EQUITY
Group Holdings Plc

INTEGRATED REPORT AND
FINANCIAL STATEMENTS

2018

ABOUT THIS REPORT

The transparent dialogue has always been an important pillar of our strategy. For this reason, we have always sought a continuous relationship with our stakeholders, guided by ethics and our social responsibility, to transform people's lives. The integrated report is an important tool to exercise the transparent dialogue with our stakeholders. We use the integrated report to respond or demonstrate to our financial capital providers how we create and share value on a sustainable basis.

This report presents the progress of business towards the vision of being the leading bank in sustainable performance and customer satisfaction. It is the summary of our strategies, our business, products and services, particularly of the way we generate value in the short, medium and long terms.

This report covers the financial year from 1st January to 31st December, 2018. 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's) and International Integrated Reporting Framework (IIRF).

KEY CONCEPTS

Defining Value

Value creation is the consequence of how we apply and leverage our capital in delivering financial performance (outcomes) and value (outcomes and outputs) for all stakeholders while making trade-offs. Our value-creation process is embedded in our vision, described as part of our business model and integrated into the way we think and make decisions.

Materiality and Material Matters

We apply the principle of materiality in assessing what information is to be included in our integrated report. This report focuses particularly on those issues, opportunities and challenges that impact materially on Equity Group Holdings Plc ("Equity Group" or "Group") and its ability to be a sustainable business that consistently delivers value to shareholders and our key stakeholders. Our material matters, influence our Group's strategy and inform the content in this report.

The Capitals

Our relevance as a Group today and in the future, and our ability to create long-term value is interrelated and fundamentally dependent on the forms of capital available to us (inputs), how we use these (value-adding activities), our impact on them and the value we deliver (outputs and outcomes).

CONTENTS

WHO WE ARE

ABOUT US

Equity Group has transformed itself from a small building society into a leading financial services provider in the region and one of the most powerful brands in East and Central Africa. Equity Group is executing the "Equity 3.0" strategy, a bold step that will ensure the Group is able to leverage on breakthrough technology and innovation to achieve a convergence of financial products and services, in addition to seamlessly integrating the channels.

The Group has continued to invest in social and impact investments that have enhanced the growth of its customer numbers to over 13.5 Million by the end of 2018. Transformation and modernization of agriculture through agribusiness activities, micro-business enhancement through financial literacy and entrepreneurship training, inclusion through social payments and development of ethical leaders through scholarships under the *Wings to Fly* scholarship and Equity Leaders Program are just a few of the several initiatives in this regard.

In 2019 and beyond, Equity Group has positioned itself to take advantage of the opportunities associated with Kenya becoming the hub for financial services in the region. This will be achieved by offering differentiated, high quality offerings driven by segmentation and cross-selling initiatives and responsiveness to the needs of the customers across the different segments. Through a business model that is anchored on access, convenience and affordability, we have evolved into a regional financial services provider with more than 13.5 Million customers making it the largest bank in terms of customer base in Africa.

We are a publicly-listed non-operating holding company. Our subsidiaries operate in the financial services industry and in all types of activities/ industries authorized by local and regional regulators.

Our Brand

We seek to be a leading Pan-African financial services provider in sustainable performance and customer satisfaction. The purpose of our brand is to empower our customers to transform their lives and livelihoods. Our products and services seek to meet the needs and aspirations of our customers, reflecting our continuous efforts to provide the best experience to everyone who interacts with us.

The Group has positioned itself as a catalyst for the development of the nation and the region. Transforming and empowering our people is at the core of our brand and encourages us to invest and work for great causes, such as education and leadership development; financial literacy and access; entrepreneurship; agriculture; health; innovations and environment.

