EQUITY
Group Holdings Limited

2016

INTEGRATED REPORT AND FINANCIAL STATEMENTS

ABOUT THIS REPORT

This year we have produced an integrated report, covering our financial, operational, governance, social and environmental performance as well as the challenges and opportunities ahead.

In line with our vision, this report reflects our commitment to sustainable development, given the region's socio-economic and environmental context, and determination to entrench global best practices in all operations. It also reflects maturing reporting processes and confidence in our ability to set and measure progress towards targets. We now disclose on our performance across the six sustainability capitals and demonstrate their utilisation and subsequent outputs.

Integrated reporting is a multi-year journey and we have begun the journey this year with an aim to continue making progress in enhancing our communication around value creation for our multiple stakeholder groups.

This report covers the financial year from 1 January to 31 December 2016. The financial information presented is prepared in line with the International Financial Reporting Standards (IFRS) while non-financial information is presented in accordance with the guidelines on the International Integrated Reporting Council's (IIRC) Framework.

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OUR PHILOSOPHIES

OUR PURPOSE
We exist to transform the lives and livelihoods of our people socially and economically by availing them modern and inclusive financial services that maximise 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

OUR PHILOSOPHIES (Continued)

The Equity story is a story of local rural village community that set about to better itself by achieving one simple objective; social and economic empowerment through access to financial services. Equity Bank is the only bank in the Eastern Africa region that prides itself of having its roots in a village and not in a major town or city. In the beginning we had only three branches namely Kangema, Kiriaini and Murarandia. In between these three towns is a distance of seven kilometers further underpinning the fact that our roots firmly lie in a rural community.

To truly understand who we are, you must have an appreciation of the traditional African society. In the African society, the concept of individualism did not exist unless in the context of being a member of a wider society. Groupings were the most important units of African society starting from the nuclear family, the extended family, the clan, the age group and into the larger community. These groups not only give their members a sense of belonging but they accorded them the rights that dignified them as human beings. All resources belonged to the community as a whole and by virtue of being a member of that community, access to these resources such as land, water and knowledge was guaranteed. Indeed even children belonged to the community and in fact, the term 'orphan' did not exist within the traditional African context. The community set-up afforded its members dignity by ensuring that they all had equal access to resources from which they could derive a livelihood.

The village in which Equity was formed was primarily an agricultural community of mainly subsistence farmers who had no access to financial services. In fact, out of the entire population in that village, only a few people like the headmaster of the local secondary school had a bank account. But this did not mean that the other members of the community had no aspirations to enhance the quality of their lives. To move from subsistence farming to more commercialised farming, to build and own permanent houses, to have their children access higher education, to start commercial businesses and small industries to name but a few. The only road block they faced was the lack of access to basic financial services that would help them save and access credit in order to actualise on their aspirations.

This honorable aspiration of the people is entrenched in our logo, the house. The brown symbolises the earth, the colour of the soil from which a simple farmer ekes out a living and from the earth, the house, which is the aspiration to transform that basic agricultural activity into a tool that can help that farmer achieve bigger goals of which, owning a decent home was at the core. The ability to provide a warm and comfortable shelter for the family unlike the mud and grass thatch huts.

The realisation for this community is that they needed access to financial services so that they can first actualise on their basic human needs of food, clothing, shelter and education. Once these were adequately catered for, then they would be in a position to aspire and endeavor to achieve more. However, they could not achieve this goal by working as individuals and upon this realisation they reverted to the true African way of coming together as a society to achieve a common goal; a common good. By pulling in resources, they would have a better and equal chance of achieving their goals. That was the birth of Equity Building Society, in 1984, that heralded the formation of Equity Group.

We do not like to refer to ourselves as a bank, as it restricts our capability to impact on the lives of our members. We became a bank 20 years after we were formed. Rather we see ourselves as the embodiment of the African communal spirit that is geared at promoting the wellbeing of its members by offering tools to help these members achieve whatever it is they set out to achieve. When we interact with our members, we ask ourselves; what problems are they facing? What do they want to achieve? How can we help? Our work is to provide specially made tools to these members that will enable them gain solutions to their problems and achieve their goals. It is only because the tools we provide are financial in nature that this engine for social and economic change took the form of a bank. But we believe we serve a higher purpose and we can change into any form of enterprise as long as it enables us to continue availing to our members, unique tools for transformation.

We exist to transform the lives and livelihoods of our people, socially and economically, by availing to them, modern and inclusive financial services that maximize their opportunities. In any activity we engage in, we focus first on the wellbeing and dignity of a society and economic growth is normally natural and a secondary occurrence. Economic growth is the most evident outcome of any society's development but there are other intangible and more valuable outcomes like improvements in the quality of life such as better health, better housing, improved literacy, self-advancement, self-sustenance and dignified livelihoods. We set out to help our people improve their lives and livelihoods knowing that one of the natural results of this would be their own economic betterment.

And when they prosper, we also prosper as our success is also a natural outcome of theirs. When Equity Building Society was formed it had a nominal share capital of KShs. 1 million and this remains up to date. This capital was contributed by initial shareholders so that they could pool resources together and advance themselves by gaining access to financial services which would in turn help them transform their lives and give them the ability to own descent homes. One thing most people do not know about us is that in the first 11 years of existence the society was making losses to a point that it faced closure by the Central Bank of Kenya because the idea was deemed commercially unviable. But it still pushed ahead on its mission and that is why it is a business force to reckon with today. Without that sense of social purpose, then the society would have shut down its doors a long time ago. We were never in it for the profit but after years of persistence and investing in our people, their capabilities and their ambitions, we are today one of the most profitable businesses in the region.

OUR PHILOSOPHIES (Continued)

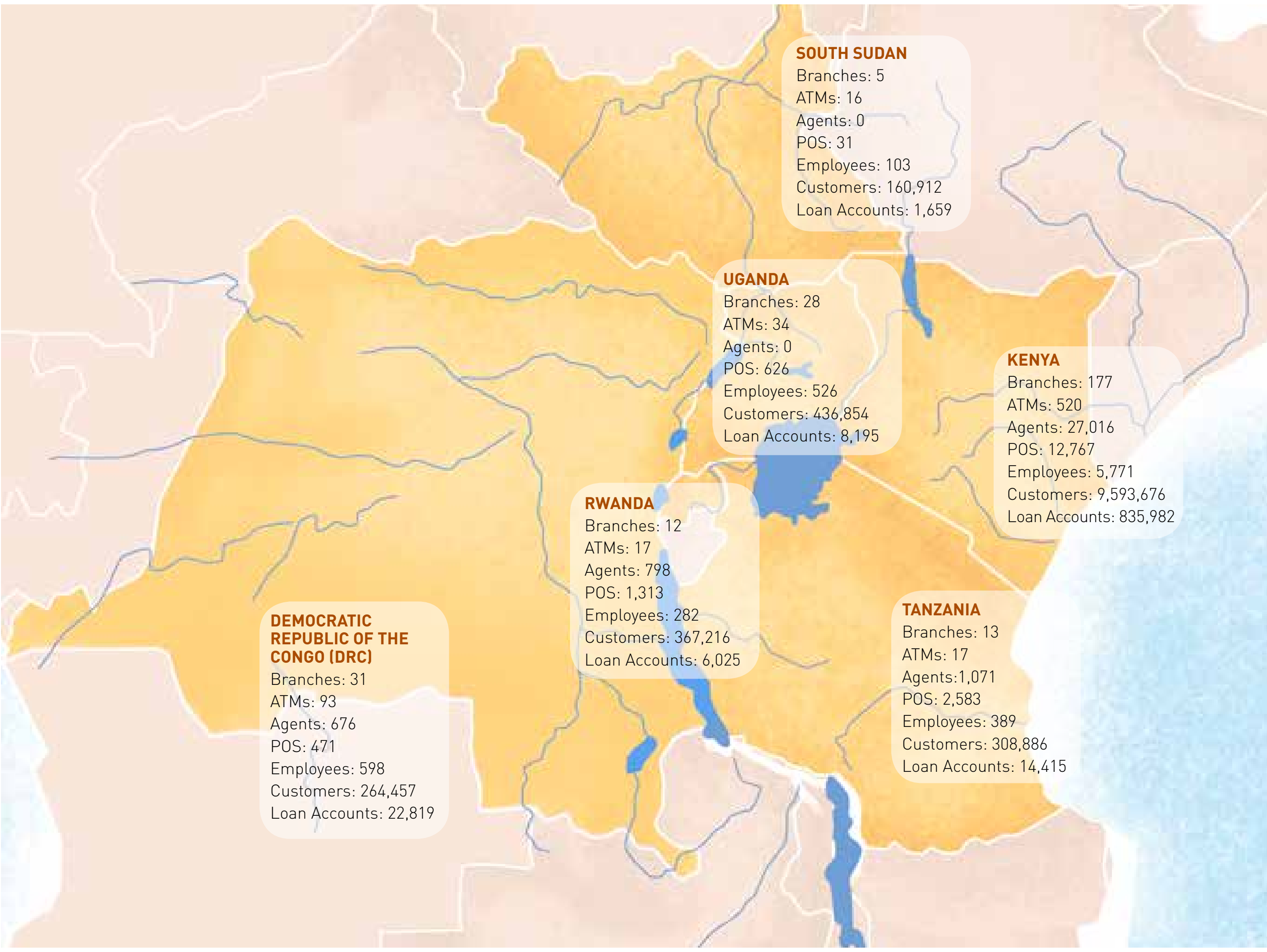
From the small nominal share capital, our initial members have seen their investment value multiply many times over, through bonus share issues and stock splits, in addition to the dividends they have received over the years. Now that is real transformation; from farmers living from farm to fork, to multi-millionaires empowered by their savings and investments. However, if you ask most of them what has been their biggest benefit, it is not the money, but rather the ability of their dream, that once seemed so small in the bigger scale of things, to transform the lives of a nation and now a region and afford every member an equal opportunity to maximise on their goals. That they are home grown role models who came from disadvantaged backgrounds and now they are industry leaders in diverse sections of the economy, shinning the light for other people to follow. We now have international funds as the top shareholders in the organisation and partnering with us to expand our business. Many of our initial shareholders are now the major shareholder of various entities listed on the Nairobi Securities exchange. Why? Because through our humble but noble idea, they evolved their mindset to see the endless possibilities of investing in small ideas with infinite potential. That is an amazing fete that not many village grown organisations in the world can brag about.

While many organisations talk about Corporate Social Responsibility (CSR) as a part of the business playing its part in the society, we subscribe to a different ideal of social responsibility. We are a society built by members coming together to empower themselves making us a vehicle for social good. Our core business is actually being responsive to our members' needs and every day we are giving to society the tools necessary to bring about a revolution in their lives. We allow for society to shape us and our activities rather than us shaping society through our activities. We do not give back to society from the proceeds of our business activities but instead society uses us to give unto itself and through its prosperity we also prosper as a business. The proceeds of this success are shared out among the same members and the cycle not only continues but also widens to impact an even larger society. For example, some of our customers 10 or 20 years ago were ordinary citizens walking from the slums around Nairobi to the Industrial Area in the heart of Nairobi town looking for menial jobs and living from hand to mouth. Today, some of these customer have grown to become factory and industry owners employing thousands of Kenyans, supplying hundreds of Kenyan businesses, exporting their products to the region and the world. They were ordinary people who had a vision and only needed the tools to actualise on their visions and that is what we did for them, provided access to the tools for transformation. The Equity Group Foundation was formed to drive social transformation amongst our people by focusing on the basic needs such as education and leadership, health, agriculture, environment and energy, financial inclusion and literacy, and entrepreneurship. Once we get those right, the society on its own will transform itself in various other aspects that have an economic impact. One unique social transformation objective is that we have received donations from individuals and groups that aligned to our vision and they believe that we are the ideal vehicle to channel their contributions for the overall social good. That is a social backing that most private sector led CSR activities in this region do not have.

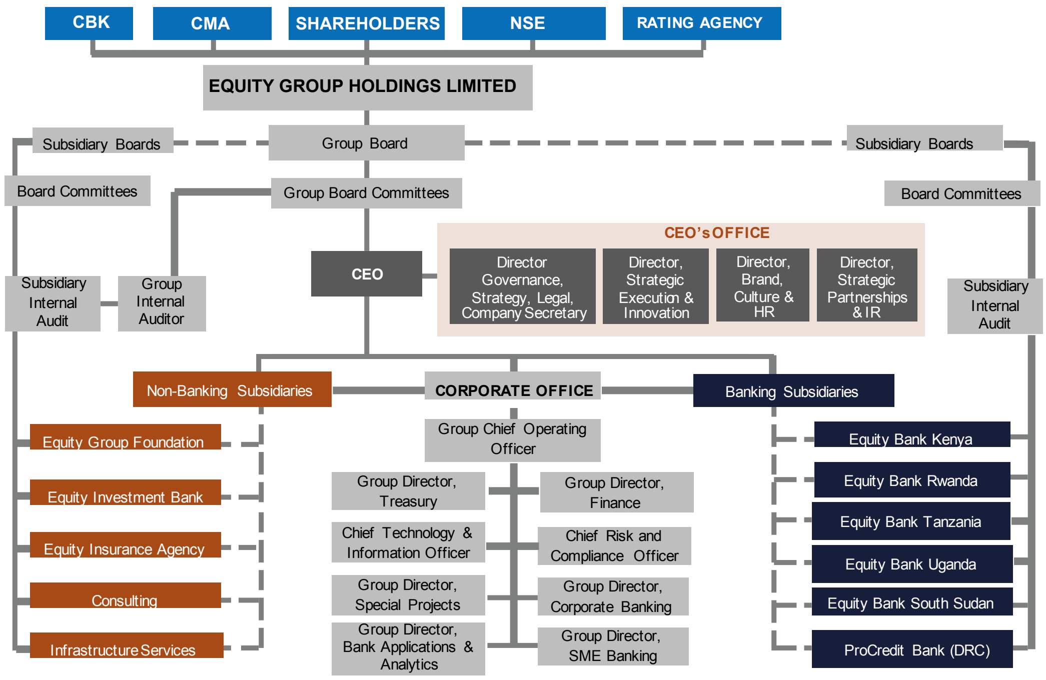
We take pride that when we started only 4% of Kenyans had bank accounts and today 72% of the bankable population have their own bank accounts. It is a great achievement knowing that we are the ones who drove such a steep change in the society. But it has not been easy. We have had to challenge the old banking norms and industry regulations in order to remove the roadblocks to financial inclusion. We have had to invest heavily in technology and innovation that makes it easier and cheaper to access financial services and tools. From that small village in Murang'a, we moved to Kenya and now into Eastern and Central Africa. We keep on changing the geographical context of our society, so that if you look at DRC today, it reminds us of the village setting where we started in 1984 where only 3.8% of the population have a bank account. It's the same reasoning that made us venture into South Sudan. We do not go for the financial opportunity but rather an obsession with people and their social and economic advancement. This explains why in our short period of existence we have 11.6 million customers, the largest customer base in the region.

We collaborate and partner with everybody because we cannot truly own the transformation of our people because we only avail financial tools, rather than products and services that enhance their capabilities that are life changing in nature. Today, Equity Bank is ranked as the most inclusive bank in Kenya because we bank from the very bottom member of society to the very top niche. Financial inclusion cuts across all classes and that is why we focus on addressing the needs of each and every member of the society, for them to feel comfortable in partnering with us by offering solutions tailor made to match their needs. When our history is written, the biggest achievement that we want Equity to be remembered for is the mental transformation, the empowerment of a people, the confidence and self-worth instilled in their hearts and the entrenchment of dignity in their lives and livelihoods. We seek to continuously influence the way people think and the way people view themselves. We do not confine ourselves to the bank label because if you ask an ordinary person what they would like to do in their free time, they would not mention banking or transacting. It is not a priority for them and so they would prefer more time for their families, hobbies, business, farming, learning something new and so on. So as a bank, we are not that important to our people but if we can be a vehicle that affords them the choice and control over their financial needs so that they can free up their time for other more important things then we will have achieved our purpose. In view of this, we are transforming the bank from 'a place you go' to 'an activity that you do'. This is why we will continue to transform ourselves into whatever vehicle that allows the propagation of the socio economic empowerment of the society. If you ask us where we want to be in the next 10 or 20 years, the answer is simple, we shall be exactly what society needs us to be.

GROUP STRUCTURE



We have in place a strong governance and leadership structure that supports the execution of our long term strategy that allows us to deliver sustainable growth through differentiated performance.



***Each subsidiary with its own Board of Directors compliant with local regulations**

NOTICE OF THE 13TH ANNUAL GENERAL MEETING

Notice is hereby given that the Thirteenth Annual General Meeting (AGM) of Equity Group Holdings Limited will be held on 23rd May, 2017 at the Safari Park Hotel Nairobi, Kenya at 10:00 am:

AGENDA

1. CONSTITUTION OF THE MEETING

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

2. ORDINARY BUSINESS

i. Report of the Auditors and Consolidated Financial Statements for the financial year ended 31st December, 2016

To receive, consider and if thought fit, adopt the Annual Report, Audited Financial Statements and Directors' Remuneration Report for the year ended 31st December, 2016, together with the Chairman's, Directors' and Auditors' reports thereon.

ii. Declaration of Dividend

To declare a first and final dividend for the year ended 31st December, 2016, of KShs. 2.00, payable on or about the 23rd June, 2017, net of withholding tax, to shareholders on the Register as of the close of business on 5th May, 2017.

iii. Remuneration of Directors

To confirm the remuneration of the Directors for the year ended 31st December, 2016.

iv. Election of Directors

a. Dr. Peter Kahara Munga, a Director, having attained the age of seventy years retires from office in terms of Clause 2.5 of the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and offers himself for re-election;

b. Mr. David Ansell, a Director, having attained the age of seventy years retires in terms of Clause 2.5 of the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and offers himself for re-election;

c. Dr. Helen Gichohi retires by rotation in accordance with Article 100 of the Company's Articles of Association and being eligible, offers herself for re-election as a Director; and

d. Mr. Adil Popat retires by rotation in accordance with Article 100 of the Company's Articles of Association and does not offer himself for re-election.

v. Appointment and Remuneration of Auditors

To appoint new auditors in accordance with section 721 (2) of the Companies Act, No. 17 of 2015 and to authorise the Directors to fix their remuneration. The Directors are proposing the appointment of PricewaterhouseCoopers (PWC) as the new auditors of the Company. The Company's external auditors Ernst & Young (EY) have retired by rotation.

3. SPECIAL BUSINESS

Special Resolution

To consider and if found fit, to pass the following resolution as a special resolution:

i. That the name of the Company be and is hereby changed from "Equity Group Holdings Limited" to "Equity Group Holdings Plc", with effect from the date set out in the Certificate of Change of Name issued in that regard by the Registrar of Companies.

4. ANY OTHER BUSINESS

To transact any other business that may legally be transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Mary Wangari Wamae

Company Secretary

P.O. BOX 75104-00200

NAIROBI.

21st April, 2017

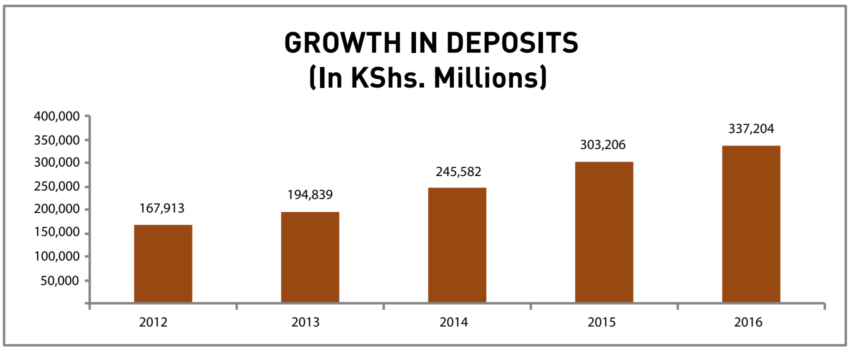
Notes

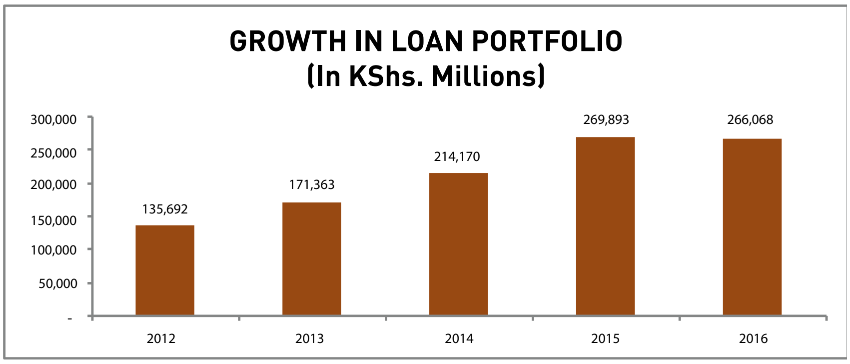
1. A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy must be duly completed by the member and lodged with the Company Secretary at the Company's Head Office situated at Equity Centre, 9th Floor, Hospital Road, Upper Hill, Nairobi, not later than 12 noon on Saturday 20th May, 2017, failing which it will be invalid. In the case of a corporate body, the proxy must be under its common seal.

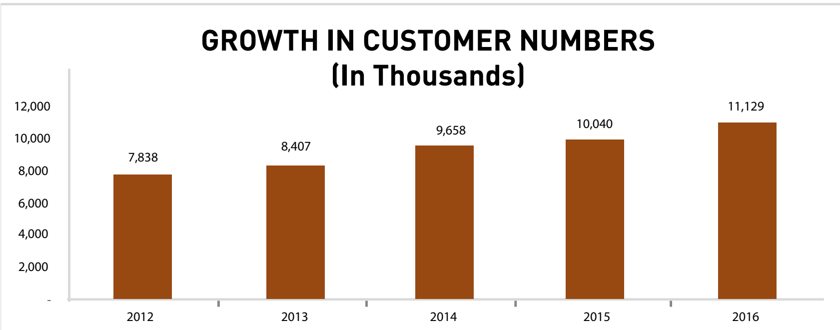
2. Subject to approval of shareholders, the Board of Directors has resolved to recommend to members at the forthcoming Annual General Meeting a dividend for the year ended 31st December, 2016 of KShs. 2.00 per share to be paid to shareholders on the register of members of the Company at the close of business on 5th May, 2017. The dividend will be paid on or about 23rd June, 2017.

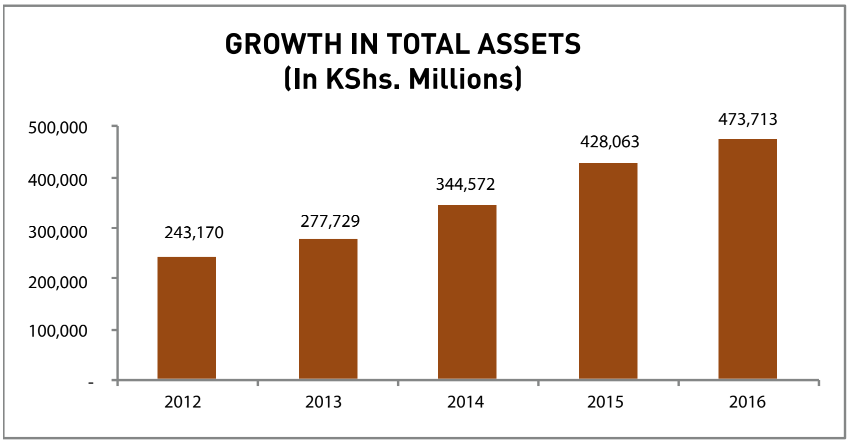
3. The full set of the audited financial statements for the year ended 31st December, 2016 is available at the Company's registered office at Equity Centre, 9th Floor, or can be downloaded from the website, www.equitygroupholdings.com.

KEY GROUP HIGHLIGHTS

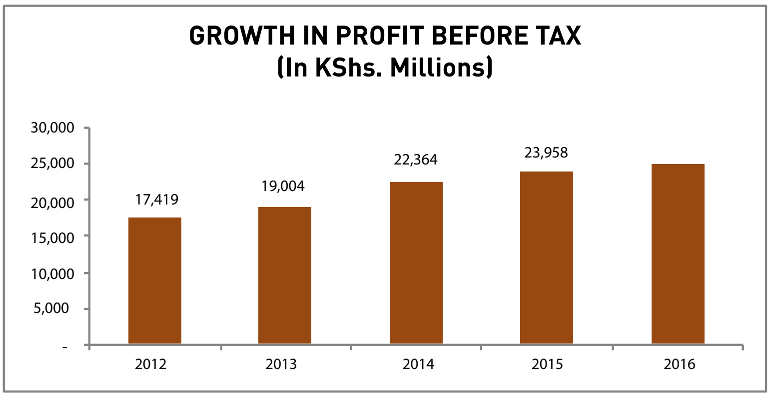


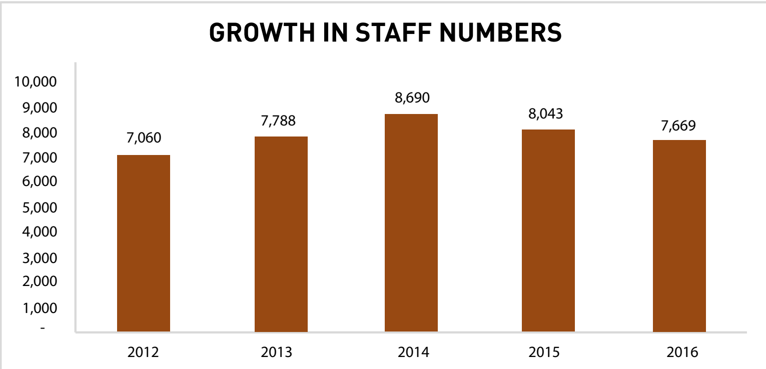


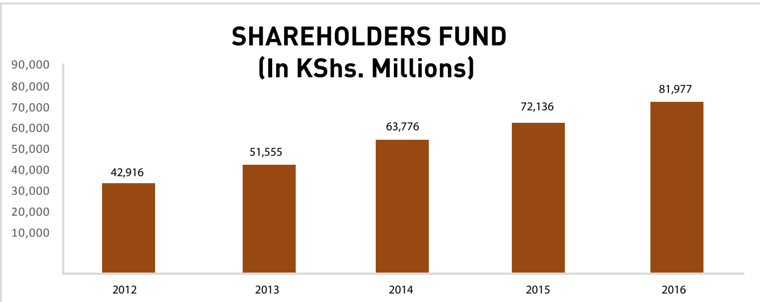




KEY GROUP HIGHLIGHTS (Continued)



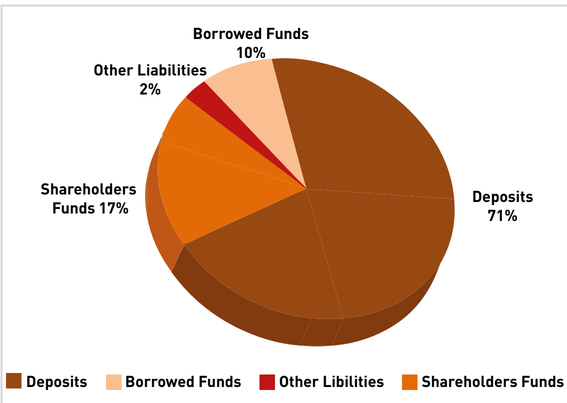




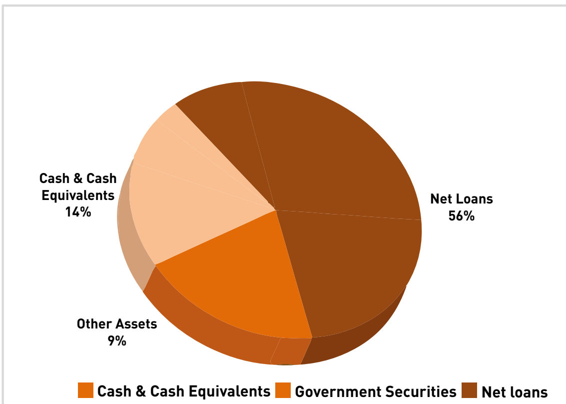
Funding Distribution	KShs.
Deposits	337,203,812
Borrowed Funds	45,968,992
Other Liabilities	8,563,233
Shareholders Funds	81,977,096
	473,713,133

Asset Distribution	KShs.
Cash & Cash Equivalents	64,446,127
Government Securities	100,588,954
Net Loans	266,068,089
Other Assets	42,609,963
	473,713,133

Funding Distribution



Asset Distribution

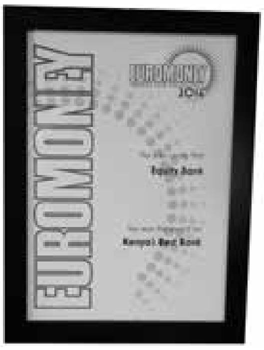


AWARDS AND RECOGNITION

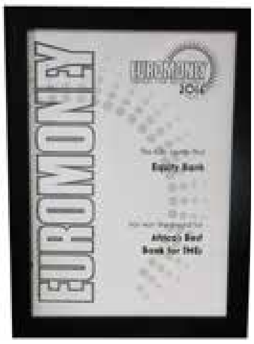
In 2016, Equity Group was recognised globally and was ranked by The Banker Top Banks in the world 2016, as the Fastest Growing Big Bank in Africa, 8th Best Bank in the World on Return on Assets for the second year running and 43rd Best Bank in the World in Soundness as measured by Capital Asset Ratio while being ranked the 34th Best Bank in terms of Return on Capital. Euromoney Awards of Excellence named Equity as Africa's Best Bank 2016, Kenya's Best Bank and Kenya's Best SME Bank. Global Credit Rating maintained Equity's investment grade AA- with a stable outlook. In the local scene, Equity Bank was ranked by Think Business 2016 Banking Awards as the Best Bank overall, Best Tier 1 Bank, Best Bank in SME Banking, Best Bank in Retail Banking, Best in Agency Banking, Best Microfinance Bank, and runners up Best Bank in Asset Finance, Internet Banking, Mortgage Finance, Product Marketing and Customer Satisfaction, while Superbrand has for the last 10 years in a row recognised Equity Bank as the Top Banking Superbrand in Kenya.

Top Banking Superbrand (10 yrs since 2007).

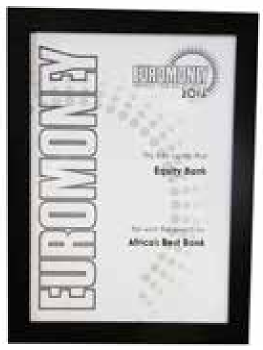
FiRe Awards
1st Runners Up IFRS



Euromoney Awards
Kenya's Best Bank



Euromoney Awards
Best SME Bank



Euromoney Awards
Africa's Best Bank

Equity's International Rankings

The Banker TOP 1000 WORLD BANKS 2016

Equity Bank	Overall	Soundness (Capital Assets Ratio)	Performance (Profits on Capital) (Return on Assets)	
2016 Global Rank	835	43	34	8
2015 Global Rank	916	88	18	8

Ranked fastest growing large bank in Africa 2016

GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

Aug 2016

Kenya's Bank Analysis	Equity Bank (Kenya) Limited		
Security Class	Rating Scale	Rating	Rating Outlook
Long Term	National	AA-(KE)	Stable
Short Term	National	A1+(KE)	

Think Business Banking Awards Kenya 2016 Edition

Think BUSINESS Knowledge for a Competitive Edge
BANKING AWARDS 2016

Equity Best Bank in Kenya for the 4th time

Category	1st	2nd	3rd
Best Overall Bank	Equity Bank		
Best Bank Tier 1 (Big Banks)	Equity Bank		
Best Bank in SME Banking	Equity Bank		
Best Bank in Retail Banking	Equity Bank		
Best Microfinance Bank	Equity Bank		
Best in Agency Banking	Equity Bank		
Best in Asset Finance		Equity Bank	
Best Bank in Mortgage Finance		Equity Bank	
Product Marketing		Equity Bank	
Best in Investment Banking		Equity Bank	
Best in Mobile Banking			Equity Bank
Fasted Growing Bank			Equity Bank
Best in Customer Satisfaction		Equity Bank	

GROUP BOARD OF DIRECTORS

The Board of Directors is committed to sustainable performance by ensuring that the Group is positioned for growth and risks are well managed. The Board gives direction to management by establishing, reviewing and monitoring the implementation of the Group's strategy. The Board owes its fiduciary duty to shareholders for financial and operational performance while balancing the interests of all stakeholders.

DENNIS ALUANGA
NON-EXECUTIVE DIRECTOR

ADIL POPAT
NON-EXECUTIVE DIRECTOR

MARY WAMAE
SECRETARY TO THE BOARD

PETER MUNGA
NON-EXECUTIVE CHAIRMAN

JAMES MWANGI
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

Profiles of the Board members are available on Pages 144 - 145

GROUP BOARD OF DIRECTORS (Continued)

JOHN STALEY
CHIEF OFFICER-INNOVATION AND PAYMENTS

DEEPAK MALIK
NON-EXECUTIVE DIRECTOR

DAVID R. ANSELL
NON-EXECUTIVE VICE CHAIRMAN

EVELYN KAMAGAJU RUTAGWENDA
NON-EXECUTIVE DIRECTOR

HELEN GICHOHI
NON-EXECUTIVE DIRECTOR

GROUP EXECUTIVE MANAGEMENT

JAMES MWANGI, CBS
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

BHARTESH SHAH
CHIEF OPERATIONS OFFICER

MARY WAMAE
DIRECTOR OF CORPORATE STRATEGY AND COMPANY SECRETARY

JOHN STALEY
CHIEF OFFICER - INNOVATION AND PAYMENTS

REUBEN MBINDU
CHIEF OFFICER, HUMAN CAPITAL AND ADMINISTRATION

JAMES MUTUKU
DIRECTOR, TREASURY

ROHIT KUMAR SINGH
CHIEF OFFICER, CORPORATE AND SME BANKING

BRENT MALAHAY
GROUP DIRECTOR, STRATEGIC PARTNERSHIPS, COLLABORATIONS & INVESTOR RELATIONS

ANTHONY EMEKA OGBECHIE
GROUP FINANCE DIRECTOR

GERALD WARUI
DIRECTOR, OPERATIONS & CUSTOMER EXPERIENCE

ELIZABETH GATHAI
DIRECTOR, CREDIT

ALLAN M. WAITITU
DIRECTOR, SPECIAL PROJECTS

Profiles of the Senior Management members are available on Pages 162- 165

GROUP EXECUTIVE MANAGEMENT (Continued)

BILDARD FWAMBA
CHIEF INTERNAL AUDITOR

SAMUEL KIRUBI
MANAGING DIRECTOR,
EQUITY BANK UGANDA

ANTHONY KITUUKA
EXECUTIVE DIRECTOR
EQUITY BANK UGANDA

ADDIS ABABA OTHOW
EXECUTIVE DIRECTOR
EQUITY BANK SOUTH SUDAN

HANNINGTON NAMARA
MANAGING DIRECTOR,
EQUITY BANK RWANDA

JOSEPH IHA
MANAGING DIRECTOR,
EQUITY BANK TANZANIA

CELESTIN MUKEBA MUNTUABU
MANAGING DIRECTOR,
PROCREDIT BANK (DRC)

PHILIP SIGWART
EXECUTIVE DIRECTOR,
PROCREDIT BANK (DRC)

JACK NGARE
MANAGING DIRECTOR,
FINSERVE AFRICA

ERIC GIKONYO KAROBIA
EXECUTIVE DIRECTOR
FINSERVE AFRICA

NEIL DWYER
CHIEF TECHNICAL OFFICER
FINSERVE AFRICA

OUR BUSINESS

MESSAGE FROM THE CHAIRMAN

Shaping the future by creating new opportunities

In 2016, the Kenyan economy grew at a slower rate of 5.8% compared to the earlier projection of 6.0%. GDP growth was driven by good performance in the agricultural sector, recovery in the tourism sector, low oil prices, a stable monetary policy and sustained government expenditure in large infrastructure projects countrywide. There was alot regulatory activity in the year that directly impacted the banking sector. Of signifacance was the Company Act 2015, Finance Act 2016, Banking (Amendment) Act 2016 and the CMA Code of Corporate Governance Practices for Listed Companies. The Banking (Amendment) Act 2015 introduced interest caps which have in turn resulted in diminishing private sector credit growth, especially in the SME segment. The banking sector also experienced a deterioration in the quality of financial assets and low liquidity ratios which undermined profitability in the sector. The Kenya Shilling remained stable through the year against major currencies. Inflation also remained relatively stable over the year with an average of 6.3% for the year. The Kenya equities market however performed dismally across most counters with the NASI, NSE 20 and NSE 25 dropping by 8.5%, 21.1% and 15.8% respectively.

Robust earnings and profits

The Group continued to deliver strong top and bottom lines. In the year, our income has grown by some 14% while profit before tax has increased by 4% to KShs. 24.9 bn. The structural improvements and investments we have made to our business over the past five years continue to pay off. We have entrenched our market leadership in the region, re-positioned ourselves by diversifying our revenues and extended our regional businesses. Our balance sheet is healthy, with capital, liquidity and asset quality remaining strong and well within regulatory requirements with our Non-Performing Loans (NPLs) significantly below industry average. The market recognises that banks are now operating in a tougher environment, as evidenced by a 40% decline in the share price in the course of the year. However, our value proposition to shareholders is solid and our strategy continues to pay off with an earnings per shareof KShs. 4.38. As a result of this, the Board has proposed a dividend pay-out of KShs. 2.00 per share.

A strong and resilient enterprise

2016 was not an easy year with the introduction of interest rate caps. This has resulted in slower growth in our loan book, higher impairments and more intense competition for local currency deposits. In addition, three banks in Kenya went into statutory management since 2015, undermining the confidence in the integrity of the banking industry in Kenya.

The fact that Equity Group was able to navigate these challenges is a testament to the resilience of our business, and the strong governance and risk management processes we have put in place to sustain our business. Despite slower loan growth of negative 1% we were able to grow net interest income by 23% as we improved margins. Our strong local currency deposit base and growing transactions business has been a source of strength, providing us with a cost-effective funding base and obviating the need to pay up for deposits.

Globally, customer preferences are rapidly changing and this demands that we change our strategy towards cost optimisation and better deployment of resources. Banking halls are evolving into relationship management and advisory centres. We are cross selling financial products such as insurance and offering self-service through the ATM and Agent networks. Regional expansion to five countries in Eastern Africa and investment in non-banking subsidiaries has enabled the Bank to cushion itself against adverse challenges from the operating environment that may arise from any of the markets. The Group's regional expansion and diversification strategy has maintained a growth momentum with subsidiaries in Rwanda, DRC and Tanzania registering growth in deposits of 34%, 29% and 23% respectively. Subsidiaries in DRC, Uganda and Rwanda experienced loan growth of 25%, 24% and 22% respectively. In line with our financial inclusion agenda, we are keen on expanding our services across Africa and to this end, we opened 19 new branches across the region.

MESSAGE FROM THE CHAIRMAN (Continued)

Championing a digital economy

We have been pursuing a strong innovation agenda, driven by a desire to shape the future of banking. We recognise that with changing customer behaviours, rising smart devices and social media usage as well as the encroachment into the payments space by non-bank players, the way banking is done is fast changing. In the last 4 years, we have invested KShs. 1.9 bn to better harness digital technologies. This is on top of the Kes 6.6 bn we have invested in strategic technology initiatives. We continue to form partnerships with likeminded entities with an aim of exploring emerging technologies and innovation that will simplify the lives of customers and change how they access financial services. The most impactful innovation in contributing to efficiency and profitability was Equitel; the Group's mobile banking platform. Mobile digital banking processed nearly 5.4 million loans, totaling KShs. 38.5 bn which represented 86% of the loans granted by the Bank in Kenya. The success of the one year pilot of digital Equitel mobile banking was crowned by a launch of full scale digitisation of the Bank through online, internet based, open interoperable mobile banking channels with downloadable applications including cash and liquidity management products for corporates and SMEs, amongst others. The new self-service channels we have rolled out enable customers to bank on their own devices and afford them greater control and freedom to manage their financial lives confirming that customers in deed want a banking service that is integrated into their everyday lives.

Corporate Governance

Our commitment to strong and effective governance is the driving force behind value creation for multiple stakeholders, including shareholders. The Board continued to provide a strong oversight role while engaging and providing guidance to management on all facets of business. Over the years, the group has produced solid performance, thanks to a strong partnership between the Board and management. The strong partnership allows management to confidently execute against strategy, knowing that the Board stands behind them without fear of compromise or interference.

