EQUITY
Group Holdings Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

Equity Group Holdings Limited Headquarters, Equity Centre, Upperhill, Nairobi

CORPORATE PHILOSOPHIES

The Company was founded in 1984 as Equity Building Society (EBS). The Group has recorded various key milestones over the years. In 2004 it converted to a fully fledged commercial bank, Equity Bank Limited (EBL). In 2006, the Group was listed on the Nairobi Securities Exchange where it has become the largest bank by market capitalisation. The listing also attracted Helios, a strategic investor, to invest USD 185 million in 2007. On 31st December, 2014, the Group finalized an internal restructuring that culminated in its conversion to a non-operating holding company, Equity Group Holdings Limited (EGHL) in order to further meet its objectives.

The Group's transformation into a rapidly growing Pan African banking group has been an inspiration to many. Over the years, the Group has built a social and economic brand and scaled up by providing financial services to the masses through a diversified distribution of its products and services. It has also had a very unique approach to impacting the lives of the people in communities where it operates using existing infrastructure, enormous human capital and strong brand.

The Group has established itself as the leading inclusive financial services provider with a strong base for Pan-African growth, thereby becoming a movement for social economic transformation of the people of Africa. The Group's greatest challenge and opportunity is to meet the expectations of all customers and stakeholders all over the region.

By inspiring a well understood, purpose-driven and passionate culture around its compelling vision of being the champion of socio-economic prosperity of the people of Africa, Equity has transformed itself from a small building society into the leading financial services Group in the region and one of the most powerful brands in East and Central Africa.

At the same time Equity has established a robust governance structure that ensures accountability is commensurate with delegated authority, power is vested in roles, not people and principles of governance are embedded within the culture and operating model.

In addition to enjoying widespread recognition in the region, the Group has also attracted global recognition and attention as other developing countries in Africa and Asia seek to learn from the success of Equity's low margin and high volume business model and the innovative delivery channels like mobile banking and Agency Banking.

The Group is now transitioning to a new strategic initiative "Equity 3.0", a bold step that will ensure the Group is able to leverage on breakthrough technology and innovation to achieve a convergence of financial products and services, in addition to seamlessly integrating the channels.

In 2015 and beyond, the Group has positioned itself to take advantage of the opportunities associated with Kenya becoming the hub for financial services in the region.

This will be achieved by offering differentiated, high quality offerings driven by a good understanding of each segment and also ensuring responsiveness to the needs of the customers.

We invite you to be part of this 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

TABLE OF CONTENTS

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Eleventh Annual General Meeting (AGM) of Equity Group Holdings Limited will be held on **Tuesday, 31st March 2015** at **Kenyatta International Convention 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 2014 together with the Chairman's, Directors' and Auditors' reports thereon.
3. To approve a first and final dividend for the year ended 31st December 2014 of KES 1.80 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 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.
   b. Mr. Benson Wairegi, a director retires by rotation in accordance with Article 100 of the Company's Articles of Association and does not offer himself for re-election.
   c. Mr. John Staley having been appointed as a director by the board on 24th November 2014 retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for election as a director.
   d. Ms. Evelyn Rutagwenda having been appointed as a director by the board on 24th November 2014 retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers herself for election as a director.
   e. Mr. Adil Popat having been appointed as a director by the board on 4th December 2014 retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for election as a director.
5. To approve the remuneration of the directors for the year ending 31st December 2015.
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:
   (i) to consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:
   a. THAT the cross listing of the Company on the Official List of the Rwanda Stock Exchange be and is hereby ratified and confirmed.
   b. THAT the cross listing of the Company on the Dar es Salaam Stock Exchange be and is hereby approved.
   c. THAT any acquisition of subsidiaries in Africa principally undertaking businesses similar to those of the Company and its subsidiaries in accordance with the business strategy of the Company, as approved by the Board from time to time, be and is hereby approved and the Board of the Company be and is hereby authorized to approve the terms of such acquisitions and enter into agreements in order to undertake such acquisitions, subject to obtaining all requisite regulatory approvals.

   (ii) to consider and if thought fit, to pass the following resolution as a Special Resolution:
   a. THAT the increase of the share capital of the Company from K.Shs. 1,851,388,510/= to K.Shs.2,057,098,344/= by the creation of 411,419,668 additional ordinary shares of K.Shs.0.50 each be and is hereby approved.
   b. THAT the Board of the Company, subject to obtaining all requisite regulatory approvals, be and is hereby authorized to allot and issue the shares created under resolution 7(ii)(a) above in a series of transactions by way of private placements in share swap arrangements to facilitate acquisition of the subsidiaries referred to in resolution 7(i) (c) above.
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.
9th March , 2015

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 12 noon on Saturday, 28th March 2015, 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 2014 of KES 1.80 per share to be paid to shareholders on the register of members of the Company at the close of business on 20th March 2015. The dividend will be paid on or about 30th April 2015.
3. The full set of audited accounts for the year ended 31st December 2014 is available at the Company's registered office at Equity Centre 9th Floor or can be downloaded at the website, www.equitygroupholdings.com

COMPANY INFORMATION

REGISTERED OFFICE

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

LAWYERS

Anjarwalla & Khanna
3rd Floor
The Oval, Junction of Ring Road and Jalaram Road
Westlands
P.O. Box 200-00606 Sarit Centre
NAIROBI

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

Mr.B 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
Pilkington Road
P.O. Box 1520
Kampala
UGANDA

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


Transforming lives in Africa.
Kenya
Uganda
South Sudan
Rwanda
Tanzania

CHAIRMAN EQUITY GROUP HOLDINGS LIMITED **Mr. Peter K.Munga, CBS**

CHAIRMAN'S STATEMENT

Introduction

I am pleased and honoured to present to you the Group's Annual Report and Financial statements for the year ended 31st December, 2014.

The year under review marked an important milestone in your company's strategic development as it completed the successful execution of the second phase of its development dubbed 'Equity 2.0' and embarked on its new ten year and most transformative phase yet – 'Equity 3.0'. The initiatives undertaken by your Board and Management over the past ten years have yielded significant growth and achievements for the Group and resulted in your company receiving a number of accolades culminating in the Bank receiving the top honours of being named African Bank of the Year and your Chief Executive Officer, Dr. James Mwangi being named the EY World Entrepreneur of the Year.

The next phase of your Group's strategic development will be premised on the 'Equity 3.0' initiative. Under this initiative, the Group seeks to pursue a step change in its' scale and scope of operations through applying its now well established strong and well-grounded infrastructure and technologies to drive efficiencies, growth and value. We believe that the initiative will move your company closer towards achieving its vision of transforming the lives of a significant number of people across Africa.

The main pillars underpinning Equity 3.0 are (1) to extend the Group's operations and mission to transform the lives of its customers economically and socially through availing to them innovative and inclusive financial services beyond the East Africa into other regions across Africa; (2) to aggressively drive efficiencies and optimise costs across the group's operations through use of technology and extracting economies of scale; and (3) to significantly scale up the scope and impact of the Equity Group Foundation across several countries. To achieve these objectives, we are rolling out a number of projects across our entire business. We are aiming at attaining a seamless experience for all our customers across all our existing as well as new channels through digitization and application of best in-class technology. We are also upgrading our risk management capabilities to ensure we can respond to the increasingly complex environment in which we operate. To facilitate implementation of the initiative, we have strengthened our human resource capabilities and capacity through global sourcing. The internationally hired talent will be blended with the local dedicated personnel and we have instituted practices which will embed the Equity cultural values into our new hires who together with the ever dedicated regional teams are blending into a world class workforce. The Group will continue to collaborate very closely with Equity Group Foundation as it spreads its transformational interventions beyond the Bank's immediate customer base to encompass the wider community at large.

Operating Environment

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at the 8.5 percent level over the period under review. Consistent with this stance, the average interbank rate decreased from 7.14 percent in June 2013 to 6.60 percent in June 2014. The 91-day Treasury bill rate increased from 6.21 percent in June 2013 to 9.81 percent in June 2014 on account of higher Government domestic borrowing requirement. Average lending rates charged by commercial banks remained fairly stable during the year, falling marginally from 16.97 percent in June 2013 to 16.36 percent in June 2014. Similarly, average interest offered on deposits by commercial banks decreased marginally to 6.56 percent in June 2014 from 6.65 percent. As a result, the spread on commercial bank lending rates narrowed marginally by 52 basis points to 9.80 percent during the year to June 2014.

In July 2014, the Central Bank of Kenya (CBK) introduced a reference rate - Kenya Bank's Reference Rate (KBRR) to enhance the transparency in the costs and pricing of banking products in the market. The KBRR rate is based on Central Bank rate and Treasury bills rate and all banks and mortgage finance companies are expected to disclose their respective charges with reference to this rate. The development is ultimately expected to enhance supply of private sector credit at competitive rates.

Equity Bank Limited Restructuring & Rationale

On December 31st 2014, we completed the restructuring of the Group as approved at the Extra Ordinary General Meeting (EGM) held on 24th November 2014. The Group Company Equity Bank Limited (EBL) changed its name to Equity Group Holdings Limited (EGHL) and created a new wholly-owned subsidiary company, Equity Bank (Kenya) Limited (EBKL) into which the banking business in Kenya together with its assets and liabilities were transferred. EGHL retained the investments in the banking and non-banking subsidiaries across the region and some cash balances.

The Central Bank of Kenya (CBK) issued EBKL with a banking license under Section 4 of the Banking Act to facilitate the continuation of provision of banking services by Equity Bank in Kenya. EGHL will continue to operate as a holding company approved by the CBK as a Non-Operating Holding Company under Section 13(1) (e) of the Banking Act.

CHAIRMAN'S STATEMENT (Continued)

Also pursuant to shareholders approval granted on 24th November 2014, the Memorandum and Articles of Association of EGHL (formerly EBL) were amended and henceforth the principal objects of EGHL are:

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

b. to carry on the business of a holding company;

c. to employ the funds of EGHL in the development and expansion of the business of EGHL and all or any of its subsidiary or associated companies and in any other company engaged in any like business of EGHL or any of its subsidiary or associated companies; and

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

As an approved Non-Operating Holding Company – Equity Group Holdings Limited now has increased flexibility to invest additional capital in its existing banking and non-banking subsidiary companies as well as in new subsidiaries in other African countries.

Additionally, by segregating its Kenyan banking business into a new subsidiary whilst retaining its holding company functions, EGHL will be better placed to concentrate on refining and improving its systems, processes and governance practices necessary to manage and shape the strategic development of a growing number of subsidiaries operating in multiple countries and in diverse businesses. Finally, segregating the Kenyan banking business into a separate entity will 'ring –fence' the banking business in Kenya from any cash demands from other subsidiaries which will in turn help further strengthen the stability of the Kenyan banking sector.

Governance and Board changes

(i) In year 2014 and to the date of this report, several changes to the board membership were effected: Dr. Julius Kipng'etich, Prof. Shem Migot-Adholla and Mr. Fredrick Muchoki retired from the board of Equity Group Holdings Limited (formerly Equity Bank Limited) while Mrs. Evelyn Rutagwenda, Mr. Adil Popat and Mr. John Staley joined the said board.

(ii) The following were appointed as directors of the newly established Equity Bank (Kenya) Limited (the new banking subsidiary in Kenya); Mr. Peter Munga; Dr. James Mwangi; Mr. Benson Wairegi; Mr. David Ansell;Dr. Julius Muia;Mr. Dennis Aluanga; Mr. Temitope Lawani (alternate to Mr. Dennis Aluanga); Mr. Fredrick Muchoki; Prof. Shem Migot-Adholla; Dr. Julius Kipng'etich and Prof. Isaac Muthure Macharia.

(iii) Other appointments to the various subsidiary boards were as follows: Mr. John Barorot and Ms. Isis Nyong'o Madison (Finserve Africa Limited); Mr. Rohan Patel, Dr. Julius Muia and Mr. Ali Khalpey (Equity Investment Bank Limited); Ms. Grace Achire Labong, Mr. Peter Kimbowa, Mr. Joseph Kitamirike (Equity Bank Uganda Limited); Prof. Ahmed Mohamed Ame, Eng. Raymond Mbilinyi, Mr. Godfrey Simbeye (Equity Bank Tanzania Limited); Mrs. Rosette Chantal Rugamba and Mr. Hannington Namara (Equity Bank Rwanda Limited).

The appointments to the boards are subject to the respective countries regulatory and statutory approvals wherever applicable.

Cross Listing on Rwanda Stock Exchange and Dar Es Salaam Securities Exchange

The purpose of cross listing is to facilitate the availability of shares to the wider East African market. The cross listing will provide an easy and efficient way for our stakeholders and partners in Rwanda and Tanzania to participate beneficially in the growth and fortunes of the Company through partial ownership. This is in addition to the several efforts being made by the Group to localize the brand and customize services to better serve the people of Rwanda and Tanzania. The Group successfully cross-listed on the Rwanda Stock Exchange on 12th February 2015 and is due for listing in Dar es Salaam Securities Exchange in due course.

Financial results

Whereas the overall economic environment was positive, various markets in the region faced challenges ranging from the political instability in South Sudan, to insecurity concerns in Kenya, the Group maintained a good performance trajectory. The continued good performance is largely attributable to the new strategic initiatives in particular: focus on SME; innovative delivery channels such as agency and mobile banking; merchant acquiring business and payment processing; diaspora banking and remittance processing, regional expansion and diversification into other financial services.

Contribution by the Insurance agency, Tanzania, Rwanda and Uganda subsidiaries improved significantly and South Sudan stabilized its performance despite the political challenges. All the banking subsidiaries across the region made positive contributions to the results and are now on profitable growth path.

CHAIRMAN'S STATEMENT (Continued)

The Group Chief Executive and Managing Director's statements later in this Report sets out the Group's performance statistics in detail. The highlights of the performance in the period under review are however highlighted below.

Profit before tax and exceptional items grew by 18% from Kshs. 19.15billion to Kshs. 22.50 billion demonstrating the resilience of the Group's business model. The Group's earnings per share increased by 28.4% from Kshs. 3.59 to Kshs 4.61 per share. The Group achieved a Return on Equity (ROE) of 29.8% and a Return on Assets (ROA) of 5.5%. The number of customers grew from 8.4 million at close of 2013 to over 9.6 million confirming Equity Group's leading position in the banking sector in Africa.

The continued strong performance by the Group in an increasingly competitive and dynamic market has once again demonstrated our ability to deliver substantial and sustained value for our shareholders and other stakeholders through constant innovation and focus on anticipating and delivering on our customers' needs.

Dividends

The board continues to balance between maximizing dividend pay-out while at the same time ensuring adequate funds are reserved to address the continuing requirement to fund the Group's rapid growth.

As a demonstration of confidence in the strength of the Group's balance sheet and sustainability of the growth achieved so far, the Board has recommended a 20%increase in the dividend pay-out from Kshs. 1.50 per share paid out in 2013 to Ksh.1.80 per share for the year ended 31st December 2014.

2015 Outlook

The banking sector is expected to sustain the growth momentum supported by stable macroeconomic environment and continued improvement in the implementation of the devolved system of Government in Kenya. Following the successful issuance of the Euro Bond in June 2014, the fiscal stance in the year is expected to complement monetary policy in maintaining a stable macroeconomic environment. However, forecast erratic rains which may precipitate higher costs of energy and reduced agricultural production; and continued adverse impact of the insecurity concerns on the tourism sector pose some threats to the overall economic environment.

The regional economy is expected to grow at between 5% and 6% this year, with inflation stabilizing at an average of mid-single digit range.

We remain optimistic that the growth momentum will be maintained in 2015 supported by the stable economic environment and the investments the bank has made in ICT, mobile and agency banking and the growth in the SME portfolio and are committed to progress our forward march confidently as we continue to transform lives, deliver sustainable performance and contribute to the region's economic development through providing inclusive and innovative customer focused financial services.

Conclusion

In conclusion, I wish to express my sincere appreciation to the various teams that have enabled us make these great strides over the years. My thanks go to my fellow members of the Board of Directors at the Group as well as across all the subsidiary companies, the management and all staff of Equity Group for their dedicated service, 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

CEO AND MANAGING DIRECTOR EQUITY GROUP HOLDINGS LIMITED **Dr. James Mwangi, CBS**

CEO'S STATEMENT

Introduction

It is my pleasure to present to you Equity Group Holding's management report for the year ended 31st December 2014. The overall performance of the business was very satisfactory and in line with both the Group's strategy and its long term vision. The strong and positive results are largely attributable to the increasing realisation of benefits accruing from the Group's diversification of its revenue sources to include the SME sector and the regional markets as well as early successes of the new strategic initiative – Equity 3.0.

2014 Performance Review

The Group profit before tax and exceptional items increased by 18% to Kshs. 22.50 billion up from Kshs. 19.00 billion realized the previous year.

The results were underpinned by solid underlying fundamentals with the Group's total assets growing by 24% during the year to close at Kshs. 344 billion. Net customer loans grew by 25% to close at Kshs. 214 billion up from 171 billion last year. The growth in assets was mainly funded by a 26% growth in customer deposits and an increase in borrowed funds by 13%. Continued investment in agency banking, mobile banking and regional expansion started to bear fruits with each of the strategic initiatives leading to increased deposit mobilization and cost reductions.

Interest income grew by 11% to Kshs. 35.3 billion up from Kshs. 31.9 billion in the previous year while interest expense growth was contained at 15% to Kshs. 6.2 billion against a much larger increase of 26% in customer deposits.

Net interest income grew by 10% from Kshs. 26.5 billion to Kshs. 29.2 billion driven by a 25% growth in loans and 9% growth in investment in Government Securities on account of a similar increase in Investment in Government Securities held from Ksh 44.6 billion to Kshs. 48.4 billion.

The deliberate efforts to address the funding structure in the light of the evolving market trends through pursuing a combination of low-cost savings deposits and long-term low cost debt resulted in stabilizing net interest margin (NIM) at 11.4%.

Non-interest income grew by 26% to Kshs. 19.4 billion up from Kshs. 15.4 billion supported by growth in merchant and payment processing, foreign exchange income and remittance processing fees.

The targeted focus on the SME business sector resulted in rapid growth in the sector's share of the Bank's loan portfolio without compromising the quality of the loan book.

The group maintained a gross non performing portfolio of 4.19% with a coverage ratio of 64.50% which compares favourably against prevailing levels pertaining in the market.

Impairment losses decreased by 36% to Kshs. 1.5 billion down from Kshs. 2.4 billion as non-performing loan book reduced by 100 basis points.

Total expenses (including impairment costs) increased by 18% to Kshs 27.1 billion up from Kshs. 23.1 billion in the preceding year. The growth in the operating expenses was largely attributable to investments in human resource capacity as well as ICT infrastructure deployment. This investment phase which included significant staff training costs is now largely complete and we are confident that going forward we shall begin to realise significant improvement in the cost to income ratio as we start to reap the benefits of the investments made.

The Bank's strong balance sheet characterized by a high quality asset portfolio, a strong liquid asset position, a healthy loan to deposit ratio of 86.9% and a liquidity of 34% positioned the Group in good stead to continue its pursuit of sustained growth in an increasingly competitive and sometimes challenging macro-economic environments.

Business Development, Innovation and Partnerships

Equity Group and American Express

The Group has made significant investments in its diaspora remittances, merchant acquiring infrastructure and banking and transaction processing by connecting to leading global payment systems.

As part of these efforts, Equity Bank Kenya and American Express launched the first American Express Cards in the market and the Bank now offers consumers in Kenya the Equity Bank American Express® Green Card and the Equity Bank American Express® Gold Card – both of which carry rich rewards and benefits.

American Express is a leading global payments company whose reputation is founded on its commitment to security, service and personal recognition and the partnership gives Equity Group the exclusive rights to issue American Express cards as well as acquiring merchants on to the American Express network in Kenya, Uganda and Tanzania

Equity Group and Exotic Partners LLP

Equity Group's investment banking subsidiary (Equity Investment Bank) signed a collaboration agreement with global investment services firm, Exotic Partners LLP (Exotic).

CEO'S STATEMENT (Continued)

Exotic is a boutique investment bank based in London with regional offices in Dubai and New York and specializing in illiquid bonds and loans, equities, structured finance and capital raising. The collaborative agreement with Exotic is one of the key elements in the revitalization strategy of Equity Investment Bank's drive to exploit its network and connectivity to establish a strong leadership position in the local and regional investment banking market.

Equity Direct Money Transfer service from UK

During the year, we also partnered with VFX Financial PLC in the UK to launch Equity Direct - a real-time, cross border, multicurrency money transfer service from the UK to Kenya. The service has enabled individuals and corporates in the UK to send money to any Equity account in the region. The partnership's key benefits to the customers are affordability, convenience of transacting wherever connectivity is available and real time delivery

Strategic Initiatives

Merchants and payments

Equity Group stepped up efforts to enhance its card business and related payment processing services during the year.

In an ongoing process geared at setting the pace for the full scale rollout of the Equity 3.0 which amongst other pillars will drive facilitation of a cash lite economy in East Africa, Equity Group has firmed up its partnership with some of the world's leading merchant business and payment processing firms.

The Group now has arguably sub-Saharan Africa's widest network of best in class payment channel services and card business operators including American Express, Visa, MasterCard, PayPal, UnionPay, SWIFT, JCB, VFX (Equity Direct) and Diners Club.

To support the strategic partnerships, Equity Group is actively recruiting more local merchants to facilitate the regional acceptance of the various partner cards among other payment solutions beyond the Bank's channels. Key leading establishments and brands such in the retail and hospitality sectors such are already on board and many more are in the acquisition pipeline.

Mobile Virtual Network Operator (MVNO)

The Equity MVNO (Equitel) will give us the opportunity to continue our mission of furthering financial inclusion and innovative service offerings to all our customers through offering banking products securely on a mobile platform and make the delivery of banking services more convenient, accessible and affordable.

The Group has invested heavily in time, infrastructure and resources in preparation for this service offering which we believe will enable us create a true e-economy – for the benefit of the customers we are committed to serving.

SME Banking

The Group in collaboration with our development partners set out to scale up the SMEs in the region by offering comprehensive and creative business advisory services and solutions to support the growth and development of the SMEs and corporate clients. The Group's strategic refocus on SMEs is intended to consolidate the customer graduation and retention strategy. This was supported by revamping the product offering to this segment of customers, opening of seven Supreme Branches, recruitment and training of additional relationship managers and officers and refocusing of Equity Investment Bank to SME advisory services. As a result of these actions, lending to the sector increased by 34% to Kshs109 billion and the sector now accounts for about 49 % of the bank's loan book.

Agency Banking

The number of Equity Group agents grew further to exceed 17,500 as at 31st December 2014. Cash deposits and withdrawal transactions at Agents in the year grew by 47% while Agents' transactions accounted for 33% of total bank cash transactions.

Agency banking was pioneered in Kenya by Equity Bank and has proven to be very successful. The model has been approved by regulators in both Rwanda and Tanzania who now have a total agency network of over 1,200 agents. Having gained wide acceptance, focus on Agency banking will now shift to the commercial dimension of the model to achieve full value for all the stakeholders. The Bank will roll out new products with the customers at the heart of its operation, so as to enhance the value of convenience offered to them by the channel which is in turn expected to strengthen their relationship with the Bank through increased uptake of banking products.

2015 Outlook

Recent discoveries of natural resources (largely oil and gas) are likely trigger an increase in foreign direct investment which is expected to impact domestic production positively. Similarly, commencement of envisaged public sector infrastructure projects will provide an additional boost to growth. The Group has strategically placed its SME business to benefit from this emerging growth opportunities in Kenya and the region.

CEO'S STATEMENT (Continued)

We expect to sustain the Group's growth momentum by maintaining an efficient operating structure, further deployment and utilisation of a robust agency network and mobile banking platform, increased leveraging on technology and prudent lending and risk management.

The Group also plans to enhance its market share through consolidation of the regional business; further rolling out of electronic delivery channels and expanding agency banking coverage in the recently established markets.

Equity Group has positioned itself well to ride on the projected favourable regional economic environment to drive business growth. With the fundamentals strengthened, massive investment made and improving macro-economic environment creating huge opportunities, the outlook for 2015 looks promising.

Conclusion

In conclusion, I would like to express my sincere gratitude to all our customers across the region for remaining loyal to the Group and continuing to trust us. We equally remain most grateful also to our shareholders, development and strategic business partners for trusting us with their resources. I also thank our Board of Directors for the guidance and continued support received.