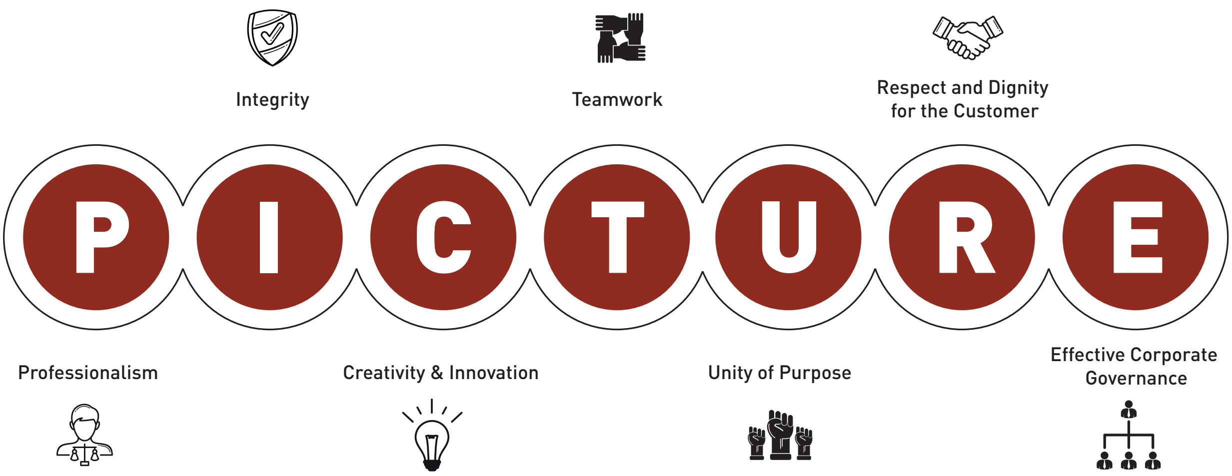
OUR VISION:

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.

OUR CORE VALUES:

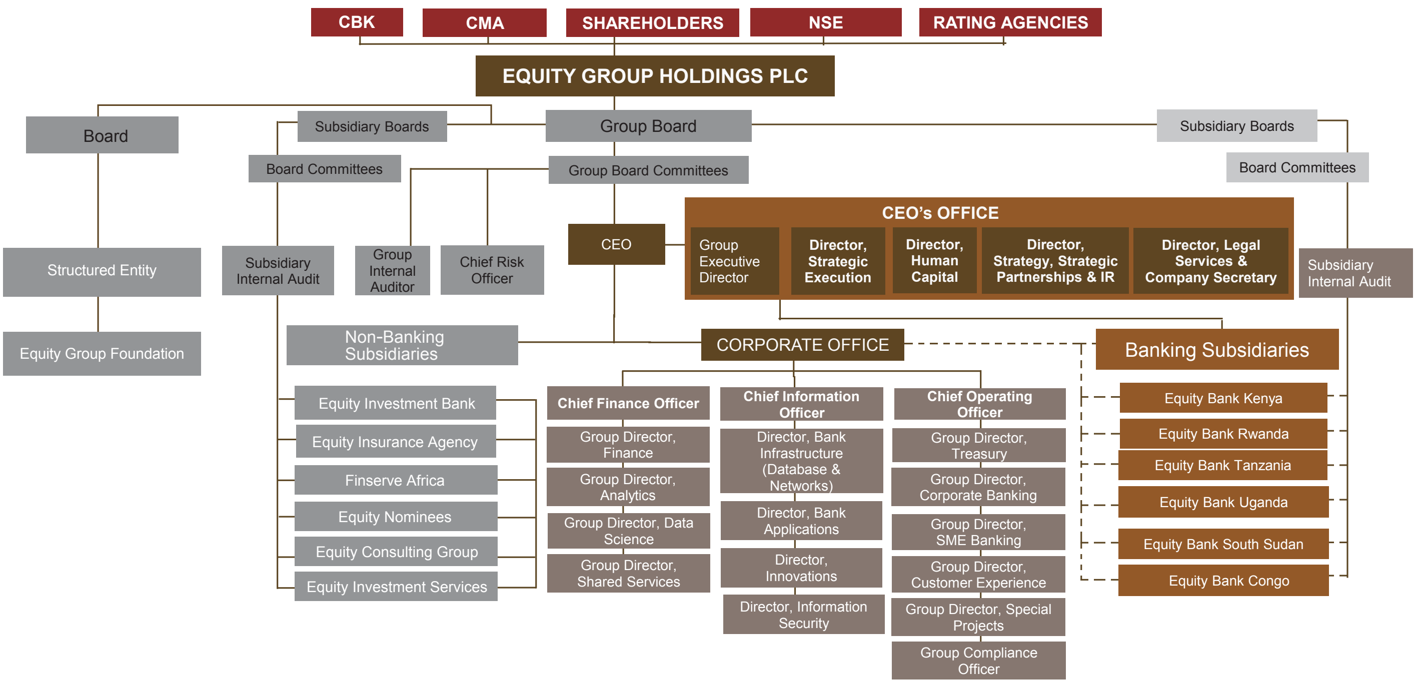


WHO WE ARE (continued)