A Bank of repute

Equity Bank has been recognised both locally and internationally as the Most Innovative Bank in Africa and Best Mobile Banking Services Provider in Africa by The Banker. Global Credit Rating maintained Equity's investment grade at AA- with a stable outlook while the Group was ranked 8th best Bank globally in Return on Assets for the second year running by The Banker ranking of the Top 1000 World Banks 2016. Equity Group also retained its global award winning status by being named by Euromoney Awards of Excellence as Africa's Best Bank 2016.

Building up our society

We are fully committed to our role in shaping the region's story. Reflecting our commitment to transform lives socially and economically, our initiatives continue to build up our society by supporting the ambitions, dreams and aspirations of our customers, employees and the wider community. In 2016, the Equity Group Foundation invested USD 226,130,909 into sectors of our society that are key to its transformation and where there is very little private sector support such as education, health, agriculture, financial inclusion literacy, clean energy and entrepreneurship.

Since inception, the *Wings to Fly* program has afforded 14,168 deserving pupils comprehensive secondary school scholarships, with 5,060 having joined or are alumni of global universities. We have distributed renewable energy products to 7,836 Kenyans and transformed 500,000 peasant farmers by helping them transform from subsistence farming to Agri-businesses. A total of 1,455,759 youth and women have received financial training, while 25,303 have undergone training on entrepreneurship. As a result, we continue to deepen financial inclusion with loans worth KShs. 32 bn availed to women under the Fanikisha products and loans worth KShs.18 bn accessed by youth in 2016. Through our initiatives, we are addressing systematic issues which the national government cannot overcome on its own. This is a testament to our purpose which is to first change our people's social standing by dignifying their lives through access to basic human rights and then secondly, empower them economically so that they can break away from a detrimental poverty cycle.

Board changes

In further enhancing the governance structure and board oversight, several changes were made to the composition of the Board. I retired as a Director and Chairman of the Equity Bank Kenya Board, with Professor Isaac Muthure Macharia replacing me in the capacity of Chairman. Similarly, Mrs. Evelyn Rutagwenda and Apollo Makubuya took over the Chairpersonship of the Rwanda and Uganda Subsidiary Boards respectively. Engineer John Waweru retired upon expiry of his contract with Finserve and Dr. Patrick Uwizeye was appointed to replace him as Chairman. During the year, the following Directors also retired from their respective subsidiary boards and are not seeking re-election:

a. Delphin Rwegasira and Zahra Nuru (Tanzania);
b. Rosette Rugamba (Rwanda);
c. Rohan Patel (Equity Investment Bank);
d. John Staley (ProCredit Bank, Tanzania, Rwanda, Uganda and Finserve);
e. Dr. Helen Gichohi (Equity Group Foundation);
f. Ali Khalpey (Equity Investment Bank);
g. Helen Alexander (ProCredit DRC); and
h. John Kibet Barorot (Finserve).

MESSAGE FROM THE CHAIRMAN (Continued)

In order to allow for continuity during transition, Mr. David Ansell, a long serving member of the Equity Bank Kenya and Equity Group Holdings Boards, was appointed as the Vice Chairman of Equity Group Holdings Limited, which had fallen vacant.

Other appointments to various Boards included:

a. Joanna Bichsel was appointed as a Non-Executive Director of Finserve Africa and Equity Bank Rwanda Limited;

b. Duncan Wales as a Non-Executive Director of Equity Investment Bank;

c. Jack Ngare as the Managing Director of Finserve Africa Limited; and

d. Eric Karobia as an Executive Director of Finserve Africa Limited.

Changes in External Auditors

Since 2004, we have received external audit services from Ernst & Young (EY). In the 2017 financial year, the Board has resolved to retire them by rotation and proposes the appointment of PricewaterhouseCoopers (PWC) as the new auditors. On behalf of the Board and management, I would like to extend my gratitude to the outgoing auditors for the exemplary service they have offered the Group throughout the years.

Future outlook

Several interventions that have come into play in the banking sector in the last year have changed the playing field for all banks and it is those banks that are able to adapt and offer superior service to their customers that will survive. We have always purposed ourselves to be the listening, caring partner to all our customers and they remain at the core of all that we do. To this end, we shall continue to drive engagements and elicit feedback from our customers to drive service delivery levels, innovations and interventions with an end goal of delivering customer delight.

With increased innovation and reliance on technology, businesses tend to lose the human touch and connection with their customers. We shall purpose ourselves towards strengthening the relationships we have with our customers by investing in relationship management throughout the entire customer lifecycle and gain intimate knowledge and understanding of their needs and behaviours. By executing on this, we shall remain beloved to our customers in the same way that they are beloved to us.

Thank you.

Dr. Peter Munga, CBS
Chairman-Board of Directors

"In our world, anything can happen and we are best known for making the impossible happen."

Q1: It has been a year of many achievements and many challenges as well. Tell us about the performance of the Group in that period

We continued to demonstrate resilience against the banking sector turbulence that has been described by the Chairman. This is because from the onset, we purposed ourselves to achieve a vision that transcends time and any market upheavals. From this vision, we have derived a dynamic strategy that ensures our goals as an enterprise are sustainable and the interests of our stakeholders are guaranteed; despite any changes in the operating environment.

The results speak towards the execution of our strategy, proving that we are doing the right thing and it is yielding the right results by impacting the right areas in our society. Our revenue for the period grew by 14% from KShs. 56.06 bn the previous year, to KShs. 64.03 bn. We remain well capitalised with our total assets rising to KShs. 473.71 bn and at the same time managing our loan book with an average NPL of less than 7%.

Q2: What is your view on the digital revolution? How is it changing the banking sector?

The digital revolution has fundamentally redefined the banking industry mainly because we are the most technology reliant of all industries. Banks are now experiencing the disruption that the retail and telecom industries have experienced in the recent past through digitalisation. It is now a reality that people need banking, not banks. With the introduction of interest rate caps, we are at a defining moment for traditional banks; some will make the transition, but many may not.

There are three key trends which will determine the future of banking and change the idea of banking in the consumer mindset. The first is mobile computing, which allows banking to become integral to people's lives instead of a detached activity. The second is big data, which will enable banks to introduce products and services that could not be imagined before. The third is the network economy, which drastically changes the way financial relationships are conducted whether individuals or businesses.

As consequence of the recent financial shakeups in Kenya, our industry has been so preoccupied with the issues of capital, liquidity and ethical conduct that we have slowed down our preparations for the digital future. This has allowed or given space to non-bank competitors and internet companies to make some of the biggest inroads into financial services. Globally, the biggest payment tools today are platforms that are not even owned by banks.

Despite this, we have a huge opportunity through Equitel. We have inbuilt advantages that our competitors do not have, such as banking expertise, robust networks and infrastructure, and established risk management frameworks. If we can merge these strengths with the agility of Fintech, there is no reason we cannot carve our niche in the new financial services world.

Q3: Take us through your strategy. What has the Bank achieved in the year?

Our focus area this year has been to achieve full scale digitisation and thereby fully transform Equity Bank into a Fintech with the convergence capability of a bank that revolves around building the liability side while the mobile channel, Equitel, combined with the Fintech analytics capability and big data computing, helping build the asset side. This new capability which can only be brought about by digitisation, will increase the Bank's transaction income as more people embrace the power of the new digital tools. Customers are now capable of supporting their modern lifestyle demands by enabling them to do banking and more payment transactions through their devices. Our promise to the customer is that we will deliver this disruptive capability with immense flexibility and adaptability to ensure that at all times they are in control of their financial well-being.

Increased digitisation also beckons the emergence of new risk areas especially cyber-attacks that are fast evolving and whose effects are far reaching. We are well aware of the threats this possess not only to the business and its customers but to the entire economy as well. Equity Bank enhanced its investment in IT and digital security to ensure that its customers benefit from world class security. We became the first bank in the region to obtain the prestigious global Payment Card Industry Data Security Standard 3.1 (PCI DSS 3.1) certification effective 28th August, 2016. The certification affirms Equity's adherence to international security standards related to the protection

INTERVIEW WITH THE CEO (Continued)

of customer information. In addition, in 2016, we partnered with Global Security Operation Centre (GSOC) which is in line with the Bank's strategic vision of providing secure banking services to the customers. The GSOC is the central nerve center that offers real-time internal and external threats detection and cyber defense on a 24/7 basis. The GSOC is equipped with specialised technology, processes and expertise to monitor, assess and proactively defend the Bank from any potential threats both internally and externally. We guarantee our customers that their money and information is safe with us.

In this market, we are well known for our aggressive nature in terms of innovative ideas and pushing the envelope to challenge old banking and telecommunication norms. We live to always make it easier and cheaper for people to attain financial success. This is what informs our sustained investment in technology and a commitment to progressively transition from the traditional brick and mortar operation to a digital model which aligns perfectly with the observed changing consumer preferences. Increased dependence on technology is also a key driver for operational efficiency which allows us to rationalise on costs and redeploy resources to areas of growth and service delivery. Cost saving and improved customer satisfaction level automatically translate into better margins and returns, which allow us to continue making even more purposeful investments in the attainment of our vision.

The 29,561 Agency network has been instrumental in digitising cash and bringing financial services closer to the customer. The Bank's agents processed two times more transactions compared to branches and ATMs, with a total value of KShs. 458.4 bn transacted in the year. We witnessed a growth in merchant payments which increased by 26% and a total value of merchant transactions at year end, standing at KShs. 47.4 bn. With 14,767 merchants on board, we introduced EazzyPay which allows customers to pay for goods and services using their phones. By end of 2016, we had 6.9 M cards issued to our customers. This impressive uptake of our digital payment offering at the retail level, reconfirms that we are indeed further deepening financial inclusion within the region.

Further strengthening of the Bank's full scale digitisation agenda was achieved through the roll out of our digital platforms to corporate customers and SMEs with customised functionalities that allow for cash and liquidity management. We increased access to the Bank's capability even further through the release of a series of 10 Eazzy banking solutions and tools. New Fintech driven diaspora remittance channels, PayPal and Equity Direct grew their contribution to remittance processing from 22% to 30% of all Diaspora remittances processed, again demonstrating the repositioning of the Bank's offerings through innovative products and channels.

With retail transactions moving to the technology driven channels (Eazzy banking) and third party infrastructure such as the Equity Agents and merchant banking, the Bank branches have become the preferred centers for relationship banking for SMEs and corporates. The SMEs sector loan book grew by 10% with the total loan book at the end of the year closing at KShs 266 bn. Total loans disbursed during the period under review was 6.3 million with those disbursed through Equitel accounting for 85%.

Revenue diversification remains high on our priority list and we continued to see a rise of bancassurance, brokerage services and custodial services. Further the push on growing the SME business segment has not only enhanced deposit mobilisation through current accounts and term deposits, but also generated consumption of supplementary business services such as treasury business, forex trade and trade finance business. In line with this focus, our investment securities grew by 135% from KShs 43 Bn to KShs. 101 bn.

We have delivered on our promise to create convenience and ease of accessing credit and loans through the Equitel mobile channel. The total number of loans disbursed through the Equitel mobile channel increased by 618% to 38.5bn. Equitel mobile loan disbursements now account for 86% of all loan disbursements as we see over-the-counter branch loan disbursements decline.

Q4: Banks in Kenya are seeing funding pressures especially in 2016. Are you facing similar concerns?

Funding has never really been a challenge for us, given our large number of savings accounts for which we have a 10.1% market share of deposits. This strong base has allowed us to continuously grow our loan book in light of the recent tightening of domestic liquidity and as such we remain ahead of the competition. However, we must maintain and build up on this advantage by sustained expansion of our distribution channels, driving our end to end transactions and payments agenda and improving convenience for customers. Through the Equity Group Foundation, we have offered training to the youth and women segment with the intentional purpose of building and sustaining a strong savings and financial planning culture within the society.

Q5: We have seen heightened regulatory activity in regards to the conduct of business and financial crime activities. What checks and balances have you put in place to promote ethical behaviour?

Within all our business units, we have disseminated and trained our staff on the Code of Ethics, Conflict of Interest and Speak Up (Whistleblowing) policies which in tandem with our values, ensure that the business is aligned to the highest standards of Ethics and Integrity. We ensure we remain compliant to all regulations and relevant laws and at the same time we have established a culture that is zero-tolerant to corruption, bribery, fraudulent or criminal activity, as well as unethical business conduct.

Beginning from the Board of Directors to senior management ,we

INTERVIEW WITH THE CEO (Continued)

make it our personal responsibility that our comprehensive policies are adhered to. Leadership must take charge and lead from the front as they are the moral compass for the entire organisation. We have also established escalation protocols designed to make it easy for staff to report significant incidents. This ensures we are prepared to receive information and take necessary remedial actions without harming the whistleblower.

We have built a culture that encourages constructive challenges and debate, where all views are evaluated for decision-making and allows for all angles to be taken into account from the very beginning of any action. Finally, we continuously reinforce our values by rewarding right behaviours and censuring wrong ones. It is very clear to staff that there is a certain way of doing things at Equity and that is the only way.

Q6: What is the outlook for 2017?

2017 will present an extension of the tough operating environment we experienced in 2016, with an upcoming general election in Kenya in August. Traditionally, businesses take a wait-and-see approach which normally translates to a lower credit appetite in the market. In order to capitalise on the opportunities and weather the challenges, the Group shall focus on enhancing a nimble, agile balance sheet with strong liquidity and improving asset quality, brand investment and visibility, digitization and innovation for increased efficiency and customer convenience. This will accord us the opportunity to unlock our potential and utilise the embedded value in its balance sheet by improving productivity across all its subsidiaries.

By improving customer experience across all channels, we will be able to further improve on the quality of our loan book while still consolidating the liability (deposit) franchise. We will also remain focused on prudent and optimal capital allocation to boost value creation for shareholders as well as shared prosperity to all stakeholders.

We are well geared to continue generating good returns and despite the challenges that lay ahead, we believe we have the right strategy, systems, people and innovations in place to enable us emerge even stronger in the coming years.

MATERIAL ISSUES

Material issues are those factors that have the most impact on our ability to create long-term value. They can be internal or external and have an impact on our performance and relationships with our stakeholders. These matters influence the strategic approach adopted by Board and the choices senior management make in steering the Bank.

	Operating environment	Digital transformation	Responsible banking	People
Material matters	• Challenging macroeconomic environment • Evolving regulatory landscape	• Digital disruption and changing consumer behaviour • Cyber security	• Combating financial crime • Corporate governance • Responsible financing	• Talent management and retention
What are the risks?	The macroeconomic environment, characterised by lacklustre growth, job losses and an upcoming elections gives rise to business and credit risks There is increased oversight over the banking sector which may eventually translate into additional regulations and operational requirements	Technology and mobility are shaping consumer behaviour. Banks risk losing their relevance as Fintechs rise to capture market share The threat of cyber attacks on financial institutions could cripple our operations	Financial crime, including money laundering and corruption, has corrosive effects on society and gives rise to compliance and reputational risks Failure to observe good corporate governance practices has led to reputational risks within the banking sector The public demands that banks lend only for appropriate corporate activities. Failure to do so gives rise to reputational and credit risks	Failure to attract and retain talent hinders proper and timely execution of strategy and expansion into new areas such as the digital platforms Rationalization of staffing needs and management of performance to ensure optimal productivity
Where are the opportunities?	As financial institutions grapple with weaker earnings prospects we see an opportunity to further diversify our revenues and expand our business in the region With capital well above regulatory requirements, we are in a strong position to serve existing and new customers. We also have greater flexibility for capital and liquidity planning	With our Equitel mobile channel we are successfully transforming ourselves to capitalise on the shift towards a digital economy A well-defined cyber security strategy and capability gives confidence to customers and will differentiate us	By ensuring that we have the right controls in place we are building a strong reputation as a clean and trusted bank which automatically attracts customers and investors Customers will want do business with us because they trust us and know we are stable and transparent in our dealings. This lowers the customer acquisition costs and free up resources for stakeholder value creation We can make a positive impact on society and the environment through our lending practices. This will in turn attract investors who are increasingly looking to invest in sustainable companie	Talented and engaged employees will enable us to be nimble and agile in responding to changes in our operating environment Employees are the game changers when it comes to service delivery and customer satisfaction as they interact directly with the customer

STAKEHOLDER ENGAGEMENT

We actively engage in an open and transparent manner with our stakeholders and maintain an ongoing dialogue with them. Through interactions with stakeholders, we derive a deeper understanding of the issues that they are most concerned with. These issues are considered when identifying and prioritising the material matters that inform our short and long term strategy and guide business initiatives.

Shareholders

We communicate with our shareholders through quarterly disclosures and financial performance briefings as well as regular meetings with top management. We organise roadshows and participate in investor conferences. These avenues are used to provide investors with the requisite information to make informed investment decisions about the Group and to seek their perspectives on our financial performance and strategy. This is in addition to providing any information required by investors or shareholders upon request.

Key concerns

The effects of the interest caps on impairments, profitability and stock valuation in both the short and long term, as well as our asset quality in general. Shareholders also showed more interest in how we are embedding sustainability considerations in our business practices.

Customers

We engage customers through our day-to-day interactions at branches, focused group discussions, social media platforms, through call centres and through our relationship managers. In addition, we seek feedback on our products and delivery of services through customer surveys to help us improve on our offering. These interactions help us understand our customers' needs and guide the design of the right financial solutions for them. In some cases, we collaborate with our customers to develop new products.

Key concerns

Positive feedback on the development of new digital solutions was reflected in our increased customer satisfaction scores. They desire banking to become simpler, more intuitive and time-efficient.

Employees

We have invested in open communication channels so that we are updated on what is on our employees' mind. In addition, our senior leaders interact with staff at briefings and meetings held across the Group on a regular basis where employees share their ideas, views and questions. Our employees are actively engaged in innovation programmes and involve them in the conceptualisation, development and delivery processes of actualising on their innovative ideas. We also conduct an annual employee survey to obtain feedback on their engagement levels and areas of improvement. The preservation of a high performance culture based on our core values is also an area of continuous focus.

Key concerns

Areas highlighted by employees included ensuring that we continue to integrate new hires into a growing bank, continuously create opportunities for career progression and contribute to society and integration into a multi-generational and multi-national workforce.

Society

We actively engage the community to better understand the role that we can play as a bank to address the needs of society. We are open to each and every member of society across our key markets to understand their needs and help them become commercially viable while pursuing their own social objectives.

Key concerns

Through our engagement with different members of society, we identified the challenges they face, including a lack of access to quality education, healthcare and clean energy, lack of funding and commercial expertise, diminishing agricultural productivity and the inability to attract markets for their produce. Responsible banking is a topic of increasing importance to our society. In 2016, bank failures have prompted calls among the public for Bank Directors and employees to act more responsibly.

Regulators and Policy Makers

Our engagement with the regulators in the markets we operate in is broad and deep, involving our Board of Directors, senior leadership as well as all business and control units. In addition to frequent meetings and consultations, we provide them with reports and data to help support their roles in ensuring financial system stability.

Key concerns

During the year, key regulatory issues surrounding the banking industry included business conduct, corporate governance, capital and liquidity, financial crime and cyber security and consumer protection.

Key regulatory highlights

- Companies Act 2015
- Finance Act 2016
- Banking (Amendment) Act 2016
- Land Laws (Amendment) Act 2016
- Bribery Act 2016
- Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public 2015

VALUE CREATION PROCESS

OUR RESOURCES

Financial Capital

Funds available for utilisation in growing stakeholder value

For more information, see pages 25

Intellectual Capital

Brand strength

Innovations

Research and market intelligence

For more information, see pages 34

Manufactured Capital

Technology

Branches

Agent Network

ATMs

For more information, see pages 35-37

Human Capital

Skilled and knowledgeable employees

For more information, see pages 32-33

Social and Relationship Capital

Society

Stakeholders

For more information, see pages 38-47

Natural Capital

Environment

For more information, see pages 48

OUR OFFERING

Consumer Banking

Accounts
- Transactional accounts
- Savings accounts
- School fees collection accounts

Loans
- Personal loans
- Merchandise loans

Institutional Banking

Accounts
- EazzyChama
- Transactional accounts
- Savings accounts
- Institutional accounts
- Custody investment accounts
- Group account

Loans
- EazzyLoan
- Women's loan
- Agriculture loan
- SME loan
- Micro-Finance loan

Digital Banking
- ATM services
- Online banking
- Mobile banking
- Pay Your Bills
- Eazzy API
- Eazzy Banking

Payments Services
- EazzyPay
- Visa Direct
- Equity Cash Back
- Prepaid card
- Debit card
- Credit card
- Merchant services

Banking Services
- Agency banking
- Treasury and trade finance
- Asset finance
- Custodial services
- Share trading services
- Money transfer

OUR VALUE PROPOSITION

We have successfully combined the African social ideals that promote human dignity, with the professionalism of a world-class bank.

Relationships

We embody the elements of what relationships are about in Kenya. We recognise that relationships are the most important element for people and as such we are driven to meet social needs and not to make profits

Insights

We are truly a home grown institution that provides unique local insights and provides bespoke local products and services.

Service

We subscribe to African values of respect, openness, trust, dependability, ready to serve and listen, and as well as confident to lead.

Innovation

We innovate new ways of banking that are suited to our markets as we strive to make banking easy and affordable for our customers.

Connectivity

We have collaborative partnerships across geographies to support our customers as they transact globally

RESOURCE MANAGEMENT

Corporate Governance

We are committed to the highest standards of integrity, ethics and professionalism. The Board safeguards stakeholders' interests, by ensuring sound leadership as a fundamental pillar for the Group's long-term success and sustainability.

For more information, see pages 54 - 62

Risk Management

Effective risk management is critical to all our operations. It is the Board's overall accountability to ensure that risk is effectively managed.

An integrated risk management policy has been rolled out across the Group to ensure proper management of risks.

For more information, see pages 50 -53

Capital Management

As the safest bank in Africa, we maintain a strong capital position well above regulatory requirements.

Our values
- Professionalism
- Integrity
- Creativity and Innovation
- Teamwork
- Unity of Purpose
- Respect and Dignity for Customers
- Effective Corporate Governance

OUR OUTPUTS

Shareholders

We deliver superior and sustainable returns as our profits are earned in a responsible manner.

Customers

We provide our customers with a safe, dependable and joyful banking experience.

Employees

We provide our employees with professional development opportunities to progress in their careers.

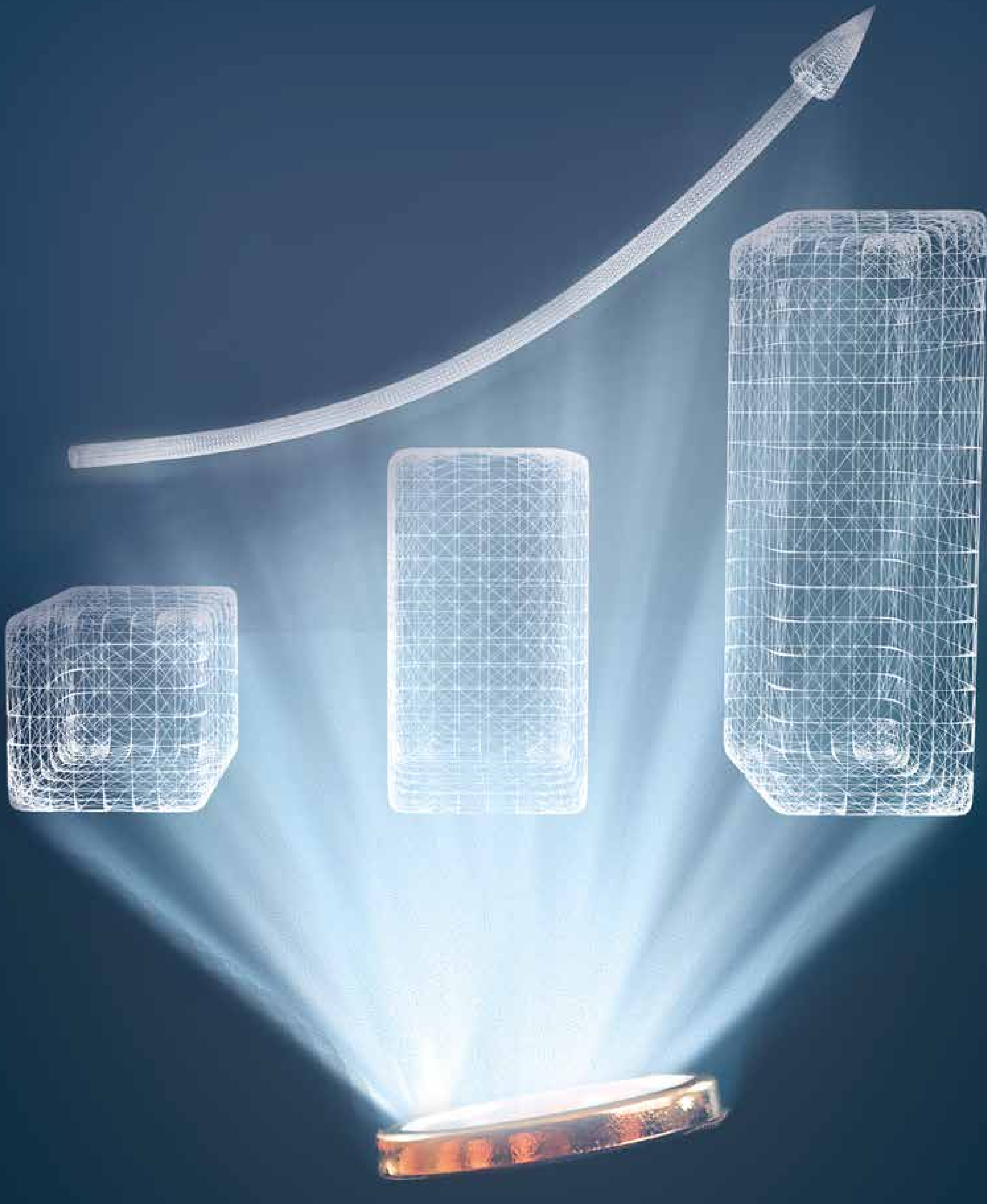
Regulators

We comply with all relevant laws and regulations in the countries we operate in.

Society

We exist for the transformation of our society and this is embedded into our business.

OUR CAPITALS



FINANCIAL CAPITAL

In Kenya, the banking environment was characterised by heightened uncertainty following three commercial banks being put under statutory management, effects of interest capping regulation at no more than 400 basis points above CBR for loans and not less than 70% of CBR on interest earning deposits, credit to private sector contraction, bear run on the securities exchange and skewed liquidity amongst banks. The macro-economic environment was also characterised by foreign exchange rate instability, rising inflation, drought in famine prone areas coupled with the negative impact on water supply and hydro energy.

On the regional front, the environment was characterised by uncertainties due to the electioneering in Tanzania and Uganda, and the transitions in South Sudan and DRC. In addition, the pending 2017 elections in Kenya and Rwanda played a role in slowing economic activities as investors' exercised caution in their investment decisions. The currencies of eastern Africa countries also weakened against major foreign currencies such as the Dollar, Pound and Euro during the year and this affected commodity prices due to increased import costs.

The year also witnessed a slump in global commodities' prices leading to a slowdown in regional trades and economic growth. There was also an impact on the region due to the slowdown of the Chinese economy which has affected global commodity prices with the Eastern Africa region exporting heavily to the Chinese market. We are also just beginning to feel the impact of political events in the US, UK and Europe in terms of fiscal and investment policies to be adopted and instituted going forward.

The Group continues to perform well despite the tough operating environment as reflected in our liquid and well capitalised balance sheet. The Group closed the year with liquidity levels of over 48% and total capital adequacy ratio of over 19%. Our value proposition to shareholders is solid and our strategy continues to pay off with an Earning Per Share (EPS) of KShs. 4.38 and Dividend Per Share (DPS) of KShs. 2.00

Total revenue grew by 14% from KShs. 56bn to KShs. 64 bn driven by improved revenue from the subsidiaries, growth in interest income grew by 19% from KShs. 43 bn to Ksh. 52 bn, and growth in non-funded income reached KShs. 22.2 bn from KShs. 21.9 bn.

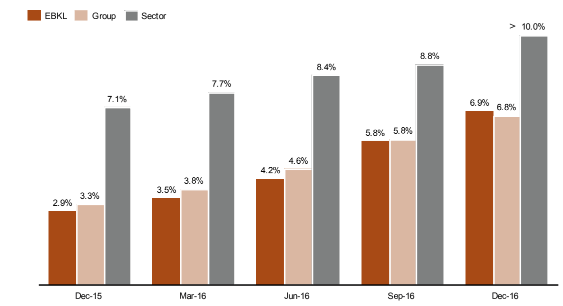
The cost to income ratio in Kenya (excluding impairments) has improved from 47.1% to 44.8% while for the Group improved from 52.9% to 50.7% as a result of the expansion of our alternate delivery channels which translated into improved efficiency and cost savings.

We maintained a prudent approach to managing its loan book and increased its provisions as a proactive measure in the challenging macroeconomic environment which impacted negatively on the quality of financial assets portfolio. NPLs for the Group closed at 6.8% compared to an estimated industry average of above 10%. We also witnessed a reduction in net loans growth of -5% while our loan to deposit ratio came down from 89% to 79% as we took a more conservative stand in our credit risk appetite.

Our asset base remained solid with deposits growing by 17% for our Kenyan operation and 11% for the Group. This has resulted in a strong funding base of KShs. 474 Billion which allows us to leverage on embedded value of our balance sheet to drive future growth.

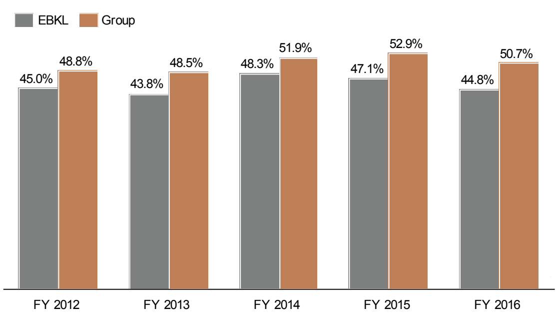
Despite the lower growth in our loan book, we delivered a 4% growth in Profit Before Tax (PBT) due to the efforts that have been put in place to drive revenue diversification and cost efficiency.

NPL TREND

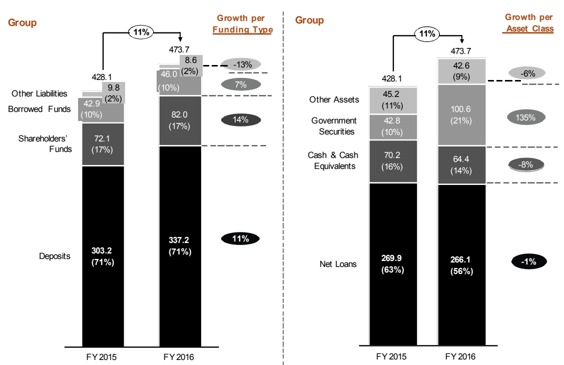


*Equity Bank estimates bank sector gross NPL ratio to now exceed 10%

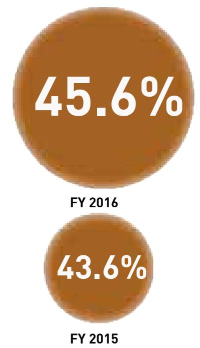
COST TO INCOME RATIO



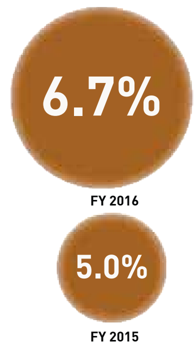
BALANCE SHEET FUNDING



PAYOUT RATIO



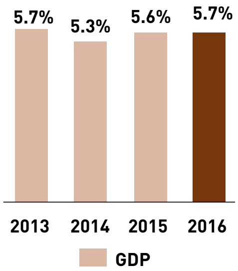
DIVIDEND YIELD

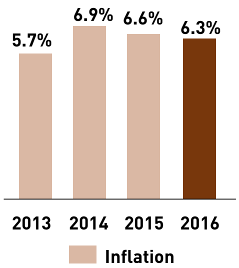


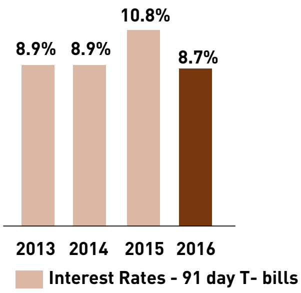
SUBSIDIARY PERFORMANCE

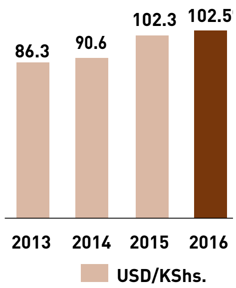
EQUITY BANK (KENYA) LIMITED

Key Highlights









Performance

In KShs. million

Total revenue	50,324
Customer deposits	277,280
Total assets	379,749
Profit before tax	22,778
Customer numbers	9,593,676
Employee numbers	5,771
ATMs	520
Branches	177
Agents	27,016

Operating Environment

- Three commercial banks put under statutory management
- Introduction of interest capping regulation
- Slower credit growth in private sector

BOARD OF DIRECTORS

ISAAC MUTHURE MACHARIA
NON-EXECUTIVE CHAIRMAN

JAMES MWANGI, CBS
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

BHARTESH SHAH
CHIEF OPERATIONS OFFICER

DENNIS ALUANGA
NON-EXECUTIVE DIRECTOR

DAVID R. ANSELL
NON-EXECUTIVE DIRECTOR

FREDRICK MUCHOKI O.G.W.
NON-EXECUTIVE DIRECTOR

SHEM MIGOT- ADHOLLA
NON-EXECUTIVE DIRECTOR

JULIUS MUIA
NON-EXECUTIVE DIRECTOR

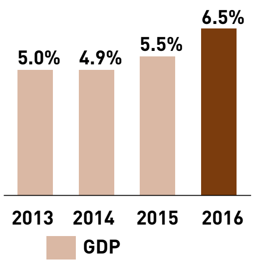
MARY WAMAE
SECRETARY TO THE BOARD

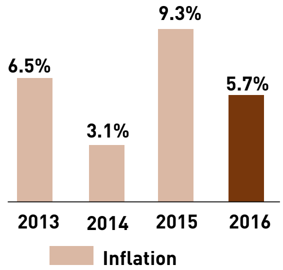
*Profiles of the Board members are available on Pages 146 - 147

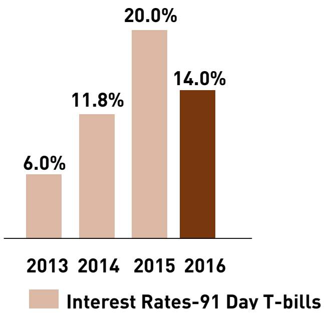
SUBSIDIARY PERFORMANCE (Continued)

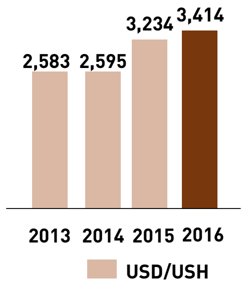
EQUITY BANK UGANDA LIMITED

Key Highlights









Performance

In KShs. million

Total revenue	2,847
Customer deposits	13,676
Total assets	18,243
Profit before tax	628
Customer numbers	436,854
Employee numbers	526
ATMs	34
Branches	28
Agents	-

Operating Environment

- Slowdown in economic performance
- Reduced uptake of bank credit by private sector
- One bank put under management of Bank of Uganda

BOARD OF DIRECTORS

APOLLO MAKUBUYA
NON-EXECUTIVE CHAIRMAN

SAMUEL KIRUBI
MANAGING DIRECTOR

ANTHONY KITUUKA
EXECUTIVE DIRECTOR

PETER KIMBOWA.
NON-EXECUTIVE DIRECTOR

EVELYN KAMAGAJU RUTAGWENDA
NON-EXECUTIVE DIRECTOR

JAMES MWANGI, CBS
NON-EXECUTIVE DIRECTOR

GEOFFREY R. RUGAZOORA
NON-EXECUTIVE DIRECTOR

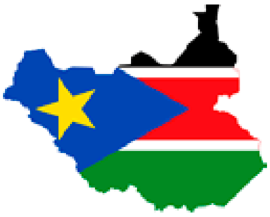
DAVID R. ANSELL
NON-EXECUTIVE DIRECTOR

MARY WAMAE
SECRETARY TO THE BOARD

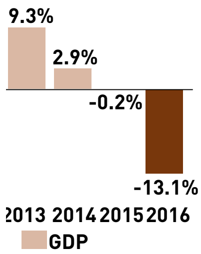
Profiles of the Board members are available on Pages 148 - 149

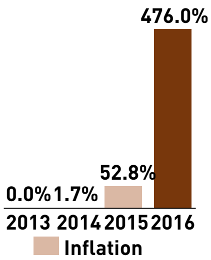
SUBSIDIARY PERFORMANCE (Continued)

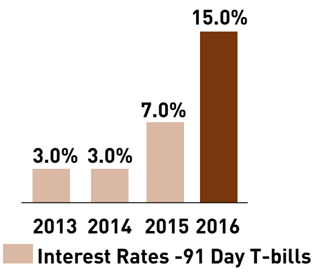
EQUITY BANK SOUTH SUDAN LIMITED

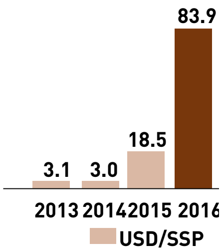


Key Highlights









Performance

In KShs. million

Total revenue	895
Customer deposits	7,364
Total assets	11,070
Profit before tax	(528)
Customer numbers	160,912
Employee numbers	103
ATMs	16
Branches	5
Agents	-

Operating Environment

- Political uncertainty
- Decline in economic performance
- Global decline in oil prices
- Hyperinflation within the economy necessitating the adoption of hyperinflationary accounting and reporting for the entity

BOARD OF DIRECTORS

SHEM MIGOT- ADHOLLA
NON-EXECUTIVE CHAIRMAN

ADDIS ABABA OTHOW
EXECUTIVE DIRECTOR

MARY JAMES AJITH
NON-EXECUTIVE DIRECTOR

KENYI SPENCER
NON-EXECUTIVE DIRECTOR

JAMES MWANGI, CBS
NON-EXECUTIVE DIRECTOR

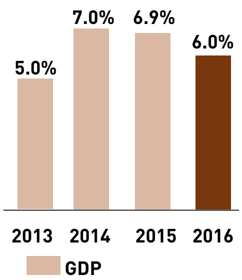
MARY WAMAE
SECRETARY TO THE BOARD

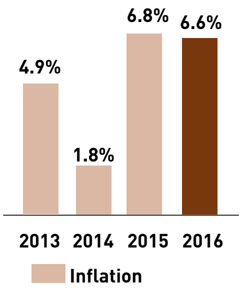
**Profiles of the Board members are available on Pages 150 - 151*

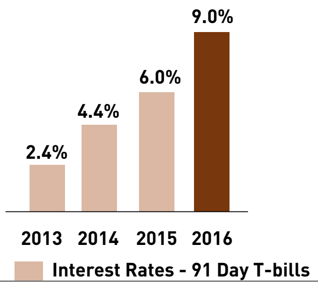
SUBSIDIARY PERFORMANCE (Continued)

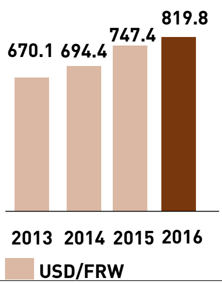
EQUITY BANK RWANDA LIMITED

Key Highlights









Performance

In KShs. million

Total revenue	1,659
Customer deposits	12,587
Total assets	15,676
Profit before tax	396
Customer numbers	367,216
Employee numbers	282
ATMs	17
Branches	12
Agents	798

Operating Environment

- Reduction in bank credit to private sector
- Increased competition through new entrants into the banking sector

BOARD OF DIRECTORS

EVELYN KAMAGAJU RUTAGWENDA
NON-EXECUTIVE CHAIR PERSON

HANNINGTON NAMARA
MANAGING DIRECTOR

PROF. HERMAN MUSAHARA
NON-EXECUTIVE DIRECTOR

JOANNA BICHSEL
NON-EXECUTIVE DIRECTOR

JAMES MWANGI, CBS
NON-EXECUTIVE DIRECTOR

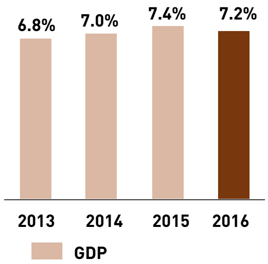
DR. PATRICK UWIZEYE
NON-EXECUTIVE DIRECTOR

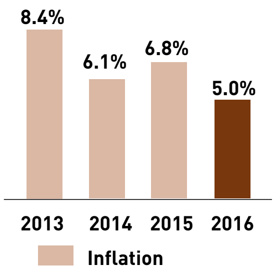
MARY WAMAE
SECRETARY TO THE BOARD

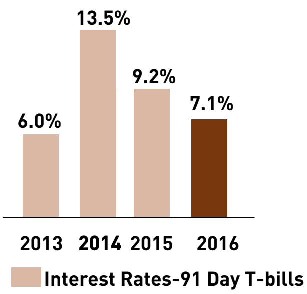
Profiles of the Board members are available on Pages 152 - 153

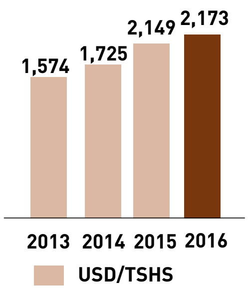
EQUITY BANK TANZANIA LIMITED

Key Highlights









Performance

In KShs. million

Total revenue	1,971
Customer deposits	15,274
Total assets	23,838
Profit before tax	356
Customer numbers	308,886
Employee numbers	389
ATMs	17
Branches	13
Agents	1,071

Operating Environment

- Slow down in economic growth
- Slower growth in bank credit to private sector
- Regulatory requirement to increase capital adequacy ratio in 2017

BOARD OF DIRECTORS

DAVID R. ANSELL
NON-EXECUTIVE CHAIRMAN

JOSEPH IHA
MANAGING DIRECTOR

RAYMOND PETER MBILINYI
NON-EXECUTIVE DIRECTOR

AHMED MOHAMED AME
NON-EXECUTIVE DIRECTOR

GODFREY SIMBEYE
NON-EXECUTIVE DIRECTOR

JAMES MWANGI, CBS
NON-EXECUTIVE DIRECTOR

MARY WAMAE
SECRETARY TO THE BOARD

**Profiles of the Board members are available on Pages 154- 155*

SUBSIDIARY PERFORMANCE (Continued)

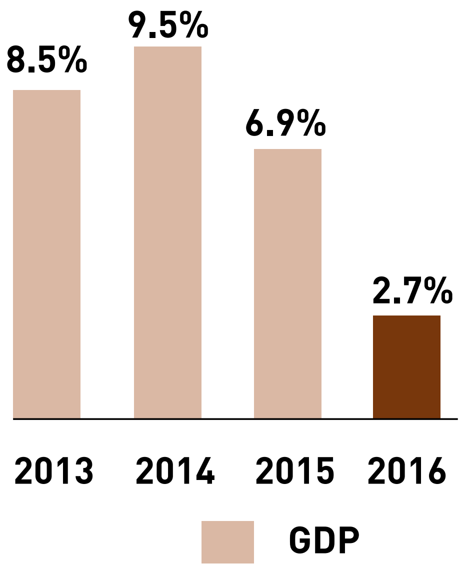
PROCREDIT BANK (DRC)

85.9% owned by Equity Group Holdings Ltd.