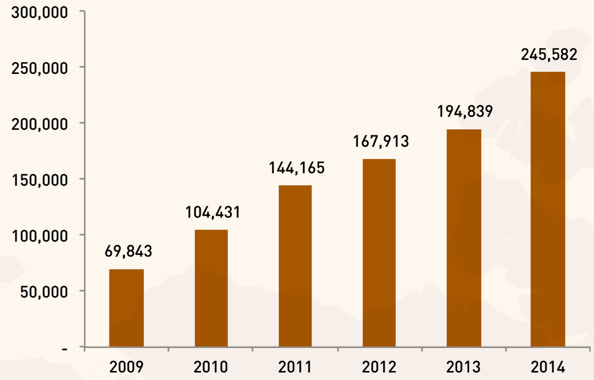
Lastly, to my fellow colleagues - the Group's staff, the above achievements would never have been possible without your passion and enthusiasm as each of you delivered on your respective areas of responsibilities. Thank you so much for your efforts, dedication and determination.

Dr. James Mwangi, CBS

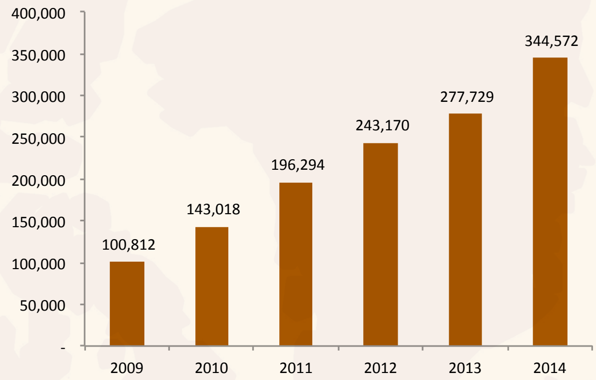
Chief Executive Officer & Managing Director

FINANCIAL HIGHLIGHTS

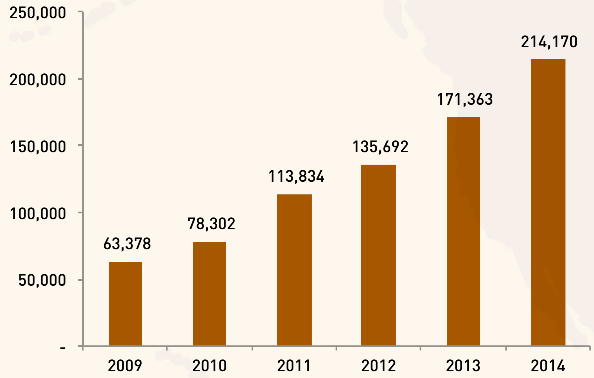
GROWTH IN CUSTOMER DEPOSITS (In Kshs Millions)



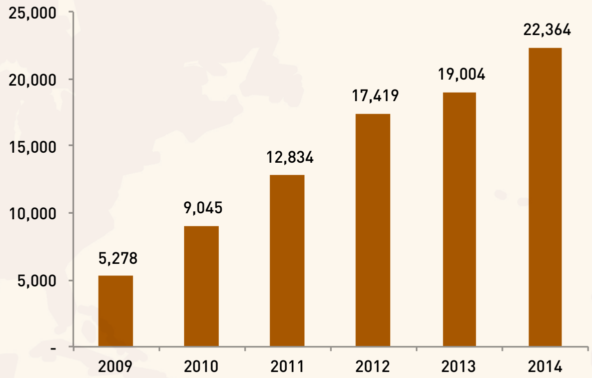
GROWTH IN TOTAL ASSETS (In Kshs Millions)



GROWTH IN LOAN PORTFOLIO (In Kshs Millions)

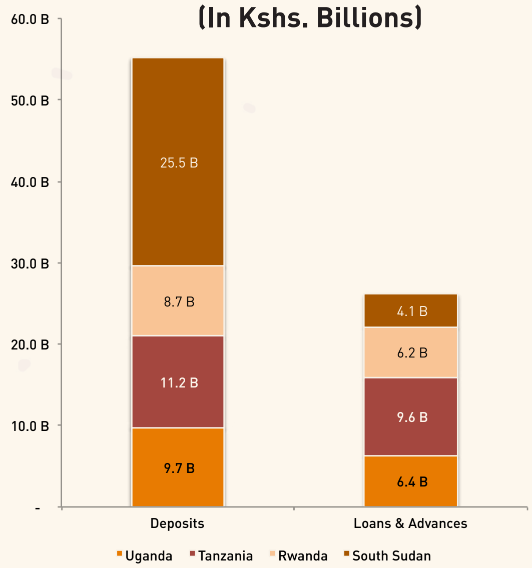


GROWTH IN PROFIT BEFORE TAX (In Kshs Millions)

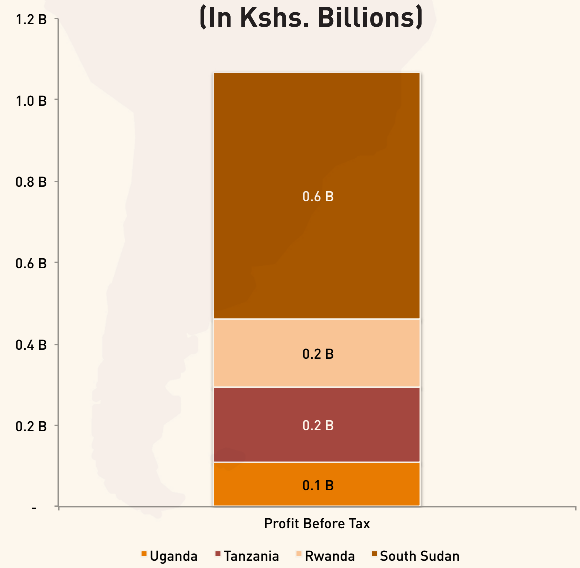


REGIONAL BANKING SUBSIDIARIES 2014 HIGHLIGHTS

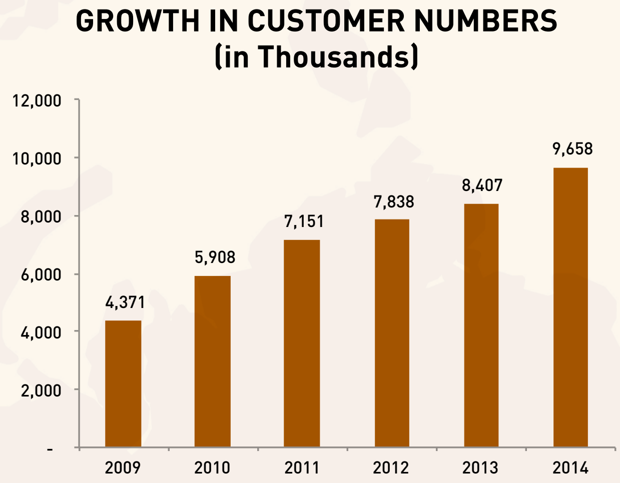
DEPOSITS AND LOAN PORTFOLIO (In Kshs. Billions)

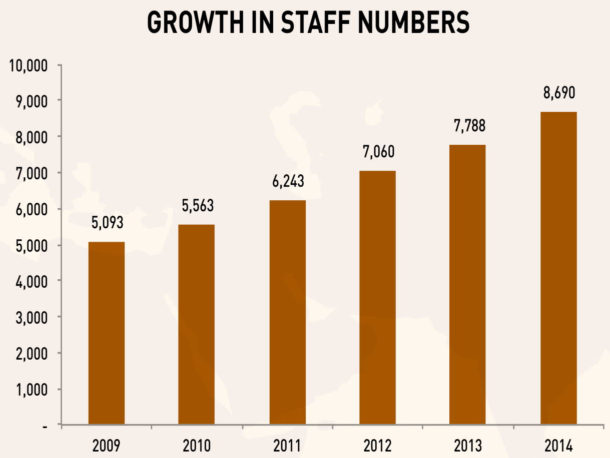


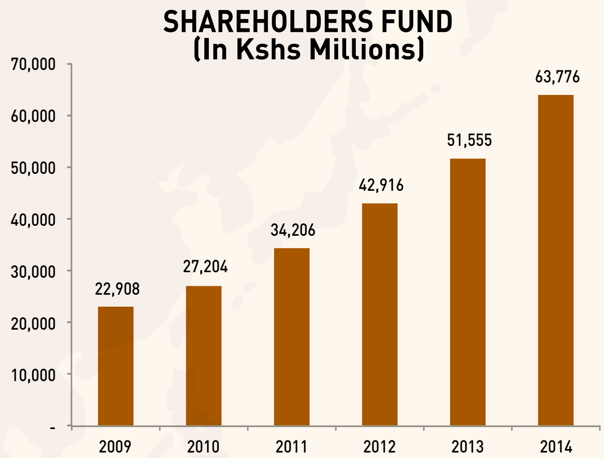
PROFIT BEFORE TAX (In Kshs. Billions)

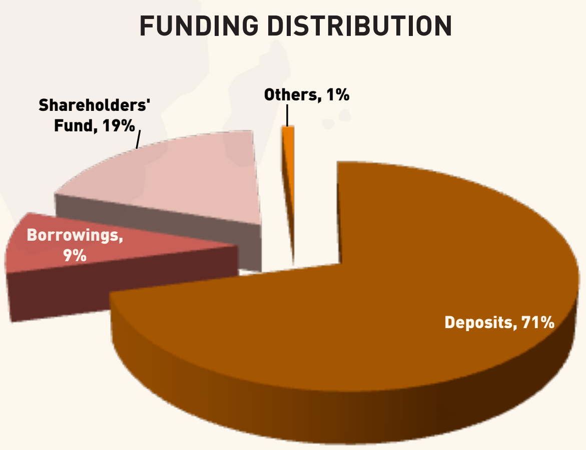


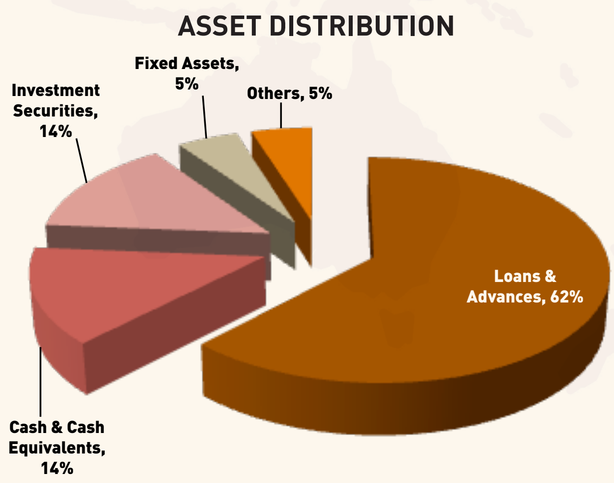
FINANCIAL HIGHLIGHTS (Continued)











GROUP SUBSIDIARIES

The Group had 12 wholly owned subsidiary companies as at 31st December 2014.

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

Subsidiaries	Principal Activity	Percentage Shareholding
Equity Insurance Agency Limited	Insurance brokerage	100%
Equity Investment Bank Limited	Investment banking	100%
Equity Investment Services Limited	Non-trading	100%
Equity Consulting Group Limited	Non-trading	100%
Equity Nominees Limited	Custodial services	100%
Finserve Africa Limited	Infrastructure services	100%
Equity Group Foundation	Social Programmes	100%
Equity Bank (Kenya) Limited	Banking	100%
Equity Bank (South Sudan) Limited	Banking	100%
Equity Bank (Rwanda) Limited	Banking	100%
Equity Bank (Tanzania) Limited	Banking	100%
Equity Bank (Uganda) Limited	Banking	100%

Source: Company reports

Equity Bank Uganda

Equity Bank Uganda Limited started its operations in July 2008. The subsidiary currently has 31 branches spread across the country with 17 branches located in Central and greater Kampala, serving over 500,000 customers. The Uganda subsidiary has adopted the group approach of financial inclusion by opening its doors to customers across the financial pyramid. On the back on the group technological advances, the Ugandan subsidiary is now recognized as a key enabler to driving inclusion and innovation through strategic partnerships with telecoms, utility companies, local government, religious bodies, and third- tier financial institutions.

The partnership with the entities above has enabled Equity Bank Uganda to grow through technology adoption, faster access to finance and improved play in the growing cross-border opportunities following the recent revitalization of the East Africa Community (EAC). The subsidiary plays a pivotal role in facilitating trade by providing a gateway from Kenya to the quickly growing economies of Rwanda, Burundi, Democratic Republic of Congo and South Sudan. Improved performance and growth has resulted in continued growth and improved customer relationships and better regulatory ratings.

Equity Bank South Sudan

Equity Bank South Sudan Limited commenced operations on 9th May 2009 with a branch and a head office in Juba. Since then, the bank has grown to be the leading bank in South Sudan by customer base of over 140,000 clients and commanding over 50% of market share in a market of 29 commercial banks. The Bank's branch network has since grown to 11 branches supported by a network of 19 ATMS.

The growth of the subsidiary is underpinned by a well planned strategic growth plan to cover all the State capitals. The Bank is credited for expanding access to banking through its accessible, affordable and flexible service provision across all the sectors of the economy.

South Sudan being an emerging market following the signing of the Comprehensive Peace Agreement, the historical secession referendum vote, and attainment of independence on 9th July 2011, has seen Equity Bank South Sudan continuously engage with the businesses, the people and government of South Sudan to deepen and widen the reach of financial services.

In its effort to continue participating, contributing and developing the economy, the Bank recently signed up a revenue collection agreement with the Ministry of Finance and Economic Planning Republic of South Sudan.

The Company was voted Best Bank of the Year 2014 by the South Sudan Chamber of Commerce, Agriculture and Industry.

GROUP SUBSIDIARIES (continued)

Equity Bank Rwanda

Equity Bank Rwanda commenced its operations on 25th November 2011. With its headquarters in Kigali, the Bank serves over 392,000 customers spread across a network of 11 branches strategically located countrywide, supported by 833 Agents, 126 merchants, 15 ATMs, mobile and Internet Banking services.

In its effort to continue participating, contributing and developing the economy, the Bank has partnered with private institutions, businesses, people and the government. The Bank has recently entered into a partnership with the Ministry of Finance and Economic Planning (Minecofin) to offer government officials an easy and convenient way to access their funds while abroad through the introduction of a Visa PrePaid card.

Through provision of inclusive financial services, Equity Bank Rwanda has won several awards:

- Best Service Provider Banking 2012
- Best Bank in Financial Services - PSF Expo 2012
- Best Bank in Financial Services - PSF Expo 2013
- 2nd Best Bank in Financial Services - PSF Expo 2014

Equity Bank Tanzania

Equity Bank Tanzania commenced its operations on 9th February 2012 with two branches in Dar es Salaam and Arusha. The subsidiary has grown rapidly since then and now has a total of 9 branches; 6 in Dar es Salaam and a branch each in Arusha, Mwanza and Dodoma.

The Bank championed the roll out of Agency Banking in Tanzania. So far, there are over 383 agent locations, 128 merchants, 12 ATMs, mobile banking and internet banking services.

With only a 14% banked population in the country, the subsidiary sees an enormous opportunity of empowering the Tanzanian people and making a positive impact on the economic growth of the country.

Equity Bank Tanzania has partnered with private institutions, businesses, people and Government of Tanzania to take banking services closer to the people. The Bank recently signed a partnership with the Tanzania Revenue Authority to offer tax payers an easy and convenient way of paying taxes.

Equity Investment Bank

Equity Investment Bank (EIB) is a subsidiary of Equity Group Holdings Limited and is licensed by the Capital Markets Authority in Kenya to provide investment banking services. EIB is also a member firm of the Nairobi Securities Exchange.

EIB boasts over 60 years of combined employee investment banking experience, garnered from various parts of the world. EIB is a one-stop shop for financial and investment services offering through the following key divisions;

Corporate Finance

EIB offers comprehensive financial, economic and strategic advisory services to private and public sector clients, enabling them to achieve their fiscal objectives in a prudent and timely manner.

Asset and Wealth Management

EIB helps individuals and institutions to secure and increase their wealth, while offering traditional and alternative investments across all major asset classes including portfolio management, mutual funds, wealth management, managed accounts and preauthorized purchase scheme.

Brokerage

In 2014, EIB entered into a collaboration agreement with respect to its brokerage business with Exotix Partners LLP, a specialist merchant bank with global capability and expertise in fast-growing emerging, frontier and illiquid markets. Exotix is authorized by the Financial Conduct Authority of the United Kingdom and has offices in London, New York, Lagos and Dubai.

GROUP SUBSIDIARIES (continued)

EIB deals with both institutional and retail clients in East Africa allowing them to trade securities in the region. Using the Exotix platform in New York, London, Dubai and Lagos, the brokerage team has access to international clients looking to invest in securities in the region. Additionally it also allows East African investors to trade securities across frontier markets, using current technology to deliver tremendous value.

Research is a key differentiator of the brokerage team with two analysts based in Nairobi covering companies in the region. EIB also leverages on research produced by Exotix in London and Dubai.

Equity Insurance Agency

Equity Insurance Agency Limited was incorporated in December 2006 and was licensed in May 2007 by the Commissioner of Insurance to offer both life and non-life business. It is a fully fledged subsidiary (100% owned) of EGHL.

The Agency was established with the objective of addressing the insurance needs of Kenyans across the wide economic strata. Through partnerships with reputable insurance companies in the industry, the Agency offers a full bouquet of innovative insurance products and services using the bancassurance model.

Some of the products and services offered by the Agency include:

- General, Marine, Motor, Agriculture, Livestock, Micro Insurance, Pensions and Medical Insurance policies
- Life Insurance products for groups
- Group and Staff Medical Scheme Administration services
- Claims Management & Risk Management services
- Insurance Premium financing
- Insurance Advisory Services

Finserve Africa Ltd.

Finserve Africa Ltd. ("Finserve") was operationalised in 2014 and is a fully owned subsidiary of Equity Group Holdings Limited. Finserve holds two licenses from the Communications Authority of Kenya and operates one of Africa's first Mobile Virtual Network Operators (MVNO) under the brand **Equitel.**

Finserve acts as a channel for Equity Group's other subsidiaries by providing mobile capabilities and as a business in itself by offering full voice/SMS/DATA services to Equity's customers.

Finserve Africa combines the strengths of Equity Group with a uniquely innovative mobile services proposition.

Equity Group Foundation

Equity Group Foundation (EGF) was established in 2006 in recognition of the need to scale up the existing corporate social responsibility (CSR) initiatives by EGHL.

While Equity Group Foundation champions the social economic transformation of the people of Africa and seeks partnerships along seven cluster thematic areas, EGHL provides the infrastructure of delivery hence reducing the operational costs for the Foundation and increasing the rate of return on any social investment.

The seven social thematic areas of focus are:

- Education and Leadership Development
- Financial Literacy
- Agriculture
- Environment
- Health
- Innovation & Entrepreneurship
- Financial Inclusion

KEY ACHIEVEMENTS AND ACCOLADES

Best Bank in East Africa & Bank with the Lowest Charges

In 2014, Equity Bank was named Best Bank in East Africa at the Think Business Banking Awards. Equity emerged the winner ahead of 115 contenders from Kenya, Uganda, Tanzania and Rwanda. Equity was also named the Bank with the Lowest Charges in the region.

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Strong Credit Rating 2014

For the fourth year in a row, Equity Bank has maintained a very strong credit rating of;

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

"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."

> *We are delighted to deliver such a convenient and transparent low cost remittance solution which results in more money arriving to Kenya from the UK faster and easily.*
>
> - Nick England, CEO of VFX Financial PLC following the launch of Equity Direct, a real-time cross border multicurrency money transfer service from the UK to Kenya.

Top Banking Brand

In 2014, Equity Bank was ranked Top Banking Brand in Kenya by Qudal

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.

KEY ACHIEVEMENTS AND ACCOLADES (Continued)

Top Commercial Bank Stand

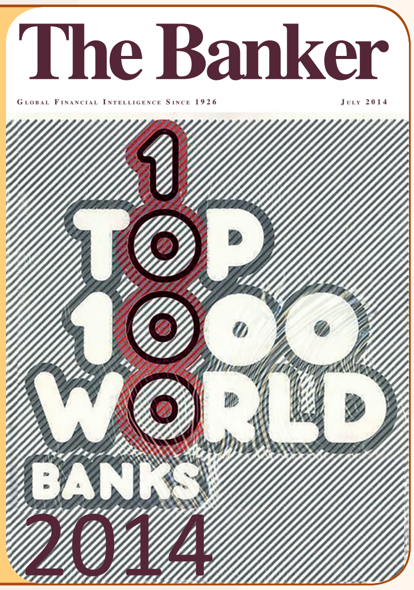
In 2014, Equity Bank won Top Commercial Bank Stand award at the Nairobi International Trade Fair, (ASK Show) in Nairobi.

"I would like to commend Equity Group Foundation, The MasterCard Foundation, USAID, UKAid & KfW for their commitment in ensuring children from disadvantaged backgrounds also get a quality education. Our government is committed to raising the standards within our education sector with some of our plans already in the pipeline such as; raising the transition rate to secondary school to 90%, building more schools in marginalized areas, increasing the number of teachers, and introducing school feeding programmes in disadvantaged regions."

- H.E President Uhuru Kenyatta during the 2014 *Wings to Fly* commissioning ceremony.

Equity Bank ranked 4th globally in Asset Deployment Efficiency

For the second year in a row, the Banker Magazine in 2014 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. 8 in Capital Deployment Efficiency while on Soundness (Capital Asset Ratio) the Bank was ranked No. 112.



Honorary Doctorate

Equity Bank Group CEO Dr. James Mwangi was awarded an honorary doctorate degree in Business Management by Meru University of Science and Technology (MUST). Dr. Mwangi's citation acknowledged his efforts to accelerate financial inclusivity in the East Africa region.

KEY ACHIEVEMENTS AND ACCOLADES (Continued)

Nairobi Basketball Association (NBA) championship

Equity Bank women's basketball team won the 2014 Nairobi Basketball Association (NBA) championship. The team cruised to the top without losing a single game during the basketball season.

Best Bank of the Year, Chamber Awards (South Sudan)

Equity Bank South Sudan won Best Bank of the Year award at the 2014 Chamber Awards organized by the South Sudan Chamber of Commerce, Agriculture and Industry. Equity Bank took the top prize ahead of 26 banks in South Sudan.

"We are excited to partner with Equity Bank to launch the first American Express Cards in Kenya. This is an important milestone for our business and brings an opportunity to offer tailored products for Kenyan consumers, characterized by outstanding rewards and benefits. This marks a key step in our growing partnership with Equity as we work together to meet the needs of a rapidly evolving payments landscape in the country."

- Andrew Stewart, Vice President and General Manager, Partner Card Services Turkey, Middle East and Africa after the launch of Equity Bank American Express Cards.

Dr. James Mwangi and Andrew Stewart during the launch of American Express Cards in Kenya.

2014 Interbank Games

Equity Bank was for the 7th time crowned champions at the Inter-Bank games competition.

2nd Overall Best Exhibitor (Rwanda)

Equity Bank Rwanda was named 2nd Overall Best Exhibitor in Financial Services during the 17th Rwanda International Trade Fair 2014.

CORPORATE SOCIAL RESPONSIBILITY

Equity Group Foundation was founded by Equity Group to provide a platform that when combined with the unique capabilities of the Group, can be leveraged to unlock the potential of a continent and people endowed with resources yet are amongst the poor in the world.

The Foundation is helping to consolidate, diversify and scale its social impact work. The Foundation works in seven key programme areas: Education and Leadership, Health, Agriculture, Financial Inclusion, Entrepreneurship, Environment and Energy, and Innovation. Through these programmes, the Group is impacting lives across the East and Central African countries, starting with Kenya where the CSR and social impact programmes have been tested and scaled. Several examples are provided in this report that exemplify the type of social impact well-designed programmes, that are effectively executed, can have.

Education and Leadership

Wings to Fly

The *Wings to Fly* Program provides full secondary school scholarships, mentorship and leadership training to academically gifted students from economically disadvantaged backgrounds. Since 2010, Equity Bank and Equity Group Foundation in partnership with The MasterCard Foundation, USAID, UKaid, and the German Reconstruction Credit Institute-KfW, have sponsored 8,372 vulnerable children to study in Kenya's top public boarding schools. The program relies on the Bank's infrastructure to select scholars, disburse scholarships, providing ongoing mentorship and support, and manage ongoing monitoring and reporting. In 2014, Equity Group Foundation inducted 2,007 scholars into the 5th cohort of *Wings to Fly*.

In February 2014, the KCSE results were released for our inaugural *Wings to Fly* class. Of the 158 scholars who sat for the KCSE, 94% received a C+ or above, qualifying for admission to public universities, and 67% received a B+ or above, gaining admission to the Equity African Leaders Program (EALP). In December 2014, the second graduating class of *Wings to Fly* successfully sat for their KCSE (98% or 1,155 of 1,175 scholars). Two of the Scholars from the pilot class gained admission to leading global universities; Elijah Koome who will be joining Amherst College in the United States and Geoffrey Okochil who will be joining University of Pretoria in South Africa.