GROUP STRUCTURE

We carry out our operations within Eastern and Central Africa, with units strategically located in Kenya, Uganda, Tanzania, South Sudan, Rwanda and Democratic Republic of Congo. Our regional presence creates important synergies, particularly in the financing of trade and collaboration. Our objective is to be recognized as the preferred African financial services provider; becoming a benchmark in the region.

STRONG GOVERNANCE AND LEADERSHIP STRUCTURE



TRANSFORMING LIVES IN AFRICA, ONE BRANCH AT A TIME

BRANCHES	**290**		
(A) BRANCHES IN KENYA	179	NAIROBI	52
(B) BRANCHES IN UGANDA	35	KAMPALA	18
(C) BRANCHES IN SOUTH SUDAN	5	JUBA	4
(D) BRANCHES IN TANZANIA	15	DAR ES SALAAM	8
(E) BRANCHES IN RWANDA	13	KIGALI	7
(F) BRANCHES IN DRC	43	KINSHASA	29
AGENT OUTLETS			**42,635**
POINT OF SALE TERMINALS (POS)			**24,990**
ATM			**694**

BUSINESS VALIDATION

Moody's

Equity Bank Credit Rating

National Rating:	Aa3.ke/KE-1
Global Rating:	B2
Rating Outlook:	Stable

Same as the sovereign rating

The Banker TOP 1000 WORLD BANKS 2018

Position 11 globally on Return on Assets
Position 35 globally on Soundness (Capital Assets Ratio)
Position 44 globally on Profits on Capital
Position 799 globally largest Bank

GCR GLOBAL CREDIT RATING CO. 2018 Local Expertise • Global Presence

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

AFRICAN BANKER AWARDS 2018

African Bank of The Year, 2018
African Banker of the Year, 2018
(Dr. James Mwangi Group Managing Director & CEO Equity Group Holdings Plc)

EUROMONEY AWARDS FOR EXCELLENCE 2018

EuroMoney Awards for Excellence
Kenya's Best bank

Banker AFRICA EAST AFRICA AWARDS 2018

Best Commercial Bank East Africa, 2018
Best Commercial Bank Kenya, 2018
Most Innovative Bank Kenya, 2018
Best Digital Offering East Africa, 2018
Banker of the Year, 2018 (Dr. James Mwangi Group Managing Director & CEO Equity Group Holdings Plc for the second Year in a row)

BUSINESS excellence AWARDS 2018

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

Think BUSINESS Knowledge for a Competitive Edge
BANKING AWARDS 2018

Best Bank in Kenya Overall (7th Year running)
Equity Bank (Kenya) Limited ("Equity Bank Kenya") was awarded 22 accolades across various categories, including 12 first places.

VOTED Superbrands East Africa's Choice 2017-18

Equity Bank has been recognised for the last 11 years since 2007 as the Top Banking Superbrand in Kenya and in East Africa in 2008 and 2009.

Equity Bank Kenya's Director of Marketing, David Nyamu (2nd left) and Director of Customer Experience and Product Marketing, Julius Kayoboke (extreme right) receive the award for Top Banking Superbrand in Kenya 2018 for the 11th year in a row from Superbrands E.A. Projects Director Jawad Jaffer (2nd right). With them is Bidco Chairman, Vimal Shah (extreme left).