8.1% owned by German Development Bank and

6.0% International Finance Corporation

Key Highlights



Performance

In KShs. million

Total revenue	4,673
Customer deposits	23,291
Total assets	32,571
Profit before tax	501
Customer numbers	264,457
Employee numbers	598
ATMs	93
Branches	31
Agents	676

Operating Environment

- Slowdown in economic growth
- Political uncertainties

BOARD OF DIRECTORS

DAVID R. ANSELL
NON-EXECUTIVE CHAIRMAN

CELESTIN MUKEBA MUNTUABU
MANAGING DIRECTOR

PHILIP SIGWART
EXECUTIVE DIRECTOR

WOLFGANG BERTELSMEIER
NON-EXECUTIVE DIRECTOR

BHARTESH SHAH
NON-EXECUTIVE DIRECTOR

DR. MARK SCHWIETE
NON-EXECUTIVE DIRECTOR

JAMES MWANGI, CBS
NON-EXECUTIVE DIRECTOR

MARY WAMAE
SECRETARY TO THE BOARD

Profiles of the Board members are available on Pages 156 - 157

HUMAN CAPITAL

We seek to attract, retain and develop talent that will drive the social and economic transformation agenda, from the innovative products they create to the services they provide to our customer base. In an increasingly competitive market, it is crucial to have highly engaged employees who feel valued and take pride in the growth of the business. Employees who are motivated feel good about what they do and why they do it; thereby creating greater value for all stakeholders.

Our retention rate has improved year-on-year, with more people choosing to grow their careers with us. We are also investing to develop a conducive and collaborative work environment and equip employees with the latest tools and technology.

Employee development

Our goal this year has been building a future ready workforce by equipping our employees with the relevant knowledge and skill sets that encourages them to innovate and lead change in the industry. We have been enabling them to embrace a digital frame of mind through greater experimentation and experiential learning.

To offer focused and relevant learning solutions to our people, the Human Resources function ensures that we prioritise and align learning to strategic priorities and business needs. Employees are able to map out their own training to foster their professional development. We continuously tap on in-house expertise and general practitioners to train and develop our employees on industry relevant courses.

We inculcate an innovative mindset by leveraging on digital platforms to facilitate learning on the go, we utilise innovative solutions such as e-learning to provide employees with tools that enrich their learning agenda. In 2016, employees underwent an average of 35 hours of training.

Nurturing talent

Experience is an important element in broadening our people's skill-sets across businesses and geographies.To enable our people to take on larger roles as they grow with us, we advocate internal mobility, job rotations, cross-functional projects and other experiential learning opportunities across the Bank. In 2016, about 70% of our positions were filled by internal transfers.

Coaching and mentoring

We expand the horizons of our people by creating opportunities for exposure to learn from the collective experience of peers and seniors at work and through interactions with leaders. A mentorship and coaching system provides an excellent channel through which they can ask and receive responses to their questions on leadership and career management; and empowered to be in control of their careers.

Performance driven workforce

We engage all employees with performance conversations, from goal setting to mid and end year reviews. Our performance management process focuses on the embedment of the corporate values into business objectives so as to bring out not only the 'What' but also the 'How' in task delivery. It also seeks to bring out employee career aspirations and development opportunities so that they can be able to judge for themselves whether they are in the right job or not.

We employ a balanced scorecard approach that links strategy to performance, thereby allowing our people to align their goals with the Bank's current year's key performance indicators and strategic agenda.

We recognise exemplary performance and role models in the bank through salary bonuses, commissions and promotions. We also present teams who have gone beyond the call of duty with the awards to support team building.

Developing a new crop of leaders

The Group's management team is committed to building a strong leadership culture and taking an active role in nurturing talent. We have put in place a talent development programme to build a pipeline of potential leaders from entry-level hires to senior management. We take special interest in accelerating their development, developing their strategic insights and strengthening their leadership skills. Senior-level high potential talents are tasked to lead key strategic projects or offered rotation stints with various business segments, subsidiaries or companies so as to sharpen their strategic thinking and broaden their exposure.

By the end of the year, the number of talent joining the organisation from the Equity Leaders Program (ELP) talent pool hit 3,972. A number of them have had faster job mobility with some operating at senior management levels.

The success of this programme can be measured by the lower than average turnover rate of these young talents, reinforcing the fact that they value the career opportunities at Equity Group.

A great work place

We are constantly engaged with our people through shared values, people programmes and open communication channels. Our aim is to ensure that our people are connected to the Bank's purpose, feel valued by the Bank and are given opportunities to make a difference. Consistent, clear and open communication is fundamental in enabling our staff to understand the bigger picture and how their roles contribute to organisational goals and mission.

Our CEO holds regular staff briefings and hosts open forums where he responds to questions and takes feedback from employees, at times leading to changes in policies and practices. In addition, he shares regular updates through an internal communication on the intranet. Country, regional, functional and department heads also engage employees through various channels such as update sessions during departmental meetings and teambuilding workshops. Our regular internal communications, to which employees are encouraged to contribute content, allows our people to be in tune with the pulse of the bank.

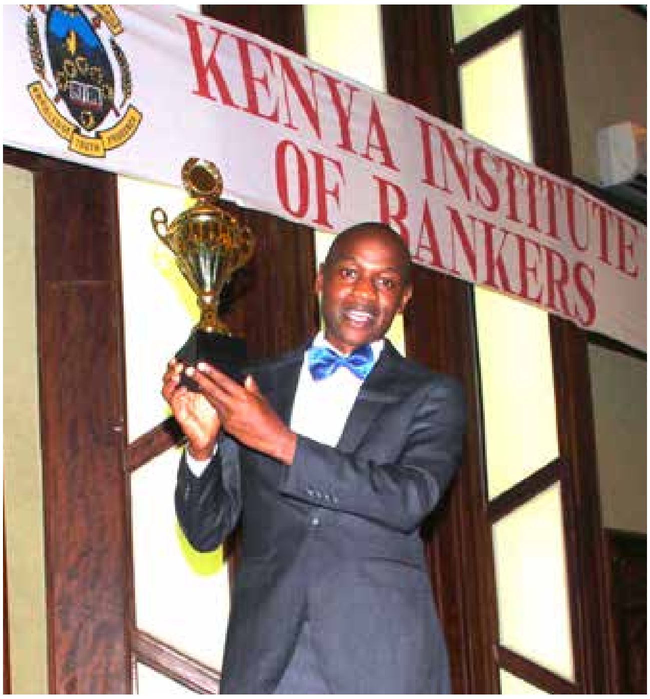
Power to the People

We empower our people by giving them the opportunity to constitute themselves into teams whereby they can experiment, innovate and incorporate customer centric out-of-the-box thinking in process improvement and service delivery. This supports collaboration across functions in designing and testing concepts that eventually lead to introduction of innovations that lead to enhanced customer value proposition.

Employee well-being

We are there for our people by understanding and supporting their different needs depending on the stage of life they are at. We provide staff benefits such as:

- Health/Group Life and Group personal accident insurances
- Special leave
- Discounted loans
- Mothers' rooms
- Sports



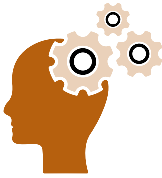
Equity Bank's Antony Ng'ang'a was the Karim Cup 2016 Essay Writing Competition winner. Ng'ang'a received a trophy and a cash prize for an essay he wrote on the impact of the new interest rates capping titled: Unmasking the Banking (amendment) Act (2016); weighing the advantages against disadvantages of the amendment.

CBK Deputy Governor Sheila M'Mbijiwe hands over the 1st runners-up overall winner trophy to Equity Bank's Kahawa Branch Manager Frederick Kang'ethe during the InterBank games.

InterBank Games: Equity tops podium finishes.

Equity Bank's chess team player, Elijah Emojong, during the Mombasa Open Chess championship where the Bank emerged as the overall winner.

INTELLECTUAL CAPITAL



We recognise that intellectual capital is truly a business asset as they are critical to the organisation and can provide significant competitive advantages. This capital that plays an integral role in delivering superior customer experience and building customer loyalty. We have identified our intellectual capital as being in our brand which includes products and intellectual property and in IT systems, procedures, protocols and software, which form the foundation in developing this capital, which for the most part remains intangible when integrated into the larger scheme of things. Our humble beginnings, our legacy of 32 years and the international and local accolades we have received because of our customer centricity have added to our intellectual capital.

The range of technology choices we continue to execute in our digitisation agenda forms the base in meeting our strategic priority of offering our customers the best in class experience. Every single aspect of the digitisation process revolves around this as it is our customers who ultimately decide on the success and sustainability of the Group. We have developed and are continually developing our expertise and experience to meet our customers' expectations. Digital channels are increasingly becoming the preferred channel for our customers to transact, engage and buy products and services. As such, we continue to innovate and improve on our digital platforms to ensure our customers enjoy the convenience of world class banking systems.

We have in place a comprehensive strategy for IT that is geared at total automation of business critical processes. It also establishes a stringent IT governance and project management mechanism that incorporates IT-strategic software and applications. We continuously do assessments where gaps and weaknesses are identified and in remedy IT security is strengthened. We became the first bank in the region to obtain the prestigious global Payment Card Industry Data Security Standard 3.1 (PCI DSS 3.1) certification effective 28th August, 2016. The certification affirms Equity's adherence to international security standards related to the protection of customer information. In addition, in 2016, we partnered with a Global Security Operation Centre (GSOC) which is in line with the Bank's strategic vision of providing secure banking services to the customers. The GSOC is the central nerve center that offers real-time internal and external threat detection and cyber defense on a 24/7 basis. The GSOC is equipped with specialised technology, processes and expertise to monitor, assess and proactively defend the Bank from any potential threats both internally and externally. Compliance was also a focus area to ensure stringent measures with security frameworks.

Brand image

Building brand image is challenging, given that a brand must remain contemporary, while also holding fast to its heritage and intrinsic values. Brand building is integral to strengthening our intellectual capital and thus brand Equity in tandem. With a strong brand Equity, we believe that being among the most recognisable brands in the country has augmented the best in class experience being extended to customers. Our digitisation agenda revolves around our vision of transforming lives and livelihoods both socially and economically and thus the concept of absolute and complete financial inclusivity. By making banking accessible to those who have been excluded from the conventional financial and banking system, our intention is to deliver best in class experiences and enable them to become financially independent and sustainable. This is augmented by our digital innovations rolled out to ensure equal access throughout the region.

Research

The research and development team engages in new product research and development, existing product updates, quality checks and generates market intelligence that drives innovation. This department works closely with other departments to champion the need to always be aware and sensitive to the voice of our customers. It is crucial for us to continue developing new products that are competitive in the market and are suitable for our customers' needs and this is executed through extensive product and market research. The team conducts extensive research to support product development, which includes product specifications, product costs and production time lines. A thorough evaluation of the need for the product in the market is also conducted as part of the research to determine the relevance of the new product before the development phase commences. The development phase deals with the creation of the product from the specifications established during the research function, and the products are also developed to meet all regulatory requirements. Regular updates of the company's existing products are also done by the research and development department to ensure that the products are still functional and upgrades are done whenever appropriate. The department also handles quality checks to ensure the products serve the purpose it was meant for and that it meets customer expectations. Our research and development function is at the fore front of generating new ideas to enrich the knowledge and innovations base that supports the agenda of the Group and helps us remain competitive.

MANUFACTURED CAPITAL

Our manufactured capital encompasses the physical infrastructure of all our buildings and the technology architecture we have in place. Some of these are located in countries where We have a physical presence including Kenya, Uganda, Tanzania, South Sudan, Rwanda and the Democratic Republic of Congo (DRC). We recognise that these contribute significantly to our productive activity and thus improving our levels of service delivery, customer convenience and eventually profitability. By managing our manufactured capital efficiently, we have seen new revolutionary capabilities being introduced and more prudent use of resources. Astute investment in manufactured capital also drives innovation, leading to greater flexibility and sustainability.

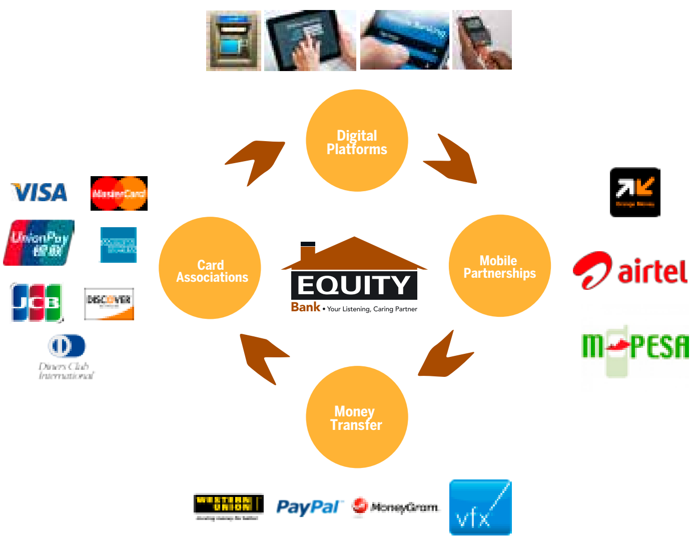
We pay special attention to our manufactured capital as it is critical for the optimal utilisation of all other capitals we interact with.

- The need for state of the art systems and processes are mandatory for the Group to achieve its vision and mission. Hence, the software and programmes installed in our digitisation process have added considerable impetus to our intellectual capital.
- In expanding our accessibility through branch expansion, technology automation and networking, not only to the furthest parts of the country but regionally as well, we have augmented our social and relationship capital with our customers and valued business partners. Out of the 266 branches on our network, we only own 4 buildings that house them. We give citizens the opportunity to benefit economically (shared prosperity) with us by enabling them to become landlords and finance the construction of such buildings. Our agent network is operated by business people eager to develop and sustain themselves financially while at the same time creating and expanding access to financial services within their communities.
- Our employees are an integral facet in meeting our strategic priorities. Our human capital has been proactively engaged in enhancing the infrastructure capacities and look of our brick and mortar structures. They have also been readily willing to accept the changes that come with the implementation of our IT strategy.
- The energy saving measures introduced into our branch network and the journey towards paperless transactions buoyed by our IT architecture has had a positive impact on our natural capital.
- Significant investment has been infused in improving and developing our physical IT infrastructure and maintaining our physical presence in an intensely competitive operating environment. Our financial capital will gain in profitability with the new technology strategies and expanded accessibility of our network.

Digitization

Through our digitization process, we continued to actualise our strategic priority of building digital channels and technology capabilities. It is imperative that the Group stays ahead or keeps up with the revolutions prompted by technology on a global scale. We continued to revamp our IT infrastructure for better channel, product and service management. We have both expanded and further integrated our physical and electronic distribution channels to enable customers to transact seamlessly across multiple touchpoints. We continued to increase the number of physical outlets during the year for customers to perform transactions such as cash withdrawals. We rolled out the EazzyBanking App enabling individuals to carry out cashless transactions with other individuals, groups or with businesses and extended our corporate internet banking platform to mobile devices so that executives of our corporate and small and medium enterprise (SME) clients can bank on the go. With these enhancements, our customers can now retrieve updated account balances and statements, plan and save for financial targets, make immediate payments securely and approve payments at their fingertips wherever they are, whenever they wish.

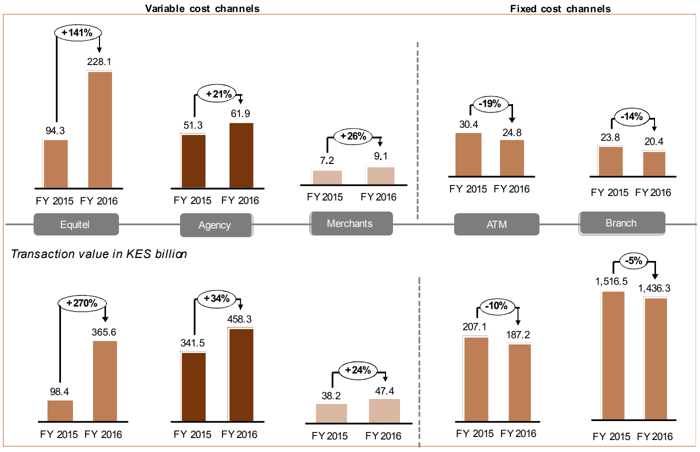
A wide range of options



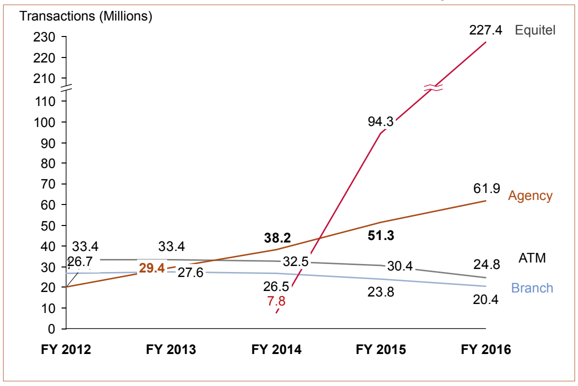
MANUFACTURED CAPITAL (Continued)

Innovation enables a shift from fixed to variable cost

Transaction numbers in millions



More transactions now processed under 3rd party infrastructure



Transaction Trend (count)

EazzyBanking App
(Millions)

264%

Nov' 16	Dec' 16
2.8	5.49

EazzyBiz

4,046%

Jul' 16	Dec' 16
3,036	102,299

EazzyNet

75%

Nov' 16	Dec' 16
22,309	28,785

Banking made Eazzy

Channels available to customers….The tools

EazzyNet
Consumer Online Banking accessible on all devices

EazzyBiz
SME and Corporate Online Banking
Cash and liquidity management

EazzyAPI
Exposing Equity Bank's capabilities to all digital ecosystem players

Eazzy Diaspora
Banking for Global Africans

EazzyBanking App
Most advanced APP on the planet

Equitel
My Money. My Phone. My Life.

- Advanced security to protect your transactions – multiple factor authentication
- Only bank in the region to be certified on PCIDSS
- 24/7 monitoring and protection against cyber threats with monitoring locations across 3 continents
- Available on over 15m devices across Kenya
- Secure, open loop systems capable of integrating into ecosystems

Eazzy, Secure and Convenient

Volumes Trend (KShs. Bn)

EazzyBanking App

580%

Nov' 16	Dec' 16
0.8	3.54

EazzyBiz

8,487%

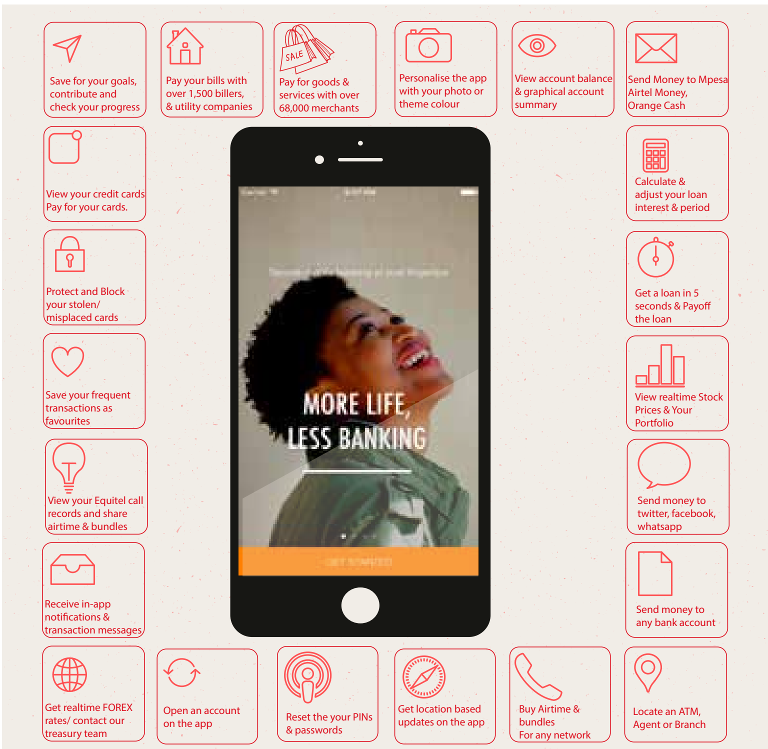
Jul' 16	Dec' 16
0.3	20.1

EazzyNet

42%

Nov' 16	Dec' 16
1.9	2.2

EazzyBanking App



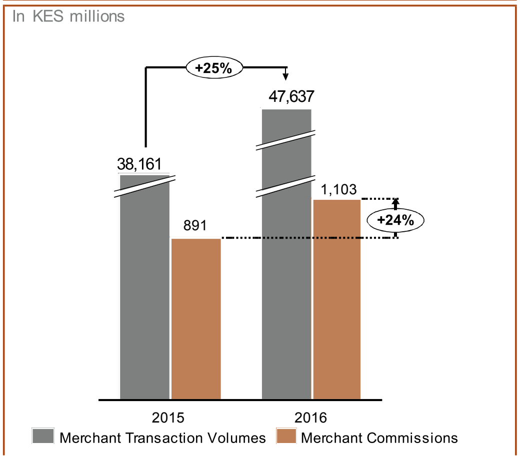
MANUFACTURED CAPITAL (Continued)

Smart cards: A wallet for multi programmes

We have partnered with key payment companies...

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

...which has allowed us to grow our number of transactions and commissions



	Dec 2011	Dec 2016	Growth
Number of agents	3,234	27,016	735%
Monthly transactions	1 million	5.4 million	440%
Monthly value of transactions (KShs.)	7.1 billion	44.4 billion	525%
Agent commissions (KShs.)	41.9 million	1.17 billion	2692%

***Cumulative numbers**

Mobile Banking

Equitel is a Mobile Virtual Network Operator (MVNO) that offers banking products on a secure mobile platform coupled with a financial literacy modules availed on the sim card. This offering increases access to financial services, reduces the cost of banking and improves financial capability, especially for and among low-income people.

Agency Banking

Equity Bank conceived a model of contracting third party retail networks as "Agents" who are authorised to offer selected products and services on behalf of the Bank. This enables customers to access financial products and services at a location nearest to the customer, thus breaking down certain barriers to financial inclusion, especially for low-income people who live in the remotest rural corners of the country as well as urban and peri-urban areas, including informal urban settlements.

SOCIAL AND RELATIONSHIP CAPITAL

We exist to transform the lives and livelihoods of our people socially first and then economically second. To us, the social and relationship capital is the most significant input our business draws upon. We seek to change the social standing of our people first and from that they themselves are able to transform their own lives economically through the financial tools that we empower them with. We are a purpose-driven machine; built to create impact beyond any business model by touching real people, real businesses and real lives.

Building on Social Values

With our roots firmly placed in the African social set up, we know we were formed to facilitate a far-reaching purpose and we have embedded this strong sense of social consciousness in the way we do business. It is also the reason we look to the society and identify what are the social pains that our people are facing in their day to day lives and how can we be part and parcel of the solution, driving change from within.

We do not subscribe to the widely accepted notion of CSR which is to give back. We do not make money from society and then we give part of it back through charity and social sponsorships. We give to society first and then society will automatically give us back. That is the foundation of our business. We are in the business of dignifying our people, showing them their capabilities, giving them tools to invest in their capabilities and proving to them that they have a role to play within society. We believe in changing people, changing their mind-set, opening up their imagination, igniting their spirit and supporting them when they are ready to fly.

We make social investments by investing in the people, investing in their humanity and investing in their problems to enable them to create a different future for themselves. Beyond this, we challenge the beneficiaries of our social investments to pay-it-back to their own society. We inspire them to multiply that which we have invested through their own initiatives. That way the chain of social change will never be broken and inherent in that is true social transformation; transformation of a people, of a society that will outlast even the lifespan of our business. That is the Equity brand of Corporate Social Responsibility.

EQUITY GROUP FOUNDATION

Equity Group Foundation (EGF) is a not-for-profit operating Foundation established in 2008. It seeks to transform the lives and livelihoods of low-income people in Africa. Its vision, in common with Equity Group Holdings Limited, is to champion the social economic prosperity of the people of Africa.

EGF implements high-impact development programmes throughout Kenya and has begun to expand its work to the rest of East Africa. It leverages on Equity Group's infrastructure and resources and forging strategic partnerships with development partners, government, the private sector as well as local and international organisations.

EGF strives to create change through seven strategic pillars.

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

1 Benefit to stakeholders is in comparison to the benefit similar organizations might offer to these stakeholders

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

AGRICULTURE

EGF assisted in creating jobs, improved market access and expanded agricultural production for 2,616 farmers by supporting them to increase their production capabilities, business acumen, and access to technology and financial services.

Agriculture is the main economic activity of the society we operate in. Proceeds from agriculture feed families, clothes families, pays for school tuition, caters for medical bills, builds family homes, buys more agricultural land and provides capital for business ventures. Moreover, farmers supply many industries that require agricultural inputs, create jobs for both skilled and semi-skilled labour and cash crops are exported to earn the country forex exchange. Agriculture is indeed the backbone of our society and a source of livelihood for a majority of the population. The agricultural sector faces several challenges and we are committed to playing our role in alleviating some of these challenges. We are cognisant of the fact that the scope for change in the agricultural sector is large but we believe in starting somewhere and building upon that. Over the years, we have increased our investment in this segment and widened the scope of the areas we target with an aim of eventually impacting the entire agricultural value chain.

We begin at the very bottom by addressing the individual farmers and assessing what are the core issues they face. Based on research and engagement, the key systemic challenges that affect farmers and value chain actors include low productivity, limited access to markets and post-harvest management technologies, weak business management systems, use of outdated technology and skills and limited use of irrigation and rain water harvesting technology. In light of this, EGF has developed programs that help create jobs, improve market access and expand agricultural production by working in partnership with small and medium-sized farmers to increase their production capabilities, business acumen, and access to technology and financial services.

One of our strategies to support smallholder farmers, is through strategic partnerships using technology to deliver inclusive financial intermediation. In 2016, Equity Group entered into a partnership with the Government of Kenya with funds from European Union managed by International Fund for Agricultural Development (IFAD) to implement Kenya Cereal Enhancement Programme (KCEP). The programme targets 100,000 farmers out of which 40,000 will access subsidised farm inputs in form of certified seeds, good quality fertilizers and post-harvest equipment with an objective of increasing national food security and enhance household income for smallholder farmers. Under this programme, Equity Bank has developed an innovative digital electronic voucher with wallets which farmers use to access inputs through swapping preloaded cards to POS devise effectively moving money from farmers account to the agro dealer's account. EGF provides financial literacy to farmers to enhance their capacity to participate in this programme.

Medium sized farms are essential for the region's rapidly urbanising population to help it attain food security and unlock the full potential of the sector. While medium-size farms are limited in number, they cover a large proportion of under utilised farmland. They possess the potential to rapidly increase food production but are ignored by development programmes due to their large land holdings and lack the resources to engage private sector extension and service providers. Our programmes are geared at unlocking this latent potential by engaging with smallholder farmers to drive the increase of on-farm production.

Since 2014, we have been in partnership with the Embassy of the Kingdom of the Netherlands in Nairobi in a programme dubbed Agriculture Growth Accelerator. The initiative aims to commercialise agribusinesses by providing capacity building, linkages and innovations to farmers, in collaboration with the Ministry of Agriculture, research institutions, input and technology companies, market buyers and other agriculture development projects. We aim to commercialise over 2,000 medium-size farms that will eventually support neighbouring smallholder farmers in 10 counties in the Rift Valley, Central and Eastern regions of Kenya.

The programme is delivered through a robust extension platform that provides demand-driven support through:

Kenya Cereals Enhancement Program

Areas	Western Kenya and the Rift Valley: Bungoma, Kakamega, Nakuru, Nandi and Trans Nzoia. Eastern Kenya: Embu, Kitui and Tharaka
Model	Account based cash transfer and Debit card with wallets. Agrodealers to issues subsidy including seeds, fertilizer and equipment.
Number of HH's	40,000 farmers

Farm extension services
27 agriculture extension officers and managers knowledgeable in grains, horticulture, dairy and poultry

↓

Business groups
organize farmers and provide trainings, mentorship linkages to input suppliers and market buyers, field days and bulk input buying programmes

↓

Mobile tools
provide business training tips, weather information and management systems for farm operations and financial records

↓

Equity Bank branches and Agents
provide credit, savings and loan products to agribusinesses.

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

EDUCATION AND LEADERSHIP DEVELOPMENT

EGF increases access to secondary and tertiary level education and provides leadership and career development in order to break the cycle of poverty and develop the next generation of leaders.

Access to education is a basic human right and one of the most powerful tools in promoting human dignity and assimilation into society is by instilling skills and knowledge that are useful in the self-preservation of society itself. People only feel useful in society if they have something to offer that society, if they have a role to play in it and if the role they play is valued by society. In order to achieve this sense of usefulness, a person must be equipped with the necessary knowledge and skills to play their role in society. This is the point at which education becomes a key catalyst in enabling people to fulfil their societal role in the expected manner and for the intended overall advancement of society. The quality of leadership in society determines the success or failure of that society. All other underlying factors in society could be right, but if the leadership is wrong, society will fail regardless. That is why it is critical to advance on education with leadership development so as to develop a society that is not only knowledgeable but also one that is inspired to put those skills into the best use and drive real and positive social change. Our driving force is the need to develop a generation that seeks knowledge, values knowledge and exemplifies that knowledge through effective leadership, innovative thinking and paying it back to society.

According to the Education for All Global Monitoring Report, 2012 by UNESCO, secondary school education is out of reach for many poor households, irrespective of the academic promise and potential displayed by individual students. Children from poor and vulnerable households remain largely locked out of secondary or tertiary education. Without this vital stage in education, they remain marginalised in access to meaningful and gainful employment and as such, the cycle of poverty and its adverse effects continues to repeat itself through generations.

Wings to Fly Programme

Since 2010, we have been providing education opportunities and enhancing the academic success of secondary schooling to 14,168 Kenyan Students that are academically promising, yet financially disadvantaged. This is done in three levels:

- Through comprehensive scholarships covering tuition, room and board, books, transportation, uniforms, health insurance, transport to and from school, and incidental expenses for the duration of students' secondary school tenure.
- Provides leadership development training through:
  - (i) Annual Education and Leadership Congresses
  - (ii) One-on-One mentoring sessions
  - (iii) Community Scholar Selection Board (CSSB) mentoring forums
- Wrap-around support services which include: medical check-ups, psycho-social counselling, ongoing mentorship from university and community role models, including Equity Leaders Programme scholars and Equity Bank staff

The unique about this programme is that we involve the communities in selecting the most deserving needy candidates. This is through Community Scholars Selection Boards (CSSBs) whose members comprise of local education officials, religious leaders as well as representatives from the local government. The reasoning behind this is that community members are better placed to judge and evaluate the authenticity of the candidates' financial capacity since they live among them. Secondly, it affords them a vital role in changing the lives of their disadvantaged members without any monetary requirement. Lastly, it sensitises them on the plight of these disadvantaged children and we have seen individuals come up to offer contributions in their personal capacity towards sponsorships under this program. To date, the Wings to Fly program has benefitted over 14,000 scholars drawn from all of Kenya's 47 counties. Through this program, EGF has established relationships with over 700 secondary schools that have hosted Wings to Fly scholars.

H.E. Jutta Frasch, the German Ambassador to Kenya visiting two Wings to Fly scholars at their homes in Nairobi.

Three senior members of The MasterCard Foundation visiting Wings to Fly scholars at their homes in Nakuru County.

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

The then Principal Secretary in the Ministry of Transport and Infrastructure (Current PS Planing and Statistics), Irungu Nyakera encouraged the Wings to Fly scholars to always be on the lookout for opportunities that will change their lifestyles in the future.

During the commissioning of 2,000 Wings to Fly Scholars, Class of 2016; H.E. President Uhuru Kenyatta lauded The MasterCard Foundation for donating an additional KShs. 6.2 billion towards the programme .

Our Partnerships

- MasterCard Foundation, whose support has anchored Wings to Fly and financial literacy programmes since their inception
- United Kingdom's Department for International Development (UKaid)
- United States Agency for International Development (USAID)
- German Reconstruction Credit Institute (KfW)
- The Embassy of the Netherlands
- UN agencies
- Kenyan government
- Local individuals and corporate partners

With the recent creation of Equity Group Foundation International (EGFI) as a registered non-profit organisation in the US, EGF looks forward to growing its profile worldwide and attracting new partners and streams of funding to increase the reach, scope, and scale of our work.

Supplementary Revision Content

Through partnership with Eneza Education we provide zero-rated SMS revision content covering 6 subjects across the entire secondary school curriculum from Form 1-4. This is a channel that furnishes students with important learning resources that are curriculum aligned in such a manner that is easily and freely accessible during school breaks. Furthermore, this zero-rated content is availed on the Equitel network thereby making it accessible to any student with access to a phone and the Equitel simcard but is not under our Wings to Fly programme. This allows us the opportunity to reach and touch the lives of millions of students and the communities they come from.

Wings to Fly Learning

This is a collection of digital content designed to offer engaging, practical and relevant learning opportunities that are supplementary to the core curriculum and intended to help build 21st Century skills, knowledge and attitudes that better equip learners for the workplace and world. The content includes past KCSE exams, a video library with over 500 lessons targeting the most challenging topics across the curriculum, interactive science practicals, e-textbooks, and an expanded collection of inspiring talks on leadership, service, innovation, and technology. The content is offered on USB sticks that are intended for use in schools where scholars have access to computers through their schools IT Labs and outside of school during holidays.

School IT Labs

We have established digital hubs in secondary schools, with the goal of impacting teachers and learners by facilitating access to the Wings to Fly Learning content using a customised solution that provides local cached content and satellite backhaul which is funded by UK Space Agency.

Annual Leadership Congress

This is a component of the Wings to Fly Programme aimed at providing a platform for scholars to learn from and interact with successful professionals from the public and private sectors. The event is convened twice a year with focus areas being academic and personal growth, self-drive coupled with integrity and ethics, giving back to society, innovation through technology and practical networking skills.

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

Equity Leaders Programme

The African continent is faced with an enormous challenge of youth unemployment, as most economic activities revolve around sustenance rather than value creation or addition that is key in opening up employment opportunities. Adding on to this is the negative leadership legacy that has brought entire countries and economies to the brink of collapse. Corruption is a social ill that is rife and which was far-reaching detrimental impacts on all sectors of the society. There is a dire need to nurture visionary, ethical and transformative leaders who will transform the continent and steer our societies to achieve the desired development goals and turn around the fortunes of its people. With proper education and mentorship, Kenya's youth are poised to produce the next generation of value-based leaders needed to drive positive change. The Equity Leaders Programme is playing its part by creating a community of transformative leaders who work together across borders and across sectors to drive sustainable economic growth and social progress in Africa.

A key part of remedying unemployment is improving the employability and leadership among youth by giving them the right exposure to practice what they have learnt in educational institutions. Beyond education, there is a need to instil values, skills, work experience and networks that encompass a holistic leader. Through this programme we develop academically bright high school graduates through various stages like:

- The pre-university internship that is offered in the interface period between high school and university. provides opportunity for the brightest students selected from across Kenya and and from *Wings to Fly*, to build professional skills and mind sets while earning enough money to put them through their first year of university in Kenya. To date, close to 4,000 scholars have participated in the pre-university internship program.
- The programme continues to offer leadership development training and scholar support through two major initiatives. **(a) the international college counselling programme.** To date, over 363 scholars have been admitted to global universities - most on full scholarships. **(b) our university chapter network** that spans all major public universities in Kenya.

Some Global Universities hosting our scholars:

- Columbia
- Havard
- Stanford
- University of Cape Town
- University of Toronto
- Yale

ENTREPRENEURSHIP

EGF stimulates job creation and economic growth by providing micro and small entrepreneurs with advice, mentorship and entrepreneurship training.

Over 30 years ago, a small micro enterprise was started in a village to help the members of that village transform their livelihoods socially and economically. Today that enterprise is a financial force to reckon with in the region, better known as Equity Bank. Through the years, we have faced various challenges to grow from that informal village set up to the globally recognised institution that we are today. With our background, we understand the enormous hurdles that Micro, Small and Medium Enterprises (MSMEs) face while operating in an increasingly competitive market. Some of these challenges include limited access to capital and markets, lack of business management knowledge and skills, poor resource management and lack of exposure to best business practices and mentorship.

MSMEs possess a strong potential to elevate the standing of our region by transforming each and every sector of our economy. Given the opportunity to grow and flourish, these businesses evolve into centres of production, create jobs, form businesses and supply linkages, drive innovation and transform into large corporate businesses. We have witnessed world class innovations emanating from entrepreneurs that have made Kenya a globally recognised hub for innovative thinking. MSMEs have the potential of addressing the rising unemployment rate in the region and moving our youth from job seekers to job creators.

The reason we chose to support 25,303 entrepreneurs is to accelerate the growth and development of micro and small enterprises, to help them create jobs - particularly to increase business stability, business performance and productivity and provide jobs for youth through basic entrepreneurship training, mentorship, business groups and introducing basic information communication and technology practices into their businesses.

Our focus again is on the economically disadvantaged members of society and that is the reason why we work closely with the youth and women entrepreneurs in striving to accelerate the growth and development of their micro and small enterprises.

Since inception, the pillar has implemented programmes specifically tailored to drive behaviour change and make our target groups start to plan, think and act like business owners.

- The Accelerating Growth and Business Development in partnership with The MasterCard Foundation and Equity Bank (Kenya) Limited (EBKL).
- The Lundin Equity Emerging Entrepreneurs Fund (LEEEF) programme in partnership with Lundin Foundation and EBKL.
- The Winning Women Programme in partnership with the African Management Institute (AMI) and EBKL.

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

These programmes provide a suite of services to the beneficiaries which include training on entrepreneurial competencies, record keeping, marketing, human resource management, costing, ICT for business, business financing and managing a family business. This is then followed up by individualised business mentoring and advisory services to support entrepreneurs in applying elements of the training and best practices to solve problems specific to their business. These elements are further supplemented by peer learning, group mentoring and the use of electronic media to share additional business tips, advice and sector trends.

