
In millions of Kenya Shillings	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Total	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Total
Total asset	238,194	12,833	23,321	6,204	8,091	277,729	206,023	9,978	19,656	3,392	4,122	243,170
Net Interest Income	23,690	1,004	1,026	344	380	26,490	22,123	985	488	167	201	23,964
Total Operating Income	35,738	1,480	2,725	717	675	42,062	32,181	1,443	2,425	423	355	36,828
Total expenses	17,505	1,425	2,440	856	631	23,058	15,762	1,386	1,343	656	432	19,650
Profit before tax	18,233	55	285	(139)	44	19,004	16,591	57	1,082	(233)	(77)	17,420

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.

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross Income and expense.

No revenue from transactions with a single external customer or counter party amounted to 10% or more of the bank's total revenue in 2013 or 2012.

The group's operating segments are reported based on financial information provided to the Strategy and Investment committee as detailed on page 5 which is the key management committee and represents the decision making. The chairmanship and composition of this committee is as detailed on page 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. Operating Segment (continued)

The three customer facing lines of businesses include:

Consumer – This segment targets salaried customers or customers receiving other regular remittances like pension. Facilities granted under this segment are for the purposes of empowering such customers to meet their most immediate personal needs or personal development.

Small and Medium Enterprises (SME's) – These are customers with small and medium enterprises. The facilities granted under this segment are for purposes of meeting working capital needs, property development or acquisition of assets.

Corporate – This segment comprises large enterprises. The facilities granted under this segment are designed for purposes of meeting working capital needs, large scale development, property acquisition, large investments and acquisition of assets.

The products the group offers its customers include:

Equi loan - a credit facility granted to employees of reputable organizations that the bank has an MOU with. The facility is administered through a check off system from the employer where loan deductions are remitted to the bank for loan instalment due.

Vijana loan - meant to cater for the youth majority of whom have business ideas but lack conventional collaterals, the bank set aside some funds to support these clientele. The lending is done through group methodology

Fanikisha loan - loan products tailored for women clients. They have a characteristic of flexibility on collaterals since majority of women don't have formal collaterals yet have good business ideas.

Farm input - facilities granted to customers in the agricultural sector of the economy for inputs and working capital needs.

Mortgage loan - facilities granted to customers in pursuit of housing needs. The mortgages are advanced for both residential and commercial purposes. This is available to both salaried and business clients.

Asset finance loan - granted to our customers for purchase of both movable and immovable assets. Majority of the customers are in business.

Trade finance - products for customers in business and facilitates purchase of goods and services and subsequent payments thereof. Various products are extended under trade finance including Bid bonds, LCs and Guarantees among others.

Development loan - a facility granted to customers in the construction to finance the project in terms of materials and other overheads. Majority of customers accessing this product are predominantly in SME and Corporate sectors.

Business Loan - credit facilities granted to business customers for working capital needs.

Biashara Imara - working capital facility provided to micro Clients with no conventional collateral.

Notes

Notes

PROXY FORM

I/We ____

____

CDS A/C No ____

of (address) ____

being a member(s) of Equity Bank Limited, hereby appoint ______________________________

____

of (address) ____

or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting of the Company to be held on the **26th day of March 2014** at **10.00 a.m.**, or at any adjournment thereof.

As witness to my/our hands this ______________________ day of ______________________2014

Signature(s) ____

This Form is to be used *in favour of /*against of the resolution (*Strike out whichever is not desired)
Unless otherwise instructed, the proxy will vote as he/ she thinks fit.

Notes:

1. This proxy form is to be delivered to the Company Secretary at Equity Centre 9th Floor, Upper Hill, P.O. Box 75104, Nairobi - 00200, Kenya not later than **10.00 a.m.** on the **24th day of March 2014,** failing which it will be invalid.
2. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

.... CUT ALONG DOTTED LINE ....