Commissioning of the Wings to Fly 2014 scholars

Annual Education & Leadership Congress

The Annual Education and Leadership Congress enables *Wings to Fly* Scholars to interact with local and international leaders while also strengthening their relationships with *Wings to Fly* mentors and peers. The theme of the 2014 Congress was "Preparing Ethical Leaders for a Global Society." 79% of scholars reported that their leadership roles as school presidents, captains, prefects, and council and club leaders have been influenced by the mentorship and coaching programs carried out at the congress. At the close of the Congress, awards were presented to 29 scholars for their outstanding academic performance and leadership activities.

Wings to Fly Learning

Wings to Fly Learning was launched as an ongoing effort to deliver exciting, revision and supplementary learning opportunities to the Scholars in and out of school. The digital content and experiences have been designed to align with the curriculum in order to support Scholars' academic performance, and also to expose them to important knowledge, skills and attitudes for life outside of the classroom. The pilot is making the content available to all 8,372 scholars via Equity's mobile channel Equitel, and other appropriate technologies that can allow for maximum use, and it is also intended for sharing with other learners and teachers who are not directly part of the scholarship program. Initial feedback from users suggests that the content boosted scholars' confidence and helped change their attitudes toward difficult areas. Scholars who interacted with the platform reported that it was "amazing," "educative," and "convenient," and 99% found it helpful and extremely helpful.

A Wings to Fly scholar receiving a flash disk containing supplementary learning materials from Julia Moffett, EGF Education Innovation advisor

The scholars learning how use the Equitel learning platform.

The scholars going through the Equitel learning platform user manual

Equity African Leaders Program (EALP)

Equity African Leaders Program (EALP) selects the most academically gifted secondary school graduates from across Kenya and develops them into world-class leaders. Founded in 1998, the program has now benefitted 2,023 young people, including 152 *Wings to Fly* high school scholarship recipients and more than 200 scholars and alumni studying at global universities.

The program is centered around a rigorous internship experience that allows scholars to gain professional experience and includes a college savings scheme to help finance their studies. The internship experience is then integrated into a comprehensive leadership development model which aims to develop scholars across four key areas: Personal and Professional Development, Global Exposure, Creativity & Innovation, and Community Engagement. While developing scholars across these four program areas, EALP endeavors to create a strong network of leaders who work together across disciplines and sectors to transform their communities, their country, and the world at large.

Key milestones for EALP in 2014 included:

- Over 1,000 internships provided across Equity Group in 2014, making EALP the largest corporate internship program in Africa, with over 50 global scholars participating in the Global Summer Internship Program
- 405 EALP Scholars inducted in March 2014, our largest class ever, including 115 *Wings to Fly* Scholars joining in March and an additional 37 *Wings to Fly* scholars joining in December 2014 due to excellent performance in their mock examinations
- 46 scholars admitted to top global universities, receiving over $8 million in scholarships from universities including Harvard, Yale, Stanford, Amherst, and more, with over 30 scholars admitted in December 2014 through Early Decision intake
- Kshs. 1,100,000 awarded in seed funding to the top scholar business pitches at the Equity Innovators Awards held in March 2014, with Savannah Informatics taking the top prize

Notable scholars' achievements in 2014 include: **Purity Wamuyu**, youth representative at MasterCard Foundation conventions in South Africa and Germany, **Nyamawih Charo**, a mentor in Kenya Keys, EGF and a volunteer with Undergo mentorship initiative, **Angeline Omwamba**, Project Manager, Egerton University Engineering students association and Co-Founder of Flying Eagle initiative. She was also awarded Egerton University Excellence scholarship being top female student in the technology and engineering faculty and has previously been a mentor with the EGF residential mentorship program, **Brian Mwiti**, an analyst at JP Morgan and **Bettirose Ngugi**, Co-Founder, Rwanda Startup Cup Business Competition and winner of Ampion East Africa Bus Venture 2014.

Dr. Mwangi, EGF Chairman (Second left), presents a cheque to Savannah Informatics, winners of the Innovators Awards held in March 2014. Looking on (left) is Dr. Helen Gichohi, MD, EGF

46 EALP scholars admitted to elite global universities, 2014

Equity Bank South Sudan MD, Paul Gitahi, participating in the construction

Equity Bank South Sudan partnered with UNMISS Rwandan Contingent (Rwanbatt 1& RAU 3) and Rwanda Community in South Sudan to construct a school at Kapuri in Juba. The management and staff of the Bank actively participated in the construction of the school and donated building materials to support its completion.

Financial Literacy and Access

In partnership with The MasterCard Foundation, Equity Group Foundation launched the Financial Knowledge for Africa program (FiKA) in 2010. The program aims to transform the lives and livelihoods of those living at the bottom of the pyramid by equipping them with the knowledge, skills, attitudes and behaviors needed to access financial services and adopt effective financial management practices. Over the last four years, over 1.2 million low-income people have been trained in areas of budgeting, savings, financial services and debt management. Our beneficiaries show an increase in their use of financial services and products, an improvement in loan repayment rates demonstrated by low default rates, a reduction in informal borrowing, and an increase in savings. Our programs have transformed our beneficiaries' finances, and as a result, the majority of our beneficiaries also credit our trainings as giving them a greater sense of dignity and self-esteem.

FIKA graduands dance their way to receive their certificates

A graduand receives a certificate from Dr. Mwangi. Looking on is Dr. Helen Gichohi

In February 2014, Equity Group Foundation hosted 15 global leaders in Kajiado County to visit beneficiaries and discuss the impact of financial education on the community. Equity Group Foundation also held a Financial Education Dissemination and Learning Forum in November with representatives from over 44 organizations.

Equity Bank Rwanda provided financial literacy training to over 4,000 Kayonza District/Cyarubare Sector farmers in collaboration Ministry of Agriculture and Animal Resources.

Equity Bank Uganda provided financial literacy training to over 200 SACCOs in Uganda aimed at improving the governance structures. This is aligned to the Central Bank of Uganda and Equity Group's vision of deepening access of financial service to the people of Uganda.

Peter Kitheka, Head of Marketing, Equity Bank South Sudan, during the financial literacy training to the MTN staff

Equity Bank South Sudan provided financial literacy training to over 100 youth from all the ten states of South Sudan and the Diaspora.

This was done during the Build Sudan summit on business and ethical leadership for youth through identification of income generating activities. The training was in line with provision of entrepreneurial and leadership skills to youth. The Bank also provided financial literacy training to over 160 staff of MTN South Sudan who are majorly young South Sudanese nationals. The training was aimed at equipping them with financial management skills.

Innovation and Entrepreneurship

Kenya is home to 1.6 million registered Micro and Small Enterprises (MSE), constituting 96% of all business enterprises in the country. These MSEs employ approximately 7.5 million people, representing upwards of 80% of the country's total employment, and contribute 20% of GDP. 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. Low levels of business training underpin the sector's underperformance with more than 85% of Kenyan entrepreneurs having never received training in basic business skill.

Equity Group Foundation (EGF) in partnership with The MasterCard Foundation (MCF) and the International Labour Organization (ILO) has been addressing this challenge by providing entrepreneurship skills training, mentorship, and mobile business tips to promising micro and small entrepreneurs.

In 2014, the program trained and mentored 2,993 women and youth entrepreneurs, bringing the total number of people trained to 11,119. As a result of these efforts, 95% of our beneficiaries have improved business practices, 87% have increased profits, and over 70% have increased access to finance. EGF is now working to scale these efforts to meet strong demand for entrepreneurship training and business development services across Kenya.

Agriculture

Agriculture is the largest sector in Kenya's economy, directly contributing over 24% of GDP and indirectly contributing upwards of 25% through linkages to manufacturing and other service-related sectors. While the sector is critical to the economy, 91% of Kenya's agricultural exports are in raw or semi-processed form and only 2% have formal wage jobs. Low levels of commercialization and value addition have resulted in loss of export earnings and underemployment. The sector faces a number of challenges, including underutilized land, low yields, high post-harvest losses, and poor record keeping and management systems. To combat these challenges, Equity Group Foundation has developed an Agriculture Growth Accelerator that works with agribusinesses to increase incomes and investment in agriculture, which in turn creates jobs and develops more food for the market.

The Growth Accelerator is focused on three programs, production, market linkages and business skills, which are delivered through an ecosystem comprised of extension officers, mobile tools, trained agrodealers, business groups training and mentorship groups, and the Bank. In addition to supporting farmers directly, the pillar seeks to strengthen the agriculture sector by contributing to standardized training materials, working with universities to produce evidenced-based policy recommendations, working with the bank to innovate new credit products for farmers and integrating the agriculture supply chain using ICT.

In 2014, the Growth Accelerator recruited 3,000 medium size farms, recruited a 27 member agriculture extension team, developed agriculture production and business skills training programs and engaged with county government to launch the Accelerator program. The Agriculture pillar aims to scale up the Accelerator program to thousands more farmers in 2015.

Agriculture continues to be a key focus area because of its social economic impact on food security, providing household incomes and creating employment opportunities for majority of the communities in rural areas. Over the years a lot of awareness has been created about the fundamental principle of transforming agriculture from subsistence farming to commercially sustainable enterprises. Equity Bank jointly with Equity Group Foundation has made many strides to support this cause.

Agriculture Credit Guarantee Scheme-Kilimo Biashara

One of the strategies to mitigate risks in smallholder agriculture financing has been through strategic partnerships with like minded partners. This has further been enhanced by innovative financing models like the Agriculture Credit Guarantee Scheme. This is a funding initiative under the European Union Food Crisis Rapid Response Facility Trust Fund through the International Development Association (IDA) to the Government of Kenya. This was a build up from Kilimo Biashara partnership of Equity Bank AGRA and IFAD through the Government of Kenya . Under these projects, Equity Bank jointly with Equity Group Foundation has been training and financing farmers and agro-dealers.

During the year under review, a total of Kshs. 933,347,827 was disbursed to 6,217 beneficiaries, where by 5,776 farmers were financed to the tune of Kshs. 822,827,028 and 351 agrodealers accessed Kshs. 110,520,799. This brings the cumulative total to Kshs. 4,933,347,827 loans to 68,885 beneficiaries.

Equity Bank has partnered with the National Irrigation Board to support green gram farming under irrigation in Hola, Tana River County

A farmer inspects his cabbage crop in Embu County. Irrigated farming in Mt. Kenya region has increased yields for local farmers

Support to Smallholder Irrigated Agriculture Initiatives

The Bank has been in the forefront in supporting smallholder farmers under irrigation schemes through financial intermediation to enhance their capacity in food production. The Bank works in collaboration with stakeholders including the National Irrigation Board, Africa Development Bank funded program Small scale Horticulture Development Project (SHDP) irrigation schemes, UNDP/ NDMA funded irrigation schemes and community owned irrigation schemes. Schemes such as Challa, Njukini and Kimala in Taita Taveta County have cumulatively benefited to the tune of KSh.19,780,000 in loans. In Machakos County, the bank has financed farmers in Kabaa Irrigation Scheme to the tune of Kshs. 9,000,000.

In partnership with UNDP, Equity Bank has trained farmers from Naoyawoi and Kanaodon Irrigation Scheme in Turkana County in financial literacy and together with other stakeholders like Child Fund International, the farmers have been trained on post harvest losses reduction and handling. In Turkana County, the Bank also works closely with Katilu Irrigation Scheme where it has facilitated remittances to irrigation farmers from World Food Programme.

World Food Day 2014 Celebration

The Bank joined other stakeholders to mark the annual Food and Agricultural Organization (FAO) to celebrate the World Food Day. The National event was held in Tharaka-Nithi County where the Igamatundu Irrigation Scheme has been established at cost of Kshs. 48 million in joint partnership with KfW (Germany) and Equity Bank through small holder irrigation project around Mt. Kenya (SPIMK). The theme of the event was ''Family farming: Feeding the world, caring for the earth''. The Bank donated knapsack sprayer and trophies which were given to farmers with outstanding farming performance in the area.

Chuka branch BGDM, Dickson Kibaara (right) takes Prof. Fred Segor - PS Livestock Department (second left) through Equity Bank's stand during the World Food Day celebrations.

Farmers Sensitization Field Visit

In an effort to make farmers aware of the various credit initiatives the Bank continues to develop, Busia branch in partnership with Program for Agriculture and Livelihoods in Western Communities of Kenya (PALWECO) organized a visit to Mt Kenya region on farmer-to-farmer extension programme. Equity Bank was pivotal in making sure knowledge is shared among the communities to stimulate food production. The farmers visited Embu and Nyeri area where the level of technology uptake is high with help of financing by the Bank.

Farmers in Busia visit a group funded under the PALWECO Project, in an effort to learn on how to improve their horticultural farming practices.

Participation in Agriculture Society of Kenya Events

During the year, the Bank participated in all Agricultural Society of Kenya (ASK) shows and other exhibitions held in various counties across the country. The objective was to interact with farmers to understand their financial needs and share with them the innovative solutions available in the Bank. The Bank won many accolades in various categories.

Financial Inclusion

The Group's mission and vision is anchored on deepening financial inclusion and broadening access for the majority of low income populations who have been financially excluded and subsequently relegated to cycles of poverty and undignified lives from one generation to the next.

Social Payments for Food Securities

Cash Transfers to households with Orphans and Vulnerable Children (OVC) Program was introduced by the Government of Kenya through the Department of Children Services. The social protection system entered its 10th year in 2014 through regular and predictable cash transfers to poor households

Equity Bank is among channels that deliver funds to the 55,000 recipient households using biometric identity technology. When Hunger Safety Net Program (HSNP) payments were introduced 5 years ago Equity Bank pioneered an efficient and secure delivery model for 69,000 beneficiaries in Turkana, Wajir, Marsabit and Mandera.

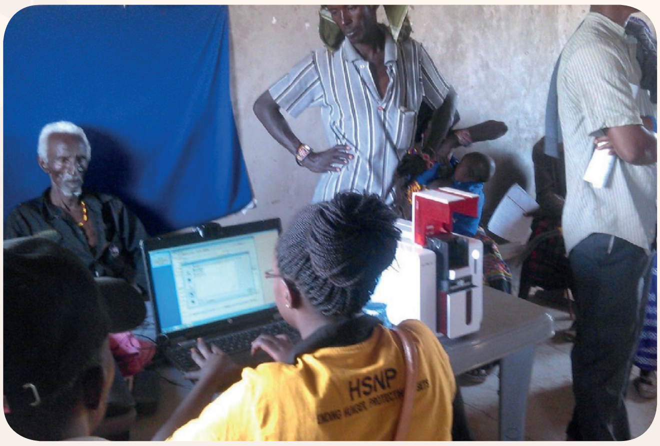
As the payments service provider for HSNP phase 1, the Bank designed a payment system that uses smart cards, biometric identification and Smart Point of Sale devices located at appointed bank agents in the four counties. Kshs. 4.2 billion was disbursed to recipients in the pilot phase. Equity Bank was retained as the payments service provider in the enhanced HSNP II program to deliver cash transfers to 100,000 beneficiaries.

The Bank is now using MasterCard EMV smart cards with biometric and PIN authentication linked to savings accounts of 274,000 households who will get assistance in emergencies like drought.

Equity Bank has been retained by the government for phase 2 of the programme which will run through 2017 and cover an even wider swath of the region at an estimated cost of Kshs. 16 billion.

The target is 374,000 activations and the Bank has already opened more than 120,000 accounts for the beneficiaries. All the 374,000 beneficiaries will have a bank account with real time online access through Equity Agents, ATMs and branches. So far, close to 70,000 households have benefitted from the project at a cost of Kshs. 4.2 billion, with beneficiaries attesting to improved lives and restored dignity.

Beneficiaries queue to receive payments at an Equity Agent in Kibera



Registration process at one of the HSNP camps

Environment

The Equity Clean Energy Program has made tremendous progress since its pilot phase in 2014 and is moving towards the goal to support 1 million households with access to clean energy in three years in partnership with MicroEnergy Credits.

Equity Clean Energy Program goals are to provide finance for the highest quality clean energy products available in the market through the Eco Moto one page loan, and customer education in order to maximize the economic, health and environmental benefits possible from each clean energy product.

The key Program achievements to date include piloting of the Eco–Moto loan; distribution of 4,257 clean energy products, recruitment and training of 45 Equity Agents as clean energy stockists, holding of 96 Equity Energy Days at branches and facilitation of over 1000 Equity staff with clean energy in homes.

Equity Bank has also been working with farmers under the Support to Community Based Farm Forestry Enterprises in Arid and Semiarid Areas of Kenya (SCBFFEP) since 2012. The project, which is funded by Japan Social Development Fund through World Bank to the Government of Kenya, implemented by Kenya Forest Service. The Bank partnered with KFS to provide financial service to the project including financial literacy to farmer groups and administering credit facilities to the farmers. To date over Kshs. 17 million has been advanced to the groups.

Farmers in Kitui County have benefited from the SCBFFEP project to grow Mukau trees used for production of charcoal

A livestock farmer in Siakago, Mbeere, who is a beneficiary of the SCBFFEP project inspects her Caliandra Calothyrsus trees used for livestock feed in semi arid regions

BOARD OF DIRECTORS

Peter Munga
NON-EXECUTIVE CHAIRMAN

James Mwangi
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

David R. Ansell
NON-EXECUTIVE DIRECTOR

Babatunde Soyoye
NON-EXECUTIVE DIRECTOR

John Staley
CHIEF OFFICER – FINANCE,
INNOVATION AND PAYMENTS

Evelyn Rutagwenda
NON-EXECUTIVE DIRECTOR

Benson Wairegi
NON-EXECUTIVE VICE
CHAIRMAN

Mary Wamae
SECRETARY TO THE BOARD

Helen Gichohi
MANAGING DIRECTOR,
EQUITY GROUP FOUNDATION

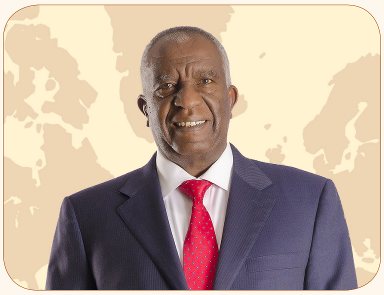
Dennis Aluanga
NON-EXECUTIVE DIRECTOR

Temitope Lawani
NON-EXECUTIVE DIRECTOR

Alykhan Nathoo
NON-EXECUTIVE DIRECTOR

Adil Popat
NON-EXECUTIVE DIRECTOR

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. He is the Chairman of National Oil Corporation and a Director in Micro-Enterprise Support Programme Trust (MESPT), British American Investments Company (Kenya) Ltd, Rockefeller Foundation and Equatorial Nut Processors.

JAMES MWANGI, CBS - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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 WAIREGI, EBS - NON-EXECUTIVE VICE CHAIRMAN

Dr. 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. Dr. 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).

HELEN GICHOHI, MBS - MANAGING DIRECTOR, EQUITY GROUP FOUNDATION

Dr. Gichohi holds a PhD in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation and a BSc in Zoology from the University 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, as the President from 2007, Vice President from 2002 and Director of the Conservation Program from 2001 when she joined AWF. Prior to that, she was the Managing Director of the African Conservation Center. Helen is a recipient of the Charlotte Wyman Trust's Women in Conservation Program, the Order of Great Warrior and the Moran of the Order of the Burning Spear awarded by the Kenyan Government. She won the Giai Environmental Award for 2012 at The WIFTs Foundation International Visionary Awards. She serves on the boards of Ol Pejeta Conservancy and Africa Wildlife Foundation.

JOHN STALEY - CHIEF OFFICER – FINANCE, INNOVATION AND PAYMENTS

Mr. Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree 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 services since 1998.

BABATUNDE SOYOYE - NON-EXECUTIVE DIRECTOR

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

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.

EVELYN RUTAGWENDA - NON-EXECUTIVE DIRECTOR

Mrs. 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.

DAVID R. ANSELL - NON-EXECUTIVE DIRECTOR

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. Mr. 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 chairs the Board of Directors of Equity Investment Bank Ltd. 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.

ADIL POPAT – NON-EXECUTIVE DIRECTOR

Mr. Popat holds a Master of Business Administration from Wharton School, University of Pennsylvania, and Bachelor of Arts (Business Administration) University of Washington, Seattle, USA. He is the Group CEO of Simba Corporation - a diversified group of businesses in motor vehicle distribution, hospitality and real estate. It represents iconic brands such as Mitsubishi Motors, Mitsubishi Fuso, BMW, AVIS and Mahindra. Mr. Popat has been with Simba Corporation for over 15 years and previously served as the Finance Director.

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.

TEMITOPE LAWANI - NON-EXECUTIVE DIRECTOR

Mr. Lawani received his BSc 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 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.

MARY WAMAE - SECRETARY TO THE BOARD

Mrs. Wamae holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

EQUITY BANK (KENYA) LIMITED

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. He is the Chairman of National Oil Corporation and a Director in Micro-Enterprise Support Programme Trust (MESPT), British American Investments Company (Kenya) Ltd, Rockefeller Foundation and Equatorial Nut Processors.

JAMES MWANGI, CBS - MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

JULIUS KIPNG'ETICH - 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 Bank 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' High School-Eldoret, Starehe Girls' Centre and School, Starehe Boys' Centre and School, 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.

BENSON WAIREGI, EBS - NON-EXECUTIVE DIRECTOR

Dr. 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).

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.

TEMITOPE LAWANI - NON-EXECUTIVE DIRECTOR

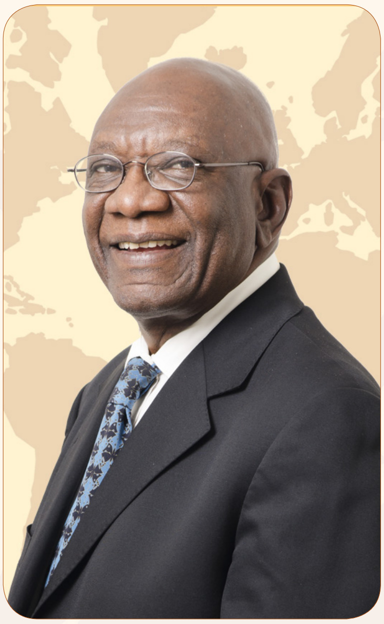
Mr. Lawani received his BSc in Chemical Engineering from the Massachusetts Institute of Technology, Juris Doctorate (cum laude) from Harvard Law School and MBA (2nd Year Honors) from Harvard Business School. He is co-founder and Managing Partner of Helios Investment Partners, LLP an Africa-focused private 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.

DAVID R. ANSELL - NON-EXECUTIVE DIRECTOR

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. Mr. 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 chairs the Board of Directors of Equity Investment Bank Ltd. 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.

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.



SHEM MIGOT- ADHOLLA - NON-EXECUTIVE DIRECTOR

Prof. 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 at 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.

JULIUS MUIA - NON-EXECUTIVE DIRECTOR

Dr. Muia holds a PhD in Finance; Master of Business Administration degree and Bachelor of Commerce degree from the University of Nairobi. He is a Certified Public Accountant - CPA (K); Certified Public Secretary-CPS (K); Associate, Kenya Institute of Bankers and Associate, Chartered Institute of Arbitrators. Dr. Muia is the Secretary, National Economic and Social Council (NESC), a top advisory think tank to the Government of Kenya that facilitated the preparation of Vision 2030. He is also the Chairman of ChildFund Kenya. Prior to joining the public service in 2008 he served in various capacities in the private sector in the UK and Kenya rising to Group Finance Director and Chief Operating Officer. In 2011, his contributions to Kenya's development were recognized through a Presidential award of Elder of the Burning Spear (EBS).

ISAAC MUTHURE MACHARIA - NON-EXECUTIVE DIRECTOR

Prof. Macharia holds a Master of Medicine, Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi. He is a Fellow of the College of Surgeons of East, Central and Southern Africa (COSECSA). Prof. Muthure has a depth of experience in the medical field for a period of thirty (30) years in various positions. He is a member of the Advisory Working Group (AWG), Ear and Hearing Care-CBM; he is the Regional Secretary for Africa and Middle East International Federation of Otorihinolaryngological Societies (IFOS). He is the founder chairman of the Allergy Society of Kenya and also the founder Chairman of the Cochlear Implant Group of Kenya (CIGOK). He is also a member of various professional societies.

MARY WAMAE - SECRETARY TO THE BOARD

Mrs. Wamae holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

EQUITY BANK UGANDA LIMITED

DAVID R. ANSELL - NON-EXECUTIVE CHAIRMAN

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. Mr. 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 chairs the Board of Directors of Equity Investment Bank Ltd. 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.

APOLLO NJOROGE - EXECUTIVE DIRECTOR

Mr. Njoroge holds a Masters Degree in International Business Administration in Finance from United States International University and Bachelor of Science degree in Mathematics and Physics from University of Nairobi. He is a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). He has over 22 years experience in banking. Apollo joined Equity in 2003.

GEORGE ALIBARUHO - NON-EXECUTIVE DIRECTOR

Prof. Alibaruho holds a PhD degree (Economics) from 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

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 an Innovations in Development Consultant.