As a result of these efforts, beneficiaries have demonstrated improved business practices, increased profits and incomes and are enjoying increased access to finance.

During the year, EGF began to explore the idea of facilitating rapid business growth by providing support towards digitizing small businesses through provision of digital literacy to entrepreneurs and equipping them with simple digital tools. In July 2015, Equity Bank began to enjoy the benefits of its own digitisation primarily through the use of its mobile platform. This validated EGF's confidence on the direction taken to help more small businesses move into the digital space to improve efficiency and increase their visibility to large numbers of customers through use of social media and other digital communication channels. By the end of the year, EGF was in discussions with several partners to determine how to test a programme that would provide the dual support.

Simultaneously, EGF also began to think of how to scale its training to reach larger numbers of micro and small business. It is estimated that in Kenya alone, there are 1.6 million registered SMEs and of these, 85% have not received formal training and suffer from the capacity challenge that we have identified in all our trainees. In order to achieve a target to impact several millions of SMEs in the next 10 years, EGF's current design of touch intensive training will need to evolve into a blended online and face-to-face training model. EGF plans to pilot the blended training programme in 2017 and to also support these businesses with digitisation and training on the use of ICT tools with an intended programme rollout in 2017.

Equity Bank's Rohit Singh (centre), Bosch Group's Vonjy Rajakoba (L) and Dr. Markus Thill (R) during the signing of a Memorandum of Understanding for Jua Kali entrepreneurs to access Bosch power tools through financing by Equity Bank.

FINANCIAL EDUCATION AND INCLUSION

Providing financial capability (knowledge, skills, attitudes and behaviours) that lead to good financial decisions and greater financial access to youth and women at the bottom of the pyramid in Africa.

Access to financial services especially in the form of savings and loans, is key towards wealth creation and economic development. Most micro to medium enterprises in our region lack access to affordable financial services and credit, which slows business growth and development. They operate solely in cash or through barter trade and in doing so, assume increased personal and financial risk, higher transaction fees, unfriendly borrowing terms in the informal market and a lack of recourse in the event of loss or theft.

Even with a bank account, low levels of financial literacy and knowledge makes it difficult for people to understand and use financial services and this, most often than not, leads to wrong financial choices, especially for the poor. People with low financial literacy are unable to plan their finances and they tend to save too little exposing them to the added risk of borrowing from informal sources and locks them out from accessing credit. Furthermore, as the financial landscape continues to rapidly evolve and offer increasingly complex products and services, low-income individuals are at risk of falling further behind in wealth creation.

From the very beginning, our purpose has been to empower low-income individuals and families so that they can grow their incomes and ultimately improve their lives and livelihood. The first step is to create convenient pathways that ease financial access and increase the number of banked citizens. The second step is increasing financial capabilities by imparting knowledge and skills that change attitudes and behaviour towards money management.

Financial Knowledge for Africa (FiKA)

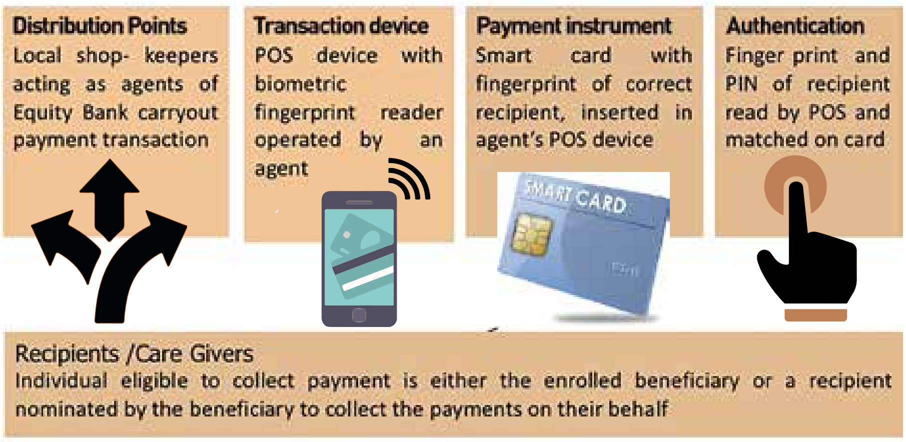
In partnership with The MasterCard Foundation, EGF launched the programme to deliver quality financial literacy training and advisory services to low-income women and youth, throughout Kenya and particularly those engaging in small and micro enterprises. The training covers budgeting, saving, financial services and debt management concepts with an aim to increase financial literacy and money management skills and ultimately launch beneficiaries on journeys of economic empowerment, increased productivity and financial security. The training is conducted through either a classroom-based model or the Equitel mobile platform which allows us to reach more people with the literacy programme. To date, EGF has trained 1,455,759 Kenyan women and youth in financial education. These women and youth have subsequently been able to access USD 680 m in credit and mobilised USD 27m in savings.

Fanikisha Initiative

Fanikisha Initiative offers capacity building and credit facilities that empower women to expand their enterprises, create wealth and employment and serve as role models to encourage other female entrepreneurs.

SOCIAL PAYMENTS

Our payment model



Social change through partnerships

Hunger Safety Net Programme (HSNP)

This is a Government of Kenya social protection intervention in collaboration with development partners, DFID, AusAID and FSD Kenya, that is executed by Equity Bank. It provides aid assistance to poor households (HHs) with vulnerable dependents in arid and semi-arid regions of Kenya and includes these families into the financial system by having the payments processed through a bank account. These funds can be accessed through a mobile phone or our agency network. Their inclusion into a financial system enables them to leverage social payments to borrow loans or invest in microenterprises which allows them to improve their economic wellbeing. This programme has demonstrated a cost effective way of transferring cash to the poorest and nomadic communities in Kenya which are inaccessible due to limited infrastructure and insecurity.

Areas	Turkana, Wajir, Mandera and Wajir
Model	Bank Account, Biometric Smart card and Online Real Time Payments
Number of HH's	HSNP I :- 68,586 HSNP II :- 373,255
Amount	HSNP I:- KShs. 4.7 Billion HSNP II:- KShs. 17 Billion

Social Payments for Food Security

Equity Bank and EGF provide a platform for social payments and financial literacy training to beneficiaries of community initiatives including:

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

United Nations World Food Programme (WFP) - Cash for Assets Initiative and Fresh Food Voucher payments in Dadaab

Cash Lite Project in Merti, Isiolo - a cashless project implemented by Equity, The MasterCard Worldwide and WFP that enables beneficiaries to access food through electronic payments.

Cash based assistance in Rwanda

Areas	Gihembe, Nyabiheke and Kigeme refugee camps
Model	Bank Account, Biometric Smart card and Online Real Time Payments
Number of HHs	10,000
Amount	KShs. 235.76 Million
Payment Cycles	8

Orphaned and Vulnerable Children (OVC) Programme

This is a partnership between the World Bank and the Government of Kenya, with financial support from DFID and executed by Equity Bank, that provides bi-monthly cash transfers to vulnerable households in 25 districts in Kenya, using biometric smart cards and a network of POS terminals. The objective of OVC is to provide a social protection system through regular and predictable cash transfers to families. This in turn encourages fostering and retention of children within their families and communities, increases school enrolment, attendance and performance, reduces the rates of child mortality and morbidity and promotes household nutrition and food security.

Areas	47 Counties
Model	Bank Account, Biometric Smart Card and Online Real Time Payments
Number of HH's	CT-OCV I 57,246 INUA JAMII I Over 100,000
Amount	CT-OCV I KShs. 5.3 Billion

Kenya cereals enhancement program

Areas	Western Kenya and the Rift Valley: Bungoma, Kakamega, Nakuru, Nandi and Trans Nzoia.Eastern Kenya: Embu, Kitui and Tharaka Nithi
Model	Account based cash transfer and Debit card with wallets Agrodealer to issues subsidy including seeds, fertilizer and equipment
Number of HH's	40,000 farmers

HEALTH

EGF increased access to comprehensive health financing and private sector-led, affordable, high-quality and standardised health services for poor and middle-income families through its two operational Equity Afia health facilities.

With a population of more than 45 million people, Kenya is one of the most populous nations in East Africa. Kenya faces a huge challenge in terms of access to affordable and quality healthcare for all its citizens. Kenyans living in rural communities and the densely populated slums struggle to access basic healthcare services and medical treatment. Kenya's government has put forward a series of initiatives to improve its healthcare system and other services, with the goal of higher life expectancies and a 50 percent reduction in annual deaths from all causes by 2030. However, only a small percentage of the nation's GDP was invested in its healthcare system in the same year. This lack of investment has serious implications for the country's urgent health care problems. Kenya's healthcare system cannot meet the vast needs of its citizens.

One reason is shortage of properly equipped healthcare facilities and professionals.Furthermore, they are poorly distributed throughout the country, leading to low-quality treatment in remote regions. When Kenyans can find the medical attention they need, affordability is another obstacle that prevents many from accessing health care. In fact, only 20 percent of Kenyans have health insurance, meaning 35 million Kenyans are without good healthcare coverage.

Although numerous insurance companies and medical insurance providers operate in Kenya, the lack of innovative, low-cost health insurance schemes tailored to the health needs of Kenyans and commensurate with their ability to pay, impedes private health insurance uptake. In addition to limited breadth (number of people covered), many existing insurance schemes have limits on depth (which services benefits are covered) and height (what proportion of costs is covered) which further limits uptake of private health insurance

The private sector has a role to play in providing healthcare which is directly linked to the success of the economy as a whole. People are the lifeline of any business; they are the workforce, the customers and the suppliers. A healthy nation is a working nation. The private sector has a duty to invest in the country's health care through emphasising quality, standardisation and affordability to increase access; developing innovative health financing initiatives that, while still affordable to consumers, lessen long-term dependency on outside donors and public allocations; creating patient-driven demand; and developing platforms to rapidly increase scale and reach.

EGF is working towards helping alleviate the debilitating and costly effects of poor healthcare by increasing access to affordable, high-quality, comprehensive health systems with continuity of care; improved health literacy; and the uptake of affordable and comprehensive health insurance among 8 million Kenyans through 300 health facilities.

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

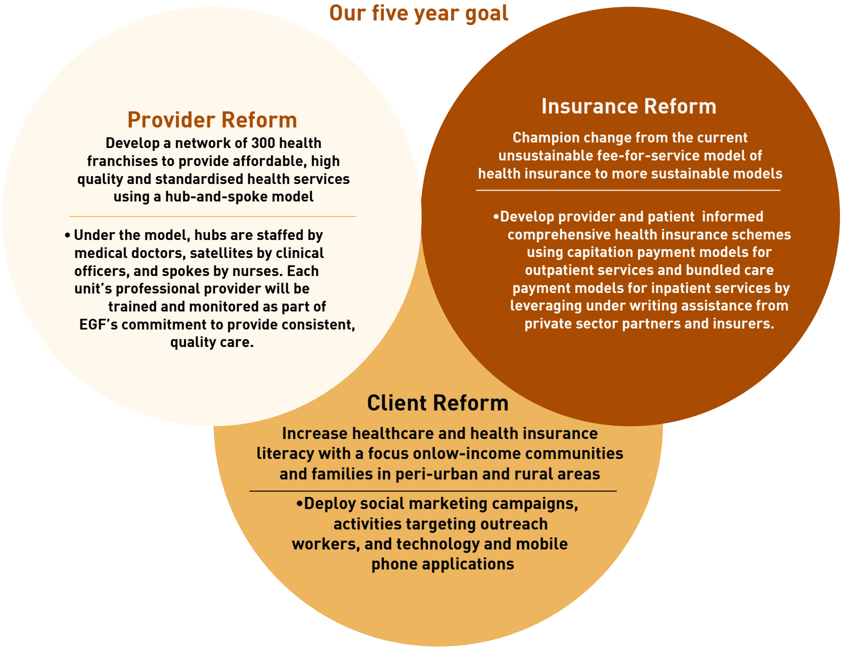
Our Approach

EGF has developed an integrated, scalable, and sustainable healthcare delivery and financing model which focuses on prevention and health while addressing leading causes of morbidity and mortality in Kenya, including HIV/AIDS. We also plan to more than double the uptake of private health insurance by providing affordable, comprehensive health insurance schemes.

Equity Afia

This is a sustainable, integrated health model that will train and monitor a network of clinician entrepreneurs to increase access to standardised, high-quality and affordable health care for Kenyans.

Our five year goal



RESPONSIBLE BANKING

Combating Financial Crime

Throughout the Group, we have put in place mechanisms that ensure our products or services are not used in the furtherance of financial crime, such as money laundering, financing of terrorism, fraud and corruption. Our stakeholders can be assured that we engaged in even-handed dealings. Our Risk Management team has developed stringent processes and implemented advanced systems to detect and mitigate exposure to financial crimes and compliance to regulations concerning the same.

Fair Dealing

Our customers are central to our business and it is therefore important that they trust the products and services we provide. We endeavour to make sufficient product and charges disclosures in every sales process in a clear and transparent manner. We also undertake several training programmes to increase our staff's ability to understand customers' needs, recommend suitable products, provide adequate disclosures and conduct the advisory and sales process professionally. Employees undergo product knowledge training regularly while placing strong emphasis on the oversight role of our sales staff and holding their supervisors accountable for their coaching, monitoring and supervision. To improve our products and services, we avail various channels to customers through which they can provide valuable feedback.

Responsible Financing

We recognise that our lending practices have a huge impact on society and are committed to promoting sustainable development and shaping the expectations and behaviours of our employees and customers. When advancing loans over KShs. 266 bn, we assess how our customers address material risks, including their exposure to environmental and social risks where relevant. In accordance with corporate policy and the equator principles that we are signatory to, companies with business activities assessed to have material environmental and/or social risks require additional due diligence.

As part of the industry's push towards sustainable development, we are part of the Kenya Bankers Association's Sustainable Finance Initiative and are committed to fully implementing the guidelines within our operations.

Sustainable Sourcing

Equity Group procures products and services from more than 2000 suppliers, from around the globe. We are keen on working with partners who believe in our values and expectations in four key areas: human rights, safety and health, environment sustainability and business integrity and ethics.

SOCIAL AND RELATIONSHIP CAPITAL (Continued)

To ensure compliance, we have set out minimum standards of behaviour and seek to drive commitment to ethical improvements within our supply chain.

Regulatory Compliance

Given our regional footprint, we have extensive interaction with regulators around the region. We recognise our obligation to deliver value to this important constituent and seek to continuously engage with regulators for the development of the financial services industry and support financial inclusion in the region. In the last two years, three Kenyan commercial banks faced financial challenges that caused a decline in customer confidence in the banking industry in Kenya. In response, the Central Bank of Kenya has put in place additional oversight measures and compliance requirements to shore up customer confidence in the sector. Our compliance culture is anchored on transparency, responsiveness and an emphasis on respecting both the letter and spirit of the law and regulations in the countries we operate in. Frequent interaction with regulators facilitates effective information exchange, allowing us to relay prudential concerns while keeping regulators updated on our strategies and priorities.

Key Regulatory Highlights

- Companies Act 2015
- Finance Act 2016
- Banking (Amendment) Act 2016
- Land Laws (Amendment) Act 2016
- Bribery Act 2016

Ensuring Financial Stability

Equity Group understands that its financial strength has important implications on the overall macroeconomic stability in Kenya which generates externalities beyond the immediate commercial interests of its stakeholders. As such, we have always adhered to the spirit of the prudential objectives underpinning the regulations in place by ensuring compliance to the required capital and liquidity levels. We remain vigilant in identifying, monitoring and managing emerging threats that could impact financial stability and regularly engage our regulators in dialogue on developing issues. In response to the heightened risk of cyber-attacks, we have strengthened our cyber security framework, controls and surveillance. Another area where we have devoted additional resources is the mitigation of financial crime risk.

Credible Industry Leadership

We strongly believe in playing a pivotal role in driving social and economic development in Kenya. To this end, members of our senior management team are actively engaged in regulatory and industry forums. We believe our insights from operating in the region can contribute to the formulation of robust prudential rules and regulations.

NATURAL CAPITAL

ENVIRONMENT

EGF promoted the conservation and smart use of natural resources by promoting the use of renewable energy and energy-efficient technologies to 16,000 households.

Biomass energy in the form of firewood and charcoal provides 68% of Kenya's national energy requirements and it is expected to remain the main source of energy for the foreseeable future. Biomass is a renewable resource with afforestation and re-afforestation. However, the high rate of tree felling and inefficient utilisation of firewood and charcoal renders it non-renewable, a trend that needs to be reversed.

The health and environmental implications that are resultant from the use of biomass are of considerable concern. Family members especially women and children get sick or even die as a direct result of inhaling smoke and other complications caused by indoor air pollution. Forest cover in the region is also rapidly decreasing due to over dependency on biomass fuels by a majority of households in both rural and peri-urban settings. Despite the availability of cleaner and more efficient cooking solutions, communities in rural and peri-urban areas do not know the benefits of clean cooking or cannot access or afford to invest in them.

A large portion of the region's population have no access to electricity. This large section of the population either live in darkness at night or utilise the flickering light of a candle or kerosene lamp. Candles and kerosene lanterns pose many threats including safety and health risks to the families as well as high costs of purchase that further dent the pockets of the poor. In addition, light output of these lanterns is very low making visibility almost impossible at times that inhibit children from these families from studying well. The number of fires that have been witnessed as a result of such lighting mechanisms are innumerable and often lead to death or serious disabilities among victims. The cost of connecting to the country's national grid is restrictive for the average Kenyan. Despite the government reducing the connection fee, a connection cost of KShs. 15,000 is still out of reach for majority of Kenyans.

Equity Group Foundation realizes this huge challenge that confronts society today but also acknowledges that it has the capacity to play a significant role in increasing awareness of the benefits of clean cooking and clean lighting. Beyond this, it facilitates access to clean energy through affordable financing to purchase innovative technologies that directly impact peoples' health, incomes and the environment. Using the energy of the sun to power lighting and provide mobile phone charging solutions can make a true difference to these communities. Money spent on biomass fuels, could be spent on renewable energy sources such as solar power and improved cook stoves, which are cheaper in the long run, more environmentally friendly and are better for the health of Kenyans.

From Left: The CEO, Orb Energy, Dr. Damian Miller, the Vice President, Orb Energy Africa, Mr. Ramin Nadim, Equity Bank's Director of Operations and Customer Service, Gerald Warui and Mr. Rohit Singh, Director, Corporate & SME Banking during the launch ceremony of the partnership agreement between Equity and Orb Energy to finance the purchase and installation of Orb's solar energy systems. Orb's solar water heating systems save up to 60% of the electricity bill – money that families can now use for more productive purposes.

The Eco Moto Programme

EGF, Equity Bank and MicroEnergy Credits (MEC) launched a clean-energy programme with the goal of enabling disadvantaged households to access clean energy. Through this programme, Equity Bank customers buy improved cook stoves, solar lighting systems and water purifiers through a simplified clean energy loan that is repaid in installments for as little as KShs. 25 a day. These clean energy products help households directly by significantly reducing household expenditure on domestic energy consumption in cooking and lighting. The benefits also include improved health due to less exposure to indoor air pollution and a safer home environment as well as improved performance among school going children. Through decreased deforestation, society is protected from climate risks as adequate forest cover is an important part of ecosystems-based adaptation to climate change.

Carbon Finance

In 2015, MicroEnergy Credits signed an Emission Reduction Purchase Agreement (ERPA) with the Swedish Energy Agency to support Equity and its Eco Moto programme. The ERPA is intended to cover solar, efficient stoves and water filters across the region. This ERPA generates additional revenue for the Eco Moto Programme which is reinvested back into the clean energy initiative. Currently, Equity Bank and MEC are also moving forward with the development of a clean energy mobile phone loan, which will be available on Equity's Equitel platform, which has acquired 1.2 million users since its launch in June, 2015. This will be the first clean energy mobile phone loan of its kind in the world, which will dramatically decrease loan acquisition time.

CONTROL ENVIRONMENT

RISK MANAGEMENT

The Group has adopted a proactive risk intelligence culture to guide its operations. The Board and senior management lead by setting the risk management tone for the Group.

For effective risk management, the Group has developed a risk governance structure for the Group and subsidiaries that define the roles and responsibility of the Board, head of risk and risk management function and the independent assessment of the risk governance framework. The governance sets out an integrated and coherent list of sound practices that establish supervisory expectations for the role and responsibilities of the Board as well as the stature, resources, authority and independence of the risk management and internal audit functions, including board reporting. Governance processes are designed to work against the erosion of risk management practices through changing business and economic environments.

The Group Integrated Risk Management policy underpins all risk management policies and procedures for the Group's subsidiaries. It outlines the foundation of risk intelligent culture as follows:

a. The Bank's Core Values
b. Accountability
c. Incentives
d. Risk Governance Structure
e. Risk Management Tools and Frameworks

Assurance is guaranteed via risk department, internal audit, compliance and enforcement teams, external audits by Ernst and Young, Central Bank Audit, Capital Markets Authority and Nairobi Securities Exchange reviews and Cross Border Supervisory College and GCR Credit Rating.

Risk Review

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

1. Equity 3.0

The Group continues to focus on automation of service and process in its operations as a new business strategy. As such, cyber security becomes a key risk that the Group has to take care of. The Group has a full ICT security team comprising of highly experienced ICT security experts.

2. Business Environment

i. Liquidity

The Group's constantly review business environment against its strategic objectives. Liquidity management was key for the Bank throughout the year particularly after the banking industry experienced liquidity challenges. The Group subsidiaries, particularly the Banking ones, had to relook at the adequacy of their liquidity contingency plans. A more proactive stance on liquidity management was adopted with a more severe liquidity stress assuming 3-day run on deposit being assumed.

ii. Credit Risk

The banking industry recorded the highest rate of non-performance in many years. The risk in the industry's bad loan had a major impact on the industry returns in 2016. As a policy, the banking subsidiary had to enhance provisions for bad loans.

3. Regulatory Environment

i. Self-Regulation Standards

Sustainable banking has become a key element of strategies adopted by banks. Equity Group has in the past developed framework for sustainable banking by adopting an effective social and environmental risk management within the Group and its' stakeholders.

Introduction of Code of Ethics for Business in Kenya by Kenya Association of Manufacturers and Global Compact Network Kenya and sustainable banking initiatives by Kenya Bankers Association sought to emphasize on this. As a key market leader, the Group reviewed its policies to align them with the social and environmental priorities of the host countries as well as the global standards. To inculcate a risk culture, the Group developed the SpeakUp policy intended to encourage staff to provide both positive and negative feedback without fear or retaliation. The Group continued giving back to the society by championing social and environmental changes through Equity Group Foundation.

ii. Regulatory Changes and International Regulation

2016 was characterised with the introduction of new laws. Among the new regulations included, the Finance Act 2016, the Land Laws (Amendment) Act 2016, enactment of the Bribery Act 2016 extending the fight against corruption to the private sector and the Banking (Amendment) Act 2016. With the Banking (Amendment) Act 2016, the Bank had to ensure that the systems are set and consumer protection policy is reviewed to comply with the law on interest rate control. The Group continued to enhance it systems and structures to comply with a number of local and global standards.

a. Basel III

This provides a risk based capital management framework that ensures banks holds adequate capital to build resilience against adverse business environment. Apart from credit, market and operational risk considered under Basel II in capital adequacy evaluation, Basel III incorporates liquidity risk and counterparty risk. The standards include Internal Capital Adequacy Assessment Planning (ICAAP)

RISK MANAGEMENT (Continued)

requirement to ensure that capital is held based on risk profile of the bank. EBKL, the banking subsidiaries and the Group developed and reviewed their ICAAP policies. The Group remained adequately capitalised taking care of pillar I and pillar II risks.

b. IFRS 9

Asset quality management remains a strategic priority for the Group. The Group has a defined risk appetite for asset quality and this has been adopted by various subsidiaries. The Group approved credit policy defining various appetites for credit risk in 2016. The Group continues to develop capacity to adopt the new provisioning standards as required under IFRS 9 expected to take effect in 2018.

c. FATCA

The Foreign Account Tax Compliance Act (FATCA) generally requires that foreign financial Institutions and certain other non-financial foreign entities report on the foreign assets held by their U.S. account holders or be subject to withholding on withholdable payments. The Group has put in place policies, processes and infrastructure to ensure that the Group remains compliant with Proceed of Crime and Anti-Money Laundering Act and FATCA. The Group continues to work together with government agencies to curb corruption and money laundering.

Risk appetite

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

- Credit risk – Ratio of non-performing assets, concentration of assets per product, sector, currency, counterparty, e.t.c.
- Market risk – Leverage ratio, return on assets, liquidity, value at risk, volatility of prices, e.t.c.

Stress Testing

The Group conducts stress test analysis for its businesses. Group Stress Test Policy has been developed to govern how stress tests are done. Stress tests are done to correspond to various risk appetite that the Group has set. Stress testing and scenario analysis are categorised into the following assumptions:

- Baseline scenario
- Adverse scenario
- Worst case scenario

The impact of stress test is evaluated against the Group's performance such as:

- Income
- Liquidity
- Capital adequacy

Performance Overview of Principal Risks

Credit Risk

The Group credit management framework is defined by the Group's Integrated Risk Management Policy and customised in Credit Risk Policies by each of the Banking Subsidiaries. Credit risk is generally evaluated in terms of portfolio at risk (PaR) and concentration. The year 2016 was characterised by rising PaR for the industry. To closely monitor the associated risks;

- The Group has set PaR targets at product level
- PaR trends are monitored on monthly basis and drivers and possible solutions discussed in Credit Risk and ALCO committees
- The Group maintains low risk appetite for new products and risky products
- Evaluation of credit risk is conducted at client, product and sector level
- The Group employs a proactive approach credit risk management by gathering market trends that inform client, product or sector credit outlooks

Credit concentration analysis is based on product, sector and clients. The Group maintains an appetite and loss coverage, provision, customer contribution, and security standards. Appetite on unsecured loans, leverage, single borrower and aggregate large exposure limits and sector concentrations also exists. Among other credit controls includes clear approval process starting from credit committee in the branch levels, head office credit committee and executive credit Committee. The Corporate Strategic Assessment Committee also provides technical advice for large exposure's underwrittings. Part of the credit risk management includes debt recovery department, security documentation unit and legal department. The Group's priority would be to implement IFRS 9 compliant provisioning criteria ahead of 2018 implementation date.

Market Risk

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

- Return on assets – this reflects how well assets are managed. The Group's return on assets has remained largely within target. However, interest rate control in Kenya will see return on assets drop

RISK MANAGEMENT (Continued)

- Liquidity – The Group ensures compliance with liquidity ratios from the regulator and regularly compares liquidity position against international standards as provided by Basel iii
- Efficiency – this is evaluated in a number of ratios, key one being interest rate spread. Interest spread decomposition is intended to indicate how stable the spread is based on the components
- Stop loss limits – ensure that trade proceeds do not exceed the set limit of losses being realised
- Trader limits – ensure that the Group traders do not take excessive risks that would expose the Group
- Forex net open position – the Group maintains a net open position within regulatory limits and constantly manages the size of the position in the light of expected forex volatility

Government securities risk.

- Trading book carries many risks and price volatility that would reflect on the consolidated income statement. As such, the trading book is not supposed to exceed 10% of the entire Government security portfolio
- PV01 – Is used to evaluate risk for the trading book. The Group has set value for PV01 that must not be exceeded
- Value at risk (VaR) – The Group has set an appetite for VaR. This ensures that the maximum possible loss in a given unit of time is monitored continuously
- Maximum period in trading book-The Group acknowledges that items in the trading book should be continuously traded and thus sets a time limit beyond which investment security should not be held
- Mark to Market – For the government securities that are available for sale, the Group monitors mark to market losses to ensure optimal portfolio management

Market risk management also includes liquidity contingency management plan. The Group stress testing policy is aligned to various market risk appetites done assuming a wide range of possibility. Market risk appetites are reviewed continuously and utmost discussed on monthly basis by subsidiaries' ALCO as well as Group ALCO.

Operational Risk

The Group's operational risk management gets authority from the Group's Integrated Risk Management Policy. This is customised through operational risk policy by different subsidiaries. The subsidiary Operational Risk Management policies were reviewed in 2016 defining governance structures, the operational risk department/unit, roles and responsibilities and operational risk appetite. The operational risk departments have built capacity to carry out their mandate covering: compliance, agency, fraud, systems and products, business process management, AML/CTF and business continuity planning.

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

- Key Risk Indicators
- Risk Controls Self Assessments tools and frameworks
- Risk library
- Scenario analysis covering: external research, trends of internal losses or subjective scenario analysis
- Stress Testing
- Business Process Mapping
- Capital Computation Framework
- Linkage of tools to decision making and controls
- Robust and reliable MIS

Policies and procedures that address the review and approval of new products, activities, processes and systems. There is an approved Anti-Money Laundering Policy for the Group and subsidiaries. The policies are reviewed annually. There exists a structured AML training program which is done to all staff upon induction. Subsequent trainings of agents and staff are however ad-hoc. The Group also maintains Business Continuity Planning and Data Recovery (BCP-DR) Policies. These policies incorporate:

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

The BCP-DR policy and processes involve identification of:

- Critical business operations
- Key internal and external dependencies
- Appropriate resilience levels
- Plausible disruptive scenarios are assessed for their financial, operational and reputational impacts as a continuous exercise

Social and Environmental Risks

The Group has set a risk tone defining its Ethics and Code of Conduct. The Group recognises its responsibility to the society and has developed a number of policy and frameworks to ensure that the risk culture, social and environmental accountability is reflected in its interaction with all stakeholders. These policies include;

Speak Up Policy- it encourages feedback both internally and externally, both positive and negative feedback. The Group provides communication channels to ensure that the SpeakUp governance structure accesses feedback seamlessly. This remains key for the Group to ensure customer driven products and product features. As the government and private sector

RISK MANAGEMENT (Continued)

seek to enhance governance and management frameworks and processes to control corruption among other vices, the Speak up policy becomes instrumental by guaranteeing non-retaliation for non-malicious information sharing.

Consumer Protection Policy – the policy ensures that practices adopted by the Group:

- Provide the customer with a sense of goodwill and comfort in the Bank's character and integrity as a corporate citizen
- Protect the Group from the risks arising from dealing with consumers. Such risks that may arise from 'mis – selling' of financial products to customers include:
  - legal risks, if successful lawsuits from collective actions by customers or enforcement actions by supervisory agencies result in obligations to pay financial compensation or fines;
  - short-term liquidity risks and long-term solvency risks, if retail customers are treated unfairly they shun the financial institution and withdraw their business; and
  - contagion risk, if the problems of one financial institution (or type of financial product) spread across the financial sector.
- Enable the Bank to comply with regulatory Guidelines on Consumer Protection and The Consumer Protection Act.

Social and Environmental Risk Management Policy – The Group remains committed to social and environmental impact in the society within which it operates. The Group social and environmental management systems define the scope of the Groups activities and the appetite for various social and environmental risks. The Group observes local and international, social and environmental standards such as;

- The IFC Exclusion list in credit activities
- NEMA Regulations
- Code of Ethics for Businesses in Kenya
- Sustainable Banking Initiatives by KBA among others

Future Risk Priorities

In the current dynamic domestic and international business environment, the Group will constantly review:

Risk Governance – the Group will continue to review the structural effectiveness for risk management and make necessary changes where necessary. This includes system supports that will help detect, control and monitor risks as they evolve.

Strategic Risks – the Group will continue to drive digitization of products and services and constantly review the risks as markets evolve.

Cyber Security – with continued digitization, cyber security will remain a top priority for the Group.

Regulatory Risks – the Group will continuously monitor regulatory environments in the Group's host countries with a view of adequately implementing any possible regulation.

Country Risks –the Group will continue monitoring transfer restrictions, expropriation and war and civil disturbance in all host countries to take care of country risks.

Social and Environmental Risks – the Group will continue to review processes and products for compliance with international standards in line with Sustained Development Goals and Domestic Law.

AML/CTF – The Group will continue allocating resources to ensure an AML/CTF compliant financial system.

Equity Group Holdings Limited (EGHL/the Group) is required by law to comply with the Anti-Money Laundering laws and the accompanying regulations in the markets it operates in. Additionally, the Group is also required to comply with international regulations such as the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act 2001, Financial Action Task Force (FATF) recommendations and Foreign Account Tax Compliance Act (FATCA). The Group is committed to comply with both the specific provisions and the spirit of all relevant laws and regulations including those that affect its counter party transactions.

EGHL Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) compliance programs ensure that the above requirements are met through specially designated AML/CTF Compliance Officers as underpinned by the Group's policy and regulatory requirements. The Group is guided by Anti-Money Laundering (AML), Customer Due Diligence (CDD), Sanctions list, Anti–Bribery and the Speak-Up policies among others to ensure that its Anti-Money Laundering program is effective. These policies are reviewed on an annual basis, to keep abreast with the emerging issues and the changing environment both locally and globally.

Transaction monitoring is undertaken by applying a risk-based scenarios approach through our automated AML systems. Transactions and account activity involving customers regarded as high risk are subjected to enhance monitoring. Where EGHL has banking subsidiaries outside Kenya, then the subsidiaries are required to report any suspicious transaction to their local Financial Intelligence Units (FIUs). Additionally, an elaborate AML training syllabus, policies and procedures are cascaded to all members of staff, so as to ensure they understand the Group's approach to money laundering deterrence. The review of the Anti-Money Laundering program is undertaken in liaison with business leaders. The Internal Audit ensures that that the program is adequate and offers the requisite assurance.

CORPORATE GOVERNANCE STATEMENT

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 provides investor confidence.

The Group and the Bank have built their 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 have 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 organisation. The Directors subscribe to the Code of Corporate Governance and Practices which is constantly reviewed and which guides them in the fulfilment of their duties and responsibilities to shareholders, customers, employees and respective communities.

DETAILS OF EQUITY GROUP HOLDINGS BOARD MEMBERS

Name	Expertise	Executive/ Non-Executive	Independent/ Non-Independent	Gender	Meeting Attendance
Dr. Peter Munga	Accounting and financial management experience	Non-Executive	Independent	Male	5/5
Dr. James Mwangi	Banking and financial experience, leadership and management of financial institutions	Executive	Non-Independent	Male	5/5
Mr. John Staley	Accounting, management, information and communication technology	Executive	Non-Independent	Male	4/5
Dr. Helen Gichohi	Leadership and international management of social impact and transformational programs	Non- Executive	Non-Independent	Female	5/5
Mr. David Ansell	Management of financial institutions, strategic planning and business development	Non-Executive	Independent	Male	4/5
Mr. Dennis Aluanga	Finance, operations, strategic planning and project management	Non-Executive	Independent	Male	5/5
Mrs. Evelyn Rutagwenda	Accounting, auditing, leadership and management	Non-Executive	Independent	Female	5/5
Mr. Adil Popat	Business administration, management, finance and strategic planning	Non-Executive	Independent	Male	5/5
Mr. Deepak Malik	Investments, management of financial institutions, accounting and privatization in emerging markets	Non-Executive	Non-Independent	Male	5/5

NB. Dr .Helen Gichohi, having retired as the Managing Director of Equity Group Foundation at the end of the year, has changed her status to a Non-Executive Director.

CORPORATE GOVERNANCE STATEMENT (Continued)

The code of corporate practices provides guidance on the following principles among others:

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

The Code states that appointments to the Board shall consider academic qualifications, technical expertise, experience, age and gender. The new Directors are presented to the Central Bank of Kenya for approval and also submitted to the shareholders in an Annual General Meeting for approval.

b. Principle on Board composition

In accordance with the Code, the Board shall ensure that no one person or group of persons shall have unfettered power and that there is an appropriate balance of power on the Board, at least three fifths of the Board shall be Non-Executive members and one third shall be Independent members so that the Board can exercise objective and independent judgment, as well as adequately represent minority shareholders. No one person or block of persons has unfettered power and there is an appropriate balance of power and authority on the Board.

c. Principle on structure of the Board

The principle states that the Board shall be constituted to ensure effectiveness and value addition to the Company. The Code of Corporate Governance has incorporated this guideline by stating that:

The Board should be structured in such a way that it:

a) has proper understanding of, and competence to deal with, the current and emerging issues of the business;

b) exercises independent judgment;

c) encourages enhanced performance of the Group;

d) fairly reflects the Group's shareholding structure; and

e) can effectively review and challenge the performance of the management.

d. Principle on the functions of the Board

The Code states that Directors have the following fiduciary duties:

I. Duty to act within its powers: a Director is required to only exercise their powers for purposes which they were conferred;

II. Duty to promote the success of the Group: a Director is required to act in a way in which the Director considers, is in good faith, would promote the success of the Group for the benefit of its members as a whole, and in so doing, the Director is required to have regard to:

i. the long term consequences of any decision of the Directors;

ii. the interests of the Stakeholders of the Group;

iii. the need to foster the Group's business relationships with customers and others;

iv. the impact of the operations of the Group on the community and the environment;

v. the desirability of the Group to maintain a reputation for high standards of business conduct; and

vi. the need to act fairly as between the Directors and the Shareholders;

III. Duty to exercise independent judgement: a Director must not fetter their discretion when exercising its powers;

IV. Duty to exercise reasonable care, skill and diligence: a Director shall exercise the same care, skill and diligence that would be exercisable by a reasonably diligent person with:

i. the general knowledge, skill and experience that may be reasonably expected of a person carrying out the functions performed by the Director in relation to the Group; and

ii. the general knowledge, skill and experience that the Director has;

V. Duty to avoid conflicts of interest: a Director should identify and disclose the nature of a conflict and procure authorisation for the same if permitted. Conflicts of interest include situational conflicts, transactional conflicts and third party benefits;

VI. Duty not to accept benefits from third parties: a Director is prohibited from accepting a benefit from a third party if the benefit is attributable to the fact that the person is a Director of the Group or to any act or omission of the person as a Director. Benefits received by a Director from a person by whom his or her services (as a Director or otherwise) are provided to the Group are not regarded as conferred by a third party; and

VII. Duty to declare interests in proposed or existing transactions or arrangements.

e. Principle on roles of Chairperson and Chief Executive Officer

The Code recognises the need to differentiate and distinguish between the roles played by the Chairman and those played by the Chief Executive Officer.

The Code states that the Chairperson of the Board shall be an Independent Non-Executive Director. The Chairperson shall lead and manage the work of the Board and ensure that decisions are taken on a sound and well-informed basis.

CORPORATE GOVERNANCE STATEMENT (Continued)

The Chief Executive Officer on the other hand, shall be wholly responsible to the Board for the day to day running of the Group. The collective responsibility of the Group's management is vested in the Chief Executive Officer, who bears ultimate responsibility for all management functions.

f. Principle on tenure of Independent Board members

The Code stipulates that the tenure of an Independent Board member shall not exceed a cumulative term of 9 years. Upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to re-designation as a Non-Independent member.

g. Principle on age limit for Board members

In regards to the age limit of Directors, the Code states that any Director who has reached the age of 70 years shall be required to resign from the office of Director at the following Annual General Meeting. Shareholders shall be informed of such resignation at each Annual General Meeting. If any Director wishes to continue serving in the office of Director, he/she must seek the approval of the Shareholders at an Annual General Meeting.

h. Principle on induction and continuous skills development

The Code points out that on appointment to the Board and to Board committees, all Directors will receive a comprehensive induction on their individual requirements (where applicable) in order to become as effective as possible in their role within the shortest practicable time. These skills and knowledge shall be updated at regular intervals.

The objective of this training is to among others, build an understanding of the nature of the Group, its business and markets, main relationships and ensure an understanding of the role of Directors and the framework within which the Board operates.

i. Principle on insider lending

The Code provides that Directors shall not use their positions to further their personal interests. The Group will not grant or permit to be outstanding any advance, loans or credit facilities to any Non-Executive Director.

j. Principle on Board tools

The Group formulated a Code of Ethics and Conduct, which has been cascaded down to all employees. Additionally, the Group has a Board Charter and a Board calendar developed annually to guide the activities of the Board.

k. Principle on governance and legal audit

With effect from the year 2017, an annual governance audit, to ensure and confirm that it is operating on sound governance practices will be conducted. Additionally, a compliance and legal audit will also be conducted on an annual basis, to assess the level of compliance with applicable laws, regulations and standards.

l. Principle on insider dealings/trading

Insider trading and related investigations may impact upon the goodwill and reputation of the Group with the general public, regulators, and its Stakeholders. The Group seeks as part of its continuing listing obligations, to prohibit insider trading in line with the applicable regulations and statutes. Insider trading is illegal as it enables persons who have access to non-public information to potentially profit or avoid loss from access to such information. An insider trading and market abuse policy has been effected and enforced by the Group.