ADMISSION CARD

PLEASE ADMIT ______________________________________ to the Annual General Meeting of Equity Bank Limited which will be held at the Kenyatta International Conference Centre ("KICC"), Nairobi, Kenya on the 26th day of March 2014 at 10.00 a.m.

This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.

Company Secretary

Name of Shareholder:

Address of Shareholder

CDS Account Number:

FOMU YA UWAKILISHI

Mimi/Sisi ____

____

Nambari ya Akaunti ya hisa ____

wa{anwani} ____

Nikiwa/tukiwa wanachama wa Kampuni ya Equity Bank, ninateua/tunateua ____________________

____

wa{anwani} ____

Au, akikosa kufika mwenyekiti aliyeteulliwa kihalali wa mkutano awe mwakilishi wangu/wetu kupiga kura kwa niaba yangu/yetu katika mkutano mkuu wa mwaka wa kampuni utakaofanywa tarehe **26 March 2014 saa nne** au wakati wowote uahirishaji unaweza kutokea.

Kama ilivyoshuhudiwa kwa sahihi yangu/yetu siku hii ya ______________________2014

Sahihi ____

Maelezo:

1. Fomu hii ya uwakilishi inapaswa kuwasilishwa kwa katibu wa Kampuni katika Jumba la Equity Centre Orofa ya 9, Upper Hill, s.l.p 75104, Nairobi- 00200, Kenya kabla ya **saa nne asubuhi** tarehe **24 March 2014**, la sivyo haitakubaliwa.
2. Fomu ya uwakilishi sharti iandikwe kwa mkono na endapo mwakilishi ni mtu binafsi inapaswa kutiwa sahihi na mwenyehisa au na wakili wake na endapo ni shirika fomu ya uwakilishi sharti iwe na muhuri au kutiwa sahihi na wakili wake au afisa wa shirika hilo.

.... KATA KATIKA SEHEMU ILIYO WEKWA ALAMA ....

KADI YA RUHUSA

Kadi hii ya ruhusa lazima iwasilishwe na mwenyehisa au mwakilishi wake ili kuruhusiwa kuhudhuria Mkutano Mkuu wa Mwaka katika Jumba la Kenyatta International Conference Center (KICC) Nairobi, Kenya tarehe 26 March 2014
saa nne asubuhi

Katibu wa kampuni:

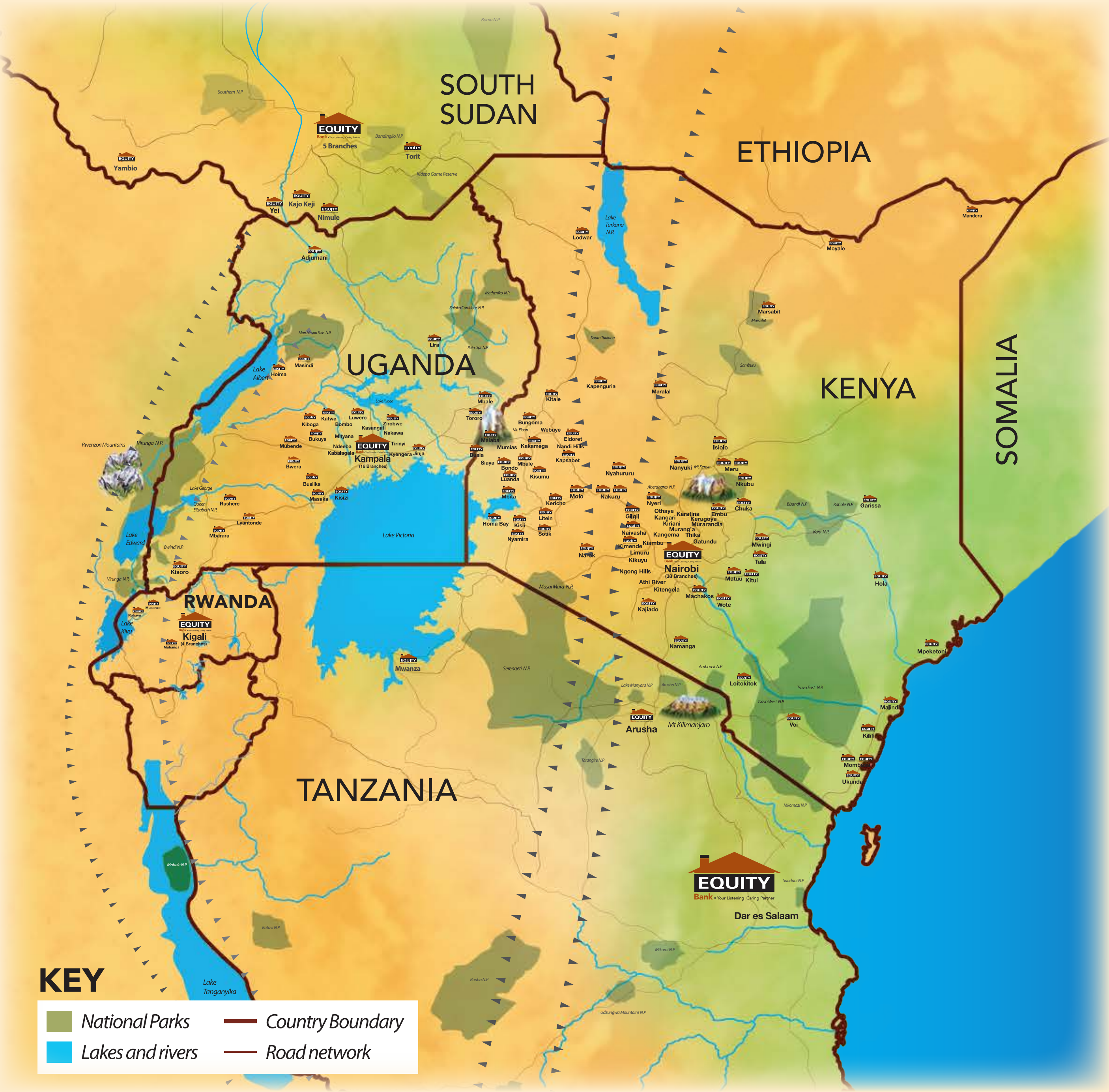
Jina la Mwenyehisa:

Anwani ya Mwenyehisa:

Idadi ya hisa zinazoshikiliwa:

Nambari ya Akaunti ya Hisa:

REGIONAL FOOTPRINT



Transforming lives in Africa, one branch at a time.

BRANCHES	216
(a) Branches in Kenya 158, Nairobi 45	
(b) Branches in Uganda 31, Kampala 17	
(c) Branches in South Sudan 12, Juba 5	
(d) Branches in Tanzania 6, Dar es Salaam 4	
(e) Branches in Rwanda 9, Kigali 4	
Agent Outlets	**10,260**
Point of Sale Terminals (POS)	**16,002**
ATMs	**615**

EQUITY Bank • Your Listening, Caring Partner

OUR INSPIRATION

That when years turn our vision dim and gray,
we shall still see beauty in the tired wrinkles of our faces and shall
take comfort out of the fact and knowledge that when we were
given the opportunity we did all we could to empower our people
to exploit opportunities and realise their full potential
on the road to economic prosperity.

OUR REGIONAL SUBSIDIARIES

KENYA 

UGANDA 

SOUTH SUDAN 

RWANDA 

TANZANIA 

EQUITY Bank • Your Listening, Caring Partner

Equity Centre, 9th Floor, Hospital Road, Upper Hill
P.O. Box 75104-00200 Nairobi, Tel : +254-020-2262000
Fax : +254-020-2737276, Cell: 0711 026000 /0732 112000
info@equitybank.co.ke, www.equitybankgroup.com
@KeEquitybank KeEquitybank