JOHN STALEY - NON-EXECUTIVE DIRECTOR

Mr. Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree 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 services since 1998.

PETER KIMBOWA - NON-EXECUTIVE DIRECTOR

Mr. Kimbowa is an Executive Coach, Internationally certified trainer, speaker, consultant and author. He is a Board member in ESKOM, GATSBY Trust (Uganda) and VERO Water, Kampala Archdiocese Land Board and Council Member at St.Cyprian Technical University. He is a co-founder and Chairman of IFE – a Leadership & Management Development consulting firm based at Serena International Conference, and the founding Member of the Management Consultants of Uganda (AMCU)

JAMES MWANGI, CBS - NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

GRACE LABONG - NON-EXECUTIVE DIRECTOR

Ms. Labong has more than 15 years of management level experience and over 10 years experience as a communication expert providing advisory and professional expert support in communication and Public Relations. She is an accredited PR practitioner with CIPR London. She holds an MBA from ESAMI in collaboration with Maastricht School of Business (Arusha). She is Board member in Uganda Allied Chambers of Agriculture of Commerce, Industry and Agriculture (UACCIA); Chairperson of the Publicity Committee of BPV International, Uganda Chapter. She is the Vice President of the Public Relations Association of Uganda (PRAU); the Chairperson of the Investment Committee Uganda Women Entrepreneurs Association Limited (UWEAL).

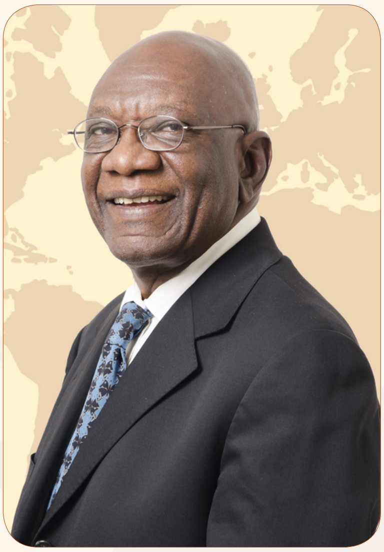
JOSEPH SERWANGA KITAMIRIKE - NON-EXECUTIVE DIRECTOR

Mr. Serwanga is the Chief Executive Officer at ALT Exchange and ALTX Clearing, which he founded to expand opportunities for securities trading in Uganda. Previously he was the Chief Executive Officer of the Uganda Securities Exchange. Mr. Serwanga has had long standing experience as a Corporate Executive in various organizations including the National Housing and Construction Co. Ltd, the Uganda Investment Authority and Uganda Development Bank (UDB). He holds an MBA in Finance from the University of Connecticut and an Advanced Business Certificate from the same university. He also holds a Bachelor of Science (Hons) Degree in Mechanical Engineering from Makerere University.

MARY WAMAE - SECRETARY TO THE BOARD

Mrs. Wamae holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

EQUITY BANK SOUTH SUDAN LIMITED

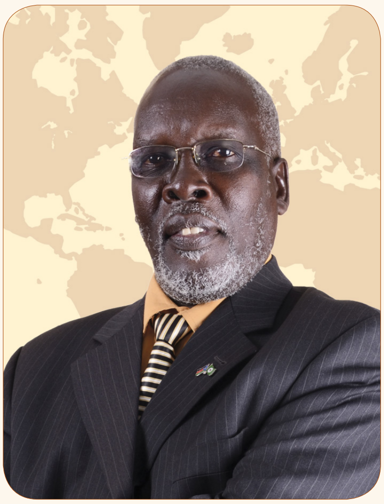


SHEM MIGOT- ADHOLLA - NON-EXECUTIVE CHAIRMAN

Prof. 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.

PAUL GITAHI - MANAGING DIRECTOR

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



KENYI SPENCER - NON-EXECUTIVE DIRECTOR

Dr. Spencer holds a Professional Certificate in International Trade from the International Trade Institute of Southern Africa (Affiliate of International Association of Trade Training Organization) and a PhD in Environmental Economics from the University of Geneva, Switzerland; a Masters degree in Environmental Management from the University of the Free State (Bloemfontein), South Africa; a 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, 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 – Twisted Gift.

MARY JAMES AJITH - NON-EXECUTIVE DIRECTOR

Mrs. Ajith holds an LL.B. degree from EL-Neelian University, Khartoum, Sudan. Mary worked with various Gender and Child Related organizations and holds a Certificate on Skill for Communicating with Children, and Advanced Certificate on Women Peace and Security Council Resolution 1325. She is currently a Legal Counsel, Ministry of Justice, Republic of South Sudan and holds Certificates on Legislative Drafting and Bills Scrutiny Training with over 10 years experience.

JAMES MWANGI, CBS - NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

MARY WAMAE - SECRETARY TO THE BOARD

Mrs. Wamae holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

EQUITY BANK RWANDA LIMITED

DAVID R. ANSELL - NON-EXECUTIVE CHAIRMAN

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. Mr. 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 chairs the Board of Directors of Equity Investment Bank Ltd. 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.

SAMUEL KIRUBI - MANAGING DIRECTOR

Mr. Kirubi 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 Limited (South Sudan).

HERMAN MUSAHARA - NON-EXECUTIVE DIRECTOR

Prof. Musahara has more than 30 years experience as an academic, researcher and consultant. He holds a PhD in Development Studies from University of Western Cape in South Africa. He is currently Executive Director of OSSREA (the Organization for Social Science Research in Eastern and Southern Africa based in Addis Ababa, Ethiopia. He was formerly Dean Faculty of Economics and Management 2005, Director of University Consultancy Bureau 2008, Director of Planning and Development 2010 Acting Vice Rector Academics in 2011-2012 at the former National University of Rwanda. He was until April 2014 an Associate Professor in the College of Business and Economics of University of Rwanda. Besides teaching Development Economics, Poverty Analysis and Research Methodology at post graduate level he has researched, consulted and published in several fields of the social sciences including poverty analysis, human development, environment, land and land use, governance, post conflict transitions including Post Genocide, entrepreneurship, SMEs, value chains and agricultural development. He has led projects for the Government departments of Rwanda, UNDP, UNEP, World Bank, USAID, Nile Basin, ASARECA,FAO to mention but a few. Before the current position he was Vice President of OSSREA, member of Board of Institute of Policy Analysis and Research (IPAR) Rwanda, coordinator of African Technology Policy Studies network, member of the Advisory Academic Council of the Global MDP coordinated from Columbia University and Focal Point of the UN Sustainable Development Solutions Network Great Lakes.

EVELYN RUTAGWENDA - NON-EXECUTIVE DIRECTOR

Mrs. 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.

HANNINGTON NAMARA - NON-EXECUTIVE DIRECTOR

Mr. Namara is the Chief Executive Officer of the Private Sector Federation (Rwanda), where he provides leadership at the Federation which is at the forefront of Industry in Rwanda. He is also the Chairman, Board of Directors of Rwanda Public Procurement Authority and is a Board Member at the East African Business Council, Rwanda Development Board, University of Rwanda and Rwanda Corporate League. He has previously served as a Director on the Board of Magerwa, a Logistic Company and as a Board Member at the Rwanda Housing Bank. He holds a Bachelor (Hons) Degree in Business Administration, Finance option. He is also pursuing a Post Graduate Diploma in Marketing with the Chartered Institute of Marketing (CIM), London-UK (online) and undertaking a 2-Years leadership program with the Aspen Institute, Dupont Circle NW, Ste 700, and Washington DC 20036 under the East African Leadership Initiative Chapter.

ROSETTE CHANTAL RUGAMBA - NON-EXECUTIVE DIRECTOR

Mrs. Rugamba, is the Founder and Managing Director of Songa Africa The Tourism Company, one of the leading tourism Consultancy and Luxury tour companies in Rwanda. She has been actively involved in Travel and Tourism for the past 18 years beginning with Euro Star in UK, and then as Head of Sales and Marketing British Airways in Uganda and Central Africa, before returning to her native Rwanda to spearhead a revitalization of the Tourism Industry as Director General of Rwanda Tourism (ORTPN) and later as Deputy CEO of Rwanda Development Board(RDB). She is President of Women in Tourism Chamber and board member of Women Chamber in Private Sector Federation. She also serves as a Special Advisor to the Secretary General of the United Nations World Tourism Organization (UNWTO) on Sustainable Tourism in Africa. Rosette holds a BA (Social Sciences) Political Science and Sociology from Makerere University and also studied Strategic Marketing in the U.K.

JAMES MWANGI, CBS - NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

JOHN STALEY - NON-EXECUTIVE DIRECTOR

Mr. Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree 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 services since 1998.

MARY WAMAE - SECRETARY TO THE BOARD

Mrs. Wamae holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

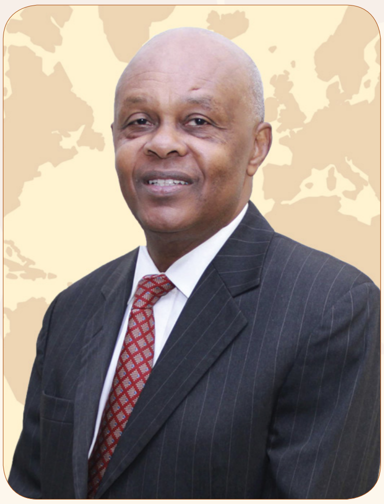
EQUITY BANK TANZANIA LIMITED

DAVID R. ANSELL - NON-EXECUTIVE CHAIRMAN

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. Mr. 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 chairs the Board of Directors of Equity Investment Bank Ltd. 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.

JOSEPH IHA - MANAGING DIRECTOR

Mr. Iha 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 joining Equity Bank (Tanzania) Limited, he worked as the General Manager, Credit in Equity Bank (Uganda) Limited 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.



DELPHIN RWEGASIRA - NON-EXECUTIVE DIRECTOR

Prof. Rwegasira is currently working at the faculty of the University of Dar es Salaam's Economics Department. Formerly holder of the Mwalimu Julius Nyerere Professorial Chair in Development at the same Institution, he also 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 Central Bank of Tanzania. 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

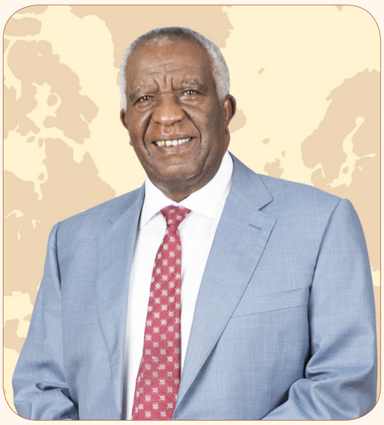
Mrs. Nuru holds a Master of Science in Managerial Economics, Quantitative Methods and Business Administration including Trade and Marketing from Hult University. She is a Policy Advisor for IHAN (International Health Awareness Network) and Tanzania Women Chamber of Commerce. Previously she has worked 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.

JOHN STALEY - NON-EXECUTIVE DIRECTOR

Mr. Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree 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 services since 1998.

RAYMOND PETER MBILINYI - NON-EXECUTIVE DIRECTOR

Eng. Mbilinyi is the Executive Secretary at Tanzania National Businesses Council (TNBC). He is a Professional Engineer with BSc Engineering, a Certified Project Manager, Transportation specialist and a Professional Marketer with an MBA (Marketing) and over 20 years of professional experience in Africa, he has gained extensive experience in conducting a wide range of assignments in both Public and Private organisations. Prior to being appointed as Executive Secretary of TNBC, Raymond lead the following organizations at senior level; Acting – Executive Director of Tanzania Investment Centre (TIC), First Project Director of Dar Rapid Transit (DART) at Dar es salaam City Council and Network Development Manager – Retail of BP (T) Ltd. Raymond also served as a Vice President of World Investment Promotion Agencies Association (WAIPA) up to December 2012. Currently, Raymond is serving as a Board Member in the following Organisations: Tanzania Industries Licensing Board. – BRELA and Tanzania Private Sector Foundation (TPSF). Raymond is also Vice Chairman of the National Hunting Block Allocation Advisory Committee under the Ministry of Natural Resources and Tourism.



PETER MUNGA, CBS - NON-EXECUTIVE DIRECTOR

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. He is the Chairman of National Oil Corporation and a Director in Micro-Enterprise Support Programme Trust (MESPT), British American Investments Company (Kenya) Ltd, Rockefeller Foundation and Equatorial Nut Processors.

GODFREY SIMBEYE - NON-EXECUTIVE DIRECTOR

Mr. Simbeye is currently the Executive Director of Tanzania Private Sector Foundation (TPSF) since 9th March 2012. Mr. Simbeye has a strong background in Business and Financial Management and has experience of more than 17 years in consultancy and management of finance functions. He is a qualified accountant (ACCA) and has masters degree in Information Systems Management and Technology from University of Strathclyde in the UK. Mr Simbeye is a member of the Board of Millennium Challenge Account Tanzania (MCA-T), Tanzania Bureau of Standards, Tanzania Public Service College, University of Dar es Salaam Computing Centre

JAMES MWANGI, CBS - NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

AHMED MOHAMED AME - NON-EXECUTIVE DIRECTOR

Prof. Ame is an Associate Professor and Director for Graduate studies at the University of Dodoma. He holds a Doctor of Philosophy (Phd) in Business Administration from the University of Dar es Salaam; a Licentiate in Business Administration from UMEA University in Sweden; an MBA (with a bias in Production and Operations Management) from the University of Dar es Salaam and a B.A –Statistics (Hons) from the University of Dar es Salaam. He also holds a Statistical training Diploma, with specialization in computer programming and data processing from the International Statistical Education Centre in Calcutta, India . He is a member of various local and international committees.

MARY WAMAE - SECRETARY TO THE BOARD

Mrs. Wamae holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

EQUITY INVESTMENT BANK LIMITED

DAVID R. ANSELL - NON-EXECUTIVE CHAIRMAN

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. Mr. 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 chairs the Board of Directors of Equity Investment Bank Ltd. 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.

IRUNGU NYAKERA - EXECUTIVE DIRECTOR

Mr. Irungu holds a Bachelor of Science, Management Science and Engineering (Financial Analysis and Decision Engineering) from Stanford University, CA, USA. Prior to joining Equity Investment Bank in 2014, he was the Regional Director, East and Southern Africa at Frontier Markets Fund Managers, GuarantCo. Irungu also served as the Managing Director at NIC Capital where he held various positions and has also worked at Citigroup in London as a Transactor. He has over 8 years of financial services experience.

JULIUS MUIA - NON-EXECUTIVE DIRECTOR

Dr. Muia holds a PhD in Finance; Master of Business Administration degree and Bachelor of Commerce degree from the University of Nairobi. He is a Certified Public Accountant - CPA (K); Certified Public Secretary-CPS (K); Associate, Kenya Institute of Bankers and Associate, Chartered Institute of Arbitrators. Dr. Muia is the Secretary, National Economic and Social Council (NESC), a top advisory think tank to the government of Kenya that facilitated the preparation of Vision 2030. He is also the Chairman of ChildFund Kenya. Prior to joining the public service in 2008 he served in various capacities in the private sector in the UK and Kenya rising to Group Finance Director and Chief Operating Officer. In 2011, his contributions to Kenya's development were recognized through a Presidential award of Elder of the Burning Spear (EBS).

ALI KHALPEY - NON-EXECUTIVE DIRECTOR

Mr. Khalpey is the Founder and Managing Partner of Exotix Africa, a Company based in London, UK. He was previously the Managing Director, Rennaisance Capital, based in London, UK and Johannesburg, South Africa. He was also the Managing Director of Investec based in the USA and London, and a Fund Manager at Black Rock in London, UK. He holds a First Class Honours Degree in Bsc. Economics from the London School of Economics & Political Science

JAMES MWANGI, CBS - NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

ROHAN PATEL - NON-EXECUTIVE DIRECTOR

Mr. Patel has had 8-year experience as a director of Corporate Development for a diversified private investment company with interests in real estate, hotel operations and security printing. He has previously had experience in Management Consulting and in business and financial advisory services. He is currently the Director of Corporate Development at the Sankara Hotel Group Limited and Grenadier Limited Kenya, and a Non-Executive Director at the Pan Africa Insurance Holdings Limited and Pan Africa Asset Management Limited. He holds an MBA from the International Institute for Management Development (IMD) in Laussanne, Switzerland; an MSc. Management from the London School of Economics and a BA in Geography from the same institution.

MARY WAMAE - SECRETARY TO THE BOARD

Mrs. Wamae holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, a Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

FINSERVE AFRICA LIMITED

JOHN WAWERU - EXECUTIVE CHAIRMAN - FINSERVE AFRICA LIMITED

Eng. Waweru holds a Bachelor of Science Degree in Electrical Engineering from the University of Nairobi. He is the former Director-General of Communications Commission of Kenya (CCK), renamed to Communications Authority of Kenya (CA), from 2005 to 2008. Eng. Waweru joined Finserve in 2014.

JOHN KIBET BAROROT - NON-EXECUTIVE DIRECTOR

Mr. Kibet is an accomplished leader in the ICT and Energy Industries with over 20 years experience in the formation and application of Policy, Strategy and related programs in ICT and Telecommunication industry. He has held Senior positions in Airtel Kenya, Safaricom Ltd and Telkom Kenya. He holds a Master of Business Administration in Strategic Management from Moi University and a Bachelor of Technology (Electrical & Communications) from the same institution.

ISIS NYONG'O MADISON - NON-EXECUTIVE DIRECTOR

Ms. Nyong'o is the Founder and Principal of Asphalt & Ink, which provides strategic advisory services to broad clients including corporations, governments, non-profit organizations and start-ups. She is also an independent advisor to Kenyan banks on mobile products strategies for new business lines. She has previously held senior positions in various companies including INMOBI, Google, MTV Networks and My Jobs Eye. She holds a Masters Degree in Business Administration from Harvard Business School and a Bachelor of Arts Degree in Human Biology from Stanford University.

JOHN STALEY - NON-EXECUTIVE DIRECTOR

Mr. Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree 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 services since 1998.

JAMES MWANGI, CBS - NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five 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 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.

EQUITY GROUP FOUNDATION

JAMES MWANGI, CBS - EXECUTIVE CHAIRMAN

Dr. Mwangi holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

HELEN GICHOHI, MBS - MANAGING DIRECTOR

Dr. Gichohi holds a PhD in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation and a BSc in Zoology from the University 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, as the President from 2007, Vice President from 2002 and Director of the Conservation Program from 2001 when she joined AWF. Prior to that, she was the Managing Director of the African Conservation Center. Helen is a recipient of the Charlotte Wyman Trust's Women in Conservation Program, the Order of Great Warrior and the Moran of the Order of the Burning Spear awarded by the Kenyan Government. She won the Giai Environmental Award for 2012 at The WIFTs Foundation International Visionary Awards. She serves on the boards of Ol Pejeta Conservancy and Africa Wildlife Foundation.

ZAINAB JAFFER - NON-EXECUTIVE DIRECTOR

Ms. Jaffer is the Managing Director and Head of Africa for MenaLink Holdings, an integrated holding company that structures, finances and manages international business transactions to facilitate the flow of capital, technology and products across borders. Ms. Jaffer is highly active and passionate about philanthropic work through her leadership at the Nourafchan Foundation (TNF), whose mission is to improve the human condition. She has also worked extensively with UNICEF in public-private partnerships. Ms Jaffer graduated with Honours from the London School of Economics and Political Science with a Bachelor of Science Degree, Management with Law.

PETER MUNGA, CBS - NON-EXECUTIVE DIRECTOR

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. He is the Chairman of National Oil Corporation and a Director in Micro-Enterprise Support Programme Trust (MESPT), British American Investments Company (Kenya) Ltd, Rockefeller Foundation and Equatorial Nut Processors.

MOHAMED BADAWAY AL-HUSSEINY - NON-EXECUTIVE DIRECTOR

Mr. Badaway is an Entrepreneurial Executive with over 25 years of achievement in a global business arena, specifically in cross border investments, mergers & acquisitions, direct financial management and company management. He has played a pivotal role in advising and guiding in a Director's capacity on several boards across the world. He has also previously worked as the Chief Finance Officer in Dalma Energy in Abu Dhabi; the Al-Anwa Group of Companies in Riyadh, Saudi Arabia and at the MB Group of Companies in Muscat, Oman. He was also a Senior Manager at Humphrey and Associates in Houston, Texas, USA and is currently the Chief Executive Officer of Aaabar Investments PJS, an investment fund based in Abu Dhabi, UAE. He holds a Bachelor of Science Degree in Accounting from Louisiana State University, Baton Rouge, Louisiana.

EXECUTIVE MANAGEMENT

From the year 2002, the Group engaged in an aggressive recruitment programme of quality personnel with requisite banking knowledge and experience to help steer the business forward as we as rollout new financial products and services.

The Group's senior management team includes and is not limited to:

JAMES MWANGI, CBS - MANAGING DIRECTOR AND C.E.O

James holds five 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 as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. 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.

JULIUS K. 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 Bank 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.

HELEN GICHOHI, MBS - MANAGING DIRECTOR, EQUITY GROUP FOUNDATION

Helen holds a PhD in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation and a BSc in Zoology from the University 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, as the President from 2007, Vice President from 2002 and Director of the Conservation Program from 2001 when she joined AWF. Prior to that, she was the Managing Director of the African Conservation Center. Helen is a recipient of the Charlotte Wyman Trust's Women in Conservation Program, the Order of Great Warrior and the Moran of the Order of the Burning Spear awarded by the Kenyan Government. She won the Giai Environmental Award for 2012 at The WIFTs Foundation International Visionary Awards. She serves on the boards of Ol Pejeta Conservancy and Africa Wildlife Foundation.

MARY WAMAE - DIRECTOR OF CORPORATE STRATEGY AND COMPANY SECRETARY

Mary holds an LL.B. degree from the University of Nairobi, Masters in Leadership, Innovation and Change from York St. John's University, UK, Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (Kenya) (CPS Registration Number 1753). She is an Advocate of the High Court and holds a Post Graduate Diploma in Gender and Development and has over 13 years of private practice experience.

JOHN STALEY - CHIEF OFFICER – FINANCE, INNOVATION AND PAYMENTS

Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree 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 services since 1998.

RAPHAEL HUKAI - CHIEF TECHNOLOGY AND INFORMATION OFFICER

Raphael holds a BSc. degree in Computer Science from the Institute of International Politics of Beijing, China. He joined Equity Bank 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.

REUBEN MBINDU - CHIEF OFFICER, HUMAN CAPITAL AND ADMINISTRATION

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).

JUMAANE TAFAWA - DIRECTOR STRATEGIC PARTNERSHIPS & PROGRAM MANAGEMENT

Jumaane holds an MPA from Harvard University. He joined Equity Bank in 2012. At the Group level, he oversees 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 non-profit 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.

BHARTESH SHAH - CHIEF OFFICER, BANKING OPERATIONS

Bhartesh holds an MBA from the University of Warwick and a Bachelor Of Science (Hons.) in Banking and Finance from Loughborough University. He has over 18 years of banking experience with multiple financial institutions in various capacities and in different locations. Bhartesh has in-depth experience in the financial services industry covering corporate finance, corporate banking, transaction banking, wealth management, bancassurance, product management and retail banking. He previously worked for Midland Bank (HSBC), UK; Standard Chartered Bank, Kenya, Botswana and Singapore; and Citibank, Africa. Bhartesh's immediate former roles were Head of Retail Banking SCB Kenya and East Africa and Head Of Digital banking, Africa. Bhartesh joined Equity bank in 2015.

ROHIT KUMAR SINGH - CHIEF OFFICER, CORPORATE AND SME BANKING

Rohit holds a MS (Finance) degree from Boston College, USA, an MBA from Cardiff Business School, UK and a Bachelor degree in Technology with Honours (Civil Engineering) from Harcourt Butler Technological Institute, India. Additionally, he is a graduate of the Strategic Leadership Program from IESE Business School, Barcelona and has completed an advanced technology program from Carnegie Mellon University, USA. Prior to joining Equity Bank in 2014, Rohit has held senior management positions at Emirates NBD Bank in Dubai, Business Development Asia in Mumbai, Private Capital Management in Naples and McKinsey & Company in New York. He has extensive experience in corporate banking, SME banking, investment banking, private equity, capital markets and investment management. In an international career spanning more than 15 years, Rohit has not only worked in developed economies of North America and Europe but also quite extensively in emerging economies of Africa, Asia and the Middle East.

BILDARD FWAMBA - CHIEF INTERNAL AUDITOR

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 over 15 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.

JOHN WAWERU - EXECUTIVE CHAIRMAN - FINSERVE AFRICA LIMITED

John holds a Bachelor of Science Degree in Electrical Engineering from the University of Nairobi. He is the former Director-General of Communications Commission of Kenya (CCK), renamed to Communications Authority of Kenya (CA), from 2005 to 2008. John joined Finserve in 2014.