NOTICE OF THE 15TH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting (AGM) of Equity Group Holdings PLC will be held on Tuesday, 30th April, 2019 at the Kenyatta International Convention Centre (KICC) NAIROBI at 10.00 a.m.:

AGENDA

1. CONSTITUTION OF THE MEETING

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

2. ORDINARY BUSINESS

i. Consideration of the Audited Financial Statements for the financial year ended 31st December, 2018

To receive, consider and if thought fit, adopt the Audited Financial Statements and Directors' Remuneration Report for the year ended **31st December, 2018,** together with the Directors' and Auditor's reports thereon.

ii. Declaration of Dividend

To declare a first and final dividend for the year ended **31st December, 2018,** of Shs. 2.00, payable on or about **Friday, 31st May, 2019,** net of withholding tax, to shareholders on the Register as of the close of business on **Friday, 26th April, 2019.**

iii. Remuneration of Directors

To confirm the remuneration of the Directors for the year ended 31st December, 2018.

iv. Election of Directors

a) Dr. Peter Kahara Munga, 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 does not offer himself for re-election;

b) Mr. Dennis Aluanga, retires in terms of Article 100 of the Company's Memorandum and Articles of Association and does not offer himself for re-election;

c) Mr. David Ansell, 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;

d) Dr. Edward Odundo, having been appointed by the Board as a director on 27th July, 2018 and being eligible, retires and offers himself for election as a director in accordance with Article 132 of the Companies Act, No. 17 of 2015.

v. In accordance with the provisions of Section 769 of the Companies Act, No. 17 of 2015, the following Directors, being members of the Board Audit Committee, be appointed to continue to serve as members of the said Committee:

a) Mrs. Evelyn Rutagwenda;

b) Mr. David Ansell;

c) Mr. Vijay Gidoomal; and

d) Dr. Edward Odundo.

vi. To note that the auditor, PricewaterhouseCoopers (PwC), being eligible and having expressed their willingness, will continue in office in accordance with section 721 of the Companies Act, No. 17 of 2015 and to authorize the directors to fix their remuneration.

3. SPECIAL BUSINESS

To consider and if found fit, to pass a special resolution approving:

i. Subject to regulatory approval, the establishment of an Employee Share Ownership Plan (ESOP) and the issuance and allotment, to the ESOP, of 205,709,834 shares, amounting to 5% of the issued share capital of the Company to rank pari passu in all respects with the existing ordinary shares of the Company.

ii. Payment of a one-off gratuity of Shs. 50,000,000 to the outgoing founder Chairman, Dr. Peter Kahara Munga, in consideration of his length of service, commitment and dedication to the Company which spans over 35 years.

4. ANY OTHER BUSINESS

To transact any other business that may legally be transacted at an annual general meeting, of which notice will have been duly received.

BY ORDER OF THE BOARD

Christine Akinyi Browne
Company Secretary
P.O. BOX 75104-00200
NAIROBI.

9th April, 2019

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, which is provided with the annual report and also available on the website www.equitygroupholdings.com, 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 12.00 noon on **Saturday, 27th April, 2019,** 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, 2018** of Shs. 2.00 per share to be paid to shareholders on the register of members of the Company at the close of business on **Friday 26th April, 2019.** The dividend will be paid on or about **Friday, 31st May, 2019.**

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

KEY GROUP HIGHLIGHTS

PERFORMANCE SNAPSHOT

Operating Environment

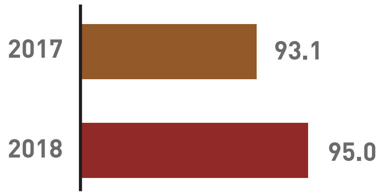
The monetary policy remained supportive of economic growth with Central Bank rates reducing or remaining stable across the region we operate within. Overall, there was marginal depreciation of local currencies against major foreign currencies while inflation remained within target-range at low single digits. The political environment was stable with a ceasefire agreement coming into force in South Sudan that has allowed its economy to rebound and a peaceful election in DRC ensured its economic growth retained a steady upward trajectory. The new IFRS9 (International Financial Reporting Standards) accounting standard became effective on 1st January 2018.