Compliance with Laws and Regulations

Equity Group Holdings Limited is a financial services provider listed on the Main Investment Market Segment of the Nairobi Stock Exchange (the Exchange) and as such, is bound by and complies with:

a. The Capital Markets Act and all subsidiary legislation made thereunder;

b. The NSE rules and guidelines issued by the Capital Markets Authority (the Authority), the Exchange and any requirements, decisions, or directions given by the Authority and the Exchange;

c. The Banking Act and all prudential guidelines and directions given by the Central Bank of Kenya and other regional regulators; and

d. All other applicable laws and regulations governing the various lines of businesses it is engaged in.

Board Committees

Roles, duties, mandate, membership and meeting attendance

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 Group and Company. In addition, the Group Board has constituted various Committees to assist in discharge of various mandates.

The Committees established at Group Level are as follows:

a. Audit Committee;

b. Governance,Nominations and Compensation Committee;

c. Strategy & Investment Committee; and

d. Risk & Assets and Liabillities Committee (ALCO).

CORPORATE GOVERNANCE STATEMENT (Continued)

The Group Audit Committee

The Group Audit Committee is appointed by the Board with the following mandate:

To provide oversight on:

a. the integrity of the financial statements of the Group;

b. the effectiveness of accounting policies, internal controls and financial reporting function;

c. the effectiveness of the Group internal audit function;

d. the external auditors' qualifications, independence and performance; and

e. other matters as may be referred to it by the Board from time to time.

The Committee operates under delegated authority from the Board and has authority to conduct or authorise investigations into any matters within its scope of responsibility. It meets on a quarterly basis and otherwise as the members of the Committee may deem appropriate.

The Audit Committee at all times is always composed of at least 3 independent and Non-Executive Directors, at least 1 member of whom shall be a member of the Institute of Certified Public Accountants of Kenya (ICPAK), or any other institute recognised by ICPAK.

The period of appointment is determined by the Board, which has the power to remove members or add new members at any time. The Group Internal Auditor is the secretary to the Audit Committee.

The following is the current membership and attendance to the Committee meetings:

1.	Mrs. Evelyn Rutagwenda	Chairperson (4/4)
2.	Mr. Dennis Aluanga	Member (4/4)
3.	Mr. David Ansell	Member (4/4)
4.	Mr. Adil Popat	Member (4/4)

The Governance, Nominations and Compensation Committee

The Board Governance, Nominations and Compensation Committee is a committee of the Board, from which it derives its authority and to which it regularly reports.

The purpose of the Board Governance, Nominations and Compensation Committee is to recommend to the Board the remuneration packages offered to its Executive Directors, including bonuses, deferred awards and long-term incentive awards, pension rights and any compensation arrangements, taking account of the Group's compensation and risk framework and appraisal structures. The Committee also recommends general staff remuneration and human resource related practices and also oversees the Group's corporate governance initiatives and policies.

The responsibilities of the Governance, Nominations and Compensation Committee include:

a. overseeing an organisational culture that values people and supports business by proactively reviewing and approving management proposals on human resource best practices;

b. ensuring that staff terms and conditions of service in the Group match with the industry standards, thereby motivating and retaining competent and qualified staff;

c. regularly reviewing the required mix of skills and experience and other qualities in order to assess the effectiveness of the Board and making recommendations to the Board for new appointments and other changes to the Board ;

d. ensuring that the Chief Executive Officer submits a report, including the peer and self-evaluation reports to the CBK annually on the Board and Directors' evaluations and effectiveness no later than the deadline specified by the Prudential Guidelines; and

e. periodically reviewing the completeness and effectiveness of all corporate governance policies and initiatives, including the Code.

At a minimum, there are always at least 3 members of the Board Governance, Nominations and Compensation Committee, the majority of whom shall be Independent Non-Executive Directors with substantial knowledge about compensation arrangements and an understanding of the Group's risk measurement and management of how different compensation practices can impact the Group's risk profile.

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

1.	Mr. Dennis Aluanga	Chairman (4/4)
2.	Mrs. Evelyn Rutagwenda	Member (4/4)
3.	Dr. James Mwangi	Member (4/4)
4.	Dr. Helen Gichohi	Member (4/4)
5.	Mr. Deepak Malik	Member (4/4)

The Strategy and Investments Committee

The Strategy and Investments Committee is a committee of the Board, from which it derives its authority and to which it regularly reports.

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

The Strategy and Investments Committee, in conjunction with the Group's Senior Management has various responsibilities, some of which are as follows:

CORPORATE GOVERNANCE STATEMENT (Continued)

a. regularly reviewing, discussing and suggesting revisions to the Group's vision and mission;

b. establishing procedural guidelines with the Senior Management for the development of the Group's corporate and investments strategy and its implementation and clearly identifying the goals and expectations for the Group's strategic planning process;

c. providing ongoing critical evaluation of, and accountability for performance within, the corporate and investments strategy, financial limits and operating objectives approved by the Board;

d. understanding, identifying and discussing key issues, assumptions, risks and opportunities that impinge upon the development and implementation of appropriate corporate and investments strategies; and

e. ensuring Group-wide risk and discussion and management are key components of the strategic planning process, including consideration of risk and opportunities relating to the economy, the environment, ethics, finance, leadership, operations, politics, reputation, strategy, competition, technology and other types.

The Strategy and Investments Committee comprises of at least 3 members, who include the Chief Executive Officer and an Executive Director and at least 1 Independent Non-Executive Director.

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

1.	Mr. Deepak Malik	Chairperson (4/4)
2.	Dr. James Mwangi	Member (4/4)
3.	Mr. John Staley	Member (4/4)
4.	Mr. Adil Popat	Member (4/4)
5.	Mr. Dennis Aluanga	Member (4/4)

The Risk & ALCO Committee

The Board Risk & ALCO Committee was constituted mid-year 2016 and is a committee of the Board, from which it derives its authority and to which it regularly reports.

The purpose of the Board Risk & ALCO Committee is to:

a. review and assess the quality, integrity and reliability of risk management;

b. ensure that risk policies and strategies in the Group are effectively managed;

c. ensure the optimisation of the Group's assets and liabilities; and

d. ensure compliance with statutory and legal requirements and Group's policies and procedures.

The Committee operates under delegated authority from the Board. The Risk & ALCO Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility.

The Committee meets at least four times annually, or more frequently as need arises. The quorum required for meetings is two members.

The Risk & ALCO Committee is composed of only Non-Executive Directors, with at least three members. The Committee is chaired by an Independent Non-Executive Director and the Head of Risk is the secretary to the Committee.

The responsibilities of the Risk & ALCO Committee include, among others:

a. Risk Management –reviewing the risk philosophy, strategy and policies recommended by management and ensuring compliance with such policies and with the overall risk profile of the Group.

b. Assets and Liabilities – monitoring and ensuring optimal composition of assets and liabilities within the Group.

c. Liquidity – reviewing the consolidated liquidity position for the banking subsidiaries against regulatory requirements, and solo liquidity positions for the non-banking financial institutions against their respective regulatory requirements.

d. Loan Portfolio/Delinquency Management – reviewing and ensuring that the loan portfolio is well managed in terms of quality and provisioning.

e. Capital Adequacy – Reviewing and ensuring that the Group's capital adequacy is within the regulatory requirements.

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

1 .	Mr. David Ansell	Chairperson (2/2)
2.	Mr. Deepak Malik	Member (1/2)
3.	Mr. Dennis Aluanga	Member (2/2)
4.	Mrs. Evelyn Rutagwenda	Member (2/2)
5.	Dr. Helen Gichohi	Member (1/2)

The Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) forms an intrinsic part of the Pillar II supervisory review

CORPORATE GOVERNANCE STATEMENT (Continued)

framework as detailed by the Basel Committee on Banking Supervision (BCBS). ICAAP refers to a risk based capital planning tool that involves a comprehensive process of assessing the sufficiency of capital to cover existing and projected risk.

Equity Group Holdings Limited performs an Internal Capital Adequacy Assessment which is part of the Banks integrated risk governance and management process that ensures the Group is adequately capitalised. The Group ICAAP framework is reviewed annually to set out current and projected capital needs based on the business strategy, relative to regulatory capital requirements. The assessment serves to ensure that the Group understands its risk profile, has systems in place to monitor and quantify risk exposures and that adequate capital buffers to cover such risks are held. The report details outcomes of Group stress-tests on various risk drivers underlying capital adequacy.

Risk policies and models have been developed and approved by the Board to analyse and control pillar I and II risks. Group risk appetite are continuously monitored to assess capital needs while risk models are frequently validated.

Company Secretary

Mandate and Role

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

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

a. Providing dedicated support for the Board and is a point of reference and support for all Directors;

b. Regularly reviewing, along with the Chairperson, the Board and the Group's governance processes, with a view to ensuring that they are fit for purpose and recommending or developing initiatives to strengthen the governance of the Group;

c. Monitoring and putting in place procedures which allow for compliance with the Constitution, all the applicable regulatory and legal requirements, national and international standards, as well as the Memorandum and Articles of Association of the Company and all internal policies;

d. Maintaining and updating all statutory registers, ensuring that any filing with the Registrar of Companies is done on time and coordinating the publication and distribution of the Group's Annual Report and accounts as well as interim statements;

e. Handling all matters affecting shareholding, queries and requests from shareholders, as well as capital issues and restructuring; and

f. Roles relating to conduct of Board and annual general meetings.

And compliance with continuous listing obligations including disclosures transparency and managing relations with investors and regulators.

Board Changes

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

Chairpersons:

Professor Isaac Muthure Macharia appointed as Chairman of Equity Bank (Kenya)Limited;

Mr. Apollo Makubuya appointed as the Chairman of Equity Bank Uganda;

Mrs. Evelyn Rutagwenda appointed as Chairperson of Equity Bank Rwanda; and

Dr. Patrick Uwizeye appointed as Chairman of Finserve Africa Limited.

Vice Chairman:

Mr David Ansell appointed as Vice Chairman of Equity Group Holdings Limited.

Appointments to the Board:

Dr. Patrick Uwizeye and Mrs Joanna Bichsel were appointed as Non-Executive Directors of Finserve Africa and Equity Bank Rwanda Limited respectively;

Mr. Jack Ngare as the Managing Director of Finserve Africa Limited;

Mr. Eric Karobia as Executive Director of Finserve Africa Limited; and

Mr. Duncan Wales as a Non-Executive Director Equity Investment Bank.

Retirements:

Ms. Rosette Chantal Rugamba retired from the Board of Equity Bank Rwanda; Mr. John Staley from the Boards of Equity Bank Uganda, Tanzania, Rwanda and Finserve; Eng. John Waweru as Executive Chairman of Finserve Africa Limited; Dr. Helen Gichohi from the Board of Equity Group Foundation; Mr. Ali Khalpey from the Board of Equity Investment Bank; Dr. Peter Munga from the Kenya and Tanzania Boards; Helen Alexander from the Board of ProCredit DRC; Mr. John Kibet Barorot from the Board of Finserve and Delphin Rwegasira and Zahra Nuru from the Tanzania Board.

CORPORATE GOVERNANCE STATEMENT (Continued)

Board Evaluation

Board evaluation is performed on an annual basis for each of the banking subsidiaries in the Group, as required by the Central Bank of Kenya and other regional regulators and the Capital Markets Authority. For the financial year 2016, Board evaluation was conducted by an independent consultant, whereby evaluation was performed on the Chairman of the Board ,Board members, including the CEO, Board committees and Company Secretary by means of one on one interviews, as well as questionnaires. The Board evaluation questionnaire focused on the following key areas:

a. Board Structure;

b. Board Composition;

c. Board Role and Responsibilities;

d. Key Board Functions and Processes;

e. Board Information;

f. Board Meetings;

g. Board Relationships;

h. Board Development; and

i. Overall Performance and Contribution.

The resultant reports were filed with the regulators as required.

Training

Training of Directors is undertaken to ensure that Directors keep abreast with modern management trends, as well as familiarise themselves with changes in legislation. Some of the training programs provided to Directors in 2016 were as follows:

a. Navigating the Sea of Change: How to stay afloat;

b. Strathmore Business School: The Effective Director;

c. New Companies Act: Role of Directors; and

d. New Directors underwent extensive induction. This is in accordance with the Group Code that states that on appointment to the Board and to Board committees, all Directors will receive a comprehensive induction on their individual requirements (where applicable) in order to become as effective as possible in their role within the shortest practicable time. These skills and knowledge shall be updated at regular intervals.

The induction process is intended to achieve the following:

i. build an understanding of the nature of the Group, its business and the markets in which it operates;

ii. build a link with the Group's staff;

iii. build an understanding of the Group's main relationships; and

iv. ensure an understanding of the role of a Director and the framework within which the Board operates.

Board Remuneration

It is the responsibility of the Board to determine the remuneration of Directors, subject to Shareholder's approval. Directors' remuneration is sufficient to attract and retain Directors to run the Group effectively and is competitively structured and linked to performance, but is also balanced against the need to ensure that the Group's funds are not used to subsidise an excessive remuneration package. Non-Executive Directors do not receive any salary.

Particulars of compensation of Directors and key personnel are disclosed to the public in the audited financial statements under note 22.

Independence of Chairman

The independence of the chairman is paramount to the successful implementation of good corporate governance practices at board level. The Chairperson of the Board is the individual charged with providing the Board with leadership, and to harness the talents and energy contributed by each of the individual directors. The independent Chairperson can act as the main point of contact for shareholders and may assist to ensure objective board decisions, i.e. to ensure the Board establishes a balance between the interests of management and the Company's stakeholders (including shareholders).

To ensure independence, the Group has appointed a Non-Executive Chairman.

Representation of Retail Shareholders

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

CORPORATE GOVERNANCE STATEMENT (Continued)

The top ten largest shareholders as at 31 December, 2016 were:

Name	No. of Shares	%
NORFININVEST AS	452,581,275	11.99
BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED	208,358,230	5.52
JAMES NJUGUNA MWANGI	127,809,180	3.39
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	122,581,800	3.25
FORTRESS HIGHLANDS LIMITED	101,010,000	2.68
STANDARD CHARTERED NOMINEES LIMITED A/C KE002427	96,738,497	2.56
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9257	95,787,570	2.54
EQUITY NOMINEES LIMITED A/C 00104	93,171,804	2.47
STANBIC NOMINEES LTD A/C NR3530153-1	90,516,255	2.40
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.39
OTHER 28,304 SHAREHOLDERS	2,295,005,281	60.82
TOTAL SHARES	**3,773,674,802**	**100%**

Particulars of Shareholding

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

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

ARISE

ARISE is a leading African investment company that partners with sustainable, locally-owned Financial Services Providers (FSPs) in Sub Saharan Africa. The company was founded by three cornerstone investors namely Rabobank, Norfund and FMO and manages assets in excess of USD 660 million and is operational in over 10 countries.

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

The Company supports the growth and development of FSPs through providing among others technical assistance and management services in the field of governance, management, marketing, innovation, compliance and risk management. ARISE aims to increase the availability of financial services to SMES and will provide a platform for people in Sub-Saharan Africa to empower themselves by opening bank accounts and taking loans; in turn building a better life for their families. Under an investment restructruting arrangement and subject to regulatory approval, ARISE will take over the stake currrently owned by NorfinInvest AS.

About Rabobank

Rabobank is a Dutch cooperative bank that was founded by farmers in the late 19th century. In the Netherlands, Rabobank is an all-finance bank with a strong local presence, providing a variety of products and services to individuals and companies. Rabobank serves 7.4 million clients in the Netherlands and has 506 branches. Internationally, Rabobank has the ambition to be the leading global F&A bank with a presence in over 40 countries serving over 8.6 million clients.

About Norfund

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

About FMO

FMO is the Dutch development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a 45-year proven track-record of empowering people to employ their skills and improve their quality of life. Website: http://www.ariseinvest.com/

About Britam Holdings Limited

Britam is a leading diversified financial services group, listed on the Nairobi Securities Exchange. The group has interests across the Eastern and Southern Africa region, with operations in Kenya, Uganda, Tanzania, Rwanda, South Sudan, Mozambique and Malawi. The group offers a wide range of financial products and services in Insurance, Asset management, Banking and Property.

CORPORATE GOVERNANCE STATEMENT (Continued)

Membership Associations

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

1. Association of Microfinance Institutions (AMFI)
2. Kenya Bankers Association (KBA)
3. Women's World Banking (WWB)
4. Global Network for Banking Innovation (GNBI)
5. Small Business Banking Network (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
14. Aspen Network of Development Entrepreneurs (ANDE)
15. Invest in Africa (IIA)

The following is the shareholding structure as at 31st December, 2016:

Distribution of shareholders

As at 31st December 2016 :

Shareholding	No. of Shareholders	No. of Shares	% Shares Held
1 to 500	10,024	2,550,782	0.07
501 - 5,000	12,809	24,083,941	0.64
5,001 - 10,000	1,986	15,312,298	0.40
10,001 - 100,000	2,644	76,490,861	2.03
100,001 - 1,000,000	560	180,692,308	4.79
1,000,001 and above	291	3,474,544,612	92.07
Total	28,314	3,773,674,802	100.00

Directors shareholding as at 31st December 2016 was as follows:

EGHL Director Shareholding as at 31st Dec 2016		
DIRECTOR	**NO. OF SHARES**	**%**
Peter Kahara Munga	15,417,690	0.41
James Njuguna Mwangi	127,809,180	3.39
Dennis Aluanga	NIL	NIL
Helen Gichohi	116,600	0.00
David Ansell	NIL	NIL
Rutagwenda Evelyn Kamagaju	NIL	NIL
Staley John Allan	NIL	NIL
Adil Popat	NIL	NIL
Deepak Malik	NIL	NIL

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 4.54%.

FINANCIAL REVIEW

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GROUP AND COMPANY INFORMATION

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Gombe Municipality

Marcel Malengo
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Kinshasa DRC

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P.O. Box 60000 - 00200
Nairobi, Kenya

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P.O Box 75104-00200
Nairobi, Kenya

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P.O Box 531
Kigali, Rwanda

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

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

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

Bank of Uganda
P.O Box 7120
Kampala, Uganda

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COMPANY SECRETARY:

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REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2016. In accordance with Section 42 of the Sixth Schedule, Transitional and Saving Provisions, of the Kenyan Companies Act, 2015 this report has been prepared in accordance with Section 157 of the repealed Companies Act, as if that repeal had not taken effect and in accordance of section 22 of the Kenyan Banking Act.

1. ACTIVITIES

The principal objectives of Equity Group Holdings Limited (EGHL) are:

a. to carry on the business of a non-operating 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 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 six banking subsidiaries providing an extensive menu of financial services in the countries it has operations in, as well as six non-banking subsidiaries engaged in providing investment banking and stock-broking, custodial, insurance agency, telecommunication, consulting and infrastructure services whose activities are as shown under note 17(a).

2. RESULTS

The results for the Group are set out on pages 73 to 78.

3. DIVIDENDS

The Board has recommended a dividend of KShs. 2.00 (2015: KShs. 2.00) 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
David Ansell+**	Vice Chairman (Appointed Vice Chairman on 1 March 2017)
Helen Gichohi++	
Dennis Aluanga	
Evelyn Rutagwenda***	
John Staley*	Chief Officer, Innovation & Payments
Adil Popat	
Deepak Malik+****	

\+ Retired by rotation on 31st March, 2016 and were re-elected.

++ Dr Helen Gichohi, having retired as the Managing Director of Equity Group Foundation on 8th February, 2017, changed her status from an Executive Director to a Non-Executive Director.

*	Executive Director
**	American
***	Rwandese
****	Indian

REPORT OF THE DIRECTORS (Continued)

4. DIRECTORS (Continued)

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

Dr. Peter Kahara Munga and Mr David Ansell, having attained the age of seventy, retire in terms of Clause 2.5 of the Capital Markets Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 and offer themselves for re-election;

Dr. Helen Gichohi retires by rotation in accordance with Article 100 of the Company's Articles of Association and being eligible, offers herself for re-election as a director.

Mr. Adil Popat retires by rotation in accordance with Article 100 of the Company's Articles of Association and does not offer himself for re-election.

5. AUDITORS

The Group's auditors, Ernst & Young LLP, have retired by rotation. The board has recommended to the shareholders the appointment of PricewaterhouseCoopers Limited (PWC) as the new auditors in accordance with section 721 (2) of the Companies Act, No. 17 of 2015 and to authorize the directors to fix their remuneration.

6. DIRECTORS REMUNERATION AND RELATED PARTIES TRANSACTIONS

Particulars of compensationof Directors and key personnel together with related parties transactions are disclosed under Note 22 in the audited financial statements.

7. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 13 March, 2017.

BY ORDER OF THE BOARD

MARY WANGARI WAMAE

Company Secretary

21st April 2017

STATEMENT OF DIRECTORS RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company and its subsidiaries (the Group) as at the end of the financial year and of its profit or loss for that year. It also requires the Directors to ensure that the Group maintains proper accounting records that are sufficient to show and explain the transactions of the Group and disclose, with reasonable accuracy, the financial position of the Group. The Directors are also responsible for safeguarding the assets of the Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

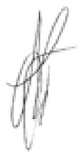
(ii) selecting suitable accounting policies and applying them consistently; and

(iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

Approved by the Board of Directors on 13th March 2017 and signed on its behalf by:



Director

Director

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS

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REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF
EQUITY GROUP HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Equity Group Holdings Limited and its subsidiaries (the group) set out on pages 73 to142, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015*.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code).* We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of financial statements in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS (Continued)

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Key audit matter	How the matter was addressed in the audit
Credit risk and impairment of loans and advances to customers Impairment of loans and advances is a subjective area due to the level of judgment required in determining whether a loss event has occurred and the assumptions applied by management in estimating the amount and timing of future cash flows when determining the impairment losses on the impaired loans. There is a risk that the assumptions used may be inappropriate and hence the estimated impairment loss may be inadequate. Due to the related estimation uncertainty arising from judgement and use of assumptions in determining the impairment losses, this is considered a key audit risk. At the end of each quarter, the group prepares loan impairment loss provision as required by the respective country banking regulator guidelines. The calculations are based on the risk classification of the loans. At the end of each year, the group computes impairment losses on loans and advances using a model, as required by IAS 39 – Financial Instruments: Recognition and Measurement. The computation is based on estimation of the amount and timing of future cash flows when determining the impairment loss for individually impaired significant loans and advances. The group makes judgments about the borrower's financial situation and the net realisable value of collateral in estimation of future cash flows. Impairment loss on loans and advances which are assessed individually and found not to be impaired and all individually insignificant loans and advances are assessed collectively, in groups with similar risk characteristics to reflect losses incurred but not yet identified. Risk characteristics in a group of loans and advances is based on historical loss trends, repayments and risks of the group. The resulting impairment loss is charged to profit or loss. If the total impairment losses as required by the respective country banking regulators guidelines is higher than that determined in accordance with IFRS, the difference is appropriated from retained earnings to a statutory loan loss reserve, as disclosed in note 11 to the financial statements. Disclosures on credit risk and impairment losses on loans advances are detailed in notes 5 b (i) and 11 to the financial statements, respectively.	Our audit procedures included testing the design and operating effectiveness of key controls over the approval, recording and monitoring of loans and advances. We also tested the completeness and accuracy of the underlying loan data used in the impairment calculation by agreeing details to the group's source systems on a sample basis. For impairment losses required by the respective country banking regulators guidelines, we evaluated the aging of a sample of loans within the loan risk classification categories to determine that the loans were included in the right risk category. We also reviewed valuations of collateral to determine whether the forced sale values of securities considered in the computation of specific impairment losses were supported by valuation reports from registered valuers and were based on available market information. We also recomputed the loan impairment losses to check for arithmetical accuracy. For impairment losses on loans and advances determined in accordance with IFRS, we reviewed the accuracy of the model's historical loss rate, trends inputs, and assumptions used by the group. For individually assessed loans and advances, we assessed, for a sample of loans, whether key judgments were appropriate given the borrower's circumstances. The key judgements we evaluated include whether the group's assumptions on the expected future cash flows, including the value of realizable collateral, were based on up to date valuations and available market information. We also recalculated management's impairment losses amount to check for arithmetical accuracy. We also assessed whether the financial statement disclosures appropriately reflect the group's credit risk and impairment losses on loans and advances to customers.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS (Continued)

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Key audit matter	How the matter was addressed in the audit
Reporting in hyperinflationary economies by Equity Bank (South Sudan) Limited With effect from 2016, the South Sudanese economy was considered to be hyperinflationary in accordance with International Practices Task Force (IPTF) which required all registrants in South Sudan to report in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies. As a result, the financial statements of Equity Bank (South Sudan) Limited, which are included in the consolidated financial statements, were restated to reflect the changes in general purchasing power of the South Sudanese Pound as required by IAS 29. We considered this to be a key audit risk due to the effect of the restatement on the group financial statements as result of adjusting Equity Bank (South Sudan) Limited financial statements to reflect the general change in purchasing power as disclosed in note 36 to the financial statements. The main inputs used in the restatement of the financial statements of Equity Bank (South Sudan) Limited are the consumer price index (CPI) between 2009 and 2016 and conversion coefficients derived from the CPI. The conversion coefficients derived from the consumer price index (CPI) in the Republic of South Sudan and the corresponding CPIs are disclosed in note 36 to the financial statements.	We assessed the accuracy of the restated financial statements of Equity Bank (South Sudan) Limited by reviewing the IAS 29 workings prepared by management and evaluating the accuracy of the inputs used in the restatement. We also assessed whether the disclosures in the group financial statements appropriately reflect the impact of hyperinflation reporting in Equity Bank (South Sudan) Limited. .

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Managing Director's statement, statement on corporate governance, corporate information and Directors' Report which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

REPORT OF THE INDEPENDENT AUTHOR TO THE MEMBERS (Continued)

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Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors are responsible for overseeing the group's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS (Continued)

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, 2015 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's statement of financial position and 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 Joseph K Cheboror - P/No. P.1145.

Nairobi, Kenya

31 March 2017

*In accordance with Section 42 of the Sixth Schedule, Transitional and Saving Provisions, of the Companies Act, 2015 the company's financial statements and this report have been prepared in accordance with Sections 147 to 163 of the repealed Companies Act, as if that repeal had not taken effect.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
In millions of Kenya Shillings	Note	2016	2015	2016	2015
Interest income	8	51,841	43,171	69	-
Interest expense	8	(10,027)	(9,249)	-	-
Net interest income		**41,814**	**33,922**	**69**	**-**
Net fee and commission income	9(a)	4,384	3,969	-	-
Net trading income	9(b)	3,382	3,116	-	-
Other operating income	10	14,453	15,048	11,397	8,519
Operating income before impairment losses		**64,033**	**56,055**	**11,466**	**8,519**
Net impairment loss on financial assets	11	(6,646)	(2,433)	-	-
Operating income after impairment losses		**57,387**	**53,622**	**11,466**	**8,519**
Personnel expenses	12	(11,694)	(10,206)	(13)	-
Operating lease expenses	13	(2,040)	(1,639)	-	-
Depreciation and amortisation	14, 15	(4,739)	(4,207)	-	-
Other operating expenses	16	(13,858)	(13,612)	(76)	(697)
Loss on net monetary position (IAS 29)	36	(129)	-	-	-
Total operating expenses		**(32,460)**	**(29,664)**	**(89)**	**(697)**
Profit before income tax		**24,927**	**23,958**	**11,377**	**7,822**
Income tax expense	18	(8,324)	(6,631)	93	(61)
Profit for the year		**16,603**	**17,327**	**11,470**	**7,761**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

		Group		Company	
In millions of Kenya Shillings	Note	2016	2015	2016	2015
Profit for the year		**16,603**	**17,327**	**11,470**	**7,761**
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations		98	(5,752)	-	-
Transfer of available for sale reserve to profit or loss on sale of investments		128	200	-	-
Gain/(loss) on fair valuation of available for sale investments	21	558	(1,308)	-	-
Other comprehensive income for the year		**784**	**(6,860)**	**-**	**-**
Total comprehensive income for the year, net of tax		**17,387**	**10,467**	**11,470**	**7,761**
Profit attributable to:					
Equity holders of the parent		16,546	17,303	11,470	7,761
Non-controlling interest		57	24	-	-
		16,603	**17,327**	**11,470**	**7,761**
Total comprehensive income attributable to: Equity holders of the parent		17,330	10,443	11,470	7,761
Non-controlling interest		57	24	-	-
		17,387	**10,467**	**11,470**	**7,761**
Earnings per share (basic and diluted) (KShs.)	29	**4.38**	**4.65**	**3.04**	**2.09**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		Company	
In millions of Kenya Shillings	Note	2016	2015	2016	2015
Assets					
Cash balances and deposits in financial institutions	19	64,446	70,170	8,012	1,890
Loans and advances to customers	20(b)	266,068	269,893	-	-
Investment securities	21	100,589	42,775	-	-
Amounts due from related parties	22(f)	383	272	704	8,318
Other assets	23	15,438	19,322	1	35
Tax recoverable	18	150	839	8	-
Investments in subsidiary companies	17(a)	-	-	64,721	59,345
Property and equipment	14	13,754	14,056	-	-
Prepaid leases	15 (b)	115	28	-	-
Intangible assets	15(a)	6,407	4,585	-	-
Goodwill	17(d)	3,103	3,103	-	-
Deferred tax assets	24	3,260	3,019	-	-
Total assets		**473,713**	**428,062**	**73,446**	**69,588**
Liabilities					
Deposits from customers	25	337,204	303,206	-	-
Tax payable	18	507	270	-	138
Amounts due to related parties	22(g)	-	-	2,558	2,475
Other liabilities	26	7,879	9,496	1	11
Borrowed funds	27	45,969	42,895	-	-
Deferred tax liability	24	178	59	-	-
Total liabilities		**391,737**	**355,926**	**2,559**	**2,624**
Equity					
Share capital	28(a)	1,887	1,887	1,887	1,887
Share premium	28(b)	16,063	16,063	16,063	16,063
Retained earnings		68,097	59,763	52,937	49,014
Available for sale reserve	28(c)	(779)	(1,465)	-	-
Loan loss reserve	28(d)	2,280	1,615	-	-
Foreign currency translation reserve	28(f)	(6,160)	(6,258)	-	-
Other reserves	28(e)	(113)	(113)	-	-
Non-controlling interests		701	644	-	-
Total equity		**81,976**	**72,136**	**70,887**	**66,964**
Total equity and liabilities		**473,713**	**428,062**	**73,446**	**69,588**

The financial statements were approved by the Board of Directors on 13th March, 2017 and signed on its behalf by:

....	....	....
Dr. Peter K. Munga, CBS	**Dr. James Mwangi, CBS**	**Mary Wangari Wamae**
Director	Director	Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group
In millions of Kenya Shillings

For the year ended 31 December, 2016	Note	Share capital	Share premium	Retained earnings	Loan loss reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Total	Non-controlling interests	Total equity
At 1 January 2016		1,887	16,063	59,763	1,615	(1,465)	(6,258)	(113)	71,492	644	72,136
Total comprehensive income:											
Profit for the year		-	-	16,546	-	-	-	-	16,546	57	16,603
Other comprehensive income		-	-	-	-	686	98	-	784	-	784
Loan reserve transfers		-	-	(665)	665	-	-	-	-	-	-
Final dividend for 2015 paid	28	-	-	(7,547)	-	-	-	-	(7,547)	-	(7,547)
								-			
At 31 December, 2016		**1,887**	**16,063**	**68,097**	**2,280**	**(779)**	**(6,160)**	**(113)**	**81,275**	**701**	**81,976**
For the year ended 31 December, 2015											
At 1 January 2015	28	1,851	12,161	49,720	1,020	(357)	(506)	(113)	63,776	-	63,776
Total comprehensive income:											
Profit for the year		-	-	17,303	-	-	-	-	17,303	24	17,327
Other comprehensive income		-	-	-	-	(1,108)	(5,752)	-	(6,860)	-	(6,860)
Loan reserve transfers	28	-	-	(595)	595	-	-	-	-	-	-
Issue of additional shares	28	36	3,134	-	-	-	-	-	3,170	-	3,170
Loan loss transfers		-	768	-	-	-	-	-	768	-	768
Non-controlling interests from business acquisition	17(c)	-	-	-	-	-	-	-	-	620	620
Final dividend for 2014 paid	28	-	-	(6,665)	-	-	-	-	(6,665)	-	(6,665)
At 31 December, 2015		**1,887**	**16,063**	**59,763**	**1,615**	**(1,465)**	**(6,258)**	**(113)**	**71,492**	**644**	**72,136**

STATEMENT OF CHANGES IN EQUITY

Company
In millions of Kenya Shillings

For the year ended 31 December, 2016	**Share capital**	**Share premium**	**Retained earnings**	**Loan loss reserve**	**Available for sale reserve**	**Total equity**
At 1 January, 2016	1,887	16,063	49,014	-	-	66,964
Total comprehensive income:						
Profit for the year	-	-	11,470	-	-	11,470
Dividends (Note 28(g))						
Final for 2015 paid	-	-	(7,547)	-	-	(7,547)
At 31 December, 2016	**1,887**	**16,063**	**52,937**	**-**	**-**	**70,887**
For the year ended 31 December, 2015						
As at 1 January, 2015	1,851	12,161	47,918	768	(385)	62,313
Total comprehensive income:						
Profit for the year	-	-	7,761	-	-	7,761
Other comprehensive income	-	-	-	-	-	-
Transfer to EBKL	-	-	-	-	385	385
Issue of additional shares (Note 28)	36	3,134	-	-	-	3,170
Loan reserve transfers	-	768	-	(768)	-	-
Dividends (Note 28(g)):						
Final for 2014 paid	-	-	(6,665)	-	-	(6,665)
At 31 December, 2015	**1,887**	**16,063**	**49,014**	**-**	**-**	**66,964**

*EBKL - Equity Bank (Kenya) Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Kenya Shillings	Note	Group 2016	Group 2015	Company 2016	Company 2015
OPERATING ACTIVITIES					
Net profit before taxation		**24,927**	**23,958**	**11,377**	**7,822**
Adjustments for:					
Depreciation on property and equipment	14	3,764	3,376	-	-
Amortisation of intangible assets	15(a)	825	686	-	-
Amortisation of prepaid leases	15(b)	150	145	-	-
(Gain)/Loss on disposal of property and equipment		(63)	26	-	-
Loss on disposal of intangible assets		57	102	-	-
Provision for non-performing loans	11	6,646	2,433	-	-
Dividend received	10	-	-	(19,600)	-
Net interest expense on term borrowings	8	1,890	2,142	-	-
Operating profit before changes in operating assets and liabilities		**38,196**	**32,868**	**8,223**	**7,822**
Loans and advances		(2,821)	(42,382)	-	-
Other assets		3,884	(1,475)	34	(35)
Customer deposits		33,998	38,926	-	-
Related parties		(111)	(83)	7,697	(5,878)
Other liabilities		(1,617)	4,439	(10)	(12)
Cash generated from operations		**71,529**	**32,293**	**(502)**	**1,897**
Income taxes paid	18	(7,420)	(7,926)	(53)	(384)
Net cash generated from operating activities		**64,109**	**24,367**	**(555)**	**1,513**
INVESTING ACTIVITIES					
Purchase of property, equipment	14	(2,736)	(4,673)	-	-
Purchase of intangible assets	15(a)	(2,664)	(2,258)	-	-
Prepaid leases	15(b)	(237)	(67)	-	-
Proceeds from sale of property and equipment		85	2	-	-
Hyper inflation adjustment	14,15(a)	(788)	-	-	-
Acquisition of a subsidiary, net of cash acquired	17(d)	-	3,211	-	(4,546)
Dividend received	10	-	-	19,600	-
Purchase of investment securities	21	(101,337)	(23,961)	-	-
Proceeds from sale of investment securities	21	44,209	28,247	-	-
Net cash (used in)/from investing activities		**(63,468)**	**501**	**19,600**	**(4,546)**
FINANCING ACTIVITIES					
Dividend paid	28(g)	(7,547)	(6,665)	(7,547)	(6,665)
Proceeds from long term borrowings		16,016	20,527	-	-
Repayment of long term borrowings		(12,942)	(10,517)	-	-
Interest paid on term borrowings	8	(1,890)	(2,142)	-	-
Additional capital injected into subsidiaries	17(a)	-	-	(5,376)	-
Proceeds from issue of shares	28(a)(b)	-	3,170	-	3,170
Net cash (used in)/from financing activities		**(6,363)**	**4,373**	**(12,923)**	**(3,495)**
Net (decrease)/increase in cash and cash equivalents		**(5,722)**	**29,241**	**6,122**	**(6,528)**
Effect of foreign exchange differences		(2)	468	-	-
Movement in restricted cash	19	(4,117)	(3,617)	-	-
Cash acquired	17 (c)	-	(7,757)	-	-
Cash and cash equivalents at the beginning of the year		65,374	47,039	1,890	8,418
Cash and cash equivalents at the end of the year	19	**55,533**	**65,374**	**8,012**	**1,890**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Equity Group Holdings Limited (The "Company") is incorporated, registered under the Kenyan Companies Act, 2015 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, Tanzania and Democratic Republic of Congo. Its shares are listed on the Nairobi Securities Exchange, Uganda Securities Exchange and Rwanda Securities Exchange.

The consolidated financial statements for the year ended 31st December, 2016 were authorised for issue according with the resolution of the Directors on 13th March, 2017.

2. Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the effect of the new and amended IFRS and IFRIC interpretations in note 3 below.

2.1 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments 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, 2015.

For the purpose of reporting under the Kenyan Companies Act, 2015, the balance sheet in the financial statements is represented by the statement of financial position and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

(b) Presentation of financial statements

The Group and Company present the 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 enforceable legal 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 statement of profit or loss and other comprehensive income unless required or permitted by an accounting standard or interpretation and as specifically disclosed in the accounting policies of the Group and Company.

(c) Functional and presentation currency

The consolidated financial statements are presented in Kenya Shillings, which is also the Group's and 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 Equity Group Holdings Limited (the Non-Operating Holding Company) and its subsidiaries for the year ended 31 December, 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Preparation (Continued)

(d) Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which the Company obtains control of the subsidiary and ceases to be consolidated from the date on which it 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.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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 the Group's and Company's 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, income and expenses and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and 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. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the Group's and Company's financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/ estimates involved.

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 is not available, judgement is required to establish fair values. The judgements 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 is also 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 Note 5 (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 price indices, country risk and the performance of different groups of borrowers). The impairment losses on loans and advances are disclosed in more detail in Notes 11 and 20(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Accounting Policies (Continued)

2.2 Significant Accounting Estimates, Judgments and Assumptions (Continued)

Impairment of available-for-sale investments

The Group and Company review their 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 and Company 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. The carrying amounts of the investments are disclosed in note 21 to the financial statements.

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 lives and residual values of property and equipment, the Group considers past experience, macro-economic changes, technological obsolescence and maintenance programs. The carrying amounts of the assets are disclosed in notes 14 and 15 to the financial statements.

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. The carrying amount of the deferred tax assets as at 31 December, 2016 is disclosed in note 24 to the financial statements.

3. Changes in Accounting Policies and Disclosures

New and amended standards and interpretations

The Group and Company have applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January, 2016. The Group and Company have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual financial statements of the Group and Company. The nature and the impact of each new standard or amendment is described below:

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 profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Group and Company are both existing IFRS preparers and are not involved in any rate-regulated activities, this standard does not apply.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in Accounting Policies and Disclosures (Continued)

New and amended standards and interpretations (Continued)

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

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 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if 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 applied prospectively. These amendments do not have any impact on the Group, as it does not have any interest in a joint operation.

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

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a 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 applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments 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 their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's and Company's financial statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the 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. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) 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 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 need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 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. This amendment is applied retrospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in Accounting Policies and Disclosures (Continued)

New and amended standards and interpretations (Continued)

Annual Improvements 2012-2014 Cycle (Continued)

IAS 19 Employee Benefits

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. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

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. This amendment is applied retrospectively.

These amendments do not have any impact on the Group.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 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 OCI.

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption 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 Investments in Associates and Joint Ventures 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. These amendments are applied retrospectively and do not have any impact on the Group, as the Group does not apply the consolidation exception.

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 Group's and Company's financial statements are disclosed below. The Group and Company intend to adopt these standards, if applicable, when they become effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in Accounting Policies and Disclosures (Continued)

Standards issued but not yet effective (Continued)

IFRS 9 Financial Instruments

Introduction

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after 1 January, 2018, with early adoption permitted.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories will be replaced by: fair Value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to profit or loss.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to profit or loss, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment, the Group has concluded that:

The majority of loans and advances to banks, loans and advances to customers, cash collateral for reverse repo agreements and cash settlement balances with clearing houses that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9.