IRUNGU NYAKERA - EXECUTIVE DIRECTOR, EQUITY INVESTMENT BANK

Irungu holds a Bachelor of Science, Management Science and Engineering (Financial Analysis and Decision Engineering) from Stanford University, CA, USA. Prior to joining Equity Investment Bank in 2014, he was the Regional Director, East and Southern Africa at Frontier Markets Fund Managers, GuarantCo. Irungu also served as the Managing Director at NIC Capital where he held various positions and has also worked at Citigroup in London as a Transactor. He has over 8 years of financial services experience.

ANTHONY KITUUKA - EXECUTIVE DIRECTOR FOR REGIONAL SUBSIDIARIES

Anthony holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He holds a professional accountants certificate (ACCA) and is a fellow of the Professionals Accountants Certificate (FCCA). He has over 7 years banking experience and has previously worked with Kenya Commercial Bank (KCB) as the Head of Global Corporates. He joined Equity Bank in 2014.

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.

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 Limited (South Sudan).

APOLLO NJOROGE - EXECUTIVE DIRECTOR, EQUITY BANK UGANDA

Apollo holds a Masters Degree in International Business Administration in Finance from United States International University and Bachelor of Science degree in Mathematics and Physics from University of Nairobi. He is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain). He has over 22 years experience in banking. Apollo joined Equity in 2003.

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) Limited, he worked as the General Manager, Credit in Equity Bank Uganda Limited and General Manager, Corporate Banking Division at Equity Bank . Joseph joined Equity Bank in 2005. He previously worked with Co-operative Bank of Kenya for six years in various capacities.

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2014 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 Company and its subsidiaries.

1. ACTIVITIES

Pursuant to shareholders approval granted on 24th November 2014 the Memorandum of Association of the Company (EGHL) was amended and henceforth the principal objects are:

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

b. to carry on the business of a holding company;

c. to employ the funds of EGHL in the development and expansion of the business of EGHL and all or any of its subsidiary or associated companies and in any other company engaged in any like business of EGHL or any of its subsidiary or associated companies; and

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

The Company currently has five banking subsidiaries providing an extensive menu of financial services in the countries it has operations in as well as seven non-banking subsidiaries engaged in providing investment banking and stock-broking, custodial, insurance agency, philanthropy, consulting and infrastructure services whose activities are as shown under note 17(b).

2. RESULTS

The results for the Group for the year are set out on page 69 - 128

3. DIVIDENDS

The Board has recommended a dividend of Kshs. 1.80/= (2013: 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

James Njuguna Mwangi** - Chief Executive Officer & Managing Director

Benson Irungu Wairegi - Vice-chairman

Fredrick Mwangi Muchoki++

Julius Kangogo Kipng'etich**++ - Chief Operating Officer, Shared Services

Babatunde Temitope Soyoye+

Temitope Olugbeminiyi Lawani*****+

Prof Shem Migot-Adholla*++

Helen Gichohi** - Managing Director, Equity Group Foundation

David Ansell****

Dennis Aluanga

Alykhan Nathoo***

Evelyn Rutagwenda+++

John Staley**+++ - Chief Officer Finance, Innovations & Payments

Adil Popat******

* Retired by rotation on 26th March 2014 and were re-elected.

** Executive Director

*** Canadian, Alternate director to Babatunde Soyoye

**** American

***** Alternate director to Dennis Aluanga

****** Appointed to the board on 4th December 2014

+ British

++ Resigned from the board on 5th January 2015

+++ Appointed to the board on 24th November 2014

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, Mr. Peter Kahara Munga is due to retire by rotation and having attained the age of seventy further retires in terms of Section 186 (2) of the Companies Act (Cap 486 of the Laws of Kenya) and being eligible, offers himself for re-election by special notice pursuant to Section 186(5) of the Companies Act (Cap 486 of the Laws of Kenya).

Mr. Benson Wairegi a director retires in accordance with article 100 of the Company's Articles of Association and does not offer himself for re-election as a director.

Mr. John Staley, Mrs. Evelyn Rutagwenda and Mr. Adil Popat having been appointed as directors during the year will retire in accordance with Article 101 and being eligible offer themselves for election as directors.

5. As a result of the Group re-organization that was successfully concluded on 31st December 2014, a separate Board of Directors was created for Equity Bank (Kenya) Limited which carries out banking business in Kenya. The members of the board are:

(i) Peter Munga - Chairman
(ii) James Njuguna Mwangi - Chief Executive Officer and Managing Director
(iii) Benson Wairegi
(iv) Julius Kangogo Kipng'etich - Chief Operating Officer
(v) Fredrick Mwangi Muchoki
(vi) Shem Migot-Adholla
(vii) David Ansell*
(viii) Julius Monzi Muia
(ix) Isaac Muthure Macharia
(x) Dennis Aluanga

*American

6. 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.

7. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 9th March 2015.

BY ORDER OF THE BOARD

MARY WANGARI WAMAE

Company Secretary

STATEMENT ON CORPORATE GOVERNANCE

One of the Group's core values is effective corporate governance. There are plain benefits of a properly implemented effective corporate governance system as it boosts investor confidence.

The Group 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 Group'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 transparency, accountability and responsibility, monitoring compliance with relevant laws and regulations, risk management, appropriate checks and balances and the delivery on commitments to all stakeholders. Ethical leadership and integrity, socio-environmental responsibility and determination of Group strategy are the key principles that are taken into account while setting governance standards for the Group.

The Group and the Bank has also kept abreast with international developments in corporate governance for the promotion of enhanced transparency, integrity and the rule of law.

The Board of Directors is the representative of the shareholders and has the duty of validating financial results and review of Group performance, protecting assets, counselling the CEO on strategy and nurturing the next generation of leaders. Directors are also 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.

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 Group resulting in the Group taking banking services to the furthest reaches of the Kenyan 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, ten directors served on the board with two alternates and seven full board meetings were held.

Mr. Peter Munga and Prof. Shem Migot-Adholla retired by rotation from the Board on 26th March 2014 and were re-elected.

The director's attendance for 2014 was as follows:

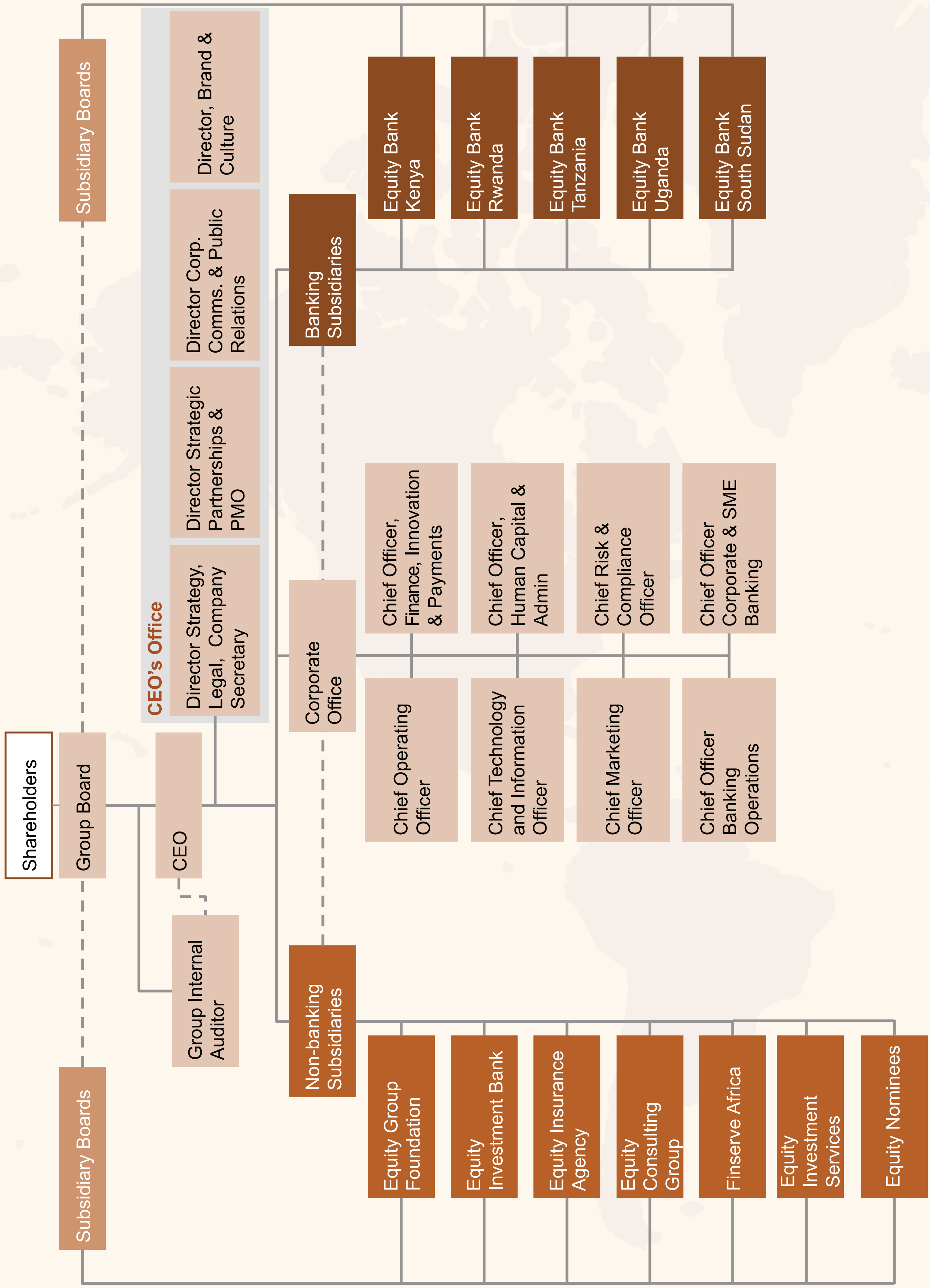
	Board	Audit Committee	Credit Committee	Risk Management & ALCO Committee	Strategy & Investment Committee	Tendering & Procurement Committee	Governance, Board Nomination & Staff Remuneration
	Number of meetings held						
	7	4	4	4	5	4	4
	Number of meetings attended (maximum possible)						
Peter Kahara Munga	7 (7)	-	-	-	3 (5)	-	4 (4)
James Njuguna Mwangi	7 (7)	-	-	-	5 (5)	-	4 (4)
Benson Irungu Wairegi	5 (7)	4 (4)	-	3 (4)	4 (5)	-	-
Fredrick Mwangi Muchoki	7 (7)	-	4 (4)	-	-	4 (4)	-
Julius Kangogo Kipng'etich	7 (7)	-	-	-	5 (5)	-	-
Prof. Shem Migot-Adholla	7 (7)	-	4 (4)	4 (4)	5 (5)	-	-
Babatunde Temitope Soyoye	3 (7)	-	-	-	3(5)	-	-
Helen Gichohi	7 (7)	-	-	-	-	4 (4)	4 (4)
David Ansell	5 (7)	-	4 (4)	3 (4)	-	-	-
Dennis Aluanga	7 (7)	4 (4)	-	4 (4)	5 (5)	-	4 (4)

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 and other regional regulators as required under the Prudential Guidelines for institutions licensed under the respective Banking Regulations. The remuneration of the directors is an item on the agenda at every annual general meeting of the members of the Group.

On 24th November 2014, the Bank's shareholders approved an internal re-structuring and re-organisation of the Bank that led to the establishment of a holding Company, Equity Group Holdings Limited, as a non-operational investment company that would hold EBL's shareholding in all the operational banking and non-banking subsidiaries; and the establishment of a wholly-owned subsidiary, Equity Bank (Kenya) Limited to operate as a bank and carry out all the banking business in Kenya. The transfer of the banking business, assets and liabilities of Equity Bank Limited to Equity Bank (Kenya) Limited was effected and on 2nd January 2015, Equity Bank Limited changed its name to Equity Group Holdings Limited (EGHL).

The rationale of the re-structuring was to allow the Group take advantage of the consolidated supervision approach introduced by the Central Bank Kenya in 2013. Under the new regulations, EGHL will have increased flexibility to invest additional capital in its existing banking and non banking subsidiaries as well as new subsidiaries in other African countries. By segregating its Kenyan banking business into a new subsidiary whilst retaining its holding company functions, EGHL, will be better placed to concentrate on refining and improving its systems, processes and governance practices necessary to manage and shape the strategic developments of a growing number of subsidiaries operating in multiple countries and in diverse businesses. Segregating the Kenyan Banking Business into a separate entity will help shield the Kenyan banking business from cash dependence from other subsidiaries and in turn will help further strengthen the stability of the Kenyan banking sector.

THE COMPANY STRUCTURE



BOARD COMMITTEES

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

In addition, the Group board has constituted various committees to assist in discharge of various mandates.

Governance, Nominations and Compensation Committee

The general purpose of the Governance, Nomination and Compensation Committee is:

1. Discharge responsibilities relating to the compensation of the directors and executive officers of Equity Group Holdings and its subsidiaries ('the Group');
2. Assist the Equity Group Holdings Board of Directors ('the Group Board') in identifying individuals qualified to serve as Board members; and
3. Assist the Group Board in the implementation of sound corporate governance principles and practices.

Audit & Risk Committee

The Group Audit Committee is appointed by the Group Board with the purpose of:

1. Assisting the Group Board in carrying out their responsibilities relating to accounting policies, internal control and financial reporting functions,
2. Monitoring the effectiveness of Group Internal Audit activities,
3. Assisting on such other matters as may be referred to it by the Group Board,v
4. Ensuring quality, integrity and reliability of the Group's risk management, corporate accountability and associated risks in terms of management, assurance and reporting.

Strategy & Investments Committee

The Strategy & Investments Committee considers the various strategic options available to Equity Group Holdings Limited and its subsidiaries (the Group) and makes recommendations to the Board regarding the development and implementation of the long-range strategic plans. Further, the Committee considers the proposed strategic investments and makes recommendations to the Board. The Committee facilitates deliberations of the Board by enabling additional focus on strategic and investment matters proposed by the Management, so as to provide more informed, objective input to Board discussions on these issues. The committee also considers capital raising and capital allocation for the group.

The following is the composition of the board committees:

Board Committee	Members
(i) Strategy and Investments Committee	Mr. Dennis Aluanga- Chair Mr. Peter Munga Dr. James Mwangi Mr. John Staley Mr. Adil Popat
(ii) Governance, Nominations and Compensation Committee	Mr. Dennis Aluanga- Chair Dr. Helen Gichohi Mrs. Evelyne Rutagwenda Mr. Peter Munga Dr. James Mwangi
(iii) Board Audit & Risk Committee	Mrs. Evelyn Rutagwenda - Chair Mr. Adil Popat Mr. David Ansell Mr. Dennis Aluanga

RISK MANAGEMENT FRAMEWORK

The Group's Board of Directors is the primary risk supervisor, exercising its role through various board committees.

The Board has delegated the day- to- day operations of the Group to management but remains accountable for ensuring that operations are carried out in compliance with the applicable laws and regulations that are consistent with safe and sound banking practices.

The Group risk management is a forward looking framework that is in line with regulatory requirements, more advanced risk management methodologies have been deployed, and these efforts will underpin the eventual attainments of Basel II and III compliance.

Within this framework all risks associated with the Group's business and operations are actively owned and managed by respective business units supported by an integrated risk management hierarchy. The Risk Management function plays a monitoring and supporting role and this hierarchy utilizes Control Risk Self-Assessment (CRSA), Risk Library, Key Risk Indicators (KRI), Loss Database, Motion Studies, Process Maps, Business Impact Analysis and Scenario Analysis including Stress Testing tools to forecast risks while at the same time offering strategic guidance to the business units.

Risk Analytics are furthermore driven by identification of key risk drivers that are considered in the formulation of quarterly and yearly forecast as well as in the creation of stress tests. The Group's provisions and capital (established by the Board & ALCO Committee) are compared against plausible forecast as well as stressed scenarios to enable adequate allocation of financial cushioning in any eventual market circumstance.

The sensitivity of the Group's financial position then outlines the Group'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 the business objectives and current market conditions.

The compliance department reviews the compliance framework by assessing the Group's compliance levels. The department also carries out anti- money laundering reviews to ensure our customers' funds are secure at all times.

In addition, enforcement team works with businesses to close the gaps identified during the review process.

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

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 Securities Exchange (NSE), Uganda Securities Exchange, Rwanda Stock Exchange, Capital Markets Authority 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 have established relationships and partnerships with several organizations in their 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 Gesellschaft fuer Internationale Zusammenarbeit (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 ChilDr.en (UNICEF) jointly with Red Cross
10. United Nations Capital Development Fund (UNCDF)
11. Swiss Foundation for Technical Co-operation (Swisscontact)
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. Africa Development Bank
35. U.S. President's Emergency Plan for Aids Relief (PEPFAR)
36. Embassy of the Kingdom of the Netherlands
37. International Labour Organisation (ILO)
38. Rockefeller Foundation
39. Oracle
40. Strengthening Healthcare through the Private Sector (SHOPS)
41. UN Women
42. University of Nairobi, Faculty of Agriculture
43. Thika Practical Training Center
44. Dairy Training Institute
45. East Africa Market Development Partners
46. Marvel Five Investments Limited
47. Nourafchan Foundation
48. Samburu Girls Foundation
49. Yes Youth Can
50. Northern Kenya Education Trust
51. Pwani Foundation Education Fund
52. Design Corporate

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 shareholders as required by the law.

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

HELIOS EB INVESTORS L.P. (HELIOS)

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

Limited partners in Helios' funds comprise a broad range of the world's leading investors, including Sovereign Wealth Funds, Corporate and Public Pension Funds, Endowments and Foundations, Funds of Funds, Family Offices and Development Finance Institutions across the U.S, Europe, Asia and Africa. Certain of Helios funds are advised by its London-based investment adviser, Helios Investment Partners LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority.

Helios Investment Partners is an Africa-focused private investment firm. Established in 2004 and led by co-founding partners Temitope Lawani and Babatunde Soyoye, Helios is one of the largest investment firms focusing on Africa and is among the few independent Pan-African Private Equity Investment firms to be founded and managed by Africans. Helios operates a family of funds and their related co-investment entities, aggregating more than $3 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. The firm also managed the $110 Million Modern Africa Fund on behalf of a range of investors which included the U.S Government's Overseas Private Investment Corporation and several leading U.S Corporations.

The investment experience of the members of the Helios team has been gained from decades of collective experience in Private Equity, in some of the world's most competitive and demanding markets, within such leading firms as TPG Capital, Bain Capital, Warburg Pincus, Hg Capital, The Carlyle Group, among others. The team has significant experience in private equity investing across a broad range of industries and investment types-leveraged buyouts, recapitalisations, joint ventures, seed-stage venture capital, restructurings and strategic public equity investments. Equally importantly, members of the team possess significant operational expertise derived from collective involvement in the conceptualisation, creation and development of several new businesses in various markets and from having played critical operating roles in corporate turnaround situations.

Helios also 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.

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 subsidiaries in Kenya, Uganda, South Sudan, Tanzania, Malawi, Mozambique 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.

Directors' shareholding as at 31 December 2014:

DIRECTOR	NO. OF SHARES	%
Peter Munga	15,417,690	0.42
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	350,060	0.01
Helen Gichohi	103,400	0.00
Temitope Lawani	NIL	NIL
Babatunde Soyoye	NIL	NIL
Prof. Shem Migot-Adholla	NIL	NIL
Alykhan Nathoo	NIL	NIL
Dennis Aluanga	NIL	NIL
David Ansell	NIL	NIL
Evelyne Rutwagenda	NIL	NIL
John Staley	NIL	NIL
Adil Popat	NIL	NIL

As at 31st December 2014, the following was the shareholding and distribution:

NAME	NO. OF SHARES	%
HELIOS EB INVESTORS I LTD	452,581,275	12.22
HELIOS EB INVESTORS II LTD	452,581,275	12.22
BRITISH-AMERICAN INVESTMENTS COMPANY (K) LTD *	263,455,230	7.12
EQUITY BANK EMPLOYEES' SHARE OWNERSHIP PLAN	143,865,900	3.89
JAMES NJUGUNA MWANGI*	127,809,180	3.45
EQUITY NOMINEES LIMITED A/C 00104	102,821,804	2.78
FORTRESS HIGHLANDS LIMITED	101,010,000	2.73
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9069	96,686,446	2.61
ANDREW MWANGI KIMANI	90,426,800	2.44
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.43
OTHER 27,816 SHAREHOLDERS	1,781,424,200	48.11
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	9,512	2,486,025	0.07
501 - 5,000	12,872	24,269,670	0.66
5,001 - 10,000	2,020	15,785,574	0.43
10,001 – 100000	2,629	75,630,390	2.04
100,001 - 1000,000	527	174,673,262	4.71
1,000,001 and above	266	3,409,932,099	92.09
Total	**27,826**	**3,702,777,020**	**100.00**

On January 16th, 2015 ,Norfund and NorFinance AS (a joint venture investment company between Norfund and Norwegian private investors) announced that they had agreed terms with Helios Investment Partners ("Helios") to purchase from Helios an effective stake equivalent to 12.223% in Equity Group Holdings Ltd. ("Equity"), representing half of Helios' interest in Equity, subject to receipt of regulatory approvals.

Norfund is the Norwegian Investment Fund for Developing Countries. Established by the Norwegian Parliament in 1997, the organisation is the government's main instrument for combatting poverty through private sector development. Norfund's objective is to contribute to sustainable commercial businesses in developing countries. Funding is provided via capital allocations from Norfund's development assistance budget. Norfund provides equity, other risk capital, and loans to companies in selected countries and sectors. The sectors in which Norfund invests are clean energy, financial institutions and agribusiness, in addition to small and medium sized companies through investment funds.

Further details on Norfund can be found at: www.norfund.no

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Company 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 judgments 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 financial 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 ______________________

Date: 9th March, 2015

REPORT OF THE INDEPENDENT AUDITORS

EY
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 GROUP HOLDING LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Equity Group Holding Limited (formerly Equity Bank Limited) and subsidiaries, (the Group) which comprise the consolidated statement of financial position as at 31 December 2014, consolidated statement of profit or loss and other 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 69 to 128.