	Interest Rates (Dec 2018)		FX (Local Currency vs USD)		Inflation	GDP Growth
	CBR	Changes in CBR Year to Date	31 Dec 2018	% Change in the Year to Date	Dec 2018	Projected 2019
Kenya	9.0%	-100 Basis Points	101.85	1%	5.7%	6.2%
Tanzania	7.0%	-250 Basis Points	2,299	-3%	3.3%	6.8%
Uganda	10.0%	-100 Basis Points	3,706	-2%	2.1%	5.8%
Rwanda	5.5%	0 Basis Points	894	-5%	-0.8%	7.2%
DRC	-	-	1,611	-1%	9.6%	3.3%
S.Sudan	-	-	-	-	40.1%	-

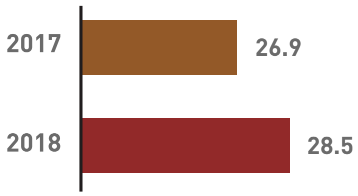
KEY GROUP HIGHLIGHTS (continued)

Total Revenue
KShs Billion

Shareholders Funds
KShs Billion

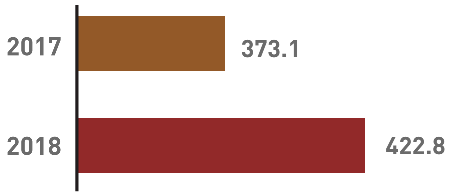


Profit Before Tax
KShs Billion



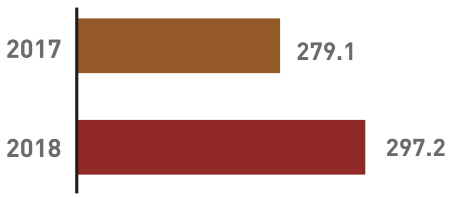
Employee Numbers

Deposits
KShs Billion

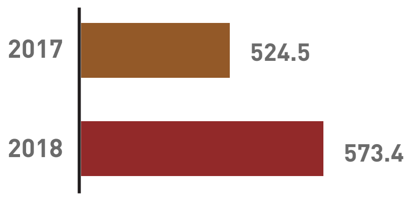


Customer Numbers
Millions

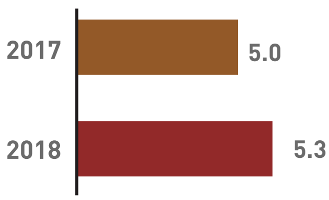
Loans
KShs Billion



Total Assets
KShs Billion



EPS
KShs



DPS
KShs

Dr. Peter Munga, CBS
Non-Executive Chairman
Board of Directors
Equity Group Holdings Plc

MESSAGE FROM THE CHAIRMAN

"We've refocused our priorities and are growing stronger. Working smarter. Reaching further. In 2018, we continued to transform and remained resilient."

Overview and Strategy

2018 was a great year for Equity Group Holdings Plc's ("Equity Group") business franchise. East and Central Africa has been marked as one of the fastest growing regions in the world, with economic growth expected to grow above 6% for the East Africa region. However, it was not without challenges. Interest caps persisted in Kenya that has seen MSME businesses, that are key drivers to economic growth, locked out of the credit market. There were hiccups in East Africa's integration agenda occasioned by cross border trade tussles and adjourned head of state meetings. With technology continuing to disrupt the business of banking, the need to stay on top of the digital agenda was also very keenly felt.

Notwithstanding these pressures, the management team that is made up of revitalised group of new generation bankers successfully steered the Group to seize the opportunities that presented themselves in the region. As such, we turned in a strong performance. Total gross income reached a new high of Shs. 79.1 Billion, while Profit Before Tax (PBT) increased 6%. This is despite an increase in Non Performing Loans (NPL) coverage to 89.1% from 69.1% as we accelerated the recognition of exposures as non-performing assets. Our market share remained robust as we remained the largest local bank by customer size and increased our customer base to 13.46 Million. Among the NSE listed banks, Equity led the pack, trading at a 54% premium to book value and an average Price-to-Book value that was slightly above global peers.These great achievements are in line with our purpose, which has been integrated into the organization. As a Board, we spent considerable time over the past two years discussing the path we need to follow to succeed as a financial services provider that is fit for the future. This provided a solid base for us to develop a set of eight strategic priorities that continue to guide our actions in adjusting and adopting to new norms, accelerating growth and making the right decisions across the enterprise. The senior management teams have executed this strategy with precision, enabling them to transform the Group to become a resilient, safer, more agile and customer focused organisation whilst increasing profitability. As a result of the financial progress in the year, I am pleased to announce that the Board has recommended a final ordinary dividend of Shs. 2.0 per share.