Financial assets and liabilities held for trading and financial assets and liabilities designated at FVPL are expected to be continue to be measured at FVPL.

The majority of the debt securities classified as available for sale under IAS 39 are expected to be measured at amortised cost or FVOCI. Some securities, however, will be classified as FVPL, either because of their contractual cash flow characteristics or the business model within which they are held

Debt securities classified as held to maturity are expected to continue to be measured at amortised cost.

Hedge accounting

IFRS 9 allows entities to continue with the hedge accounting under IAS 39 even when other elements of IFRS become mandatory on 1 January, 2018. The Group does not have any hedge instruments.

Impairment of financial assets

Overview

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach

The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Group has established a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in Accounting Policies and Disclosures (Continued)

Standards issued but not yet effective (Continued)

Impairment of financial assets (Continued)

IFRS 9 Financial Instruments (Continued)

To calculate ECL, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e. the difference between the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan.

In comparison to IAS 39, the Group expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

Forward looking information

The Group will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs. The Group considers forward-looking information such as macroeconomic factors (e.g. unemployment, GDP growth, interest rates and housing prices) and economic forecasts. To evaluate a range of possible outcomes, the Group intends to formulate three scenarios: a base case, a worse case and a better case. The base case scenario represents the more likely outcome resulting from the Group's normal financial planning and budgeting process, while the better and worse case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Group will derive an ECL and apply a probability-weighted approach to determine the impairment allowance.

The Group will use internal information coming from internal economic experts, combined with published external information from government and private economic forecasting services. Both the Risk and Finance Management teams will need to approve the forward-looking assumptions before they are applied for different scenarios.

Limitation of estimation techniques

The models that will be applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to need to be made until the base models are updated.

Although the Group will use data that is as current as possible, models used to calculate ECLs will be based on data that is one month in arrears and adjustments will be made for significant events occurring prior to the reporting date.

Amendments to IAS 12 Income Taxes

In January, 2016, through issuing amendments to IAS 12, the IASB clarified the accounting treatment of deferred tax assets of debt instruments measured at fair value for accounting, but measured at cost for tax purposes. The amendment is effective from 1 January, 2017. The Group is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January, 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 9 and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The Group does not anticipate early adopting IFRS 15 and is currently evaluating its impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in Accounting Policies and Disclosures (Continued)

Standards issued but not yet effective (Continued)

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right of use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Group does not anticipate early adopting IFRS 16 and is currently evaluating its impact.

Amendments to IAS 7 Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities will need to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g. gains and losses due to foreign currency movements). The amendment is effective from 1 January 2017. The Group is currently evaluating the impact.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest. Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in Accounting Policies and Disclosures (Continued)

Standards issued but no yet effective (Continued)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The overlay approach

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The temporary exemption is first applied for reporting periods beginning on or after 1 January, 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. The overlay approach requires an entity to remove from profit or loss additional volatility that may arise if IFRS 9 is applied with IFRS 4. When applying the temporary exemption, entities must still provide extensive disclosure that require the application of some aspects of IFRS 9. The amendment is effective from 1 January, 2018. The change will have no impact on the Group and Company as they do not have insurance contracts.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendment is effective from 1 January, 2018. There is no impact on the Group since it does not have investment property.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendment is effective from 1 January, 2018. The Group is currently evaluating the impact.

Annual Improvements 2014-2016 cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards

Deletion of short-term exemptions for first-time adopters - Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Changes in Accounting Policies and Disclosures (Continued)

Standards issued but no yet effective (Continued)

Annual Improvements 2014-2016 cycle (Continued)

IAS 28 Investments in Associates and Joint Ventures

Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice.

The amendment clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January, 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

IFRS 12 Disclosure of Interests in Other Entities

Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from 1 January 2017 and must be applied retrospectively.

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 the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

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

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

. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(a) Business Combinations and Goodwill (Continued)

Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount 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. When 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 and ProCredit Bank subsidiaries. It is the difference between the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and the fair value of the assets and liabilities assumed. After initial recognition, the goodwill is assessed for impairment factoring in the financial performance of the 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 Company's financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

(b) Foreign currency transactions

The Group's consolidated financial statements are presented in Kenya Shillings, which is also the parent company's functional currency. For each entity in the group, the Company determines the 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 into the functional currency at the spot rate of exchange at the reporting date. All differences arising from non-trading activities are taken to other operating income in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition. 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 measured.

(ii) Group companies

On consolidation, the assets and liabilities in foreign operations whose functional currencies are not the currency of a hyperinflationary currency are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at average rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(iii) Hyperinflationary economies

The Group considers an economy to be hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100%. The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated from historical cost into the measuring unit current at the end of the reporting period by applying a general price index. The corresponding figures for the previous period and any information in respect of earlier periods is also stated in terms of the measuring unit current at the end of the reporting period. The restatement is based on conversion factors derived from Consumer Price Indices (CPI) (refer to note 37). For the purpose of consolidation, the results and financial position of a subsidiary whose functional currency is the currency of a hyperinflationary economy are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date. However, the comparative amounts shall be those that were presented as current year amounts in the relevant prior year financial statements, since the Kenya Shilling is the currency of a non-hyperinflationary currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(c) 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 profit or loss on the accrual basis. Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

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

(d) 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 expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(e) 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.

(f) Leases

(i) Determination

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

(ii) Group as a lessee

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 profit or loss on a straight-line basis over the lease term. Contingent rent payable is recognised as an expense in the period in which it is incurred. Prepaid operating leases are accounted for as an asset using the straight-line method of amortisation over the period of the lease.

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

(g) 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.

Current income tax relating to items recognised in OCI or directly in equity is recognised in OCI or equity, respectively and not in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(g) Taxes (Continued)

(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 nor taxable profit or loss; 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 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. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

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 profit or loss.

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.

(h) Financial assets and liabilities

(i) Recognition

The Group initially recognises loans and advances on the date that they are originated. Other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(h) Financial assets and liabilities (Continued)

(iii) Subsequent measurement

Held-to-maturity investments

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 or do not meet the definition of loans and receivables.

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.

Available-for-sale investments

Available-for-sale investments are non-derivative investments that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity or (c) financial assets 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 and credited in the available for sale reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss.

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

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

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, there were no securities recorded at fair value through profit or loss.

Loans and receivables

Loans and receivables 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 receivables 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 receivables at fair value through profit or loss. The losses arising from the impairment are recognised in profit or loss. There were no loans and receivables carried at fair value through profit or loss during the year.

(iv) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(h) Financial assets and liabilities (Continued)

(iv) Derecognition

Financial Liabilities

Financial liabilities are recognised when the Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, plus directly attributable transaction costs incurred.

After initial measurement, the Group's financial liabilities are subsequently measured at amortised cost using effective interest rate method. The Group's financial liabilities include deposits from banks or customers, borrowed funds, amounts due to related parties and other payables.

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 amount of the original liability and the consideration paid is recognised in profit or loss.

(v) 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 enforceable legal 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.

(vi) 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.

(vii) Fair value measurement

The Group measures financial instruments such as derivatives and investment securities at fair value at each reporting date. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(h) Financial assets and liabilities (Continued)

(vii) Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs. Gains or losses on valuation of available-for–sale financial assets are recognised in other comprehensive income. The fair value gains or losses on trading securities are recognised in 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 7 to the financial statements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 7 to the financial statements.

(viii) Identification and measurement of impairment

The Group assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset, or a group of financial assets, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(h) Financial assets and liabilities (Continued)

(viii) Identification and measurement of impairment (Continued)

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, or economic conditions that correlate with defaults.

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 a financial asset and the present value of estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances and the amount of loss is recognisede in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income.

Loans and advances together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced (but only up to the extent of the carrying amount had the impairment not been recognised) by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to profit or loss.

Impairment losses on available-for-sale debt investments are recognised by transferring the difference between the amortised cost and current fair value, less any impairment loss on that investment previously recognised in profit or loss, 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 longer 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.

(ix) Renegotiated loans

Where possible, the Group 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.

(x) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group and the Company 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 profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(h) Financial assets and liabilities (Continued)

(xi) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Group'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 statement of profit or loss and other comprehensive income in credit loss expense. The premium received is recognised in profit or loss in net fees and commission income' on a straight line basis over the life of the guarantee.

(i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and bank balances held with Central Banks in the countries in which the group operates and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are classified as loans and receivables and carried at amortised cost in the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks, unrestricted balances with central banks in the countries in which the Group operates and money market placements.

(j) Borrowing costs

Borrowing costs directly attributable 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 asset. All other borrowing costs are recognised as an expense when incurred. The Group did not have any qualifying assets during the year.

(k) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes any other costs directly attributable to bringing the asset to a working condition for its intended use and the present value of the estimated costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

After initial recognition, property and equipment are measured at cost less accumulated depreciation and impairment losses.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(k) Property and equipment (Continued)

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment in order to write down the carrying amount over its useful life to its residual value. 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 lives or the lease period, whichever is shorter.

The assets' residual values, useful lives and methods of depreciation are reassessed at each financial year-end and adjusted prospectively, as a change in an estimate, if appropriate.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use.

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other operating income in profit or loss in the year the asset is derecognised.

(l) Intangible Assets

The Group's intangible assets include the value of computer software. 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 lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

The Group's and Company's software is developed by external consultants and hence the Group and Company do not incur any research and development costs. Software in test mode stage is held as work in progress until it is certified as fully operational.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For all assets, excluding 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, or the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(n) Provisions

Provisions are recognised when the Group 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.

(o) 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.

(p) 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 profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

(q) Dividends

Dividends are recognised as a liability and deducted from equity in the year in which they are declared when they are approved by the Company's Shareholders. Proposed dividends are disclosed as part of retained earnings in the statement of changes in equity and not a separate component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Significant Accounting Policies (Continued)

(r) Sale and repurchase agreements

Securities purchased from the Central Banks of Kenya, Uganda, Tanzania and Rwanda 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.

(s) Deposits from customers

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

(t) Work In Progress

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

(u) Fiduciary assets

The Group entities provide trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the Group (note 35).

(v) Currency forwards and swaps

The Group enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. The Group may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The Group uses the following derivative instruments:

(i) Currency Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over–the–counter market. The Group has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and result in market risk exposure.

(ii) Currency Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management

(a) Introduction and overview

The Group and Company have 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 has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Board Risk Management Committee, which is responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

(b) Credit risk

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

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Group management through the Chief Executive Officer. Management has delegated this responsibility to head office and branch credit committees as prescribed in the Group's credit charter. A separate Group credit committee, reporting to the Chief Executive Officer, is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees as stipulated in the Group's Credit Charter
- Reviewing and assessing credit risk. The Group credit committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch concerned. Renewals and reviews of facilities are subject to the same review process
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Management of credit risk (Continued)

- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by Group's credit risk department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit department on the credit quality of local portfolios and appropriate corrective action is taken
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the group in the management of credit risk

Each branch is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group credit committee. Each branch has a credit risk manager who reports on all credit related matters to local management and the Group credit committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of branches and Group credit processes are undertaken by internal audit.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December, 2016 and 31 December, 2015 is their carrying amount as illustrated in the tables below:

Exposure to credit risk

(i) Loans and advances to customers

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Individually and collectively impaired				
Grade 3: Substandard	6,908	2,233	-	-
Grade 4: Impaired (doubtful)	10,515	3,962	-	-
Grade 5: Impaired (loss)	1,331	3,111	-	-
Gross amount	**18,754**	**9,306**	**-**	**-**
Allowance for impairment	(8,985)	(5,804)	-	-
Past due but not impaired	**9,769**	**3,502**	**-**	**-**
Collectively impaired-Incurred But Not Reported (IBNR)				
Grade 1: Normal	237,613	252,494	-	-
Grade 2: Watch	20,673	15,878	-	-
Gross amount	**258,286**	**268,372**	**-**	**-**
Allowance for impairment	(1,987)	(1,981)	-	-
Carrying amount	**256,299**	**266,391**	**-**	**-**
Total carrying amount (Note 20b)	**266,068**	**269,893**	**-**	**-**

Grade 1 and 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 Group's credit policy and internal model. These represent the loans and advances that the Group cannot collect according to contractual terms of the loan agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(b) Credit risk (Continued)

(ii) Cash balances and deposits in financial institutions

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
Cash and balances with banks	11,373	8,234	8,012	1,890
Unrestricted balances with Central Banks	18,384	40,315	-	-
Restricted balances with Central Banks	8,913	4,796	-	-
Money market placements	25,776	16,825	-	-
Total	**64,446**	**70,170**	**8,012**	**1,890**

The restricted funds with the Central Banks in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Democratic Republic of Congo are non-interest earning and are based on the value of deposits as adjusted by Central Banks' requirements from time to time. These funds (restricted balances with Central Banks) are not available for use by the Group in its day-to-day operations.

In millions of Kenya Shillings	Group		Company	
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:	**2016**	**2015**	**2016**	**2015**
Cash and balances with banks	11,373	8,234	8,012	1,890
Unrestricted balances with Central Banks	18,384	40,315	-	-
Money market placements	25,776	16,825	-	-
	55,533	**65,374**	**8,012**	**1,890**
Movement in restricted balances:				
At 1 January	4,796	1,179	-	-
Movement during the year	4,117	3,617	-	-
At 31 December	**8,913**	**4,796**	**-**	**-**

(iii) Investment securities

Held to maturity-Government bonds				
At 1 January	20,986	33,257	-	-
Purchase of Investment securities	9,242	1,046	-	-
Retirement of bonds due to maturity	(9,986)	(13,317)	-	-
At 31 December	**20,242**	**20,986**	**-**	**-**
Available for sale-Government bonds				
At 1 January	21,789	15,112	-	-
Purchase of investment securities	92,095	22,915	-	-
Sales of investment securities	(34,223)	(14,930)	-	-
Profit /(loss) on fair valuation	686	(1,308)	-	-
At 31 December	**80,347**	**21,789**	**-**	**-**
Total	**100,589**	**42,775**	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(b) Credit risk (Continued)

(iv) Related parties and other assets

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Other assets:				
Accounts receivable and interest receivable	9,625	11,879	-	-
Currency forwards and swaps	79	50	-	-
Funds in clearing	1,258	1,543	-	-
	10,962	**13,472**	**-**	**-**
Amounts due from related parties (Note 22 (f))	**383**	**272**	**84**	**8,318**

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 groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan balance when the credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding. For smaller balance standardised loans, write-off decisions are generally based on a product specific past due default history.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Loans and advances to customers

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
Against individually impaired:				
Property	4,034	4,073	-	-
Other	1,124	1,135	-	-
Against collectively impaired:				
Property	44,113	44,543	-	-
Equities	2	2	-	-
Other	6,962	7,030	-	-
Against past due but not impaired:				
Property	145,561	146,980	-	-
Equities	3,400	3,433	-	-
Other*	97,626	98,577	-	-
Total	**302,822**	**305,773**	**-**	**-**

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

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	**2016**	**2015**	**2016**	**2015**
Concentration by sector				
Consumer	58,309	52,932	-	-
Micro Enterprises	13,267	17,545	-	-
Agriculture	6,419	7,051	-	-
Small and Medium Enterprises	167,428	122,847	-	-
Large Enterprises	31,616	77,303	-	-
	277,040	**277,678**	**-**	**-**

(c) Liquidity risk

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

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and the Company'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(c) Liquidity risk (Continued)

Exposure to liquidity risk

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

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

At 31 December, 2016	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Democratic Republic of Congo
At 31 December	**48%**	**58%**	**94%**	**41%**	**39%**	**113%**
Average for the year	37%	52%	88%	41%	29%	120%
Maximum for the year	48%	58%	97%	42%	40%	134%
Minimum for the year	25%	46%	82%	32%	26%	100%
Minimum statutory requirement	**20%**	**20%**	**20%**	**20%**	**20%**	**100%**
At 31 December 2015						
At 31 December	**30%**	**60%**	**94%**	**35%**	**28%**	**147%**
Average for the year	29%	52%	88%	30%	25%	117%
Maximum for the year	30%	62%	97%	38%	31%	147%
Minimum for the year	25%	46%	82%	26%	26%	96%
Minimum statutory requirement	**20%**	**20%**	**20%**	**20%**	**20%**	**100%**

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December.

Group - 2016

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 balances and deposits in financial institutions	64,446	-	-	-	-	64,446
Loans and advances to customers	42,076	15,196	18,771	125,651	93,000	294,694
Investment securities	34,902	2,042	3,271	29,403	41,679	111,297
Accounts receivable and interest receivable	9,625	-	-	-	-	9,625
Currency swaps and forwards	79	-	-	-	-	79
Funds in clearing	1,258	-	-	-	-	1,258
Total financial assets	**152,386**	**17,238**	**22,042**	**155,054**	**134,679**	**481,399**
Financial liabilities:						
Deposits from customers	111,031	24,259	21,719	196,211	7	353,227
Borrowed funds	4,750	592	3,077	50,229	5,299	63,947
Other liabilities	7,380	-	-	-	-	7,380
Total financial liabilities	**123,161**	**24,851**	**24,796**	**246,440**	**5,306**	**424,554**
Liquidity gap at 31 December, 2016	**29,225**	**(7,613)**	**(2,754)**	**(91,386)**	**129,373**	**56,845**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(c) Liquidity risks (Continued)

Group - 2015

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 balances and deposits in financial institutions	70,170	-	-	-	-	70,170
Loans and advances to customers	26,093	7,504	22,803	146,376	109,666	312,442
Investment securities	2,627	1,553	20,609	12,532	12,526	49,847
Amounts due from related parties	272	-	-	-	-	272
Funds in clearing	1,543	-	-	-	-	1,543
Currency swaps and forwards	50	-	-	-	-	50
Accounts receivable and interest receivable	11,879	-	-	-	-	11,879
Total financial assets	**112,634**	**9,057**	**43,412**	**158,908**	**122,192**	**446,203**
Financial liabilities						
Deposits from customers	134,172	10,152	22,829	177,601	20	344,774
Borrowed funds	11,920	350	4,453	24,488	7,376	48,587
Other liabilities	4,396	-	-	-	-	4,396
Total financial liabilities	**150,488**	**10,502**	**27,282**	**202,089**	**7,396**	**397,757**
Liquidity gap at 31 December, 2015	**(37,854)**	**(1,445)**	**16,130**	**(43,181)**	**114,796**	**48,446**

Company – 2016

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 balances and deposits in financial institutions	8,012	-	-	-	-	8,012
Amounts due from related party	1	-	-	-	-	1
Total Financial assets	**8,013**	**-**	**-**	**-**	**-**	**8,013**
Financial liabilities						
Amounts due to related parties	2,558	-	-	-	-	2,558
Other liabilities	1	-	-	-	-	1
Total Financial liabilities	**2,559**	**-**	**-**	**-**	**-**	**2,559**
Liquidity Gap at 31 December 2016	**5,454**	**-**	**-**	**-**	**-**	**5,454**

Company - 2015

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 balances and deposits in financial institutions	1,890	-	-	-	-	1,890
Amounts due from related party	8,318	-	-	-	-	8,318
Total Financial assets	**10,208**	**-**	**-**	**-**	**-**	**10,208**
Financial liabilities						
Amounts due to related parties	2,475	-	-	-	-	2,475
Other Liabilities	11	-	-	-	-	11
Total Financial liabilities	**2,486**	**-**	**-**	**-**	**-**	**2,486**
Liquidity Gap at 31, December 2015	**7,722**	**-**	**-**	**-**	**-**	**7,722**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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 32).

Overall authority for market risk management is vested in the Board Risk Management Committee. The Finance and Treasury Departments in collaboration with the Risk Management Department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios

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

Exposure to interest rate risk – non-trading portfolios

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(d) Market risks (Continued)

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

In millions of Kenya Shillings	Carrying amount	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	more than 5 years
31 December, 2016							
Assets							
Cash balances and deposits in financial institutions	64,446	48,673	15,773	-	-	-	-
Loans and advances to customers	266,069	-	42,076	15,196	18,771	107,612	82,413
Investment securities	100,589	-	34,902	2,042	3,271	24,269	36,105
	431,103	**48,673**	**92,751**	**17,238**	**22,042**	**131,881**	**118,518**
Liabilities							
Deposits from customers	337,204	225,234	42,287	18,979	31,616	19,081	7
Borrowed funds	45,969	-	4,750	592	3,077	32,959	4,591
	383,173	225,234	47,037	19,571	34,693	52,040	4,598
Interest rate sensitivity gap at 31 December, 2016	**47,930**	**(176,561)**	**45,714**	**(2,333)**	**(12,651)**	**79,841**	**113,920**
31 December, 2015							
Assets							
Cash balances and deposits in financial institutions	70,170	32,209	37,961	-	-	-	-
Loans and advances to customers	269,893	-	26,093	7,504	22,803	119,517	93,976
Investment securities	42,775	-	2,627	1,553	20,609	5,460	12,526
	382,838	**32,209**	**66,681**	**9,057**	**43,412**	**124,977**	**106,502**
Liabilities							
Deposits from customers	303,206	98,346	77,446	9,486	23,603	94,325	-
Borrowed funds	42,895	-	11,920	350	4,453	19,968	6,204
	346,101	**98,346**	**89,366**	**9,836**	**28,056**	**114,293**	**6,204**
Interest rate sensitivity gap at 31 December, 2015	**36,737**	**(66,137)**	**(22,685)**	**(779)**	**15,356**	**10,684**	**100,298**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Financial Risk Management (Continued)

(d) Market risks (Continued)

Company Interest Rate Risk

In millions of Kenya Shillings	Carrying amount	Less than 3 months	3-6 months
31 December, 2016			
Assets			
Cash and cash equivalents	8,012	8,012	-
	8,012	**8,012**	**-**
Interest rate sensitivity gap at 31 December 2016	**8,012**	**8,012**	**-**
31 December, 2015			
Assets			
Cash and cash equivalents	1,890	1,890	-
	1,890	**1,890**	**-**
Interest rate sensitivity gap at 31 December, 2015	**1,890**	**1,890**	**-**

During the year, an 8% increase/decrease (2015 – 8%) of the annual interest rate would have the following effect on the profit or loss and equity.

	Sensitivity	GROUP Impact on profit or loss	COMPANY Impact on profit or loss	GROUP Impact on equity	COMPANY Impact on equity
2016	+/-8%	+/-3,326	+/-5	+/-2,238	+/-2
2015	+/-8%	+/-2,845	+/-2	+/- 1,992	+/-1

Exposure to other market risks – Non-trading portfolios

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by Treasury and equity price risk is subject to regular monitoring by Board Risk Management Committee. Currently, the exposure to other market risks on non-trading portfolio is not significant in relation to the overall results and financial position of the Group.

(e) Capital Management

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 percent of tier 1 capital.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
Tier 1 capital				
Ordinary share capital (Note 28)	1,887	1,887	1,887	1,887
Share premium (Note 28)	16,063	16,063	16,063	16,063
Retained earnings	68,097	59,763	52,543	49,014
Dividends	(7,547)	(7,547)	(7,547)	(7,547)
Goodwill	(3,103)	(3,103)	-	-
Total	**75,397**	**67,063**	**62,946**	**59,417**
Tier 2 capital				
Collective allowances for impairment (Note 28d)	2,281	1,615	-	-
Qualifying subordinated liabilities	1,968	5,228	-	-
Total	**4,249**	**6,843**	**-**	**-**
Total regulatory capital	**79,646**	**73,906**	**62,946**	**59,417**
Total risk-weighted assets	**420,891**	**375,685**	**67,063**	**59,698**
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	19%	20%	94%	100%
Minimum statutory requirement	**14.5%**	**14.5%**	**14.5%**	**14.5%**
Total tier 1 capital expressed as a percentage of risk-weighted assets	18%	19%	94%	100%
Minimum statutory requirement	**10.5%**	**10.5%**	**10.5%**	**10.5%**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Financial Assets and Liabilities

Group

Accounting classifications and fair values *In millions of Kenya Shillings*	**Held to maturity**	**Loans and receivables**	**Available for sale**	**Other amortised cost**	**Total carrying amount**	**Fair Value**
31 December 2016						
Assets						
Cash and cash equivalents	-	64,446	-	-	64,446	64,446
Loans and advances	-	266,068	-	-	266,068	294,693
Investment securities	20,242	-	80,347	-	100,589	111,297
Amounts due from related parties	-	383	-	-	383	383
Funds in clearing	-	1,258	-	-	1,258	1,258
Currency swaps and forwards	-	79	-	-	79	79
Accounts receivable	-	9,625	-	-	9,625	9,625
	20,242	**341,859**	**80,347**	**-**	**442,448**	**481,781**
Liabilities						
Deposits from customers	-	-	-	(337,204	(337,204)	(353,226)
Borrowed funds	-	-	-	(45,969)	(45,969)	(63,948)
Other liabilities	-	-	-	(7,380)	(7,380)	(7,380)
		-	**-**	**(390,553)**	**(390,553)**	**(424,554)**
31 December, 2015						
Assets						
Cash and cash equivalents	-	70,170	-	-	70,170	70,170
Loans and advances	-	269,893	-	-	269,893	312,442
Investment securities	20,986	-	21,789	-	42,775	49,897
Amounts due from related parties	-	272	-	-	272	272
Currency swaps and forwards	-	50	-	-	50	50
Funds in clearing	-	1,543	-	-	1,543	1,543
Accounts receivable	-	11,879	-	-	11,879	11,879
	20,986	**353,807**	**21,789**	**-**	**396,582**	**446,253**
Liabilities						
Deposits from customers	-	-	-	(303,205)	(303,205)	(344,774)
Borrowed funds	-	-	-	(42,894)	(42,894)	(48,587)
Other liabilities	-	-	-	(4,396)	(4,396)	(4,396)
	-	**-**	**-**	**(350,495)**	**(350,495)**	**(397,757)**

Company

In millions of Kenya Shillings	**Held to maturity**	**Available for sale**	**Loans and receivables**	**Other amortised Cost**	**Total carrying amount**	**Fair Value**
31 December 2016						
Assets						
Cash and cash equivalents	-	-	8,012	-	8,012	8,012
Amounts due from related parties	-		704	-	704	704
Other assets	-	-	1	-	1	1
	-	**-**	**8,717**	**-**	**8,717**	**8,717**
Liabilities						
Amounts due to related parties	-	-	-	(2,558)	(2,558)	(2,558)
Other liabilities	-	-	-	(1)	(1)	(1)
	-	**-**	**-**	**(2,559)**	**(2,559)**	**(2,559)**
31 December, 2015						
Assets						
Cash and cash equivalents	-	-	1,890	-	1,890	1,890
Amounts due from related parties	-	-	8,318	-	8,318	8,318
Other assets	-	-	35	-	35	35
	-		**10,243**	**-**	**10,243**	**10,243**
Liabilities						
Amounts due to related parties	-	-	-	(2,475)	(2,475)	(2,475)
Other liabilities	-	-	-	(11)	(11)	(11)
	-	**-**	**-**	**(2,486)**	**(2,486)**	**(2,486)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Financial Assets and Liabilities (Continued)

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

Valuation methods and assumptions

The 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 values of loans and advances, borrowings and other financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. 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 fair values of remaining available for sale 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, 2016.

(2015: Nil).

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

- Level 1 – using quoted prices in active markets for identical assets or liabilities
- Level 2 – using inputs for the asset or liability other than quoted prices, that are observable either directly or indirectly
- Level 3 – using 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			
Investment securities-available for sale -Treasury bonds	Fair value at closing rate	Quoted prices in active market	7%-21%
Investment securities-held to maturity-Treasury bonds	Fair value at closing rate	Quoted prices in active market	9.5%-12.5%
Level 2			
Cash and cash equivalents	Discounted cash flows		
Currency swaps and forwards	Forward pricing model	Fixed rate and fixed time period	2%-4%
Loans and advances to customers	Discounted cash flows	Constant prepayment R ate	8%-20%
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	7%-9%
Borrowed funds	Discounted cash flow	2.5%+ Libor rate	4%-6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Financial Assets and Liabilities (Continued)

Fair value measurement hierarchy

Group

In millions of Kenya Shillings

At 31 December, 2016	Level 1	Level 2	Level 3	Total
Financial assets fair value disclosures				
Cash and cash equivalents	-	64,446	-	64,446
Loans and advances	-	296,421	-	296,421
Investment securities-held to maturity	30,950	-	-	30,950
Investment securities-available for sale	80,347	-	-	80,347
Amounts due from related parties	-	383	-	383
Funds in clearing	-	1,258	-	1,258
Currency swaps and forwards	-	79	-	79
Accounts receivable and interest receivable	-	9,625	-	9,625
Total financial assets at fair value	**111,297**	**372,212**	**-**	**483,509**
Financial liabilities fair value disclosures				
Deposits from customers	-	(351,969)	-	(351,969)
Borrowed funds	-	(68,925)	-	(68,925)
Other liabilities	-	(7,380)	-	(7,380)
Total financial liabilities at fair value	**-**	**(428,274)**	**-**	**(428,274)**

At 31 December, 2015	Level 1	Level 2	Level 3	Total
Financial assets fair value disclosures				
Cash and cash equivalents	-	70,170	-	70,170
Loans and advances	-	312,442	-	312,442
Investment securities-available for sale	20,986	-	-	20,986
Investment securities-held to maturity	28,911	-	-	28,911
Amounts due from related parties	-	272	-	272
Funds in clearing	-	1,543	-	1,543
Currency swaps and forwards	-	50	-	50
Accounts receivable and interest receivable	-	11,879	-	11,879
Total financial assets at fair value	**49,897**	**396,356**	**-**	**446,253**
Financial liabilities fair value disclosures				
Deposits from customers	-	(344,774)	-	(344,774)
Borrowed funds	-	(48,587)	-	(48,587)
Other liabilities	-	(7,380)	-	(7,380)
Total financial liabilities at fair value	**-**	**(400,741)**	**-**	**(400,741)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Interest Income

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Interest income				
Cash and cash equivalents	1,051	781	69	-
Loans and advances to customers	42,838	37,962	-	-
Investment securities-AFS	5,073	2,263	-	-
Investment Securities-HTM	2,879	2,165	-	-
Total interest income	**51,841**	**43,171**	**69**	**-**
Interest expense				
Deposits from banks	(254)	(278)	-	-
Deposits from customers	(7,883)	(6,829)	-	-
Borrowings	(1,890)	(2,142)	-	-
Total interest expense	**(10,027)**	**(9,249)**	**-**	**-**
Net interest income	**41,814**	**33,922**	**69**	**-**

9. Fee, Commission and Trading Income

(a) Net fee and commission income

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Retail banking credit related fees	1,274	2,043	-	-
Corporate banking credit related fees	2,629	1,727	-	-
Other	481	199	-	-
Total fee and commission income	**4,384**	**3,969**	**-**	**-**

(b) Net trading income

Bonds trading income	309	53	-	-
Foreign exchange gain	3,073	3,063	-	-
	3,382	**3,116**	**-**	**-**

10. Other Operating Income

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Temporary overdrafts/un-cleared effects	973	2,099	-	-
ATM-application & withdrawal fees	1,791	1,663	-	-
Salary remittance commission	1,394	1,256	-	-
Counter withdrawal charges	873	1,079	-	-
Dividend income	-	-	11,300	8,300
Other*	9,422	8,951	97	219
	14,453	**15,048**	**11,397**	**8,519**

* Other income for Group relates to charges on the various products and services offered by the Group companies to the customers, while at Company level, it relates to management fees charged to subsidiary. The dividend income for current was declared and paid during the year (2015 the dividend was declared but paid in 2016. The amount was included as balance due from related party).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Allowances for Impairment

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
At 1 January	7,785	7,386	-	-
Acquisition in PCBL*	-	425	-	-
Specific provisions for the year	6,673	1,525	-	-
General provisions for the year	638	1,503	-	-
Interest suspended during the year**	826	609	-	-
Write-offs during the year	(4,285)	(3,068)	-	-
**IAS 39 adjustment	(665)	(595)	-	-
At 31 December	**10,972**	**7,785**	**-**	**-**

*PCBL – ProCredit Bank Limited

**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	2016	2015	2016	2015
Charge for the year:				
General provisions	638	1,503	-	-
Specific provisions	6,673	1,525	-	-
	7,311	**3,028**	**-**	**-**
**IAS 39 adjustment-write back of over provisions	(665)	(595)	-	-
Net impairment loss on financial assets	**6,646**	**2,433**	**-**	**-**

** The IAS 39 adjustment relates to excess provision for impairment on loans and advances determined in accordance with the Central Banks' prudential guidelines compared with the requirements of IAS 39. The adjustment is recognised as a statutory reserve and accounted for as an appropriation of retained earnings in the statement of changes in equity.

The adjustment for the year has been determined as follows:

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Impairment charge as per IAS 39 requirements	6,646	2,433	-	-
Impairment charge as per Central Banks' prudential guidelines	(7,311)	(3,028)	-	-
IAS 39 adjustment	**(665)**	**(595)**	**-**	**-**

12. Personnel Expenses

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Salaries and other staff costs	11,295	9,852	13	-
Contributions to defined contribution plans	399	354	-	-
	11,694	**10,206**	**13**	**-**

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

13. Operating Lease Expenses

Non-cancellable operating lease rentals paid are as follows:

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Lease rentals	**2,040**	**1,639**	**-**	**-**

The Group leases a number of branch and office premises under operating leases. The leases typically run for a year up to ten years, with an option to renew the lease after that date. Lease payments are increased accordingly to reflect market lease rentals as detailed in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Property and equipment (Group)

In millions of Kenya Shillings	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Village cell banking vans	Work in progress	Total
COST								
At 1 January, 2015	283	8,615	245	4,043	8,254	103	1,032	22,575
Acquisitions(Note 17(b)	898	345	68	366	98	-	162	1,937
Additions	12	727	2	1,151	2,071	-	710	4,673
Transfers	-	657	-	71	603	-	(1,331)	-
Transfer from / (to) intangible assets (Note 15)	-	-	-	-	414	-	(17)	397
Disposals	**-**	**(35)**	**-**	**(29)**	**(25)**	**-**	**-**	**(89)**
At 31 December 2015	**1,193**	**10,309**	**315**	**5,602**	**11,415**	**103**	**556**	**29,493**
Additions	-	602	92	970	637	-	435	2,736
Transfers	-	364	-	120	226	-	(710)	-
Transfer to intangible assets (Note 15)	-	-	-	-	(29)	-	(13)	(42)
Hyper inflation adjustment	-	907	69	308	138	-	60	1,482
Disposals	-	(65)	(32)	(30)	(3)	-	-	(130)
At 31 December 2016	**1,193**	**12,117**	**444**	**6,970**	**12,384**	**103**	**328**	**33,539**
DEPRECIATION							-	
At 1 January, 2015	10	4,006	133	2,133	5,701	64	-	12,047
Charge for the year-2015	86	1079	15	529	1,642	25	-	3,376
Transfers from intangible assets (Note 15)	-	-	-	-	75	-	-	75
Disposals	-	(11)	-	(23)	(27)	-	-	(61)
At 31 December 2015	**96**	**5,074**	**148**	**2,639**	**7,391**	**89**	**-**	**15,437**
Charge for the year-2016	9	1,090	45	818	1,788	14	-	3,764
Transfers to intangible assets (Note 15)	-	-	-	-	(12)	-	-	(12)
Hyper inflation adjustment	-	398	65	136	105	-	-	704
Disposals	-	(51)	(33)	(22)	(2)	-	-	(108)
At 31 December 2016	**105**	**6,511**	**225**	**3,571**	**9,270**	**103**	**-**	**19,785**
NET CARRYING AMOUNT								
At 31 December 2015	**1,097**	**5,235**	**167**	**2,963**	**4,024**	**14**	**556**	14,056
At 31 December 2016	**1,088**	**5,606**	**219**	**3,399**	**3,114**	**-**	**328**	**13,754**

The transfers from intangible assets relate to computer hardware previous categorised as software. The transfers from work in progress to intangible assets relate to computer software that was categorised as computer hardware.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. (a) Intangible Assets

Group

In millions of Kenya Shillings	Software	Work-in-progress	Total
COST			
At 1 January, 2015	4,884	426	5,310
Acquisition (Note 17b)	12	-	12
Additions	1,159	1,099	2,258
Transfers	466	(466)	-
Transfer (to) / from property and equipment (Note 14)	(414)	17	(397)
Disposals	(103)	-	(103)
At 31 December 2015	**6,004**	**1,076**	**7,080**
Additions	110	2,554	2,664
Transfers	946	(946)	-
Transfer from property and equipment (Note 14)	42	-	42
Hyper inflation adjustment	22	-	22
Disposals	(57)	-	(57)
At 31 December 2016	**7,067**	**2,684**	**9,751**
AMORTISATION AND IMPAIRMENT			
At 1 January, 2015	1,885	-	1,885
Charge for the year	686	-	686
Transfer to property and equipment (Note 14)	(75)	-	(75)
Disposals	(1)	-	(1)
At 31 December 2015	**2,495**	**-**	**2,495**
Charge for the year	825	-	825
Transfer from property and equipment (Note 14)	12	-	12
Hyper inflation adjustment	12	-	12
At 31 December 2016	**3,344**	**-**	**3,344**
NET CARRYING AMOUNT **At 31 December 2015**	**3,509**	**1,076**	**4,585**
At 31 December 2016	**3,723**	**2,684**	**6,407**

Amortisation and impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. (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	2016	2015	2016	2015
Cost				
At 1 January	775	708	-	-
Additions	237	67	-	-
At 31 December	**1,012**	**775**	**-**	**-**
Amortisation and impairment				
At 1 January	747	602	-	-
Amortisation for the year	150	145	-	-
At 31 December	**897**	**747**	**-**	**-**
Net carrying amount				
At 31 December	**115**	**28**	**-**	**-**

16. Other Operating Expenses

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Software licensing and related expenses	2,698	2,122	-	-
Auditors' remuneration	43	41	1	1
Other*	11,117	11,449	75	696
	13,858	**13,612**	**76**	**697**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. (a) Investment in Subsidiary Companies

			Company	
In millions of Kenya Shillings	**Activity**	**Shareholding**	**2016**	**2015**
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
Equity Investment Bank Ltd.	Investment banking	100%	420	420
Finserve Africa Ltd.	Telecommunication	100%	1,001	1,001
Equity Bank Uganda Ltd.	Banking	100%	3,965	3,965
Equity Bank South Sudan Ltd.	Banking	100%	5,712	2,537
Equity Bank Rwanda Ltd.	Banking	100%	2,807	2,807
Equity Bank Tanzania Ltd.	Banking	100%	2,815	2,815
Equity Bank (Kenya) Ltd.	Banking	100%	40,733	40,733
Pro Credit Bank Ltd.	Banking	86% (2015: 79%)	6,748	4,546
Total			**64,721**	**59,345**

During the year ended 31 December, 2015, the Company acquired 79% of net assets in Pro Credit Bank operating in Democratic Republic of Congo (note 17(b)).

On 30 September, 2016, additional capital of 782,046 new shares with a par value US$ 10 was issued by Pro Credit Bank Limited to EGHL for a cash consideration of US$ 21 Million (KShs. 2.202 billion). The current shareholding is now 86% while the non-controlling interests are at 14% as at the end of year 2016.

On 30 September, 2016, additional capital of 10,000,000 new shares with a par value of US$ 3 was issued and paid by EGHL in Equity Bank South Sudan Limited for a consideration of US$ 31,060,233 (KShs. 3.175 billion).

The Company (Equity Group Holdings Limited (EGHL)) had eleven wholly owned subsidiary companies as at 31 December, 2016 and one partially owned at 86%.

All the subsidiaries except Equity Bank Uganda Limited, Equity Bank (Rwanda) Limited, Equity Bank Tanzania Limited, Equity Bank Southern Sudan Limited and Pro Credit Bank are incorporated in Kenya.

During the year ended 31 December, 2015, Francis Thuo and Partners Limited, a subsidiary of Equity Investment Bank Limited was disposed off and the loss arising therefrom accounted for in profit or loss.

17 (b) Acquisition of a Subsidiary (ProCredit Bank Limited)

On 30 September, 2015, Equity Group Holdings Limited acquired 79% (86% in 2016) of the net assets of Pro Credit Bank Limited, an unlisted company based in Democratic Republic of Congo and obtained control of ProCredit Bank Limited. The Group acquired ProCredit Bank Limited in line with its 3.0 Growth Strategy focusing on deepening banking services and enhance financial inclusion in Africa.

The goodwill arising from acquisition consists largely of the synergies and economies of scale expected from combining the operations of Equity Group Holdings Limited and ProCredit Bank Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 (b) Acquisition of a Subsidiary (ProCredit Bank Limited) (Continued)

None of goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the fair values of assets acquired and liabilities assumed at the acquisition date, as well as fair value at the acquisition date of the non-controlling interests in ProCredit Bank Limited.