Directors' responsibility for the financial statements

The directors of the Company 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 from 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 from 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 that 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 Group Holdings Limited and subsidiaries as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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 Company and the Group, so far as appears from our examination of those books; and

iii) the Company and the Group's consolidated statement of financial position, consolidated statement of profit or loss and other 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 CPA Herbert Chiveli Wasike - P/No. P.1485

Ernst & Young

Nairobi, Kenya
Monday, March 23, 2015

Other office: Mombasa
Partners: G G Karuu, J K Cheboror, A S Gilani, P N Anchinga, C O Atinda, H C Wasike, G Gitahi, M M Kimoni, C W Mbogo, A K Gichuhi, P O Kahi, L K Gathungu, A M Muthusi, J M Ngonga, F N M Kamau
A member firm of Ernst & Young Global Limited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Company	
In millions of Kenya Shillings	**Note**	**2014**	**2013**	**2014**	**2013**
Interest income	8	**35,367**	31,890	**31,140**	28,310
Interest expense	8	**(6,192)**	(5,399)	**(4,980)**	(4,620)
Net interest income		**29,175**	**26,491**	**26,160**	**23,690**
Fee and commission income	9(a)	**3,297**	2,992	**2,638**	2,291
Net fee and commission income		**3,297**	**2,992**	**2,638**	**2,291**
Net trading income	9(b)	**2,391**	1,932	**1,251**	964
Other operating income	10	**12,786**	10,446	**11,118**	8,793
Operating Income before impairment losses		**47,649**	**41,861**	**41,167**	**35,738**
Net impairment loss on financial assets	11	**(1,590)**	(2,402)	**(1,159)**	(1,836)
Operating income after Impairment losses		**46,059**	**39,459**	**40,008**	**33,902**
Personnel expenses	12	**(10,814)**	(9,043)	**(8,791)**	(7,405)
Operating lease expenses	13	**(1,592)**	(1,319)	**(1,088)**	(839)
Depreciation and amortisation	14, 15	**(3,185)**	(2,526)	**(2,568)**	(2,100)
Other operating expenses	16	**(9,168)**	(7,768)	**(7,449)**	(5,325)
Total Operating expenses		**(24,759)**	**(20,656)**	**(19,896)**	**(15,669)**
Profit before tax and equity accounted income		**21,300**	18,803	**20,112**	18,233
Share of profit from associate	17(a)	**242**	201	**-**	-
Gain on disposal of associate	17(a)	**822**	-	**1,667**	-
Profit before income tax		**22,364**	**19,004**	**21,779**	**18,233**
Income tax expense	18	**(5,213)**	(5,726)	**(4,943)**	(5,591)
Profit for the year		**17,151**	**13,278**	**16,836**	**12,642**
Attributed to: **Equity holders of the parent**		**17,151**	**13,278**	**16,836**	**12,642**
Earnings per share (basic and diluted)	29	**4.63**	3.59	**4.55**	3.41

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group		Company	
In millions of Kenya Shillings		**2014**	**2013**	**2014**	**2013**
Profit for the year		**17,151**	13,278	**16,836**	12,642
Net Other Comprehensive Income to be reclassified to profit and loss in subsequent periods					
Exchange differences on translation of foreign operations		**137**	(40)	**-**	-
Transfer of available for sale reserve to profit and loss on sale of investments.		**-**	(157)	**-**	(157)
Gain on fair valuation		**345**	187	**345**	159
Current year portion of HF carrying value		**142**	-	**-**	-
Other comprehensive income for the year		**624**	**(10)**	**345**	**2**
Total comprehensive income for the year net of tax		**17,775**	**13,268**	**17,181**	**12,644**
Attributed to:-					
Equity holders of the parent		**17,775**	**13,268**	**17,181**	**12,644**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

		Group		Company	
In millions of Kenya Shillings	**Note**	**2014**	**2013**	**2014**	**2013**
Assets					
Cash balances and deposits in financial institutions	19	**48,218**	34,528	**8,418**	21,930
Loans and advances to customers	20(b)	**214,170**	171,363	**-**	152,029
Investment securities	21	**48,369**	44,572	**-**	32,949
Amounts due from related parties	22(f)	**189**	122	**-**	1,063
Other assets	23	**15,983**	11,149	**-**	9,167
Tax recoverable	18	**123**	550	**-**	470
Investments in associate	17(a)	**-**	1,574		1,113
Investments in subsidiary companies	17(b)	**-**	-	**54,799**	10,284
Property and equipment	14	**10,528**	9,796	**-**	6,942
Prepaid leases	23 (b)	**106**	180	**-**	4
Intangible assets	15	**3,425**	2,069	**-**	1,542
Goodwill	17(c)	**887**	887	**-**	-
Deferred tax assets	24	**2,574**	939		701
Total assets		**344,572**	**277,729**	**63,217**	**238,194**
Liabilities					
Deposits from customers	25	**245,582**	195,153	**-**	158,745
Tax payable	18	**463**	64	**461**	-
Balances due to group companies		**-**	-	**420**	-
Other liabilities	27	**4,507**	4,219	**23**	3,151
Borrowed funds	26	**30,242**	26,736	**-**	25,612
Deferred tax liability	24	**2**	2	**-**	-
Total liabilities		**280,796**	**226,174**	**904**	**187,508**
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		**43,055**	32,662	**41,253**	31,272
Available for sale reserve	28(c)	**(357)**	(702)	**(385)**	(730)
Loan loss reserve	28(d)	**1,020**	753	**768**	578
Foreign currency translation reserve	28(f)	**(506)**	(643)	**-**	-
Revaluation reserve	-	**-**	32	**-**	-
Other reserves	28(e)	**(113)**	(113)	**-**	-
Proposed dividends	28(g)	**6,665**	5,554	**6,665**	5,554
Total equity		**63,776**	**51,555**	**62,313**	**50,686**
Total liabilities and equity		**344,572**	**277,729**	**63,217**	**238,194**

The financial statements were approved by the Board of Directors on 9th March 2015 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

FOR THE YEAR ENDED 31DECEMBER 2014

Group

In millions of Kenya Shillings

For the year ended 31 December 2014	Note	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 2014	**28**	**1,851**	**12,161**	**32,662**	**753**	**(702)**	**(643)**	**32**	**(113)**	**5,554**	**51,555**
Total comprehensive income:											
Profit for the year		-	-	17,151	-	-	-	-	-	-	**17,151**
Other comprehensive income		-	-	142	-	345	137	-	-	-	**624**
Loan reserve transfers	28	-	-	(267)	267	-	-	-	-	-	**-**
Reversal of HF		-	-	32	-	-	-	(32)	-	-	**-**
Dividends:											
Final for 2013 paid	28	-	-	-	-	-	-	-	-	(5,554)	**(5,554)**
Proposed for 2014	28	-	-	(6,665)	-	-	-	-	-	6,665	**-**
At 31 December 2014		**1,851**	**12,161**	**43,055**	**1,020**	**(357)**	**(506)**	**-**	**(113)**	**6,665**	**63,776**
For the year ended 31 December 2013											
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**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31DECEMBER 2014

Company

In millions of Kenya Shillings

For the year ended 31 December 2014	Share capital	Share premium	Retained earnings	Loan loss reserve	Available for sale reserve	Proposed dividend	Total equity
As at January 2014	**1,851**	**12,161**	**31,272**	**578**	**(730)**	**5,554**	**50,686**
Total comprehensive income:							
Profit for the year	-	-	16,836	-	-	-	**16,836**
Other comprehensive income	-	-	-	-	345	-	**345**
Loan reserve transfers	-	-	(190)	190	-	-	**-**
Dividends:							
Final for 2013 paid	-	-	-	-	-	(5,554)	**(5,554)**
Declared for 2014	-	-	(6,665)	-	-	6,665	**-**
At 31 December 2014	**1,851**	**12,161**	**41,253**	**768**	**(385)**	**6,665**	**62,313**
For the year ended 31 December 2013							
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	-	-			2	-	**2**
Loan reserve transfers	-	-	(124)	124	-	-	**-**
Dividends:							
Final for 2012 paid	-	-	-	-	-	(4,629)	**(4,629)**
Declared for 2013	-	-	(5,554)	-	-	5,554	**-**
At 31 December 2013	**1,851**	**12,161**	**31,272**	**578**	**(730)**	**5,554**	**50,686**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		Group		Company	
In millions of Kenya Shillings	Note	2014	2013	2014	2013
Cash flows from operating activities					
Net profit before taxation		**22,364**	19,004	**21,779**	18,233
Adjustments for:					
Depreciation	14	**2,563**	2,182	**2,049**	1,784
Amortisation of intangible assets	15	**622**	344	**519**	316
Amortisation of prepaid lease	23(b)	**120**	476	**-**	-
Unrealised exchange (gains) / losses		**(28)**	(100)	**6**	(60)
Loss / (profit) on disposal of property and equipment		**(37)**	6	**(26)**	(3)
Provision for non-performing loans	11	**1,590**	2,402	**1,159**	1,836
Share of profit of associate	17a	**(242)**	(201)		-
Gain on sale of associate		**(822)**		**(1,667)**	
Dividends received	17a	**(100)**	(84)	**-**	-
Net Interest expense on term borrowings	8	**1,436**	1,325	**1,369**	1,375
Operating profit before working capital changes		**27,466**	**25,354**	**25,188**	**23,481**
Loans and advances		**(44,398)**	(38,073)	**150,870**	(31,454)
Other assets		**(4,832)**	(3,906)	**9,166**	(2,787)
Customer deposits		**50,430**	27,240	**(158,745)**	16,359
Due from related parties		**(67)**	(120)	**1,483**	-
Other liabilities		**288**	849	**(3,127)**	391
Prepaid Leases		**(46)**		**4**	
Cash generated from operations		**28,841**	**11,344**	**24,839**	**5,990**
Income taxes paid	**18**	**(6,022)**	**(8,677)**	**(5,580)**	**(8,276)**
Net cash generated from / (used in) operating activities		**22,819**	**2,667**	**19,259**	**(2,287)**
Cash flows from investing activities					
Purchase of property and equipment	14	**(3,400)**	(3,482)	**6,942**	(2,196)
Purchase of intangible assets	15	**(1,978)**	(998)	**1,542**	(736)
Proceeds from sale of property and equipment		**142**	206	**41**	3
Additional capital injected into subsidiaries		**-**	-	**(44,514)**	(2,080)
Dividend received	17(a)	**100**	84	**-**	-
Proceeds from sale of investment in associate	17(a)	**2,780**		**2,780**	-
Purchase of investment securities	21	**(16,528)**	(15,008)	**32,949**	(10,060)
Proceeds from sale of investments securities	21	**13,076**	11,565	**-**	9,902
Net cash used in investing activities		**(5,808)**	**(7,633)**	**(260)**	**(5,167)**
Cash flows from financing activities					
Dividend paid	28(g)	**(5,554)**	(4,629)	**(5,554)**	(4,629)
Proceeds from long term borrowings		**6,533**	1,825	**(25,582)**	719
Repayment of long term borrowings		**(3,027)**	(1,632)	**-**	(862)
Interest paid on term borrowings	8	**(1,436)**	(1,325)	**(1,369)**	(1,375)
Net cash (used in) / generated from financing activities		**(3,484)**	**(5,761)**	**(32,505)**	**(6,147)**
Net (decrease) / increase in cash and cash equivalents		**13,527**	**(10,727)**	**(13,506)**	**(13,597)**
Effect of foreign exchange differences on cash and cash equivalents		**163**	121	**(6)**	60
Cash Restricted with Central Banks	19	**(1,179)**	(1,486)	**-**	-
Cash and cash equivalents at the beginning of the year	19	**34,528**	45,134	**21,930**	35,467
Cash and cash equivalents at the end of the year	**19**	**47,039**	**33,042**	**8,418**	**21,930**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. Corporate Information

Equity Group Holdings Limited (The "Company") is incorporated, registered under the Kenyan Companies Act cap 486 and domiciled in Kenya. The address of the Company's registered office is 9th Floor, Equity Centre, Hospital road, Upper Hill. The Company is licensed under the Kenyan Banking Act (Chapter 488)

The Company has subsidiaries in Kenya, Uganda, South Sudan, Rwanda and Tanzania. Its shares are listed on the Nairobi Securities Exchange and Uganda Securities Exchange and Rwanda Stock Exchange. The company is in the process of listing its shares on the Dar es-Salaam Securities Exchange.

The consolidated financial statements for the year ended 31st December 2014 were authorised for issue according with resolution of the directors on 9th March 2015.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the 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 all of which have been measured at fair value.

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 company 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 company'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 Non-Operating Holding Company and its subsidiaries as at 31 December 2014.

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

Subsidiaries are consolidated from the date on which the company 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 company controls an investee if and only if the company 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 accounting policies for the subsidiaries are consistent with the policies adopted by the Company.

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 Company 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 Company. Such changes are reflected in the assumptions when they occur.

Judgments

In the process of applying the Company'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 assets.

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

Impairment losses on loans and advances

The Group 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 Group 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 (See Note5 (b).

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).

Impairment of available-for-sale investments

The Group 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 Group 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 Group 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 will 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 Company and Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014. The nature and the impact of each new standard and amendment are described below:

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. 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.

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company and Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

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 and is applied retrospectively. These amendments have no impact on the Company and Group, since none of the entities in the Company and Group have any offsetting arrangements.

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 and retrospective application is required. These amendments have no impact on the Company and Group as the Company and Group have not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

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. Retrospective application is required for IFRIC 21. This interpretation has no material impact on the Company and Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 during the year.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company and Group as the short-term receivables and payables are measured at invoice amounts.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Company and Group, since the Company and Group are existing IFRS preparers.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company and Group's financial statements are disclosed below. The Company and Group intend to adopt these standards, if applicable, when they become effective.

IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception –

Amendments to IFRS 10, IFRS 12 and IAS 28

Effective for annual periods beginning on or after 1 January 2016. The Group and Company have assessed the impact of the above amendments and do not expect them to have an impact on the Group and Company

Key requirements

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

2012-2014 cycle (issued in September 2014)

In the 2012-2014 annual improvements cycle, the IASB issued five amendments to four standards, summaries of which are provided below. The changes are effective 1 January 2016. Earlier application is permitted and must be disclosed.

IFRS 5 Non-Current Assets

Held for Sale and Discontinued Operations

Changes in methods of disposal

- Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
- The amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.
- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting disclosures to condensed interim financial statements:

- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- The amendment must be applied retrospectively.

IAS 19 Employee Benefits Discount rate: regional market issue

- The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report:

- The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report).
- The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.
- The amendment must be applied retrospectively.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. IFRS 9, as issued in July 2014, reflects the completion of all the phases of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, impairment as well as hedge accounting.

Classification and measurement of financial instruments.

Financial Assets

Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Equity securities are measured at fair value through profit or loss unless the entity chooses, on initial recognition, to present fair value changes in other comprehensive income (OCI). This option is irrevocable and applies only to equity instruments, which are not held for trading. Unlike debt instruments, gains and losses in OCI are not recycled on sale and there is no impairment accounting. Derivatives are also measured at fair value through profit or loss. In comparison to IAS 39, there is no bifurcation of embedded derivatives for financial assets recorded at amortised cost or FVOCI.

The derecognition principles in terms of IAS 39 remain the same in IFRS 9.

Financial Liabilities

For liabilities designated at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI.

All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.

Impairment of financial assets:

The expected credit loss model applies to debt instruments recorded at amortised cost or at fair value through other comprehensive income (such as loans, debt securities and trade receivables), lease receivables and most loan commitments and financial guarantee contracts.

Entities are required to recognise either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The measurement of expected credit losses would reflect a probability-weighted outcome, the time value of money and reasonable and supportable information.

Hedge accounting

There are significant changes with regards to hedge accounting including the following:

- Assessment of hedge effectiveness is an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship.
- Risk components of financial and non-financial items can be designated as hedged items provided the risk component is separately identifiable and reliably measureable.
- Certain costs of hedging can be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging in profit or loss.
- Designation of groups of items as the hedged item is possible, including layer designations and some net positions.
- There are more extensive disclosure requirements.

Impact

The Group is in the process of assessing the impact of the standard.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company and Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The company is still in the process of determining the impact of the new requirements of the standard.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profitnd other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company and Group are existing IFRS preparers, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Company and Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company and Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition.
- A performance target must be met while the counterparty is rendering service.

- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Group.
- A performance condition may be a market or non-market condition.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39.

Standards issued but not yet effective

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities (Note 34).
- No operating segments have been aggregated to form the operating segments in Note 34. The amendment will have no impact as segments are not aggregated.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements (which are not new issued standards) are effective from 1 July 2014 and are not expected to have a material impact on the Company and Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company and Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company and Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Company and Group have not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group will continue assessing the impact to the financials statements.

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 goodwill recognised by the Group relates to Equity Bank Uganda subsidiary. It is the difference between consideration transfered and the FV of the assets and liabilities assumed 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 Group's accounts, investments in subsidiaries are accounted for at cost less accumulated impairments.

b. Associates

The Group accounts for the investment in associate' 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. The associate was however disposed of during the year.

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.

(iii) Hyperinflationary economies

The Group 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. During the year, no subsidiary within the Group operated in a hyper-inflationary economy. In previous year, South Sudan was reviewed for hyper inflation however the impact was not material to the Group.

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.

Deferred revenue including accrued interest on loans and advances and interest booked on placements with other banks are recognised as the related services are performed.

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. The prepaid operating leases are accounted for as an asset using the straight line method of depreciation over the period of the lease.

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

h. 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.

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 for financial assets.

(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. The fair value gains on trading securities is recognised in the profit or loss.

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 Group assesses 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). The reversal is limited to the amount that the balance would have been if no impairment had initially been recognised.

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.

(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. There are no loans and advances carried at fair value through the profit or loss during the year.

(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 and unrestricted bank 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-for-trading or those which are specifically designated as such. During the year only securities held for trading were accounted for at fair value through profit or loss.

(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. The other company and subsidiary assets are measured at cost subsequent to initial recognition.

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.

(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.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment in order to write down the carrying amount over its useful life to its residual value. Freehold land is not depreciated.

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

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. There were no revaluations done during the year.

m. 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.

n. 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.

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.

o. 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.

p. 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 and leave if the Group has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

q. 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.

r. 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.

s. 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.

t. Deposits from customers

Deposits from customers are recognized and accounted for on receipt basis as liabilities. Interest expense is accrued on the deposits on a daily basis.

u. Work In Progress

Work in progress are assets paid for but have not be put in service and include software, computers, equipment. These are not depreciated and are capitalized when commissioned for use.

v. 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.

5. Financial risk management

a. Introduction and overview

The Group 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. There were no changes in the risk and capital management policies during the current financial period.

Risk management framework

The Board of Directors have 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 Audit 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,

5. Financial risk management (continued)
b. Credit risk (continued)

prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- ***Limiting concentrations of exposure*** to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities).
- ***Developing and maintaining the group's risk grading*** in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by Group's Credit Risk Department.
- ***Reviewing compliance*** of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to 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.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31st December 2014 and 2013 is the carrying amount as illustrated in the table below:

Exposure to credit risk

(i) Loans and advances to customers

		Group		Company	
In millions of Kenya Shillings	**Notes**	**2014**	**2013**	**2014**	**2013**
Amortised cost	20	**221,556**	177,363	-	157,330
Individually impaired					
Grade 3: Substandard		**1,657**	1,266	-	1,016
Grade 4: Impaired (doubtful)		**4,631**	5,726	-	5,106
Grade 5: Impaired (loss)		**3,260**	2,255	-	2,067
Gross amount		**9,548**	9,247	-	8,189
Allowance for impairment		**(6,613)**	(4,760)	-	(4,759)
Past due but not impaired		**2,935**	4,487	-	3,430
Collectively impaired					
Grade 1: Normal		**203, 343**	163,085	-	145,281
Grade 2: Watch		**8,665**	5,031	-	3,860
Gross amount		**212,008**	168,116	-	149,141
Allowance for impairment		**(773)**	(1,240)	-	(542)
Carrying amount		**211, 235**	166,876	-	148,599
Total carrying amount		**214, 170**	**171,363**	-	**152,029**

Grade 1, grade 2, represent loans and advances that are not impaired. Grade 3, grade 4 and grade 5 refer to the impaired loans and advances that have been impaired as per the banks credit policy and internal model. This represents the loans and advances that the bank cannot collect according to contractual terms of the loan agreements.

5. Financial risk management (continued)

b. Credit risk (continued)

(ii) Cash and cash equivalents

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Cash and balances with bank	**16,363**	13,657	**8,418**	7,342
Unrestricted balances with Central Banks	**17,887**	11,674	**-**	6,229
Money market placements	**13,968**	9,197	**-**	8,359
Total	**48,218**	**34,528**	**8,418**	**21,930**
Less: Restricted balances with Central Banks	**(1,179)**	(1,486)	**-**	-
Cash and Cash equivalents	**47,039**	**33,042**	**8,418**	**-**

(iii) Investment securities

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Held to maturity				
As at 1 January	**33,449**	31,108	**-**	22,798
Purchase of Investment securities	**5,959**	6,183	**-**	1,234
Retirement of bonds due to maturity	**(6,151)**	(3,842)	**-**	(2,306)
	33,257	33,449	**-**	21,726

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Available for sale				
As at 1 January	**11,123**	9,993	**-**	9,993
Purchase of Investment securities	**10,569**	8,826	**-**	8,826
Sales of Investment Securities	**(6,925)**	(7,726)	**-**	(7,596)
Reclassification to profit or loss	**-**	(157)	**-**	(157)
Profit / (Loss) on fair valuation	**345**	187	**-**	159
	15,112	11,123	**-**	11,223
As at 31 December	**48,369**	44,571	**-**	32,949

Impaired loans

Impaired loans are loans for which the group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. 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.

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.

5. Financial risk management (continued)
b. Credit risk (continued)

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: The Group has the obligation to return the securities to the customers upon settlement of the obligation. There are no other significant terms and conditions associated with the use of the collateral.

Loans and advances to customers

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Against individually impaired				
Property	**5,250**	4,631	-	4,531
Equities	-	22	-	22
Other	**808**	1,567	-	1,498
Against collectively impaired				
Property	**4,108**	1,623	-	225
Equities	**1**	2	-	2
Other	**2,011**	2,132	-	126
Against past due but not impaired				
Property	**146,781**	60,424	-	60,409
Equities	**3,434**	35	-	35
Other*	**56,955**	46,699	-	46,649
Total	**219,348**	**117,134**	-	**113,497**

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

Loans and advances to customers

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

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Concentration by sector				
Consumer	**51,026**	48,021	-	43,448
Micro Enterprises	**16,072**	13,649	-	13,209
Agriculture	**6,364**	5,455	-	5,379
Small Enterprises	**94,772**	81,249	-	66,305
Medium Enterprises	**53,322**	28,989	-	28,989
	221,556	**177,363**	-	**157,330**

5. Financial risk management (continued)

b. Credit risk (continued)

(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 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 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 2014

	Kenya	Uganda	South Sudan	Rwanda	Tanzania
At 31 December	30%	42%	82%	49%	43%
Average for the year	32%	38%	77%	44%	46%
Maximum for the year	34%	55%	83%	65%	58%
Minimum for the year	27%	25%	73%	23%	35%
Minimum statutory requirement	20%	20%	20%	20%	20%

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%

(i) Group - 2014

The following tables show by contractual maturity the undiscounted cash flows payable up to the periods indicated:

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	46,603	-	-	-	1,517	48,120
Loans and advances to customers	18,144	6,690	25,913	108,229	82,976	241,952
Investment securities	2,147	3,421	9,626	8,446	27,384	51,024
Amounts due from related parties	189	-	-	-	-	189
Accounts receivable	7,716	-	-	-	-	7,716
Funds in clearing	1,345	-	-	-	-	1,345
Total financial assets	**76,144**	**10,111**	**35,539**	**116,675**	**111,877**	**350,346**
Financial liabilities						
Deposits from customers	77,853	8,428	15,394	147,018	198	248,891
Borrowed funds	4,427	1,184	7,089	18,024	-	30,724
Accounts payable						
Total financial liabilities	**82,280**	**9,612**	**22,483**	**165,042**	**198**	**279,615**
Liquidity Gap 31 December 2014	**(6,136)**	**499**	**13,056**	**(48,367)**	**111,679**	**70,731**

5. Financial risk management (continued)
b. Credit risk (continued)
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	39,916	4,435	6,652	168,534	2,218	221,755
Borrowed funds	2,366	957	1,951	5,014	21,724	32,012
Total financial liabilities	**42,282**	**5,392**	**8,603**	**178,562**	**23,942**	**253,767**
Liquidity Gap 31 December 2013	**6,660**	**2,555**	**19,194**	**(87,324)**	**90,967**	**39,105**

(ii) Company - 2014

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	8,418	-	-	-	-	**8,418**
Total Financial assets	**8,418**	**-**	**-**	**-**	**-**	**8,418**
Financial liabilities						
Deposits from customers						
Amounts due to related parties	-	-	-	-	-	**-**
Borrowed funds	-	-	-	-	-	**-**
Total Financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Liquidity Gap 30 September 2014	**8,418**	**-**	**-**	**-**	**-**	**8,418**

Company - 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	28,937	3,834	4,874	121,128	742	158,745
Borrowed funds	1,832	-	1,778	4,977	17,025	25,612
Total Financial liabilities	**30,769**	**3,834**	**6,652**	**126,105**	**17,767**	**184,357**
Liquidity Gap 31 December 2013	**5,113**	**(591)**	**11,696**	**(48,874)**	**94,531**	**62,645**

5. Financial risk management (continued)

c. 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 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, Group does not hold a significant trading portfolio and is therefore not largely exposed to market risks associated with such portfolios (Note 33). The concentrations of foreign exchange is disclosed in note 33.

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:

5. Financial risk management (continued)
c. Market risk (continued)

Group Interest Rate Risk – Financial assets and liabilities subject to interest rate fluctuations.

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 2014						
Assets						
Cash and cash equivalents	17,331	17,331	-	-	-	-
Loans and advances to customers	214,170	18,144	6,690	25,913	92,503	70,920
Investment securities	48,369	2,147	3,420	9,626	7,820	25,356
	279,870	**37,622**	**10,110**	**35,539**	**100,323**	**96,276**
Liabilities						
Deposits from customers	245,582	77,853	8,428	15,394	143,713	194
Borrowed funds	30,242	4,427	1,184	7,089	17,542	-
	275,824	**82,280**	**9,612**	**22,483**	**161,255**	**194**
Interest rate sensitivity gap at 31 December 2014	**(4,046)**	**(44,658)**	**498**	**13,056**	**(60,932)**	**96,082**
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	74,914	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	35,127	3,903	5,855	148,316	1,952
Borrowed funds	26,736	2,448	875	1,951	4,385	17,025
	221,889	**37,575**	**4,778**	**7,806**	**152,701**	**18,977**
Interest rate sensitivity gap at 31 December 2013	**3,243**	**(17,514)**	**2,627**	**19,991**	**(71,958)**	**70,149**

Company 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 2014						
Assets						
Cash and cash equivalents	8,418	8,418	-	-	-	-
Loans and advances to customers						
Investment securities						
	8,418	**8,418**	**-**	**-**	**-**	**-**
Liabilities						
Deposits from customers	-	-	-	-	-	-
Long term borrowings	-	-	-	-	-	-
Interest rate sensitivity gap at 31 December 2014	**8,418**	**8,418**	**-**	**-**	**-**	**-**
31 December 2013						
Assets						
Cash and cash equivalents	8,359	7,495	-	-	864	-

5. Financial risk management (continued)

In millions of Kenya Shillings	Carrying amount	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years
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	28,574	3,175	4,762	120,646	1,588
Long term borrowings	25,612	1,832	-	1,778	4,977	17,025
	184,357	**30,406**	**3,175**	**6,540**	**125,623**	**18,613**
Interest rate sensitivity gap at 31 December 2013	**8,980**	**(14,086)**	**68**	**11,808**	**(57,277)**	**68,467**

During the year, a 5% increase/decrease of the annual interest rate would have the following effect on the profit and loss.

		GROUP	BANK
		Profit and loss	Profit and loss
2014	**+5%**	**345**	**348**
2013	**-5%**	**30**	**298**

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.

d. 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 Group'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% of tier 1 capital.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group has complied with all externally imposed capital requirements throughout the year.

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

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
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	**43,055**	32,590	**41,253**	31,272
Goodwill	**(887)**	(887)	**-**	-
Less investment in equity instruments of other institutions-(Note 17 (a) and (b) (Banks)	**-**	(1,574)	**-**	(10,526)
Total	**56,180**	**44,141**	**55,265**	**34,758**
Tier 2 capital				
Collective allowances for impairment (Note 28d)	**1,020**	753		578
Qualifying subordinated liabilities	**6,049**	8,814		8,814
Total	**7,069**	**9,549**		**9,393**
Total regulatory capital	**63,249**	**53,690**		**44,151**
Total Risk-weighted assets	**302,537**	**208, 849**		**187,346**
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	**21%**	26%		24%
Total tier 1 capital expressed as a percentage of risk-weighted assets	**19%**	21%		19%

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 Company's critical accounting policies and estimates and the application of these policies and estimates as disclosed in notes 2.2, above.

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 2014						
Assets						
Cash and cash equivalents	-	48,218	-		48,218	48,120
Loans and advances	-	214,170	-	-	214,170	241,952
Investment securities	31,552	-	16,817	-	48,369	51,024
	31,552	**262,388**	**16,817**		**310,757**	**341,096**
Liabilities						
Deposits from customers	-	-	-	(245,582)	(245,582)	(248,892)
Borrowed funds	-	-	-	(30,242)	(30,242)	(30,724)
	-	**-**	**-**	**(275,824)**	**(275,824)**	**(279,616)**
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)**

7. Financial assets and liabilities (continued)

Company

In millions of Kenya Shillings	Held to maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair Value
31 December 2014						
Assets						
Cash and cash equivalents	-	-	-	8,418	8,418	8,418
Loans and advances	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
	-	**-**	**-**	**8,418**	**8,418**	**8,418**
Liabilities						
Deposits from customers	-	-	-	-	-	-
Borrowed funds	-	-	-	-	-	-
	-	**-**	**-**	**8,418**	**8,418**	**8,418**
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)**

The fair value of financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. The fair value of cash and cash equivalents, loans and advances, other assets, customer deposits, borrowed funds and other liabilities are evaluated by the Group based on parameters such as interest rates, specific country factors and individual creditworthiness of the customer. The valuation is performed on a discounted cash flow basis. Based on this evaluation, allowances are taken to account for the expected losses of the receivables.

Valuation methods and assumptions

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

The fair values of remaining AFS financial assets are derived from quoted market prices in active markets.

There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2014.

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.

	Valuation Technique	Significant Observable Input	Range (Weighted Average)
Level 1			
Cash and cash equivalents			
Investment securities-Available For Sale - Treasury bills	Fair value at closing rate	Quoted prices in active market	7%-8%
Investment securities-Held To Maturity - Treasury bonds	yield rate	yield rate	9.5%-10.5%
Level 2			
Loans and advances to customers	Discounted cashflow	Constant prepayment Rate	8%-20%
Financial liabilities			
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	7%
Borrowed funds	Discounted cashflow	2.5%+ Libor rate	

Fair value hierarchy.

In millions of Kenya Shillings	Level 1	Level 2	Level 3	Total
Group				
At 31 December 2014				
Financial assets at fair value				
Cash and cash equivalents	48,120			**48,120**
Loans and advances		241,952	-	**241,952**
Investment securities-Available for sale	15,942	-	-	**15,942**
Investment securities-Held to maturity	35,082			**35,082**
Total financial assets at fair value	**99,144**	**241,952**	**-**	**341,096**
Financial liabilities at Fair value				
Deposits from customers	-	248,892	-	**248,892**
Borrowed funds	-	30,724	-	**30,724**
Total liabilities at fair value	**-**	**279,616**	**-**	**279,616**

In millions of Kenya Shillings	Level 1	Level 2	Level 3	Total
Group				
At 31 December 2013				
Financial assets at fair value				
Available for sale financial assets				
Non-current and current investment				
Government bonds and bills	11,223	-	-	11,223
Total financial assets at fair value	**11,223**	**-**	**-**	**11,223**
Financial liabilities at fair value				
Deposits from customers	-	221,755	-	221,755
Borrowed funds	-	32,012	-	32,012
Total financial liabilities at fair value	**-**	**253,767**	**-**	**253,767**

8. Interest income

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Interest income				
Cash and cash equivalents	**365**	390	**267**	272
Loans and advances to customers	**31,107**	27,848	**27,592**	24,847
Investment securities	**3,895**	3,652	**3,281**	3,191
Total interest income	**35,367**	**31,890**	**31,140**	**28,310**
Interest expense				
Deposits from banks	**(64)**	(103)	**(35)**	(33)
Deposits from customers	**(4,692)**	(3,971)	**(3,576)**	(3,212)
Borrowings	**(1,436)**	(1,325)	**(1,369)**	(1,375)
Total interest expense	**(6,192)**	**(5,399)**	**(4,980)**	**(4,620)**
Net interest income	**29,175**	**26,491**	**26,160**	**23,690**

9. Fee, commission and trading income

a. Net fee and commission income

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Retail banking customer fees	**1,761**	1,829	**1,584**	1,487
Corporate banking credit related fees	**1,336**	1,017	**1,039**	781
Other	**200**	146	**15**	23
Total fee and commission income	**3,297**	**2,992**	**2,638**	**2,291**

b. Net trading income

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Bonds trading income	**46**	66	**46**	66
Foreign exchange gain	**2,345**	1,866	**1205**	898
	2,391	**1,932**	**1,251**	**964**

10. Other operating income

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Temporary overdrafts / un-cleared effects	**2,341**	1,813	**2,281**	1,777
ATM-application & withdrawal fees	**1,820**	1,535	**1,561**	1,387
Salary remittance commission	**1,332**	1,125	**1,139**	1,047
Counter withdrawal charges	**1,046**	739	**622**	433
Other*	**6,247**	5,234	**5,515**	4,149
	12,786	**10,446**	**11,118**	**8,793**

* Other income relates to charges on the various products and services offered by the Group to the customers.

11. Allowances for impairment

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Balance at 1 January	**6,000**	4,289	**5,301**	4,123
Specific provisions for the year	**1,420**	2,243	**920**	1,750
General provisions for the year	**437**	311	**429**	211
Interest suspended during the year*	**534**	734	**399**	673
Write-offs during the year	**(738)**	(1,425)	**(624)**	(1,331)
IAS 39 adjustment	**(267)**	(150)	**(190)**	(124)
Balance at 31 December	**7,386**	**6,000**	**6,235**	**5,301**

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

Impairment loss for the year is arrived at as follows:

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Charge for the year: General provisions	**437**	309	**429**	210
Specific provisions	**1,420**	2,243	**920**	1,750
	1,857	2,552	**1,349**	1,960
IAS 39 adjustment -write back of over provisions	**(267)**	(150)	**(190)**	(124)
Net impairment loss on financial assets	**1,590**	**2,402**	**1,159**	**1,836**

IAS 39 adjustment relates to the difference in provision between IAS 39 requirements, regulatory authorities and Central Banks prudential guidelines.

12. Personnel expenses

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Salaries and other staff costs	**10,510**	8,509	**8,501**	6,959
Contributions to defined contribution plans	**304**	534	**290**	446
	10,814	**9,043**	**8,791**	**7,405**

Other staff costs include staff medical costs, staff training, staff bonus, staff welfare and staff insurance.

13. Operating lease expenses

Non-cancellable operating lease rentals paid are as follows:

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Lease rentals	**1,592**	1,319	**1,088**	839

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

14. Property, equipment and leasehold land

a. Property and equipment

Group

In millions of Kenya Shillings	Freehold land & buildingsv	Leasehold improvements	Motor vehicles	Office equipment, furniture & fittings	Computers	Village cell banking vans	Work-in-Progress	Total
COST	197	6,366	197	2,928	6,215	103	576	**16,582**
At 1 January 2013	-	676	30	355	235	-	1,822	**3,118**
Additions	-	678	14	216	206	-	(1,114)	**-**
Transfers								
Disposals	(8)	(178)	(9)	(29)	(34)	-	-	**(258)**
At 31 December 2013	189	7,542	232	3,470	6,622	103	1,284	**19,442**
Additions	110	1,030	33	502	1,287	-	438	**3,400**
Transfers	-	152	-	107	431	-	(690)	**-**
Disposals	(11)	(114)	(20)	(36)	(86)	-	-	**(267)**
At 31 December 2014	**288**	**8,610**	**245**	**4,043**	**8,254**	**103**	**1,032**	**22,575**

Group

DEPRECIATION								
At 1 January 2013	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**
Charge for the year	3	944	41	433	1,142	-	-	**2,563**
Transfers	(16)	-	-	44	(44)	-	-	**(16)**
Disposals	-	(32)	(20)	(24)	(70)	-	-	**(146)**
At 31 December 2014	**10**	**4,006**	**158**	**2,133**	**5,701**	**39**	**-**	**12,047**
NET CARRYING AMOUNT								
At 31 December 2013	**166**	**4,448**	**95**	**1,790**	**1,949**	**64**	**1,284**	**9,796**
At 31 December 2014	**278**	**4,604**	**87**	**1,910**	**2,553**	**64**	**1,032**	**10,528**

Company

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 2013	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**
Additions	-	729	31	255	1,261	231	**2,507**
Transfers	-	54	-	3	471	(528)	**-**
Disposals	-	(30)	(19)	(1)	-	-	**(50)**
At 31 December 2014	**40**	**6,256**	**145**	**2,815**	**7,780**	**720**	**17,756**
Transfered to EBKL	**(40)**	**(6,256)**	**(145)**	**(2,815)**	**(7,780)**	**(720)**	**(17,756)**
As at 31st December 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Company

DEPRECIATION							
At 1 January 2013	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 31 December 2013	**9**	**2,549**	**107**	**1,416**	**4,276**	**-**	**8,357**
Charge for the year	-	682	18	294	1,055	-	**2,049**
Transfers	-	-	-	-	-		**-**
Disposals	-	(16)	(19)	(1)	-	-	**(36)**
At 31 December 2014	**9**	**3,215**	**106**	**1,709**	**5,331**	**-**	**10,370**
NET CARRYING AMOUNT							
At 31 December 2013	31	2,954	26	1,142	1,772	1,017	**6,942**
At 31 December 2014	**31**	**3,041**	**39**	**1,106**	**2,449**	**720**	**7,386**
Transfered to EBKL	**(31)**	**(3,041)**	**(39)**	**(1,106)**	**(2,449)**	**(720)**	**(7,386)**
As at 31st December 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* The depreciation on buildings is not reflected on this table since the charge for the year was Kshs. 378,185.

15. Intangible assets

a. Group

In millions of Kenya Shillings	Software	Work- in- progress	Total
COST			
At 1 January 2013	2,372	45	**2,417**
Additions	266	732	**998**
Transfers	25	(25)	**-**
At 31 December 2013	**2,663**	**752**	**3,415**
Additions - 2014	1,666	312	**1,978**
Transfers	638	(638)	**-**
Disposals	(83)	-	**(83)**
At 31 December 2014	**4,884**	**426**	**5,310**

AMORTISATION AND IMPAIREMENT

At 1 January 2013	1,002	-	**1,002**
Charge for the year	344	-	**344**
At 31 December 2013	**1,346**	**-**	**1,346**
Charge for the year - 2014	622	-	**622**
Disposals	(83)	-	**(83)**
At 31 December 2014	**1,885**	**-**	**1,885**
NET CARRYING AMOUNT			
At 31 December 2013	1,317	752	**2,069**
At 31 December 2014	**2,999**	**426**	**3,425**

b. Company

In millions of Kenya Shillings	Software	Work- in- progress	Total
COST			
At 1 January 2013	1,989	46	**2,035**
Additions	179	557	**736**
Transfers	25	(25)	**-**
At 31 December 2013	**2,193**	**578**	**2,771**
Additions	1,446	306	**1,752**
Transfers	638	(638)	**-**
At 31 December 2014	**4,277**	**246**	**4,523**
Transfered to EBKL	**(4,277)**	**(246)**	**(4,523)**
At 31 December 2014	**-**	**-**	**-**

AMORTISATION AND IMPAIREMENT

At 1 January 2013	913	-	**913**
Charge for the year	316	-	**316**
Transfers	-	-	**-**
At 31 December 2013	**1,229**	**-**	**1,229**
Charge for the year	519	-	**519**
At 31 December 2014	**1748**	**-**	**1,748**
NET CARRYING AMOUNT			
At 31 December 2013	964	578	**1,542**
At 31 December 2014	**2,529**	**246**	**2,775**
Transfered to EBKL	**(2,529)**	**(246)**	**(2,775)**
At 31 December 2014	**-**	**-**	**-**

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

16. Other expenses

In millions of Kenya Shillings	Group		Company	
	2014	2013	2014	2013
Software licensing and related expenses	**1,430**	613	**1,360**	524
Auditors' remuneration	**27**	20	**11**	11
Other*	**7,711**	7,135	**6,078**	4,790
Balance at 31 December	**9,168**	**7,768**	**7,449**	**5,325**

*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

In millions of Kenya Shillings	Group		Company	
	2014	2013	2014	2013
Balance as at 1 January	**1,574**	1,457	**1,113**	1,113
Share of profit	**242**	201	**-**	-
Dividends received	**(100)**	(84)	**-**	-
Proceeds from sale	**(2,780)**	-	**(2,780)**	-
Balance as at 31 December	**-**	1,574	**-**	1,113
Gain on disposal	**(1,064)**	-	**(1,667)**	-
Share of profit from associate	**(242)**	(201)	**-**	-
Ultimate gain and on disposal	**(822)**	-	**-**	-
	(1,064)	**(201)**	**-**	**-**

On 31 December 2014, the company disposed all its interest in the Associate Company and subsequently derecognised the assets from its books at the close of the year.

b. Investment in subsidiary companies

In millions of Kenya Shillings	Principal activity	Percentage shareholding	Company	
			2014	2013
Equity Bank (Kenya) Ltd.	Banking	100%	**40,733**	-
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%	**1,001**	351
Equity Bank South Sudan Ltd.	Banking	100%	**2,537**	2,537
Equity Bank Rwanda Ltd.	Banking	100%	**2,807**	1,478
Equity Bank (Tanzania) Ltd.	Banking	100%	**2,815**	1,432
Equity Investment Bank Ltd.	Investment banking	100%	**420**	-
			54,799	**10,284**

During the year 2014, the Company injected additional capital in Finserve Africa Limited, Equity Bank Rwanda Limited and Equity Bank (Tanzania) Limited. Equity Bank (Kenya) limited was incorporated during the year.

The Company had invested in eleven wholly owned subsidiary companies as at 31 December 2014; Equity Bank (Kenya) Limited, 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, Equity Insurance Agency Limited and Equity Investment Bank Limited. Equity Nominees Limited, Equity Investment Services Limited and Equity Consulting Group Limited were dormant as at the end of the year.

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	2014 Kshs.	2013 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.

During the year management carried out an impairment assessment in respect of goodwill. Since the goodwill arose on purchase of Equity Bank Uganda subsidiary, the whole amount is allocated to the subsidiary to which the Group considers as a cash generating unit (CGU). The value in use of the CGU as at 31 December 2014 is Kshs. 1.895 billion. Using past experience, management projected future cashflows of the CGU over a two year period, considering return on assets (ROA), growth in profit margins and growth in non-interest income as key variables to which CGU's recoverable amounts are depedent on. Management projects that over the two years, 2015 and 2016, ROA will grow by 18% and 19% respectively, profit margins will grow by 20% during both periods while non-interest income will grow by 40% and 41% for the respective periods. Management discounted the future cash flows to present values using the Equity Bank Uganda Limited weighted average cost of capital which is 11.45%. Management does not expect any significant changes in the assumptions considered in the foreseeable future.

18. Income tax

Recognised in the income statement

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Current tax expense				
Current year	**6,848**	5,881	**6,511**	5,548
	6,848	**5,881**	**6,511**	**5,548**

Deferred tax expense

	Group 2014	Group 2013	Company 2014	Company 2013
Current year (Note 24)	**(1,635)**	(155)	**(1,568)**	43
Total income tax expense	**5,213**	**5,726**	**4,943**	**5,591**
Reconciliation of effective tax rate				
In millions of Kenya Shillings				
Profit before tax	**21,300**	19,004	**20,111**	18,233
Income tax using the enacted corporation tax rate	**6,414**	**5,747**	**6,034**	**5,470**
Non-deductible expenses	**(1,201)**	(21)	**(1,091)**	121
Total income tax expense in income statement	**5,213**	**5,726**	**4,943**	**5,591**
Income tax recognised in the statement of financial position				
Balance brought forward	**(486)**	2,310	**(470)**	2,258
Charge for the year	**6,848**	5,881	**6,511**	5,548
Paid during the year	**(6,022)**	(8,677)	**(5,580)**	(8,276)
	340	**(486)**	**461**	**(470)**
Made up of:				
Tax payable	**463**	64	**461**	-
Tax recoverable	**(123)**	(550)	**-**	(470)
	340	**(486)**	**-**	**(470)**

Tax rates are as follows:

	Total	Kenya	Uganda	South Sudan	Insurance	Rwanda	Tanzania	Others
2014		30%	30%	20%	30%	30%	30%	30%
Profit before tax and equity income	**21,300**	**20,112**	**109**	**607**	**396**	**166**	**186**	**(230)**
Income tax using the enacted corporation tax rate	**6,414**	**6,034**	**33**	**121**	**119**	**51**	**56**	**-**
2013								
Profit before tax and equity income	19,004	18,233	55	286	407	(140)	44	67
Income tax using the enacted corporation tax rate	5,747	5,470	17	57	122	-	13	68

19. Cash balances and deposits in financial institutions

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Cash and balances with bank	**16,363**	13,657	**8,418**	7,343
Unrestricted balances with Central Banks	**17,887**	11,675	**-**	6,228
Money market placements	**13,968**	9,196	**-**	8,359
Total	**48,218**	**34,528**	**8,418**	**21,930**
Less: Restricted balances with Central Banks	**(1,179)**	(1,486)	**-**	-
Cash and Cash equivalents	**47,039**	**33,042**	**8,418**	**21,930**

20. Loans and advances to customers

a. Loans and advances to customers at amortised cost

In millions of Kenya Shillings

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Consumer	**51,026**	48,021	**-**	43,448
Micro Enterprises	**16,072**	13,649	**-**	13,209
Agriculture	**6,364**	5,455	**-**	5,379
Small and Medium Enterprises	**94,772**	81,249	**-**	66,305
Large Enterprises	**53,322**	28,989	**-**	28,989
Gross amount	**221,556**	**177,363**	**-**	**157,330**
Current (settled no more than 12 months)	**40,845**	38,612	**-**	33,020
Non-current portion (settled more than 12 months after reporting period)	**180,711**	138,751	**-**	124,310
Gross amount	**221,556**	**177,363**	**-**	**157,330**

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		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Balance as at 1st January	**6,000**	4,289	**-**	4,123
Charge for the year	**1,590**	2,402	**-**	1,836
Suspended interest	**534**	734	**-**	673
Write offs	**(738)**	(1,425)	**-**	(1,331)
	1,386	**1,711**	**-**	**1,178**
Total impairment	**7,386**	**6,000**	**-**	**5,301**
Net loans and advances	**214,170**	**171,363**	**-**	**152,029**
Current	**47,117**	37,670	**-**	31,926
Non current	**167,053**	133,693	**-**	120,103
Total	**214,170**	**171,363**	**-**	**152,029**

21. Investment securities – (Government bonds and bills)

In millions of Kenya Shillings

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Held to maturity				
As at 1 January	**33,449**	31,108	-	22,798
Purchase of investment securities	**5,959**	6,183	-	1,234
Proceeds from retirement of bonds	**(6,151)**	(3,842)	-	(2,306)
Total	**33,257**	**33,449**	-	**21,726**
Available for sale				
As at 1 January	**11,123**	9,993	-	9,993
Purchase of Investment securities	**10,569**	8,826	-	8,826
Sale of Investment Securities	**(6,925)**	(7,696)	-	(7,596)
Reclassification to profit or loss	**-**	-	-	-
Profit / (Loss) on fair valuation	**345**	-	-	-
Total	**15,112**	**11,123**	-	**11,223**
As at 31 December	**48,369**	**44,572**	-	**32,949**
Current	**15,112**	11,123	-	11,223
Non current	**33,257**	33,449	-	21,726
Total	**48,369**	**44,572**	-	**32,949**

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		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Balance at 1 January	**874**	578	-	553
Interest charged	**73**	51	-	50
Loans disbursed	**329**	375	-	320
Repayments	**(249)**	(129)	-	(127)
Balance at 31 December	**1,027**	**874**	-	**796**
Current	**205**	175	-	159
Noncurrent	**822**	699	-	637
Total	**1,027**	**874**	-	**796**

b. Loans to employees

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Balance at 1 January	**3,978**	3,015	-	2,850
Interest charged	**361**	234	-	233
Loans disbursed	**3,400**	2,074	-	2,061
Repayments	**(1,987)**	(1,422)	-	(1,416)
Balance at 31 December	**5,752**	**3,978**	-	**3,729**
Current	**385**	796	-	746
Noncurrent	**5,367**	3,182	-	2,983
Total	**5,752**	**3,978**	-	**3,729**

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

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Balance at 1st January	**1,263**	3,456	-	3,456
Interest charged	**84**	80	-	80
Loans disbursed	**1,041**	1,152	-	1,152
Repayments	**(1,285)**	(3,424)	-	(3,424)
Balance at 31 December	**1,103**	**1,263**	-	**1,263**
Current	**485**	253	-	253
Noncurrent	**618**	1,010	-	1,010
Total	**1,103**	**1,263**	-	**1,263**

These are loans to associates of directors and non-executive directors. The total amount of loans and advances granted was in ordinary course of business. These loans are subject to the bank's standard terms and conditions.

d. Key management personnel compensation

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Remuneration to executive directors	**440**	329	**379**	291
Remuneration to key management	**2,360**	2,379	**2,050**	2,263
	2,800	**2,708**	**2,429**	**2,554**

Remuneration to Directors

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Pension	**12**	9	**10**	9
Earnings	**428**	320	**369**	282
Total	**440**	**329**	**379**	**291**

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

e. Directors' emoluments

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
As non-executive	**29**	24	**19**	21
As executives	**440**	2,379	**379**	2,263
	469	**2,403**	**398**	**2,284**

f. Amounts due from related parties

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Equity Insurance Agency Limited	-	-	-	154
Equity Bank (Uganda) Limited	-	-	-	48
Equity Bank (South Sudan) Limited	-	-	-	72
Equity Bank (Rwanda) Limited	-	-	-	69
Equity Bank (Tanzania) Limited	-	-	-	454
Equity Investment Bank Limited	-	-	-	44
Equity Investment Services Limited	-	-	-	18
Equity Nominees Limited	-	-	-	42
Equity Group Foundation	**189**	122	-	122
Equity Consulting Group	-	-	-	40
	189	**122**	-	**1,063**

Related parties are only the subsidiary companies in addition to Equity Group Foundation which is a related party by virtue of common directorship. Transactions with related parties are at arm's length. The outstanding balances as at year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31st December 2014, the Group has not recorded any impairment of receivables relating to the amounts owed by related parties (2013- nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

g. Sale of Investment in Associate

During the year, the Investment in Associate was sold off in full to Britam, a related party by virtue of common directorship, at arm's length transaction for Kshs. 2.78 Billion.