In millions Kenya Shillings	**2015**
Total consideration	**4,546**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash balances and deposits in financial institutions	7,757
Loans and advances to customers	13,341
Other assets	1,864
Property and equipment	1,937
Intangible assets	12
Deferred tax assets	31
Customer deposits	(18,698)
Deposits and balances due to local banking institutions	(25)
Borrowed funds	(2,643)
Tax payable	(76)
Other liabilities	(550)
Total identifiable net assets at fair value	**2,950**
Non-controlling interest measured as share of net assets (21%)	(620)
Share of net identifiable assets at fair value	**2,330**
Goodwill arising on acquisition (Total consideration less share of net identifiable assets at fair value)	**2,216**

From the date of acquisition in 2015, ProCredit Bank Limited has contributed KShs. 964 million of operating income and KShs.194 million to profit before tax from continuing operations of the Group for the year ended 31 December, 2015. If the combination had taken place at the beginning of the year, the contribution to the operating income from continuing operations of the group would have been KShs. 3,577 million and profit before tax from continuing operations would have been KShs. 636 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) Goodwill

In millions of Kenya Shillings	Group 2016	2015
Equity Bank Uganda Limited	887	887
ProCredit Bank Limited	2,216	2,216
Total	**3,103**	**3,103**

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

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**

During the year, management carried out an impairment assessment in respect of goodwill. Since the goodwill arose on purchase of Equity Bank Uganda Limited and ProCredit Bank Limited as subsidiaries, the whole amount is allocated to the subsidiaries to which the Group considers as a cash generating units (CGU). The value in use of the CGU as at 31 December 2016 for Equity Bank Uganda Limited is KShs. 13.086 billion (2015: KShs. 11.777 billion) and for ProCredit Bank Limited is KShs. 8.061 billion (2015: KShs. 7.174 billion). Using past experience, management projected future cash flows of the CGUs 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 dependent on. Management projects that over the next two years, 2017 and 2018, ROA will grow by 21% and 18% respectively for Equity Bank Uganda Limited and 16% and 11% respectively for ProCredit Bank Limited. Profit margins are expected to grow by 20% and 23% for Equity Bank Uganda Limited and 10% and 8% for ProCredit Bank Limited for the respective periods while non-interest income will grow by 40% and 42% for the respective periods for Equity Bank Uganda Limited and 30% and 30% for the respective periods for Pro Credit Bank Limited. Management discounted the future cash flows to present values using the Equity Bank Uganda Limited and Pro Credit Bank Limited weighted average cost of capital which is 15.73% and 15.39% respectively. Management does not expect any significant changes in the assumptions considered in the foreseeable future.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions:-

- Budgeted EBITDA – Budgeted EBITDA has been based on past experience adjusted for efficiencies expected from implementation of Group initiatives.
- Budgeted capital expenditure – The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditures. Capital expenditure includes cash outflows for purchase of property, equipment and computer software.
- Long term growth rate is based on an annual growth rate in EBITDA estimated by management for each of the respective subsidiary.
- Pre-tax risk adjusted discount rate is generally based on the risk free rate of government securities in the respective country adjusted for a risk premium to reflect the increased risk of investing in equities and the systematic risk of the specific Group operating company.

Sensitivity analysis

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. (d) Cash Flows on Acquisition

Purchase consideration: *in million Shillings*	**2015**
Total consideration paid	**(4,546)**
Analysis of cash flows on acquisition:	
Net cash acquired with the subsidiary	7,757
Net cash flow on acquisition (included in cash flows from investing activities)	**3,211**

18. Income Tax

Recognised in profit or loss

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
Current tax expense				
Current year	8,446	7,017	49	61
Prior years overstatement	-	-	(142)	-
Deferred tax expense (Note 24)	(122)	(386)	-	-
Total income tax expense	**8,324**	**6,631**	**(93)**	**61**

Reconciliation of effective tax rate

Profit before tax	**24,927**	**23,958**	**11,377**	**7,822**
Income tax using the enacted corporation tax rate	7,478	7,187	3,413	2,347
The effect of differential tax rate in South Sudan (25% (2015 - 20%))	26	(38)	-	-
The effect of differential tax rate in Democratic Republic of Congo (35%)	25	10	-	-
Other items recognised for tax purposes	(448)	(2,348)	(3,365)	(2,286)
Prior years overstatement	-	-	(142)	-
Non-deductible expenses	1,243	1,820	-	-
Total income tax expense in profit or loss	**8,324**	**6,631**	**(94)**	**61**

Income tax recognised in the statement of financial position

At 1 January	(569)	340	138	461
Charge for the year	8,446	7,017	49	61
Prior years overstatement	-	-	(142)	-
Paid during the year	(7,420)	(7,926)	(53)	(384)
At 31 December	**457**	**(569)**	**(8)**	**138**
Made up of:				
Tax payable	507	270	-	138
Tax recoverable	(150)	(839)	(8)	-
	357	**(569)**	**(8)**	**138**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Income Tax (Continued)

Tax rates are as follows:

In millions of Kenya Shillings

2016	**Group**	**EGHL**	**EBKL**	**EBUL**	**EBSSL**	**EIAL**	**EBRL**	**EBTL**	**PCBL**	**Others***
	30%	30%	30%	30%	25%	30%	30%	30%	35%	30%
Profit before tax	24,927	11,377	22,778	628	(528)	454	396	356	501	264
Income tax using the enacted corporation tax rate	7,478	3,413	6,833	188	(132)	136	119	107	175	79
2015										
Profit before tax	23,958	7,822	22,388	258	382	525	292	401	194	(3)
Income tax using the enacted corporation tax rate	7,187	2,347	6,716	77	76	158	88	120	68	44

EGHL – Equity Group Holdings Limited, EBKL – Equity Bank Kenya Limited, EBUL – Equity Bank Uganda Limited, EBSSL – Equity Bank South Sudan Limited, EBRL – Equity Bank Rwanda Limited, EIA – Equity Insurance Agency Limited, EBTL – Equity Bank Tanzania Limited and PCBL – ProCredit Bank Limited

*Others relate to Equity Investment Bank Limited, Finserve Africa Limited, Equity Nominees Limited, Equity Investment Services Limited and Equity Consulting Group Limited.

19. Cash Balances and Deposits in Financial Institutions

	Group		**Company**	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
Cash and bank balances with banks	11,373	8,234	8,012	1,890
Unrestricted balances with Central Banks	18,384	40,315	-	-
Restricted balances with Central Banks	8,913	4,796	-	-
Money market placements	25,776	16,825	-	-
Total	**64,446**	**70,170**	**8,012**	**1,890**

The restricted funds with the Central Banks in Kenya, Uganda, Tanzania, Rwanda, South Sudan and Democratic Republic of Congo are not interest earning and are based on the value of deposits as adjusted by Central Banks' requirements from time to time. These funds (restricted balances with Central Banks) are not available for use by the Group in its day-to-day operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Cash balances and Deposits in financial Institutions (Continued)

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:				
Cash and balances with banks	11,373	8,234	8,012	1,753
Unrestricted balances with Central Banks	18,384	40,315	-	-
Money market placements	25,776	16,825	-	-
	55,533	**65,374**	**8,012**	**1,753**
Movement in restricted balances:				
At 1 January	4,796	1,179	-	-
Movement during the year	4,117	3,617	-	-
At 31 December	**8,913**	**4,796**	**-**	**-**

20. Loans and Advances to Customers

(a) Loans and advances to customers at amortised cost

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Retail loans				
Consumer	58,309	51,687	-	-
Micro Enterprises	13,267	17,459	-	-
Agriculture	6,419	7,155	-	-
Corporate Loans				
Small and Medium Enterprises	167,428	126,920	-	-
Large Enterprises	31,617	74,457	-	-
Gross amount	**277,040**	**277,678**	**-**	**-**
Current (to be settled in no more than 12 months)	79,179	56,400	-	-
Non-current portion (to be settled more than 12 months after the reporting period)	197,861	221,287	-	-
Gross amount	**277,040**	**277,678**	**-**	**-**

The terms and conditions normally provided for the loans and advances to customers are as follows: Retail loans – Retail loans are comprised of consumer loans, micro-enterprises and agriculture. These are interest bearing facilities to retail customers. Collateral is required except for scheme loans to salaried customers. On average, the tenor is between 6 months to 5 years. These loans are charged processing fees, insurance and legal fees.

Corporate Loans - Consist of Small and Medium Enterprises and Large Enterprises - These are loans to small and medium customers and they are all interest bearing. Collateral is a requirement for all facilities. The tenor is 6 months to 10 years. These loans are charged processing fees, insurance and legal fees.

Overdrafts - These are short-term facilities to customers with urgent need of cash. Collateral is required for all these facilities and the tenor is 6 to 12 months. The only charge on these facilities is the overdraft arrangement fee and legal fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Loans and Advances to Customers (Continued)

(b) Allowance for impairment

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
At 1 January	7,785	7,386	-	-
Charge for the year	6,646	2,433	-	-
Suspended interest	826	609	-	-
Acquisition in PCBL*	-	425	-	-
Write offs	(4,285)	(3,068)	-	-
Total impairment	**10,972**	**7,785**	**-**	**-**
Net loans and advances	**266,068**	**269,893**	**-**	**-**
Current	76,043	55,907	-	-
Non-current	190,025	213,986	-	-
Total	**266,068**	**269,893**	**-**	**-**

*** PCBL- ProCredit Bank Limited**

21. Investment Securities – (Government Bills and Bonds)

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Held to maturity				
At 1 January	20,986	33,257	-	-
Purchase of investment securities	9,242	1,046	-	-
Proceeds from retirement of bonds	(9,986)	(13,317)	-	-
Total Held to Maturity	**20,242**	**20,986**	**-**	**-**
Available for sale				
At 1 January	21,789	15,112	-	-
Purchase of investment securities	92,095	22,915	-	-
Sale of investment securities	(34,223)	(14,930)	-	-
Profit/(loss) on fair valuation	686	(1,308)	-	-
Total available for sale	**80,347**	**21,789**	**-**	**-**
Total	**100,589**	**42,775**	**-**	**-**
Current	85,423	24,789	-	-
Non–current	15,166	17,986	-	-
Total	**100,589**	**42,775**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. parties and related party transactions

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business.

(a) Loans to key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees. The Group considers the Board of Directors, Non-executive and executive directors senior to be key management personnel for the purposes of IAS 24 Related Party Disclosures.

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
At 1st January	1,147	1,027	-	-
Interest charged	83	98	-	-
Loans disbursed	418	289	-	-
Repayments	(419)	(267)	-	-
At 31st December	**1,229**	**1,147**	**-**	**-**
Current	355	311	-	-
Non-current	874	836	-	-
Total	**1,229**	**1,147**	**-**	**-**

(b) Loans to employees

			-	
At 1st January	7,467	5,742	-	-
Interest charged	500	473	-	-
Loans disbursed	2,420	3,795	-	-
Repayments	(2,670)	(2,543)	-	-
At 31st December	**7,717**	**7,467**	**-**	**-**
Current	695	562	-	-
Non-current	7,022	6,905	-	-
Total	**7,717**	**7,467**	**-**	**-**

The loans are secured by property mortgage and are repayable in a period of up to 20 years at an average interest rate of 8%. No impairment losses have been recorded against balances outstanding during the year and no allowance has been made for impairment losses on balances at the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Related Parties and Related Party Transactions (Continued)

(c) Loans to related parties

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
At 1 January	1,068	1,103	-	-
Interest charged	103	92	-	-
Loans disbursed	941	870	-	-
Repayments	(1,034)	(997)	-	-
At 31 December	**1,078**	**1,068**	**-**	**-**
Current	492	487	-	-
Noncurrent	586	581	-	-
Total	**1,078**	**1,068**	**-**	**-**

These are loans to associates of executive and Non-Executive Directors. The total amount of loans and advances granted was in ordinary course of business. These loans are subject to the Group's standard terms and conditions. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.

(d) Key management personnel compensation

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Remuneration to Executive Directors	612	574	-	-
Remuneration to Key Management	2,038	1,959	-	-
	2,650	**2,533**	**-**	**-**
Remuneration to Key Management:				
Salaries and short term benefits	1,957	1,887	-	-
Pensions and other post-employment benefits	81	72	-	-
	2,038	**1,959**	**-**	**-**
Remuneration to Executive Directors				
Pension	22	21	-	-
Remuneration	590	553	-	-
Total	**612**	**574**	**-**	**-**
Remuneration to Non-Executive Directors				
Directors' emoluments	**47**	**38**	**13**	**-**

In addition to their salaries, the Group also contributes to a post-employment defined contribution plan and the National Social Security Fund (NSSF) for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Related Parties (Continued)

(e) Directors' emoluments

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
As non-executive	47	38	13	-
As executives	612	574	-	-
	659	**612**	**13**	**-**

(f) Amounts due from related parties

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Equity Group Foundation	383	272	-	-
Equity Bank (Kenya) Limited	-	-	-	8,000
Equity Insurance Agency Limited	-	-	300	300
Pro Credit Bank Limited	-	-	115	18
Equity investment Bank Limited	-	-	289	-
	383	**272**	**704**	**8,318**

(g) Amounts due to related parties

Equity Bank (Kenya) Limited	-	-	2,132	2,049
Equity Investment Bank Limited	-	-	6	6
Equity Investment Services Limited	-	-	420	420
	-	**-**	**2,558**	**2,475**

Related parties are only the subsidiary companies in addition to Equity Group Foundation, which is a related party by virtue of common directorship. Transactions with related parties are carried out in the normal course of business. The outstanding balances as at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. For the year ended 31 December, 2016, the Group has not recorded any impairment loss on receivables relating to the amounts owed by related parties (2015: 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.

23. Other assets

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Accounts receivable and prepayments	6,282	7,980	-	-
Interest receivable	3,343	3,899	-	-
Funds in clearing	1,258	1,543	-	-
Currency forwards and swaps (Note 34)	79	50	-	-
Other*	4,476	5,850	1	35
	15,438	**19,322**	**1**	**35**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

In millions of Kenya Shillings	Group 2016	Group 2015	Company 2016	Company 2015
Plant, equipment and software	847	693	-	-
Allowance for loan losses	1,878	1,843	-	-
Allowance for accrued leave	52	41	-	-
Unrealised exchange losses	179	124	-	-
Unrealised exchange gains	(1)	(3)	-	-
Tax Losses	127	262	-	-
Net tax asset	**3,082**	**2,960**	**-**	**-**

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

In millions of Kenya Shillings	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, equipment and software	1,024	(177)	847	749	(56)	693
Allowances for loan losses	1,878	-	1,878	1,843	-	1,843
Allowance for accrued leave	52	-	52	41	-	41
Unrealised exchange losses	179	-	179	124	-	124
Unrealised exchange gains	-	(1)	(1)	-	(3)	(3)
Tax losses	127	-	127	262	-	262
	3,260	**(178)**	**3,082**	**3,019**	**(59)**	**2,960**

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

Movements in temporary differences during the year – Group

In millions of Kenya Shillings	At 1 January	Recognised in profit or Loss	Recognised in OCI	At 31 December
2016				
Property, equipment and software	693	154	-	847
Allowances for loan losses	1,845	33	-	1,878
Provision for accrued leave	41	11	-	52
Unrealised exchange losses	124	55	-	179
Unrealised exchange gains	(5)	4	-	(1)
Tax losses	262	(135)	-	127
	2,960	**122**	**-**	**3,082**
2015				
Property, equipment and software	356	337	-	693
Allowances for loan losses	1,892	(49)	-	1,845
Provision for accrued leave	45	(4)	-	41
Unrealised exchange losses	6	118	-	124
Unrealised exchange gains	(25)	22	-	(5)
Tax losses	300	(38)	-	262
	2,574	**386**	**-**	**2,960**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Deposits from customers

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Retail customers				
Term deposits	23,052	23,786	-	-
Current deposits	36,909	31,955	-	-
Transactional deposits	109,840	100,375	-	-
Savings deposits	17,493	18,704	-	-
	187,294	**174,820**	**-**	**-**
Corporate customers				
Term deposits	59,007	35,207	-	-
Current deposits	74,897	76,214	-	-
Transactional deposits	14,791	14,573	-	-
Savings deposits	1,215	2,392	-	-
	149,910	**128,386**	**-**	-
	337,204	**303,206**	**-**	**-**
Current	136,531	145,130	-	-
Non-current	200,673	158,076	-	-
Total	**337,204**	**303,206**	**-**	**-**

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

a) Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified term periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

b) Current accounts – These are non-interest bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.

c) Savings accounts – These are deposits 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.

d) Transaction deposits – These are non-interest bearing accounts that can be used directly as cash without withdrawal limits or restrictions.

26. Other liabilities

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Short term employee benefits	74	26	-	-
Creditors	1,857	4,396	-	-
Other*	5,948	5,074	1	11
	7,879	**9,496**	**1**	**11**
Current	7,495	9,003	-	-
Non-current	384	493	-	-
	7,879	**9,496**	**1**	**11**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Borrowed funds

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
China Development Bank Corporation	2,736	6,731	-	-
ResponsAbility	4,104	4,090	-	-
African Development Bank	15,185	10,225	-	-
KFW	2,404	2,313	-	-
International Finance Corporation(IFC)	15,960	7,953	-	-
European Investment Bank	3,133	1,988	-	-
KFW(Ministry of Finance)-SIPMK	205	222	-	-
Micro Finance Sector Support Credit (Ministry of Finance)	-	66	-	-
Bank of Kigali Rwanda	-	511	-	-
Co-operative Bank of Kenya	-	4,499	-	-
Kenya Commercial Bank	-	1,535	-	-
Standard Chartered Bank Kenya	-	511	-	-
Bank of Africa	-	1,023	-	-
Commercial Bank of Africa	-	500	-	-
I&M Bank, Rwanda	-	204	-	-
FPM, Democratic Republic of Congo (DRC)	416	307	-	-
REFFA Fund, DRC	136	217	-	-
Post Bank, Uganda	283	-	-	-
Commercial Bank of Africa, Tanzania	616	-	-	-
Barclays Bank, Tanzania	279	-	-	-
Bank of India, Tanzania	103	-	-	-
Industrial Credit Bank, Tanzania	153	-	-	-
Diamond Trust Bank, Tanzania	138	-	-	-
Bank of Africa, Tanzania	92	-	-	-
AKCO, Tanzania	26	-	-	-
	45,969	**42,895**	**-**	**-**
Current (to be settled in no more than 12 months)	8,420	16,723	-	-
Non-current portion (to be settled more than 12 months after the reporting period)	37,729	26,172	-	-
	45,969	**42,895**	**-**	**-**

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

i) Medium term loan of US$ 26.67 M (KShs. 2.74 b) from China Development Bank, a company incorporated in China. The loan, which is secured by directors' guarantee, accrues interest at the rate of LIBOR +2.6% margin, plus withholding tax on interest as applicable and will mature on 20th September, 2017. A finance cost of KShs. 291.22 M (2015: KShs. 284.43 M) has been included in profit or loss for the year.

ii) Medium term loan of US$ 55.56 M (KShs. 5.70 b) 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 + 2.75% margin plus witholding tax on interest as applicable and will mature on 15th March, 2019. A finance cost of KShs. 281.77 M (2015: KShs. 276.15 M) has been included in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Borrowed funds (Continued)

iii) Medium term loan of US$ 100 M (KShs. 10.26 B) 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 + 3.15% margin plus withholding tax on interest as applicable and will mature on 15th March, 2023. A finance cost of KShs. 291.1 M (2015: KShs. 276.15 M) has been included in profit or loss for the year.

iv) Loan of US$ 40 M (KShs. 4.10 B) from ResponsAbility, an unincorporated mutual fund organised under Luxembourg law. The loan is secured by directors' guarantee. Out of the loan, US$ 15 M matures on 23rd September, 2019 and accrues interest at a rate of LIBOR +3.07% margin plus interest tax as applicable. US$ 15M accrues interest at the rate of LIBOR +2.95% margin plus withholding tax on interest and matures on 17th November 2020. US$ 10M accrues interest at the rate of LIBOR +2.95% margin withholding tax on interest and matures on 31st March, 2021. A finance cost of KShs. 110.33 M (2015 KShs.108.10 M) has been included in profit or loss for the year.

v) Long term loan of US$ 23.44 M (KShs.2.40 B) 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 +3.3% margin and will mature on 13th December, 2018. A finance cost of KShs. 76.20 M (2015: KShs. 73.10 M) has been included in profit or loss for the year.

vi) Long term loan of US$100 M (KShs.15.19 B) from African Development Bank, an International Financial Institution and Multilateral Development bank with Headquarters at Abidjan, Cote d' Ivoire. The loan, which is secured by directors' guarantee, accrues interest at a rate of LIBOR +2.85% margin and matures on 1st February, 2023. A finance cost of KShs. 119.44 M (2015: KShs. 114.35 M) has been included in profit or loss for the year.

vii) Two medium term loans of USD 16.695 M (KShs. 1.71 B) from European Investment Bank. This is a global facility made available by the Bank under the Partnership Agreement signed in Cotonou on 23rd June, 2000, revised subsequently as the Cotonou Agreement. The loan is secured by directors' guarantee. One loan of USD 8.156M (KShs. 836.83 M) accrues interest at a fixed rate of 2.68% and matures on 16th December, 2019 while the other loan of USD 8.54 M (KShs. 876.08 M) which accrues interest at a fixed rate of 2.95% matures on 16th December 2019. A finance cost of KShs 61.78 M (2015: KShs. 60.04 M) has been included in profit or loss for the year.

viii) Two medium term loans in KShs. of KShs 1.42 B from European Investment Bank, a global facility made available by the bank under the Partnership Agreement signed in Cotonou on 23rd June, 2000 revised subsequently as the Cotonou Agreement. The loan is secured by directors' guarantee; KShs. 733.69 M accrues interest at the fixed rate of 6.85% p.a. and matures on 17th June, 2019 while KShs. 686.29 M accrues interest at the fixed rate of 7.04% p.a. and matures on 17th June, 2019. A finance cost of KShs. 63.21 M (2015: KShs. 60.04 M) has been included in profit or loss for the year.

ix) Medium term loans totalling KShs. 204.70 M from KFW (Ministry of Finance)-SIPMK. The loan, which is secured by directors' guarantee, accrues interest at the fixed rate of 4% p.a. and matures on 30th December, 2024. A finance cost of KShs. 9.22 M (2015: KShs. 8.59 M) been included in profit or loss.

x) Medium term loans of US$ 3 million from FPM. The FPM is an institution created in 2010 under the initiative of UNDP, UNCDF, KFW, World Bank, the German Cooperation and the Swedish Cooperation. The loan, which is secured by directors' guarantee, accrues interest at the rate of 6.5% p.a. A finance cost of US$ 6,780 (2015: US$ 6,500) has been included in profit or loss for the year.

xi) Medium term loans of US$ 2 million from REFFA. The Fund was initiated by KFW Development Bank in order to facilitate the demand-driven and sustainable provision of education finance services in African countries. The loan which is secured by Directors' guarantee accrues interest at the rate of 6.5% p.a. A finance cost of US$ 127,992 (2015: US$ 126,388) has been included in profit or loss for the year.

xii) Equity Bank Uganda Limited borrowed UGX 4 billion at a rate of 10% for days on 28th December 2016 and UGX 3 billion at a rate of 10.75% for 7 days on 29th December 2016 through inter-bank money market from Post Bank, Uganda. Total borrowed funds amounted to KShs 283 million.

xiii) Equity Bank Tanzania Limited borrowed US$1 million at a rate of 5% for 90 days on 7th October 2016, US$ 1 million at a rate of 5% for 92 days on 19th October, 2016, US$1.5 million at 5% for 91 days on 10th November 2016, US$1 million at a rate of 4.7% for 7 days on 28th December, 2016 and US$1.5 million at a rate of 3.5% for 4 days on 30th December, 2016 through inter-bank money market from Commercial Bank of Africa, Tanzania. Total borrowed funds amounted to KShs. 616 million.

xiv) Equity Bank Tanzania Limited borrowed US$ 1million at 4.5% for 30 days on 5th December 2016, US$ 0.8 Million at 4.5% for 32 days on 12th December, 2016 and TShs 2Billion at 16% for 6 days on 27th December, 2016 through inter-bank money market from Barclays Bank, Tanzania. Total borrowed funds amounted to KShs. 279 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Borrowed Funds (Continued)

xv) Equity Bank Tanzania Limited borrowed US$ 0.5 million for 181 days at a rate of 4.55% on 13th September, 2016 and US$ 0.5 million for 90 days at a rate of 4.55% from Bank of India, Tanzania. Total borrowed funds amounted to KShs. 103 million.

xvi) Equity Bank Tanzania Limited borrowed US$ 1.5 million (KShs.153 million) for 30 days at a rate of 4.50% on 30th December, 2016 through inter-bank money market from Industrial Credit Bank, Tanzania.

xvii) Equity Bank Tanzania Limited borrowed US$1.35 million (KShs. 138 million) for 90 days at a rate of 4.50% on 30th December, 2016 through inter-bank money market from Diamond Trust Bank, Tanzania.

xviii) Equity Bank Tanzania Limited borrowed US$ 0.9 million (KShs. 92 Million) for 9 days at a rate of 3.50% on 29th December, 2016 through inter-bank money market from Bank of Africa, Tanzania.

xix) Equity Bank Tanzania Limited borrowed US $ 0.25 million (KShs. 26 million) for 15 days at a rate of 3.75% on 29th December, 2016 through inter-bank money market from AKCO, Tanzania.

28. Share capital and reserves

(a) Share capital

	Group		Company	
In millions of Kenya shillings	**2016**	**2015**	**2016**	**2015**
Authorised, issued and fully paid 3,773,674,802 (2015: 3,773,674,802)				
Ordinary shares of KShs. 0.5 each	**1,887**	**1,887**	**1,887**	**1,887**

Movement in ordinary shares

In millions	**2016**	**2015**	**2016**	**2015**
On issue at 1 January, 2015 (3,702,777,020)	3,774	3,703	3,774	3,703
Issued during the year (70,897,782)	-	71	-	71
On issue at 31 December (3,773,674,802)	**3,774**	**3,774**	**3,774**	**3,774**
In monetary terms:				
At 1 January	1,887	1,851	1,887	1,851
Issued during the year	-	36	-	36
At 31 December	**1,887**	**1,887**	**1,887**	**1,887**

The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The top ten largest shareholders as at 31 December, 2016 were:

Name	**No. of Shares**	**%**
NORFININVEST AS	452,581,275	11.99
BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED	208,358,230	5.52
JAMES NJUGUNA MWANGI	127,809,180	3.39
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	122,581,800	3.25
FORTRESS HIGHLANDS LIMITED	101,010,000	2.68
STANDARD CHARTERED NOMINEES LIMITED A/C KE002427	96,738,497	2.56
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9257	95,787,570	2.54
EQUITY NOMINEES LIMITED A/C 00104	93,171,804	2.47
STANBIC NOMINEES LTD A/C NR3530153-1	90,516,255	2.40
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.39
OTHER 28,304 SHAREHOLDERS	2,295,005,281	60.82
TOTAL SHARES	**3,773,674,802**	**100%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Share Capital and Reserves (Continued)

(b) Share premium

Share premium arose from the issue of shares at a price higher than the par value of the shares. During the year ended 31 December, 2015, the Company issued 70,897,782 shares at a premium of KShs. 3,134,390,942.

(c) Available for sale reserve

The available for sale (AFS) reserve is attributable to marking to market of investment securities classified under the available-for-sale category. All unrealised gains and losses are recognised in other comprehensive income and credited to AFS reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss.

(d) Loan loss reserve

The loan loss reserve represents excess loan loss provision determined in accordance with the prudential guidelines issued by the Central Banks of the countries in which the group operates compared with the requirements of International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement. This amount is not available for distribution.

(e) Other reserves

The other reserves represent pre-acquisition reserves from Equity Bank Uganda Limited. This amount is not available for distribution.

(f) Foreign currency translation reserve

The foreign exchange translation reserve represents translation of the financial statements of the subsidiaries from Uganda Shillings, South Sudan Pounds, Tanzania Shillings, Rwanda Francs and US Dollars for Pro Credit DRC Limited to Kenya Shillings. This amount is not available for distribution.

(g) Dividends

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

Cash dividends on ordinary shares declared and paid:

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
Final dividend declared and paid for 2015 KShs. 2:00 per share (2014– KShs.1.80)	7,547	6,665	7,547	6,665

Proposed dividends on ordinary shares

Final dividend for 2016 KShs. 2.00 per share (2015– KShs. 2.00)	7,547	7,547	7,547	7,547

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

There is no income tax consequences arising from the retention or distribution of the retained earnings during the year (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per share for the group as at 31 December 2016 is based on the profit attributable to ordinary shareholders of KShs.16,603 million (2015: KShs.17,303 million) and the weighted average number of ordinary shares outstanding of 3,774 Million (2015: 3,721 million).

The calculation of basic earnings per share for Company as at 31 December, 2016 is based on the profit attributable to ordinary shareholders of KShs. 11,471 million (2015: KShs. 7,761 million) and the weighted average number of ordinary shares outstanding of 3,774 million (2015: 3,721 million).

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Profit for the year attributable to equity shareholders	**16,063**	**17,303**	**11,471**	**7,761**
Number of shares: (in millions)				
Issued ordinary shares at 1 January (3,773,674,802) (2015: 3,720,501,466)	3,774	3,703	3,774	3,703
Issue of additional shares	-	71	-	71
Issued ordinary shares at 31 December (3,773,674,802)	**3,774**	**3,774**	**3,774**	**3,774**
Weighted average number of ordinary shares at 31 December 2016 - 3,773,674,802 (2015: 3,720,501,466)	**3,774**	**3,721**	**3,774**	**3,721**
Basic earnings per share (in Kenya Shillings)	4.38	4.65	3.04	2.09
Diluted earnings per share (in Kenya Shillings)	4.38	4.65	3.04	2.09

30. Off-Balance Sheet Contingencies and Commitments

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	Group		Company	
In millions of Kenya Shillings	2016	2015	2016	2015
Guarantees and standby letters of credit	19,579	15,345	931	390
Letters of credit, acceptances and other documentary credits	16,098	5,090	-	-
	35,677	**20,435**	**931**	**390**

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 Group 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 Group 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 Group expects most acceptances to be presented and reimbursement by the customer is almost immediate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Off-Balance Sheet Contingencies and Commitments (Continued)

Commitments

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

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
Capital commitments	104	167	-	-
Loans approved but not disbursed	8,601	15,070	-	-
	8,705	**15,237**	**-**	**-**

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

In millions of Kenya Shillings

Group - 2016	**0 - 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 Years**	**Total**
Guarantees and standby letters of credit	5,333	4,842	4,421	4,982	19,579
Letters of credit, acceptances and other documentary credits	8,722	6,497	108	771	16,098
Capital commitments	104	-	-	-	104
Loans approved but not disbursed	8,601	-	-	-	8,601
Total commitments and guarantees	**22,760**	**11,339**	**4,529**	**5,753**	**44,382**
Group - 2015					
Guarantees and standby letters of credit	6,509	2,764	2,548	3,524	15,345
Letters of credit, acceptances and other documentary credits	3,265	538	1,287	-	5,090
Capital commitments	167	-	-	-	167
Loans approved but not disbursed	15,070	-	-	-	15,070
Total commitments and guarantees	**25,011**	**3,302**	**3,835**	**3,524**	**35,672**

In millions of Kenya Shillings

Company – 2016	**0 - 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 Years**	**Total**
Guarantees and standby letters of credit	**-**	**-**	**931**	**-**	**931**
Company – 2015					
Guarantees and standby letters of credit	**-**	**-**	**390**	**-**	**390**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Off-Balance Sheet contingencies and Commitments (Continued)

Group leases

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

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

	Group	
In millions of Kenya Shillings	**2016**	**2015**
Within one year	685	545
After one year but not more than five years	4,227	3,956
More than five years	5,823	5,501
	10,735	**10,002**

31. Retirement Benefit Obligations

The Group contributes to statutory defined contribution pension schemes the National Social Security Fund (NSSF), for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

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

	Group		Company	
In millions of Kenya Shillings	**2016**	**2015**	**2016**	**2015**
National Social Security Fund	48	42	-	-
Pension Scheme	351	312	-	-
	399	**354**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Foreign Currency Exposure – Group

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on foreign currency positions. The foreign currency positions are monitored on daily basis and 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.

In millions of Kenya Shillings	US$	GBP	Euro	ZAR	JPY	Others	Total
As at 31 December, 2016:							
Assets							
Cash and cash equivalents	30,759	731	1,712	74	85	424	33,785
Loans and advances to customers	86,456	45	317	-	-	-	86,818
Other assets	2,152	256	90	-	-	1	2,499
Total Assets	**119,367**	**1,032**	**2,119**	**74**	**85**	**425**	**123,102**
Customer deposits	66,932	279	2,777	2	-	22	70,012
Borrowed funds	45,167	-	-	-	-	-	45,167
Other liabilities	2,610	15	126	-	-	-	2,751
Total liabilities	**114,709**	**294**	**2,903**	**2**	**-**	**22**	**117,930**
Net financial position	**4,658**	**738**	**(784)**	**72**	**85**	**403**	**5,172**
As at 31 December 2015							
Cash and cash equivalents	10,180	1,181	1,155	7	56	682	13,261
Loans and advances to customers	66,583	5	-	-	-	-	66,588
Other assets	1,044	95	24	7	-	66	1,236
Total Assets	**77,807**	**1,281**	**1,179**	**14**	**56**	**748**	**81,085**
Customer deposits	35,906	244	1,136	1	-	441	37,728
Borrowed funds	39,666	-	6	-	-	127	39,799
Total liabilities	**75,572**	**244**	**1,142**	**1**	**-**	**568**	**77,527**
Net financial position	**2,235**	**1,037**	**37**	**13**	**56**	**180**	**3,558**

	Changes in EUR	Effect on profit before tax	Effect on equity
2016	±3%	±42	±29
2015	±2%	±38	±27

	Changes in USD	Effect on profit before tax	Effect on equity
2016	±4%	±2,105	±2,105
2015	±5%	±1,981	±1,981

	Changes in GBP	Effect on profit before tax	Effect on equity
2016	±3%	±123	±123
2015	±2%	±112	±112

The analysis calculates the effect of a reasonably possible movement of the currency rate against other currencies on the income statement and equity. A negative amount in the table reflects a potential net reduction in the income statement or equity, while a positive amount reflects a net potential increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Segment Information

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.

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.

Operating segments

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

In millions of Kenya Shillings	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Democratic Republic of Congo	Total
At 31 December, 2016							
Total asset	372,315	18,243	11,070	15,676	23,838	32,571	473,713
Total liabilities	307,345	16,010	7,503	12,888	20,877	27,113	391,736
Net interest income	35,165	1,887	(55)	1,066	1,168	2,583	41,814
Total operating income	51,988	2,847	895	1,659	1,971	4,673	64,033
Depreciation and amortization	3,909	137	68	144	168	313	4,739
Additions to property and equipment	1,239	191	152	57	152	945	2,736
Additions to intangible assets	2,608	3	-	-	1	52	2,664
Total expenses including impairment of financial assets	28,414	2,218	1,423	1,263	1,616	4,172	39,106
Profit before tax	23,574	628	(528)	396	356	501	24,927
At 31 December, 2015							
Total asset	328,866	18,846	19,474	12,691	20,772	27,414	428,063
Total liabilities	267,866	16,959	18,600	9,985	18,116	24,400	355,926
Net interest income	29,487	1,246	799	959	937	495	33,923
Total operating income	42,599	2,515	3,219	1,733	1,892	4,097	56,055
Depreciation and amortization	3,465	138	224	128	108	64	4,127
Additions to property and equipment	4,147	70	8	119	317	12	4,673
Additions to intangible assets	2,213	13	-	6	17	9	2,258
Total expenses including impairment of financial assets	14,425	1,824	2,360	11,617	1,137	734	32,097
Profit before tax	22,431	258	382	292	401	194	23,958

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 Group's total revenue in 2016 or 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Segment Information (Continued)

The Group's operating segments are reported based on financial information provided to the Strategy and Investment committee which is the key management committee and represents the decision making organ.

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 this clientele. The lending is done through group methodology

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Currency Forwards and Swaps

The table below shows the fair values of currency forwards and swaps recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off balance sheet asset/liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	Notional amount asset	Notional amount liability	Fair value of asset	Fair value of liability	Notional amount asset	Notional liability amount	Fair value of asset	Fair value of liability
In millions of Kenya Shillings	**2016**				**2015**			
Forward exchange contracts	4,706	4,641	4,707	4,675	7,873	7,657	7,951	7,864
Swaps	2,501	2,477	2,536	2,490	12,396	12,327	12,358	12,396
Spot	-	-	-	-	89	89	89	88
	7,207	**7,118**	**7,243**	**7,164**	**20,358**	**20,073**	**20,398**	**20,348**

The Group has netting agreements in place with counterparties to manage the associated credit risks. These netting agreements and similar arrangements generally enable the counterparties to set-off liabilities against available assets received in the ordinary course of business and/or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate, all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus reducing credit exposure.

The table below summarises the currency forwards and swaps subject to offsetting and enforceable netting agreements whose net amounts are presented in other assets.

	Fair value of asset	Fair value of liability	Net amount presented	Fair value of asset	Fair value of liability	Net amount presented
In millions of Kenya Shillings	**2016**			**2015**		
Forward exchange contracts	4,707	4,674	33	7,951	7,864	87
Swaps	2,536	2,490	46	12,358	12,396	(38)
Spot	-	-	-	89	88	1
	7,243	**7,164**	**79**	**20,398**	**20,348**	**50**

35. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These financial instruments comprise deposits with financial institutions, government securities and quoted and unquoted securities, among others. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of maladministration or under-performance. The Group's Custodial Services department holds assets on behalf of customers with a value of KShs. 53.227 billion (2015 – KShs. 40.31 billion). The income for the period for custodial services was KShs. 63.56 million (2015- KShs. 47.87 million) while the expenses amounted to KShs. 27.48 million (2015 - KShs. 18.92 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Hyperinflation Accounting

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria in IAS 29. Accordingly, adjustments and reclassifications for the purposes of presentation of financial statements include restatements in accordance with IAS 29, for changes in general purchasing power of the South Sudanese Pound. The financial statements are based on historical cost approach. The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of measuring unit current at the reporting date.

On the application of IAS 29, the Group used conversion coefficients derived from the consumer price index (CPI) in the Republic of South Sudan. CPIs and the corresponding conversion coefficients are presented below:

Year	CPI	Conversion coefficient
2009	73	39
2010	82	34
2011	135	21
2012	170	16
2013	155	18
2014	170	16
2015	357	8
2016	2,799	1

The application of IAS 29 resulted in an adjustment for the loss of purchasing power of the South Sudanese Pound recorded in profit or loss.

In the current year, Equity Bank South Sudan was holding excess of monetary assets over monetary liabilities which resulted in a loss on the net monetary position. The movement is shown as below:

In millions of Kenya Shillings	**2016**
Monetary liabilities at 1 Jan 2016	28,473
Increase in net monetary liabilities during the year	15,613
Monetary Liabilities at 31 Dec 2016 per movement	**44,086**
Restated monetary liabilities at 31 Dec 2016	(7,419)
Gain on monetary liabilities (A)	**36,667**
Monetary assets at 1 Jan 2016	29,343
Increase in net monetary assets during the year	17,975
Monetary assets at 31 Dec 2016 per movement	**47,318**
Restated monetary assets at 31 Dec 2016	(10,522)
Loss on monetary assets (B)	**36,796**
Net monetary position loss (A-B)	**(129)**

37. Events After the Reporting Period

There have been no events after the reporting date that require adjustment to, or disclosure in, these financial statements.

OTHER INFORMATION

BOARD OF DIRECTORS PROFILES

EQUITY GROUP HOLDINGS LIMITED

PETER MUNGA, CBS
NON-EXECUTIVE CHAIRMAN

Dr. Munga is a Certified Public Secretary with vast experience in both public and private sector management. He holds two Honorary doctorates, Doctor of Letters (Honoris Causa) from The University of Nairobi, and Entrepreneurship (Honoris Causa) from Kenya Methodist University. He has a diploma in Human Resources and Financial Management. He has received the highest presidential award to a civilian, the First Class Chief of the Order of the Burning Spear (CBS) national decoration, for his outstanding contributions in economic development. He is the Chairman of Pioneer Group of Schools, Equatorial Nut Processors Ltd, Freshco Seeds Ltd and Murang'a Water and Sewerage Company (MWASCO). He is the current Chancellor of Pioneer International University. He is a Director with Britam Holdings Ltd and Housing Finance Group.