23. a. Other assets

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Accounts receivable and prepayments	**7,716**	5,593	**-**	4,191
Accrued income	**3,151**	2,494	**-**	2,221
Funds in clearing	**1,346**	1,343	**-**	790
Other*	**3,770**	1,719	**-**	1,965
	15,983	**11,149**	**-**	**9,167**

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

Other* includes stationery, stock of ATM cards, Telco agent floats for Airtel and Safaricom, prepaid operating lease rentals among others.

b. Prepaid operating lease rentals

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

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Cost				
At 01 January	**662**	297	**-**	5
Acquisitions	**46**	365	**-**	-
At 31 December	**708**	**662**	**-**	**5**
Amortisation and impairment				
At 1 January	**482**	5	**-**	1
Amortisation for the year	**120**	110	**-**	-
Impairment (South Sudan)	**-**	367	**-**	-
At 31 December	**602**	482	**-**	1
Net carrying amount				
At 31 December	**106**	**180**	**-**	**4**

24. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Plant, equipment and software	**356**	417	**-**	486
Allowance for loan losses	**1,892**	491	**-**	356
Allowance for accrued Leave	**45**	5	**-**	-
Unrealised exchange losses	**(8)**	(20)	**-**	(18)
Unrealised exchange gains	**(13)**	(138)	**-**	(123)
Tax Losses	**300**	182	**-**	-
Net tax asset	**2,572**	**937**	**-**	**701**

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

In millions of Kenya Shillings	2014			2013		
Net Deferred Tax Asset						
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment and software	**528**	**(172)**	**356**	486	(69)	417
Allowances for loan losses	**1,892**	**-**	**1,892**	491	-	491
Allowance for accrued Leave	**45**	**-**	**45**	5	-	5
Unrealised exchange losses	**-**	**(6)**	**(6)**	-	(18)	(18)
Unrealised exchange gains	**-**	**(13)**	**(13)**	-	(138)	(138)
Tax losses	**300**		**300**	182	-	182
	2,765	**(191)**	**2,574**	**1,164**	**(225)**	**939**

In millions of Kenya Shillings	2014			2013		
Net Deferred Tax Liability						
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Unrealised revaluation losses	**-**	**(2)**	**(2)**	-	(2)	(2)
	-	**(2)**	**(2)**	**-**	**(2)**	**(2)**

*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.

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

In millions of Kenya Shillings	2014			2013		
	Assets	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment and software	**-**	**-**	**-**	486	-	486
Allowances for loan losses	**-**	**-**	**-**	356	-	356
Allowance for accrued Leave	**-**	**-**	**-**		-	-
Unrealised exchange losses	**-**	**-**	**-**	-	(18)	(18)
Unrealised exchange gains	**-**	**-**	**-**	-	(123)	(123)
	-		**-**	**842**	**(141)**	**701**

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
2014				
Property, equipment and software	**417**	**(61)**	**-**	**356**
Allowances for loan losses	**491**	**1,401**	**-**	**1,892**
Provision for accrued leave	**5**	**40**	**-**	**45**
Unrealised exchange losses	**(18)**	**12**	**-**	**(6)**
Unrealised exchange gains	**(138)**	**125**	**-**	**(13)**
Tax losses	**182**	**118**	**-**	**300**
	939	**1,635**	**-**	**2,574**
Net deferred tax liability				
In millions of Kenya Shillings	**(2)**	**-**	**-**	**(2)**

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	(118)	100	-	(18)
Unrealised exchange gains	(66)	(72)	-	(138)
Tax losses	44	138	-	182
	784	**155**	**-**	**939**
Net deferred tax liability				
In millions of Kenya Shillings	**(2)**	**-**	**-**	**(2)**

Movements in temporary differences during the year – Company

In millions of Kenya Shillings	Opening Balance	Recognised in profit or loss	Transferred to Equity Bank (Kenya) Ltd	Closing balance
2014				
Property, equipment and software	**486**	**41**	**(527)**	**-**
Allowances for loan losses	**356**	**1,350**	**(1,706**	**-**
Provision for accrued leave		**43**	**(43)**	
Unrealised exchange losses	**(18)**	**11**	**7**	**-**
Unrealised exchange gains	**(123)**	**123**	**-**	**-**
	701	**1,568**	**(2,269)**	**-**
2013	**Opening Balance**	**Recognised in profit or loss**	**Recognised in OCI**	**Closing balance**
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

25. Deposits from customers

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Retail customers				
Term deposits	**16,254**	15,431	-	13,694
Current deposits	**20,153**	44,296	-	34,283
Savings deposits	**105,873**	100,500	-	89,441
Total	**142,280**	**160,227**	-	**137,418**
Corporate customers				
Term deposits	**22,901**	18,012	-	12,238
Current deposits	**80,143**	13,159	-	5,685
Savings	**258**	3,755	-	3,404
Total	**103,302**	**34,926**	-	**21,327**
	245,582	**195,153**	-	**158,745**
Current	**133,078**	98,240	-	65,668
Non current	**112,504**	96,913	-	93,077
Total	**245,582**	**195,153**	-	**158,745**

The summary of terms and conditions for the various categories of deposits are below:

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.

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.

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.

26. Borrowed funds

In millions of Kenya Shillings	Group		Company	
	2014	2013	2014	2013
Deutsche Bank Microfinance Fund	-	614	-	614
China Development Bank Corporation	**9,524**	8,178	-	8,178
Ontwikelinslanden N.V (FMO)	**3,221**	3,221	-	3,221
International Finance Corporation(IFC)	**9,070**	8,640	-	8,640
Ministry of Youth Affairs	**35**	85	-	85
Micro Finance Sector Support Credit (Ministry of Finance)	**130**	224	-	224
ResponsAbility	**2,268**	1,296	-	1,296
Microfinance Enhancement Facility (MEF)		1,296	-	1,296
KFW	**1,984**	1,827	-	1,827
Ministry of Finance (GOK)	**239**	226	-	226
Citi Bank Kenya	**2,268**	-	-	-
Standard Chartered Bank Kenya	**500**	-	-	-
Family Bank Kenya Limited	**27**	-	-	-
Bank of Africa Kenya	**481**	-	-	-
EXIM TZ	**18**	-	-	-
Orient Bank Uganda Limited	**259**	189	-	-
Eco Bank Uganda	**33**	-	-	-
Centenary Bank Uganda	**33**	-	-	-
Post Bank Uganda Limited	**106**	-	-	-
Crane Bank Rwanda Limited	**46**	-	-	-
Diamond Trust Bank Uganda	-	65	-	-
Equity Bank-Uganda	-	-	-	5
Equity Bank South Sudan	-	875	-	-
Equity Bank Rwanda	-	-	-	-
Equity Bank Tanzania	-	-	-	-
	30,242	**26,736**	-	**25,612**
Current (settled no more than 12 months)	**12,669**	3,572	-	2,443
Noncurrent portion (settled more than 12 months after reporting period)	**17,573**	23,164	-	23,169
	30,242	**26,736**	-	**25,612**

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

(i) Medium term loans of US$ 105M (Kshs. 9.52B) 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. A finance cost of Kshs. 293.98M (2013: Kshs. 293.5M) has been included in profit or loss for the year. Out of it USD 80M matures on 27-Nov-2017 while US$ 25M accrues interest at the rate of LIBOR 6M +2.2% and matures on 17-May-2016.

(ii) Loan of US$ 25M (Kshs. 2.27B) from ResponsAbility 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 while US$ 15M will mature on 23rd Sep 2019. A finance cost of Kshs. 59.63M (2013 Kshs. 53.7M) has been included in profit or loss for the year.

(iii) Long term loan of US$ 21.9 (Kshs. 1.98B) 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. 62.99M (2013: 65.2M) has been included in profit or loss for the year.

(iv) Medium term loan of US$ 100M (Kshs. 9.07B) 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. 277.08 (2013: Kshs. 283.3) has been included in profit or loss for the year.

(v) 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 matures on 15th June 2015. A finance cost of Kshs. 364.91M (2013: Kshs. 427.51M) has been included in profit or loss for the year.

(vi) Medium term loans totalling Kshs. 35M from Ministry of Youth Affairs. The loan, which is secured by directors' guarantee, accrues interest at the fixed rate of 1% p.a. and matures on 10th April 2015. A finance cost of Kshs. 0.28M (2013: Kshs. 0.8 M) been included in profit or loss.

(vii) Medium term loans totalling Kshs. 238.66M from Ministry.of Finance (KFW-Irrigation). The loan, which is secured by directors' guarantee, accrues interest at the fixed rate of 4% p.a. and matures on 30th June 2017. A finance cost of Kshs. 7.55 M (2013: Kshs. 9.33 M) been included in profit or loss.

(viii) Medium term loans totalling Kshs. 130M from Ministry.of Finance (Microfinance Sector Support Credit). The loan, which is secured by directors' guarantee, accrues interest at the fixed rate of 4% p.a. and matures on 27th June 2015. A finance cost of Kshs. 6.59 M (2013: Kshs. 8.82 M) been included in profit or loss.

(ix) On 31-Dec-2014 Equity Bank (K) Ltd borrowed US$ 5.3M (Kshs. 480.71M) maturing on 02-Jan-2015 from Bank of Africa Kenya through the inter-bank money market at a rate of 3.3% for 2 days.

(x) On 31-Dec-2014 Equity Bank (K) Ltd borrowed US$ 0.3M (Kshs. 27.21M) maturing on 02-Jan-2015 from Family Bank Kenya through the inter-bank money market at a rate of 3.0% for 2 days.

(xi) On 17-Dec-2014 Equity Bank (K) Ltd borrowed US$ 25M (Kshs. 2.27B) maturing on 20-Jan-2015 from Citi Bank Kenya through the inter-bank money market at a rate of 3.0% for 34 days.

(xii) On 31-Dec-2014 Equity Bank (K) Ltd borrowed Kshs. 0.5B maturing on 02-Jan-2015 from Standard Chartered Bank Kenya through the inter-bank money market at a rate of 7.25% for 2 days.

(xiii) On 31-Dec-2014 Equity Bank Tanzania Ltd borrowed Kshs. 18.14M (US$ 0.2M) maturing on 02-Jan-2015 from Exim Bank Tanzania through the inter-bank money market at a rate of 3% for 3 days.

27. Other liabilities

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Short term employee benefits	**615**	12	**-**	-
Creditors	**405**	803	**-**	188
Other*	**3,487**	3,404	**23**	2,963
	4,507	**4,219**	**23**	**3,151**
Current	**4,459**	4,192	**-**	3,124
Non-current	**48**	27	**-**	27
	4,507	**4,219**	**23**	**3,151**

Other* relate to accruals including deferred income and accrued interest on term borrowings, made as at year end.

28. Share capital and reserves

a. Authorised

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
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

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
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 2014 the authorised share capital comprised of 3.7 billion ordinary shares (2013: 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.

The top ten largest shareholders as at 31 December 2014 were:

Name	No. of Shares	%
HELIOS EB INVESTORS I LIMITED	452,581,275	12.22%
HELIOS EB INVESTORS II LIMITED	452,581,275	12.22%
BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED	263,455,230	7.12%
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	143,865,900	3.89%
JAMES NJUGUNA MWANGI	127,809,180	3.45%
EQUITY NOMINEES LIMTED A/C 00104	102,821,804	2.78%
FORTRESS HIGHLANDS LIMITED	101,010,000	2.73%
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9069	96,686,446	2.61%
ANDREW MWANGI KIMANI	90,426,800	2.44%
AIB NOMINEE A/C SOLIDUS HOLDINGS LIMITED	90,114,910	2.43%
OTHER 27,816 SHAREHOLDERS	1,781,424,200	48.11%
TOTAL SHARES	**3,702,777,020**	**100%**

The distribution of shares as at 31 December 2014 is on page 65.

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 Banks prudential guidelines. This amount is not available for distribution.

e. Other reserves

The other reserves represent pre-acquisition reserves from Uganda.

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. Dividends

The following dividends were declared and/or paid by the Group and Company.

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Kshs. 1.80 per ordinary share of Kshs. 0.5 (2013– Kshs. 1.50)	**6,665**	5,554	**6,665**	5,554
	6,665	5,554	**6,665**	5,554

After the respective reporting dates the above 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 2014 is based on the profit attributable to ordinary shareholders of Kshs. 17,151 million (2013: Kshs. 13,278 million) and the weighted average number of ordinary shares outstanding of 3,702 million.

The calculation of basic earnings per share for the Company as at 31 December 2014 is based on the profit attributable to ordinary shareholders of Kshs. 16,836 million (2013: Kshs. 12,642 million) and the weighted average number of ordinary shares outstanding of 3,702 million.

	Group		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Profit for the year attributable to equity shareholders	**17,151**	13,278	**16,836**	12,642
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

29. Earnings per share (continued)

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Earnings per share:				
Basic earnings per share (in Kenya Shillings)	**4.63**	3.59	**4.55**	3.41
Diluted earnings per share (in Kenya Shillings)	**4.63**	3.59	**4.55**	3.41

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 31st March 2015, a final dividend in respect of the year ended 31 December 2014 of Kshs. 1.80 (2013 – Kshs. 1.50) 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. Offstatement 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:

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Guarantees and standby letters of credit	**20,430**	9,168	-	9,111
Letters of credit, acceptances and other documentary credits	**3,287**	2,148	-	2,077
	23,717	**11,316**	-	**11,188**

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:

In millions of Kenya Shillings	Group 2014	Group 2013	Company 2014	Company 2013
Capital commitments	**95**	292		177
Loans approved but not disbursed	**12,000**	46,887	-	45,583
	12,095	**47,179**	-	**45,760**

Group and Company lease

The Group and company 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		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
Within one year	**521**	367	**-**	46
After one year but not more than five years	**2,958**	2,634	**-**	1,579
More than five years	**6,424**	2,955	**-**	2,420

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		Company	
In millions of Kenya Shillings	2014	2013	2014	2013
National Social Security Fund	**16**	14	**-**	13
Pension Scheme	**287**	238	**-**	223
	303	**252**	**-**	**236**

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 2014.

As at 31 December 2014	UGX	USD	SSP	GBP	Euro	ZAR	JPY	Others	Total
In million of Kenya Shillings									
Assets									
Cash and cash equivalents	1,418	6,344	1,215	96	147	1	-	2,759	**11,979**
Loans and advances to customers	4,698	54,576	4,460	4	-	-	-	9,187	**72925**
Investment securities	2,886	94	-	-	-	-	-	909	**3,888**
Property and equipment	619	200	-	-	22		-	1,125	**1966**
Prepaid leases	18	-	-	-	-	-	-	21	**39**
Intangible assets	23	9	-	-	-	-	-	22	**55**
Other assets	1,815	21,492	20,490	378	2,061	6	45	29,540	**75,828**
Tax recoverable	51	-	-	-	-	-	-	31	**82**
Total Assets	**11,528**	**82,715**	**26,165**	**478**	**2,231**	**7**	**45**	**43,593**	**166,762**
Equity and liabilities									
Customer deposits	8,056	29,431	20,910	200	931	1	-	9,378	**68,907**
Borrowed funds	231	1,479	-	-	5	-	-	1,040	**2,756**
Current tax liabilities	-	13	-	4	1	-	-	5	**23**
Other liabilities	3,190	2,279	5,305	52	127	9	-	30,533	**41,495**
Statutory loan loss reserve	126	-	-	-	-	-	-	-	**126**
Retained earnings	(365)	-	-	-	-	-	-	(230)	**(596)**
Other capital reserve	2,020	-	-	-	-	-	-	2,649	**4,668**
Total liabilities and shareholder's funds	**13,258**	**33,201**	**26,215**	**256**	**1,064**	**10**	**-**	**43,375**	**117,380**
Net financial position	**(1,730)**	**49,514**	**(50)**	**(222)**	**1,167**	**(3)**	**45**	**(218)**	**49,382**
As at 31 December 2013									
Total Assets	8,841	42,255	19,494	607	800	79	78	10,535	**82,689**
Total Liabilities	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**

	Changes in UGX	Effect on profit before tax
2014	**±2%**	**35**
2013	±8%	121

	Changes in EUR	Effect on profit before tax
2014	**±2%**	**23**
	Changes in USD	Effect on profit before tax
2014	**±4%**	**1,981**
2013	±5%	93

Foreign currency exposure – COMPANY

As at 31 December 2014

In millions of Kenya Shillings	USD	GBP	Euro	ZAR	JPY	Others	Total
Assets							
Cash and cash equivalents	324	21	53	-	-	-	**400**
Loans and advances to customers	46,167	4	-	-	-	-	**46,172**
Amounts due from group companies	-	-	-	-	-	-	**-**
Other assets	1,228	1	174	-	-	33	**1,438**
	47,720	**26**	**228**	**-**	**-**	**33**	**48,010**
Equity and liabilities							
Customer deposits	15,831	-	126	728	-	-	**16,687**
Borrowed funds	25	-	-	-	-	-	**25**
Amounts due to group companies	-	-	-	-	-	-	**-**
Other liabilities	1,932	42	126	8	-	-	**2,111**
Total liabilities and shareholders' funds	**17,789**	**169**	**855**	**9**	**-**	**-**	**18,824**
Net financial position	**29,930**	**(142)**	**(626)**	**(9)**	**-**	**32**	**29,185**
As at 31 December 2013							
Total Assets	32,176	568	568	79	78	548	**33,995**
Total Liabilities	30,542	154	615	2	-	10	**31,322**
Net financial position	**1,634**	**414**	**(47)**	**77**	**78**	**538**	**2,673**

34. Operating Segment

A segment is a distinguishable component of the Group and the Company 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 Group 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.

In millions of Kenya Shillings	2014						2013					
	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Total	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Total
Total asset	**276,115**	**13,535**	**30,447**	**11,520**	**15,191**	**344,572**	238,194	12,833	23,321	6,204	8,091	277,729
Net Interest Income	**26,160**	**1,074**	**814**	**599**	**523**	**29,175**	23,690	1,004	1,026	344	380	26,490
Total Operating Income	**41,167**	**1,758**	**2,555**	**1,120**	**1,073**	**47,649**	35,738	1,480	2,725	717	675	42,062
Total expenses	**21,055**	**1,649**	**1,948**	**954**	**889**	**26,349**	17,505	1,425	2,440	856	631	23,058
Profit before tax	**21,779**	**109**	**607**	**166**	**184**	**22,364**	18,233	55	285	(139)	44	19,004

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 2014 or 2013.

The group's operating segments are reported based on financial information provided to the Strategy and Investment committee which is the key management committee and represents the decision making. The chairmanship and composition of this committee is as detailed on page 61.

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.

35. Significant Events During the Year

On December 31st, 2014, the Group completed the execution of the recently approved shareholders ownership structure. The group in effect instituted a holding company (Equity Group Holdings Limited) which is a non-operational investment company that will hold our shareholdings in all the operational banking and non-banking subsidiaries. The Kenyan banking business will now be under a Kenyan banking subsidiary Equity Bank (Kenya) Limited similarly to the situation in Uganda, South Sudan, Rwanda and Tanzania. The Group used the shareholders' approval under Section 5 and 9 of the Banking Act to obtain approval from Central Bank, CMA, and Treasury to create and transfer all banking business in Kenya to the new Equity Bank (Kenya) Ltd. Under Section 9 of the Banking Act all assets and liabilities of banking were effectively moved to the new subsidiary.

36. Subsequent events

No material subsequent events have taken place post financial reporting date.

NOTES

NOTES

EQUITY
Group Holdings Limited

NOTES

ANNUAL GENERAL MEETING 31ST MARCH 2015

PROXY FORM

I/We ____

____

CDS A/C No ____

of (address) ____

being a member(s) of Equity Group Holdings 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 M thereof eeting of the Company to be held on the 31st day of March 2015 at 10.00 a.m., or at any adjournment.

As witness to my/our hands this __________ day of ______________________ 2015

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 thinks fit.

Notes:

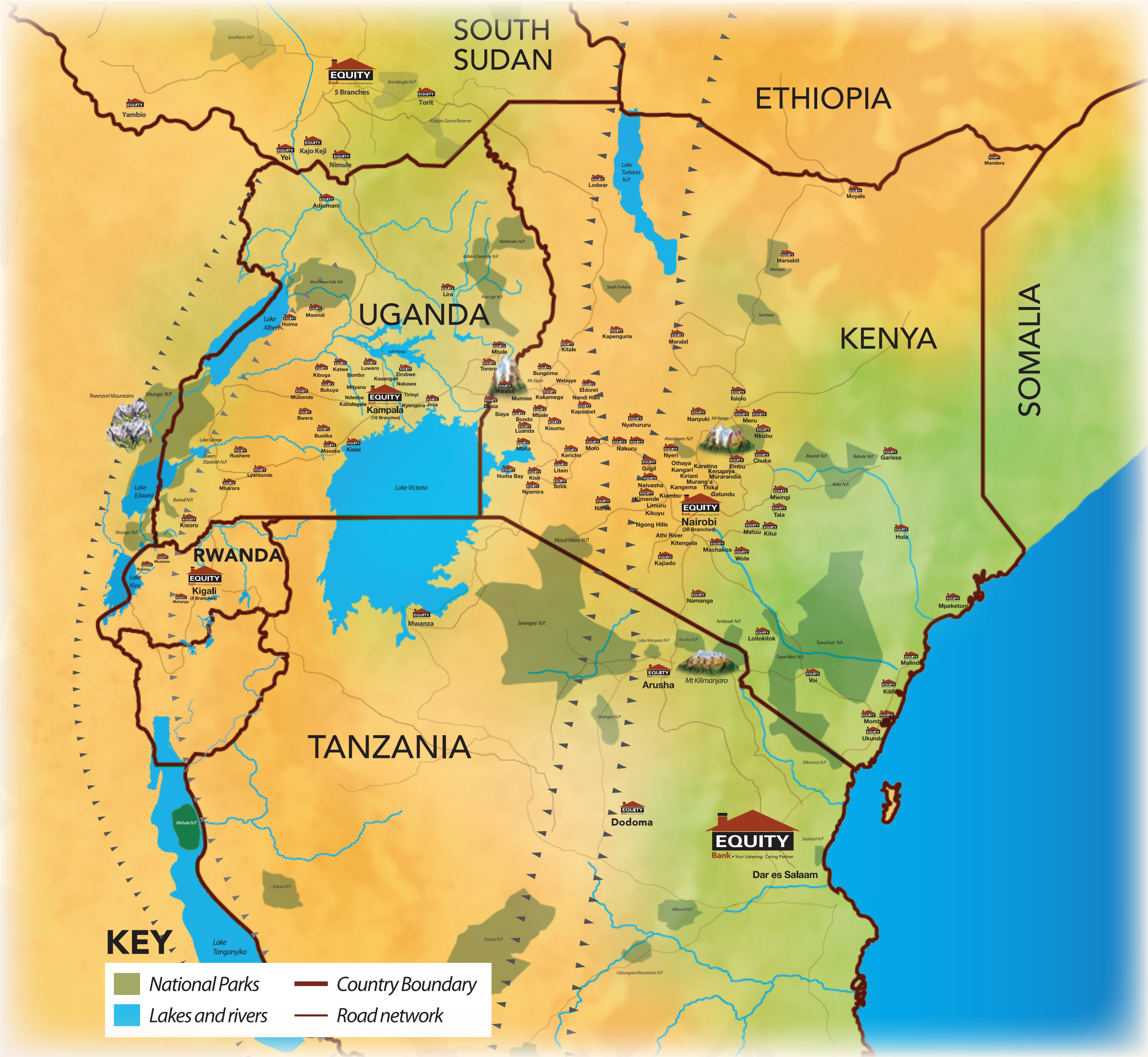
1. This proxy form is to be delivered to the Company Secretary at the Company's Head Office situated at Equity Centre, 9th Floor, Upper Hill, P.O. Box 75104 - 00200, Nairobi, Kenya not later than 12 noon on the 28th day of March 2015, failing which it will be invalid.
2. A proxy form must be in writing 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 Group Holdings Limited which will be held at the Kenyatta International Conference Centre ("KICC"), Nairobi, Kenya on 31st day of March 2015 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	**Number of ordinary shares held** Name of Shareholder Address of Shareholder CDS Account Number:

REGIONAL FOOTPRINT



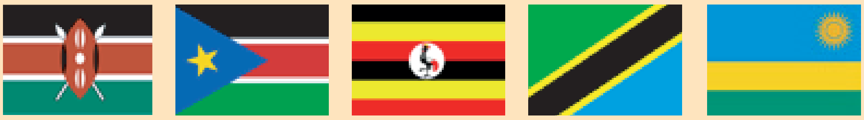
Transforming lives in Africa, one branch at a time.

BRANCHES	228
(a) Branches in Kenya 166, Nairobi 45	
(b) Branches in Uganda 31, Kampala 17	
(c) Branches in South Sudan 11, Juba 6	
(d) Branches in Tanzania 9, Dar es Salaam 6	
(e) Branches in Rwanda 11, Kigali 5	
Agent Outlets	**17,523**
Point of Sale Terminals (POS)	**24,223**
ATMs	**602**

EQUITY
Group Holdings Limited

OUR INSPIRATION

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



EQUITY
Group Holdings Limited

Equity Centre, 9th Floor, Hospital Road, Upper Hill P.O. Box 75104-00200 Nairobi, Tel : +254 763 063 000
Fax : +254-020-2737276, info@equitygroupholdings.com, www.equitygroupholdings.com