DAVID R. ANSELL
NON-EXECUTIVE VICE 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. David R. Ansell was appointed as a Director of Equity Bank in 2012, and also serves as the Chairman of the Board of Directors of Equity's Group 100% owned subsidiary in Tanzania; ProCredit (DRC) and 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.

JAMES MWANGI, CBS
MANAGING DIRECTOR AND 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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. 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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

JOHN STALEY
CHIEF OFFICER-INNOVATION & PAYMENTS

Mr. Staley has a Master's 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.

HELEN GICHOHI, MBS
NON-EXECUTIVE DIRECTOR

Dr. Gichohi holds a Ph.D. 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 (MBS) awarded by the Kenyan Government in recognition of her outstanding contribution in conservation. 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 and previously served on Kenya Wildlife Service.

BOARD OF DIRECTORS PROFILES (Continued)

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 KAMAGAJU RUTAGWENDA
NON-EXECUTIVE DIRECTOR

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She was appointed as a Director of Equity Group Holdings Limited in 2014 and also serves on the Boards of Directors of Equity Bank Rwanda Limited and Equity Bank Uganda Limited. 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. Mrs Rutagwenda spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR). She chaired the Steering Committee that was charged with organizing the accounting profession in Rwanda and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio, and elected member of the Governing Council. She is currently the Vice – Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

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.

DEEPAK MALIK
NON-EXECUTIVE DIRECTOR

Mr. Malik Deepak joined Norfund as an Investment Director in 2003 where his efforts are spent in promoting Norwegian investments in Southern Africa and the region. He is also Head of Department – Financial Institutions and is a part of the Management team of Norfund. Prior to joining Norfund he worked as CEO of DBZ (Development Bank of Zambia) and Senior Executive positions in ZCCM (Zambia Consolidated Copper Mines Limited). Deepak has over 35 years' experience and holds various Board positions in industry, including banks across Southern and Eastern Africa. He holds a Bachelor Degree in Commerce and is a fellow member of the Institute of Chartered Accountants India, 1981.

MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

BOARD OF DIRECTORS PROFILES (Continued)

EQUITY BANK (KENYA) LIMITED

ISAAC MUTHURE MACHARIA
NON-EXECUTIVE CHAIRMAN

Prof. Macharia holds a Master of Medicine in Otorhinolaryngology, Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi and is a Fellow of the College of Surgeons of East, Central and Southern Africa (COSECSA). He is a Professor of ENT, Head and Neck Surgery at the University of Nairobi and has a depth of experience in the medical field for over thirty (30) years. He is the East African regional advisor for CBM in Ear and Hearing Care as well as being the Regional Secretary for Africa and the Middle East, International Federation of Otorhinolaryngological Societies (IFOS). He is a past President of the Pan African Federation of Otorhinolaryngological Societies (PAFOS). He is a member of The Starkey Hearing Foundation Global Initiative Advisory Board. Prof Macharia was the founder Chairman of the Allergy Society of Kenya and is also the founder Chairman of the Cochlear Implant Group of Kenya (CIGOK). He is Chairman of Savannah Informatics, Jadala Investments and Co-founder and Chairman, Otolaryngology Associates and Nairobi ENT Clinic.

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

BHARTESH SHAH
CHIEF OPERATIONS OFFICER

Mr. Shah holds an MBA from the University of Warwick and a Bachelor of Science (Hons.) in Banking and Finance from Loughborough University. He has over 20 years of experience in banking industry with multiple financial institutions in various capacities and in different locations globally. 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 and CEO of Standard Chartered Investment Services. Bhartesh joined Equity Bank in 2015. Bhartesh is married with two children

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

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. David R. Ansell was appointed as a Director of Equity Bank in 2012, and also serves as the Chairman of the Board of Directors of Equity's Group 100% owned subsidiary in Tanzania; ProCredit (DRC) and 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.

BOARD OF DIRECTORS PROFILES (Continued)

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 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.

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).

MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

BOARD OF DIRECTORS PROFILES (Continued)

EQUITY BANK UGANDA LIMITED

APOLLO MAKUBUYA
NON-EXECUTIVE CHAIRMAN

Mr. Makubuya is a Senior Partner at MMAKS Advocates and works with the Corporate Advisory Team. He mainly advises mining companies, banks, regional and international investors on corporate, commercial law and tax issues. He also has extensive experience in the field of international human rights law. Before going into private practice, Apollo worked as a legal advisor at a private bank and was the Assistant Head of the Financial Sector Adjustment Credit (FSAC) Division of the Bank of Uganda. While at the Uganda law reform commission, Apollo was in charge of reforming the laws applicable to business associations in the country. Apollo has also consulted extensively on human rights, development and corporate law issues with the Uganda human rights commission, DANIDA and UNDP. Apollo is a graduate of Cambridge University, UK and holds a first class Honours bachelor's law degree from Makerere University. He is also the Deputy Prime Minister of the Kingdom of Buganda.

SAMUEL KIRUBI
MANAGING DIRECTOR

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

ANTHONY KITUUKA
EXECUTIVE DIRECTOR

Mr. Kituuka holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA). He has over 10 years banking experience and has previously worked with Kenya Commercial Bank (KCB) as the Head of Global Corporates and Barclays Bank Uganda Limited as Head of Business Banking. He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

PETER KIMBOWA
NON-EXECUTIVE DIRECTOR

Mr. Kimbowa is the team leader CEO Summit Uganda and is an Executive Coach, Internationally certified trainer, speaker, consultant and author. He is a Board member in ESKOM (U), Baylor College of Medicine(Mulago and Texas)and Financial Sector Deepening Initiative of Executive Coaching Association for Africa.He is an adjunct faculty member Strathmore Business School ,a founding member Association of Management Consultants of Uganda (AMCU) and Uganda Coaches and Mentors. He is a co-founder and Managing Partner IFE – a Leadership and Management Development consulting firm and also an Associate of National Academy of Sciences as well as American Management Association.

EVELYN KAMAGAJU RUTAGWENDA
NON-EXECUTIVE DIRECTOR

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She was appointed as a Director of Equity Bank Uganda Limited in 2015. She is the Chairperson of Board Directors of Equity Bank Rwanda Limited and serves on the Board of Directors of Equity Group Holdings Limited. 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. Mrs. Rutagwenda spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR). She chaired the Steering Committee that was charged with organizing the accounting profession in Rwanda and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio, and elected member of the Governing Council. She is currently the Vice – Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

BOARD OF DIRECTORS PROFILES (Continued)

GEOFFREY R. RUGAZOORA
NON-EXECUTIVE DIRECTOR

Mr. Rugazoora holds a Bachelor of Science degree in Industrial Chemistry (Honours) of Makerere University Kampala and postgraduate training in the field of tribology, operations management, leadership and governance at Wits Business School Johannesburg, among other reputable institutions of learning. He began his career with TOTAL Uganda, a multinational oil corporation subsidiary, in 1986 and rose to the level of National Sales Manager. Geoffrey joined MOGAS in 1996 as the Managing Director of MOGAS Uganda and rose to the level of MOGAS Group Chief Executive Officer, a position he still holds to-date.

DAVID R. ANSELL
NON-EXECUTIVE DIRECTOR

Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business. David R. Ansell also serves as the Vice Chairman of Equity Group Holdings Limited; Chairman of the Board of Directors of Equity's Group 100% owned subsidiary in Tanzania; ProCredit (DRC) and 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.

MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

BOARD OF DIRECTORS PROFILES (Continued)

EQUITY BANK SOUTH SUDAN LIMITED

SHEM MIGOT- ADHOLLA
NON-EXECUTIVE CHAIRMAN

Prof. Shem 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 Shem is a private consultant on agriculture and rural development, land policy reform and environmental issues based in Nairobi, Kenya. He is Chairman of the Board of Directors, Institute of Policy Analysis and Research (IPAR) Nairobi and sits on the Board of the Center for Corporate Governance and is also a Director of Housing Finance Company of Kenya Ltd. He has previously 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 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 Asian countries.

ADDIS ABABA OTHOW
EXECUTIVE DIRECTOR

Addis holds a Bachelor of Science in Economics, Master's degree in Economic Development and a PhD in political economics from Al-Neelain University, Khartoum, Sudan. He also holds Bachelor Degree in Finance and Accounting from Hanze University, Groningen, Netherlands. He has a wide range of experience in banking, accounting, finance, and information system. Prior to joining Equity Bank, Dr. Addis initially worked as a teaching assistant at Al Neelain University, Khartoum and was later appointed as a banking inspector, Central Bank of Sudan in 1997. He worked as an assistant accountant and auditor at Dubois & Co Chartered Accountants Amsterdam, The Netherlands. He has also worked as head of non-banking Division before he got transferred to be the Head of planning, regulation and licensing, central bank of south Sudan (BSS). He joined Equity Bank in February 2015.

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

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.

BOARD OF DIRECTORS PROFILES (Continued)

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.

MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

EQUITY BANK RWANDA LIMITED

EVELYN KAMAGAJU RUTAGWENDA
NON-EXECUTIVE CHAIRPERSON

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She was appointed as a Director of Equity Bank Rwanda Limited in 2012, and also serves on the Boards of Directors of Equity Bank Uganda Limited and Equity Group Holdings Limited. 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. Mrs Rutagwenda spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR). She chaired the Steering Committee that was charged with organizing the accounting profession in Rwanda and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio, and elected member of the Governing Council. She is currently the Vice – Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

HANNINGTON NAMARA
MANAGING DIRECTOR

Mr. Namara has over 15 years of experience as a Senior Private Sector Development specialist. He has an extensive track record in Strategy, Leadership and Programme Management, Finance and Communications. Hannington is currently the Chief Executive Officer and Managing Director of Equity Bank Rwanda. Before joining the Bank he was the Country Director of TradeMark East Africa – Rwanda Country Programme leading a large ($65 Million) Trade Facilitation and Regional Integration Programme. Prior to joining Trademark in 2012, Hannington served as the Chief Executive Officer of the Rwanda Private Sector Federation, an umbrella organization that coordinates, promotes and represents the interests of the Business community in Rwanda. He worked with Commercial Bank of Rwanda (BCR) - a private commercial bank where he served the bank for over eight years in various capacities including heading the bank's corporate banking division, marketing and business development functions. He also served as a senior officer in charge of Special Projects at the Rwanda Investment Export Promotion Agency (RIEPA- now known as Rwanda Development Board). Hannington is a graduate of Makerere University Business School with a degree in Business Administration – Finance and has received various trainings in corporate banking, credit, structured finance and hold several positions of responsibility in Boards of Parastatals and Corporates. Hannington is a Fellow of the fourth class of the Africa Leadership Initiative-East Africa and a member of the Aspen Global Leadership Network.

BOARD OF DIRECTORS PROFILES (Continued)

PROF. 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 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.

JOANNA BICHSEL
NON-EXECUTIVE DIRECTOR

Mrs. Bichsel holds a Bachelors degree in Computer Science with Honors from Queen's University in Canada. She is the CEO and Co-Founder of Kasha, Inc. in Rwanda, a mobile E-commerce company for women's health. Prior to founding Kasha, she was the Principal Technology Advisor for Global Development at the Bill and Melinda Gates Foundation focusing on Technology, Strategy and Investments across Africa and Asia. She also worked as an engineer, business leader and a manager of an international cybersecurity team at Microsoft Corporation headquarters for 11 years.

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

DR. PATRICK UWIZEYE
NON-EXECUTIVE DIRECTOR

Dr. Uwizeye holds a Degree of Doctor of Business Administration (DBA) from the Edinburgh Business School- Heriot- Watt University, UK; Masters of Science (MSc) in Strategic Planning from the same University; MBA in Financial Management from the University of Hull, UK; Masters in Communications Management (MCM) from Coventry University, UK. He is a Certified Public Accountant (CPA) and a member of both Institutes of CPA Kenya and Rwanda, and is also an affiliate member of the Institute of Risk Management UK; and Associate Member of Kenya Institute of Management. Dr. Uwizeye has over 28 years of working experience as business management professional at senior level positions. He worked with MTN Rwanda in various positions including Chief Finance Officer (CFO), and the General Manager in charge of Business Risk Management. He also worked in Kenya with AACC in Nairobi, and held senior positions of the Director of Finance and Administration and the Chief Accountant. Currently, Dr. Uwizeye is the Managing Director of BPU Consulting Ltd, the company he founded. He has been engaged as Consultant for a number of major companies and other institutions in Rwanda in areas of Enterprise Risk Management, Internal Audit Assurance strengthening and mentoring on the latest methodologies, Corporate Governance, Competitive Strategies and Financial Management.

BOARD OF DIRECTORS PROFILES (Continued)

MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

EQUITY BANK TANZANIA LIMITED

DAVID R. ANSELL
NON-EXECUTIVE CHAIRMAN

Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business. David R. Ansell also serves as the Vice Chairman of Equity Group Holdings Limited; Chairman of the Board of Directors of ProCredit (DRC) and 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 16 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.

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 led 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 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.

BOARD OF DIRECTORS PROFILES (Continued)

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 (Ph.D) 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.

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 more than 17 years of experience in consultancy and management of finance functions. He graduated in Bachelor of Commerce and Accounting from the University of Dar es Salaam, and is a qualified accountant (ACCA), he has a Master of Science degree in Information Systems Management and Technology from the University of Strathclyde in the UK. Mr Simbeye is a member of the Executive Board African Capacity Building Foundation (AFBF) based in Zimbabwe, member of the Board of Tanzania Bureau of Standards (TBS) and Chair of the Audit and Risk Committee at TBS, Chairman of AIDS TRUST Fund and member of the Board of the Universal Communications Service Access Fund (UCSAF), A champion of anti-corruption crusade having established the Business Action Against Corruption (BAAC) Tanzania Chapter in 2011.

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of 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 a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

BOARD OF DIRECTORS PROFILES (Continued)

PROCREDIT BANK (DRC)

DAVID R. ANSELL
NON-EXECUTIVE CHAIRMAN

Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business. David R. Ansell also serves as the Vice Chairman of Equity Group Holdings Limited; Chairman of the Board of Directors of Equity's Group 100% owned subsidiary in Tanzania and 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.

CELESTIN MUKEBA MUNTUABU
MANAGING DIRECTOR

Mr. Mukeba holds a Master degree in Business Administration and Management from the Protestant University in Congo. Besides his training in leadership, he also holds a degree in Banking Administration from ProCredit Academy – Germany.

Prior to joining the banking sector, he worked with the International Training Center, a consulting cabinet specialized in the training of business executives in internal audit and strengthening of the systems of internal control of companies. Celestin is a Permanent Secretary and clerk trainer at the International Training Center. He was at PriceWaterHouseCoopers (PWC) in 2006.

Since he joined the Bank in 2006, he has contributed in building this institution by implementing tools of internal control corresponding to the German standard (MaRisk) and by restructuring its activities after the financial crisis. He has held various top level positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014).

PHILIP SIGWART
EXECUTIVE DIRECTOR

Mr. Sigwart holds a Master's degree in Economics from the University of St. Gallen (HSG) in Switzerland and a Master's in International Management from the Community of European Management Schools. He is a specialist of MSME banking in transition and developing countries. Prior to joining Equity Group he was the Executive Chairman of ProCredit Bank in the DR Congo, CEO of ProCredit Bank Kosovo, Chairman of the Kosovo Banking Association and CEO of ProCredit Bank Georgia.

He started his career as a bank adviser with the Russia Small Business Fund of the European Bank for Reconstruction and Development.

WOLFGANG BERTELSMEIER
NON-EXECUTIVE DIRECTOR

Mr. Wolfgang holds a degree in Business Administration from Frankfurt University. He also has a degree in banking. He further attended executive education courses at Harvard Business School, INSEAD and Stanford University. He worked initially for Deutsche Bank, then DEG and was thereafter recruited by the World Bank in 1976. In 1990 he transferred to IFC where he was responsible for West and Central Africa, later Vietnam, followed by Brazil and finally Europe. Since retiring in 2009, he has held various Board Directorships primarily in financial institutions in Europe, Asia and Africa, as well as infrastructure and hospitality companies in Africa.

BHARTESH SHAH
NON-EXECUTIVE DIRECTOR

Mr. Shah holds an MBA from the University of Warwick and a Bachelor of Science (Hons.) in Banking and Finance from Loughborough University. He has over 20 years of experience in banking industry with multiple financial institutions in various capacities and in different locations globally. 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 and CEO of Standard Chartered Investment Services. Bhartesh joined Equity Bank in 2015. Bhartesh is married with two children.

DR. MARK SCHWIETE
NON-EXECUTIVE DIRECTOR

Dr. Schwiete holds a Bachelor of Business Administration, a Master of Arts in Economic Studies and a Ph.D. in Economics on the topic of financial sector reform in Eastern Europe from the Friedrich-Alexander-University in Nürnberg.

In 1984 Dr. Schwiete began his professional career with Hypo-Bank (Mortgage Bank) in Germany. In late 1997, he joined Dresdner Bank in Frankfurt, serving for three years as the Senior Economist for country risk analysis in the Emerging Markets Division of the bank. His post combined professorial and Public Relations duties with methodological work on the improvement of country risk analysis.

In January 2001, Dr. Schwiete joined KfW where he held various positions in the MENA region as well as the Eastern European department all with a clear focus on financial sector development. Since April 2014 he has been heading the division for energy and financial sector in the Eastern Africa department. He represented KfW in various boards, a.o. Access Microfinance Holding, ADVANS, Global Microfinance Facility and was in the Supervisory Board of the Micro Finance Bank of Azerbaijan for several years. He is currently also Board Member of Access Bank Tanzania as well as the Progression Eastern African Microfinance Equity Fund.

BOARD OF DIRECTORS PROFILES (Continued)

JAMES MWANGI, CBS
NON-EXECUTIVE DIRECTOR

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MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

EQUITY GROUP FOUNDATION

JAMES MWANGI, CBS
EXECUTIVE CHAIRMAN

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PETER MUNGA, CBS
NON-EXECUTIVE DIRECTOR

Dr. Munga is a Certified Public Secretary with vast experience in both public and private sector management. He holds two Honorary doctorates, Doctor of Letters (Honoris Causa) from The University of Nairobi, and Entrepreneurship (Honoris Causa) from Kenya Methodist University. He has a diploma in Human Resources and Financial Management. He has received the highest presidential award to a civilian, the First Class Chief of the Order of the Burning Spear (CBS) national decoration, for his outstanding contributions in economic development. He is the Chairman of Pioneer Group of Schools, Equatorial Nut Processors Ltd, Freshco Seeds Ltd and Murang'a Water and Sewerage Company (MWASCO). He is the current Chancellor of Pioneer International University. He is a Director with Britam Holdings Ltd and Housing Finance Group.

ZAINAB JAFFER
NON-EXECUTIVE DIRECTOR

Ms. Jaffer is 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 has been mandated with the task of spearheading the MenaLink Socio-Economic Development Initiative for Kenya (SEDIK), which has been launched under the guidance of the Kenyan government to support Kenya Vision

BOARD OF DIRECTORS PROFILES (Continued)

2030. She successfully executed SEDIK's flagship $50 million project with an exclusive partnership with GEMS Education, to structure, finance and build a 200,000 square foot mega campus in Kenya that is set as one of Kenya's best education and largest foreign direct investment project. Ms. Jaffer also serves as Director, Principal and/or Advisor to IFG Port Holdings, a New York based global investment firm with a focus on agribusiness and port-related investments; Semelex Biometrics, a Brussels based biometrics Company; and The Coast General Hospital in Mombasa County. Ms. Jaffer is highly active and passionate about philanthropic work through her leadership at The Nourafchan Foundation (TNF), an apolitical, non-governmental, non-religious, 501(c) (3) approved non-profit organisation whose mission is to improve the human condition. She has also worked extensively with UNICEF in public-private arena. Ms. Jaffer graduated with honors from the London School of Economics and Political Science with a Bachelor of Science Degree, Management with Law.

MARY WAMAE
SECRETARY TO THE BOARD

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

FINSERVE AFRICA LIMITED

DR. PATRICK UWIZEYE
NON-EXECUTIVE CHAIRMAN

Dr. Uwizeye holds a Degree of Doctor of Business Administration (DBA) from the Edinburgh Business School-Heriot- Watt University, UK; Masters of Science (MSc) in Strategic Planning from the same University; MBA in Financial Management from the University of Hull, UK; Masters in Communications Management (MCM) from Coventry University, UK. He is a Certified Public Accountant (CPA) and a member of both Institutes of CPA Kenya and Rwanda, and is also an affiliate member of the Institute of Risk Management UK; and Associate Member of Kenya Institute of Management. Dr. Uwizeye has over 28 years of working experience as business management professional at senior level positions. He worked with MTN Rwanda in various positions including Chief Finance Officer (CFO), and the General Manager in charge of Business Risk Management. He also worked in Kenya with AACC in Nairobi, and held senior positions of the Director of Finance and Administration and the Chief Accountant. Currently, Dr. Uwizeye is the Managing Director of BPU Consulting Ltd, the company he founded. He has been engaged as Consultant for a number of major companies and other institutions in Rwanda in areas of Enterprise Risk Management, Internal Audit Assurance strengthening and mentoring on the latest methodologies, Corporate Governance, Competitive Strategies and Financial Management.

JACK NGARE
MANAGING DIRECTOR

Mr. Ngare holds an ALM in Management from Harvard University, an MSC in Advanced Computer Science (Distinction) and BSC in Computer Science from the University of Leicester. He also holds a Graduate Diploma in Strategic Management from Harvard University, Certified Information Systems Security Professional (CISSP) and is a Certified Information Security Manager (CISM). He previously worked for British Telecom (Global Services) with assignments in UK, Saudi Arabia, Peru and a joint venture with NTT Docomo in Japan. He subsequently worked at Stanbic Bank and NIC Bank (Kenya, Uganda and Tanzania). Jack has in depth experience in management, the telco industry, mobile financial services and emerging technology risks and security

ERIC GIKONYO KAROBIA
EXECUTIVE DIRECTOR

Mr. Karobia holds a Bachelors of Arts degree in Economics and Mathematics from the University of Nairobi. He has over 10 years of experience in Banking and Mobile money covering systems and Operations, Project Management, customer management, Mobile Money product development, Operations and general agent administration.

He previously worked for Bharti Airtel Group International

BOARD OF DIRECTORS PROFILES (Continued)

Netherlands B.V, as the Senior Manager, IT Products and Systems for 8yrs in various capacities. His immediate former role was Head of Department- Product Development and Operations Financial Services Division (M-PESA) from 2012-2014 at Safaricom Ltd, Senior Manager- Product Development and Operations, Strategic projects for the Financial Services Division (M-PESA) at Safaricom Ltd a position he held for 8months before being promoted to HOD. Eric joined Equity Bank in 2014 as General Manager- Innovation, Product development and mobile payments a position that was held from July 2014 to Dec 2016. Currently he is the Group Director- Strategic Execution, PMO and ICT Governance.

ISIS NYONG'O MADISON
NON-EXECUTIVE DIRECTOR

Ms. Nyong'o is the Founder and Principal of Asphalt and Ink, which provides strategic advisory services to broad range of 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.

JOANNA BICHSEL
NON EXECUTIVE DIRECTOR

Mrs. Bichsel holds a Bachelors degree in Computer Science with Honors from Queen's University in Canada. She is the CEO and Co-Founder of Kasha, Inc. in Rwanda, a mobile E-commerce company for women's health. Prior to founding Kasha, she was the Principal Technology Advisor for Global Development at the Bill and Melinda Gates Foundation focusing on Technology, Strategy and Investments across Africa and Asia. She also worked as an engineer, business leader and a manager of an international cybersecurity team at Microsoft Corporation headquarters for 11 years.

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

MARY WAMAE
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BOARD OF DIRECTORS PROFILES (Continued)

EQUITY INVESTMENT BANK LIMITED

DAVID R. ANSELL
NON-EXECUTIVE CHAIRMAN

Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business. David R. Ansell also serves as the Vice Chairman of Equity Group Holdings Limited; Chairman of the Board of Directors of Equity's Group 100% owned subsidiary in Tanzania and ProCredit (DRC). 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.

DUNCAN WALES
NON-EXECUTIVE DIRECTOR

Mr. Wales is an experienced adviser to UK-listed multinational companies and was part of the executive management team at ICAP Plc for many years. He has led global initiatives and new business development and strategy, focusing particularly on post-trade risk mitigation, broking and financial technology. Duncan was previously part of the executive management team at BrokerTec, and the global equities team at ING Barings. Most recently before joining Exotix, he held a senior role with Standard Chartered's corporate and institutional banking team. Duncan is a regular speaker and moderator at industry events, including a recent keynote address at the International Capital Markets Association AGM. With a background as a lawyer Duncan trained and worked at Clifford Chance and has an MA in social and political sciences from Cambridge University. He supports and is involved with several charities including Together for Short Lives, Combat Stress and the Sohana Research Fund.

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).

VIJAY GIDOOMAL
NON-EXECUTIVE DIRECTOR

Mr. Gidoomal qualified as a lawyer with Clifford Chance in the UK in 1992. He returned to Kenya in 1993 and was responsible for establishing Car & General operations in Uganda and Tanzania as Executive Director. He became the Managing Director of Car & General in 1996 and oversaw a complete restructuring of the company's revenue base, gradually introducing new product lines that included the pioneering of the introduction of three wheelers and two wheelers as taxis in East Africa. In the previous years, Vijay has seen the company become really regional with representation in Kenya, Uganda,Tanzania,Rwanda, Burundi, Seychelles, Eritrea, Ethiopia, Djibouti, Somalia and now eying South Sudan. He has also seen C&G expand its franchise representation that include Doosan construction equipment, Kubota tractors, Garmin GPS devices, Toyota forklifts, Cummins diesel generators, Briggs & Stratton power equipment, TVS and Suzuki motorcycles, Piaggio three wheelers, Mercury outboard engines, Ingersoll-Rand air compressors, Motorol lubricants and MRF tyres. The company has won a number of awards – it has been named Cummins distributor of the year, TVS distributor of the year and also received Kenya Revenue Authority's distinguished taxpayer award in the motorcycle registration category. Vijay is a passionate golfer and an avid reader. He is an active member of the Young Presidents Association, its past Chairman (Kenya Chapter) and regional board member.

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

BOARD OF DIRECTORS PROFILES (Continued)

MARY WAMAE
SECRETARY TO THE BOARD

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GROUP EXECUTIVE MANAGEMENT PROFILES

JAMES MWANGI, CBS
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

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 was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York .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 of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

BHARTESH SHAH
CHIEF OPERATIONS OFFICER

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 20 years of experience in banking industry with multiple financial institutions in various capacities and in different locations globally. 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 and CEO of Standard Chartered Investment Services. Bhartesh joined Equity Bank in 2015. Bhartesh is married with two children.

MARY WAMAE
DIRECTOR OF CORPORATE STRATEGY AND COMPANY SECRETARY

Mary holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi, Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain). She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

JOHN STALEY
CHIEF OFFICER – INNOVATION AND PAYMENTS

John 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.

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).

JAMES MUTUKU
DIRECTOR, TREASURY

James has a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 19 years' experience in the Treasury business having worked for Co-operative bank, KCB and most recently as the Head of Financial Markets for Standard Chartered Bank Uganda. Before that, James was the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya. James brings a wealth of experience in balance sheet management and fixed income trading, having been one of the founding members of the CBK market leader's forum. James joined Equity in 2016.

GROUP EXECUTIVE MANAGEMENT PROFILES (Continued)

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 held senior management positions at Emirates NBD Bank in Dubai, BDA Partners in Mumbai, Private Capital Management in Naples (USA) and McKinsey & Company in New York. He has extensive experience in corporate banking, SME banking, investment banking, transaction banking, private equity, capital markets and investment management. In an international career spanning more than 18 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. In May 2015, Rohit was named the "Corporate Banker of the Year" in the Think Business Banking Awards. In September 2016, the Global Finance magazine named Rohit amongst the elite list of "Who's Who in Treasury and Cash Management".

BRENT MALAHAY
GROUP DIRECTOR, STRATEGIC PARTNERSHIPS, COLLABORATIONS AND INVESTOR RELATIONS.

Brent holds a Masters degree in Economics and an Honors degree in Business Finance from the University of Kwa-Zulu Natal, South Africa. He has over 13 years' experience in financial services having worked in commercial banking, credit ratings, investment banking and fund management. Mr. Malahay has previously worked for Standard Bank, Fitch Ratings, J.P. Morgan and Investec Asset Management. Mr. Malahay joined Equity Bank in 2016.

ANTHONY EMEKA OGBECHIE
GROUP FINANCE DIRECTOR

Anthony holds an MBA (Strategy and Finance) from INSEAD, France. He also holds an MSc in Management from The London School of Economics UK, BA in Business Administration and Marketing from the American Intercontinental University London (Magna Cum Laude) and is a qualified Chartered Accountant (ACA) from the Institute of Chartered Accountants in England and Wales. He has over 16 years of international financial services experience with multiple financial institutions in different locations across Europe and Africa. His experience spans across Financial Reporting, Corporate Planning, Corporate Finance, Performance Management, Strategy and Transformation. Anthony joined Equity Bank as the Finance Director in 2014 from UBA Capital Plc (Nigeria) where he served as the Group Chief Finance Officer. Prior to that he was at Credit Suisse Investment Bank (London) and UBS Investment Bank (London)

GERALD WARUI
DIRECTOR, OPERATIONS AND CUSTOMER EXPERIENCE

Gerald holds an Executive Masters of Business Administration degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is also a Certified Public Accountant CPA (K) and a graduate of Advanced Management Program offered by Strathmore- IESE Business School, Barcelona Spain. A career banker, Gerald has vast experience in operations and customer service. Prior to his current position, he served as the Director of Human Resource and Customer Service. He has served in Equity Bank for 19 years.

ELIZABETH GATHAI
DIRECTOR, CREDIT

Elizabeth holds a Master's degree in Business Administration from the University of Nairobi, Bachelor of Commerce degree in finance, and is a Certified Public Accountant CPA (K). She is a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain) and Management Executive Programme (Maastricht School of Management (MSM)- Netherlands). She has 16 years of banking experience. Elizabeth joined Equity Bank in 2001.

ALLAN M. WAITITU
DIRECTOR, SPECIAL PROJECTS

Allan is a graduate in Business Information Technology, and a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain). He has over 27 years' experience in Information Technology and banking and previously served as Equity Bank's General Manager of Operations. Allan joined Equity Bank in 2004. He is undertaking a Master in Business Administration Degree at Strathmore Business School.

BILDARD FWAMBA
CHIEF INTERNAL AUDITOR

Bildard holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and is a Certified Public Accountant (CPA-K) and a member of ICPAK. He has over 18 years' experience in Audit, Accounting and Finance. He joined the Group in 2004 from Central Bank of Kenya (CBK) where he served for 7 years as a Bank Examiner. He previously worked with Britam before joining CBK. At Equity Group, Bildard has served in various roles including Compliance Manager, Internal Audit Manager, Head of Internal Audit, General Manager – Finance and General Manager – Internal Audit before his current role.

GROUP EXECUTIVE MANAGEMENT PROFILES (Continued)

SAMUEL KIRUBI
MANAGING DIRECTOR, EQUITY BANK UGANDA

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

ANTHONY KITUUKA
EXECUTIVE DIRECTOR, EQUITY BANK UGANDA

Mr. Kituuka holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA). He has over 10 years banking experience and has previously worked with Kenya Commercial Bank (KCB) as the Head of Global Corporates and Barclays Bank Uganda Limited as Head of Business Banking. He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

ADDIS ABABA OTHOW
EXECUTIVE DIRECTOR, EQUITY BANK SOUTH SUDAN

Addis holds a Bachelor of Science in Economics, Master's degree in Economic Development and a PhD in political economics from Al-Neelain University, Khartoum, Sudan. He also holds Bachelor Degree in Finance and Accounting from Hanze University, Groningen, Netherlands. He has a wide range of experience in banking, accounting, finance, and information system. Prior to joining Equity Bank, Dr. Addis initially worked as a teaching assistant at Al Neelain University, Khartoum and was later appointed as a banking inspector, Central Bank of Sudan in 1997. He worked as an assistant accountant and auditor at Dubois & Co Chartered Accountants Amsterdam, The Netherlands. He has also worked as head of non-banking Division before he got transferred to be the Head of planning, regulation and licensing, central bank of south Sudan (BSS). He joined Equity Bank in February 2015.

HANNINGTON NAMARA
MANAGING DIRECTOR, EQUITY BANK RWANDA

Hannington has over 15 years of experience as a Senior Private Sector Development specialist. He has extensive track record in Strategy, Leadership and Programme Management, Finance and Communications. Hannington is currently the Chief Executive Officer and Managing Director of Equity Bank Rwanda. Before joining the Bank he was the Country Director of TradeMark East Africa – Rwanda Country Programme leading a large ($65 Million) Trade Facilitation and Regional Integration Programme. Prior to joining Trademark in 2012, Hannington served as the Chief executive officer of the Rwanda Private Sector Federation, an umbrella organization that coordinates, promotes and represents the interests of the Business community in Rwanda. He worked with Commercial Bank of Rwanda (BCR) - a private commercial bank where he served the bank for over eight years in various capacities including heading the bank's corporate banking division, marketing and business development functions. He also served as a senior officer in charge of Special Projects at the Rwanda Investment Export Promotion Agency (RIEPA-now known as Rwanda Development Board). Hannington is a graduate of Makerere University Business School with a degree in Business Administration – Finance and has received various trainings in corporate banking, credit, structured finance and hold several positions of responsibility in Boards of Parastatals and Corporates. Hannington is a Fellow of the fourth class of the Africa Leadership Initiative-East Africa and a member of the Aspen Global Leadership Network.

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 16 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.

CELESTIN MUKEBA MUNTUABU
MANAGING DIRECTOR, PROCREDIT BANK (DRC)

Celestin holds a Master degree in Business Administration and Management from the Protestant University in Congo. Besides his training in leadership, he also holds a degree in Banking Administration from ProCredit Academy – Germany.

Prior to joining the banking sector, he worked with the International Training Center, a consulting cabinet specialized in the training of business executives in internal audit and strengthening of the systems of internal control of companies. Celestin is a Permanent Secretary and clerk trainer at the International Training Center. He was at PriceWaterHouseCoopers (PWC) in 2006.

Since he joined the Bank in 2006, he has contributed in building this institution by implementing tools of internal control corresponding to the German standard (MaRisk) and by restructuring its activities after the financial crisis. He has held various top level positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014).

GROUP EXECUTIVE MANAGEMENT PROFILES (Continued)

PHILIP SIGWART
EXECUTIVE DIRECTOR, PROCREDIT BANK (DRC)

Philip holds a Master's degree in Economics from the University of St. Gallen (HSG) in Switzerland and a Master's in International Management from the Community of European Management Schools. He is a specialist of MSME banking in transition and developing countries. Prior to joining Equity Group he was the Executive Chairman of ProCredit Bank in the DR Congo, CEO of ProCredit Bank Kosovo, Chairman of the Kosovo Banking Association and CEO of ProCredit Bank Georgia.

He started his career as a bank adviser with the Russia Small Business Fund of the European Bank for Reconstruction and Development.

JACK NGARE
MANAGING DIRECTOR, FINSERVE AFRICA

Jack holds an ALM in Management from Harvard University, an MSC in Advanced Computer Science (Distinction) and BSC in Computer Science from the University of Leicester. He also holds a Graduate Diploma in Strategic Management from Harvard University, Certified Information Systems Security Professional (CISSP) and is a Certified Information Security Manager (CISM). He previously worked for British Telecom (Global Services) with assignments in UK, Saudi Arabia, Peru and a joint venture with NTT Docomo in Japan. He subsequently worked at Stanbic Bank and NIC Bank (Kenya, Uganda and Tanzania). Jack has in depth experience in management, the telco industry, mobile financial services and emerging technology risks and security.

ERIC GIKONYO KAROBIA
EXECUTIVE DIRECTOR, FINSERVE AFRICA

Eric holds a Bachelors of Arts degree in Economics and Mathematics from the University of Nairobi. He has over 10 years of experience in Banking and Mobile money covering systems and Operations, Project Management, customer management, Mobile Money product development, Operations and general agent administration. He previously worked for Bharti Airtel Group International Netherlands B.V, as the Senior Manager, IT Products and Systems for 8yrs in various capacities. His immediate former role was Head of Department- Product Development and Operations Financial Services Division (M-PESA) from 2012-2014 at Safaricom Ltd, Senior Manager- Product Development and Operations, Strategic projects for the Financial Services Division (M-PESA) at Safaricom Ltd a position he held for 8months before being promoted to HOD. Eric joined Equity Bank in 2014 as General Manager- Innovation, Product development and mobile payments a position that was held from July 2014 to Dec 2016. Currently he is the Group Director- Strategic Execution, PMO and ICT Governance.

NEIL DWYER
CHIEF TECHNICAL OFFICER, FINSERVE AFRICA

Neil holds an MSc in Project Management from George Washington University. He has over 27 year's in-depth international experience in the Telco and Financial Services sectors. With a broad array of roles spanning IT service management, Service Delivery, Project Management, Strategy, Operations, Customer Experience, IT outsourcing, Vendor Management and Consultancy. Neil previously worked for Nat West Bank, AT&T and EDS, in the UK; IBM and NCR covering the EMEA region; and had a global responsibility at Vodafone. Neil's immediate previous role was the Head of Global Services and Operations for MPESA at Vodafone. From its infancy in 2008 to 2015. Neil joined Finserve in 2015.

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ANNUAL GENERAL MEETING 23RD MAY 2017

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 Meeting of the Company to be held on Tuesday the **23rd day of May, 2017** at **10.00 a.m**. or at any adjournment.

As witness to my/our hands this ______________________ day of __________________________ 2017

Signature(s) ____________________________________

This form is to be used *in favour of/*against 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, Hospital Road, Upper Hill, P.O. Box 75104-00200, Nairobi, Kenya not later than 12 noon on Saturday the 20th day of May, 2017, failing which it will be invalid.
2. A proxy form must be in writing and in case of an individual shall be signed by the shareholder or by his attorney, and in the case of a 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	**Number of ordinary shares held**
____ to the Annual General Meeting of Equity Group Holdings Limited which will be held at Safari Park Hotel, Nairobi, Kenya on Tuesday **23rd May, 2017** at **10.00 a.m**.	Name of shareholder:
This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.	Address of shareholder:
Company Secretary	CDS Account Number:

NOTES

Equity Bank MD Dr. James Mwangi and his team during the launch of the digital bank.

EQUITY BANK GOES DIGITAL

Equity scales new heights in its digitization journey by unveiling Eazzy banking, a range of digital products which are driven by versatile technology

"Customers' banking trends have declared the death of the bank branch as transaction channel as we know it, as they increasingly embrace self service technology platforms that give them freedom, choice and control." That was Equity Bank Group chief executive officer Dr. James Mwangi's message as he unveiled a raft of new products. The innovative products will make Equity a customer led digital bank.

The NSE listed bank has subsequently announced a freeze in branch expansion as it rolls out the new digital banking services.

According to Dr. Mwangi, the new services to be offered through a mobile app will enable its customers to open new accounts conveniently via a mobile device.

The bank unveiled a mobile App known as Eazzy App, an interoperable payment platform dubbed Eazzy Pay as well as a mobile based loan product, Eazzy Loan. Other digital products include Eazzy Chama, a solution to help investment clubs and groups manage their joint finances and investments, and Eazzynet, a retail internet portal where customers can manage their bank accounts.

Additionally, Eazzy Biz, which is a cash and liquidity management solution for small and medium enterprises (SMEs) and Eazzy APIs, a banking capabilities solution packaged as APIs were unveiled. The all inclusive Eazzy suite of banking products will take care of all the customers' needs. This platform also enables Paypal account holders to withdraw their funds to their Equity Bank accounts within three business days.

Customers will also conduct various transactions including: loan applications, paying bills, buying and selling shares as well as procuring insurance. "Customers have demonstrated the preference to transact with digital money which is safer and more hygienic than bank notes. In response to these trends we have reinvented ourselves into a digital bank to respond to their needs, in line with our promise as their listening, caring partner," Dr. Mwangi emphasized during the launch.

While admitting that the new digital platform will have a great impact on the bank's operational costs resulting in significant savings, he indicated that no job losses will occur with the move to digitise its operations.

Dr. Mwangi further said that this trend is in line with the government's vision of a cash light economy as contained in the country's Vision 2030.

NEW PRODUCTS: Guests follow the launch at a Nairobi hotel.

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

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Fax: +254 020-2711439 | **Email:** info@equitygroupholdings.com | **Website:** www.equitygroupholdings.com