Equity Group Managing Director and CEO Dr. James Mwangi (right) with Equity Bank Kenya Managing Director Mr. Polycarp Igathe (left), while addressing investors during the release of the Group's Full Year 2018 Financial Results.

Corporate Culture

The Board and senior management have a vital role to play in shaping and embedding a healthy corporate culture and this continued to be a focus in 2018. As our organization grows and new people come in, we saw it fit to revitalize and re-instil our purpose to our employees and highlight the values that are part of our essence and have brought us to the point we are in.

In 2018, we embarked on a 're-immersion' of our teams in our corporate philosophies that resulted in an international of our inspiration, anthem, vision, mission and values. This exercise has solidified employee commitment and ensured that all staff are culturally aligned and fully appreciate the ties that bind them.

Our responsible, inclusive and diverse culture ensures our employees consistently do the right thing for customers. Over the last year we have taken steps to become even more transparent in the way we engage with all our stakeholders. Of course, there is always more to do and getting this culture right is critical to our success in an increasingly consolidated and competitive environment.

Customers

We aim to treat all our customers fairly and inclusively, making it easy for them to find, understand and access products that are right for them, whatever their circumstances. During the year, we have serviced our customers, with colleagues embracing new technology and ways of working to meet changing customer needs. Currently, 96% of our transactions are being done on our digital platforms. This has allowed us to gradually transform our 290 branches into advisory arms for our corporate and SME clients for specialised financial products.

The strong motivation for all of us in Equity is the central role we play in the region's economy as a leading financial services provider. Our purpose as a Group is to be the champion of the socio-economic prosperity for the people of Africa. This means not only providing outstanding service to our customers, but also responding to the people's social and economic issues. We are enormously proud of this role. Through our products and services, we have been supplying and partnering with the people, businesses and communities of Eastern and Central Africa. We have the largest agency network of 42,635 agents and over 20,000 diaspora customers. But we want to do even more; we want to be a bank for Africa. Our geographical diversification plan will take us beyond our usual business activities by leveraging off advancements in digital innovation to afford us scale and reach. When Africa prospers we prosper, so the regional diversification plan is an important investment to our long-term success.

China National Aero-technology International Engineering Corporation Managing Director Mr. Gao Bingsheng (left) and Equity Group Managing Director and CEO Dr. James Mwangi (right) sign a collaborative agreement to include facilitating access to credit to AVIC-ENG in Kenya and neighbouring Uganda, Rwanda, South Sudan, DRC and Tanzania.

The Equity Brand

In our 35 years of history, we have become the largest bank in the region and are Kenya's top banking Super brand, among other relevant recognitions. These achievements are the result of the way we conduct business, by always placing ethics ahead of results and consistently seeking innovation and excellence. We have grown by supporting people and the region to grow, by facilitating the progress of those who partner with us. We work to make dreams come true, to boost development and to awaken the will to do increasingly more and to do it better.

Sustainability

Sustainability has always been at the core of our purpose and since inception we have believed in the importance of good citizenship. This involves providing responsible banking, creating social impact by giving back to the community through Equity Group and the Equity Group Foundation. We continued to play

CHAIRMAN'S STATEMENT (continued)

a central part in addressing the education hardships faced by scholars from disadvantaged families in Kenya through our flagship programme, *Wings to Fly*. In 2018, working in close partnership with like minded organizations and individuals in both the public and private sector we continued to improve the welfare of our community through projects in financial literacy, entrepreneurship, agriculture, environment and energy, social payments, health and leadership.

Equity Group Managing Director and CEO Dr. James Mwangi with students from MBA Columbia Business School, 2018 graduation class, during the Global Immersion Program (GIP) visit to the Group. The students who were accompanied by Assistant Professor Jonas Hjort were hosted by Equity Group to understand it's unique business model, sustainable competitive advantage, differentiation strategy, high socio-economic impact and future growth strategy.

Corporate Governance

We appointed Mr. Polycarp Igathe as the Equity Bank (Kenya) Limited Managing Director, releasing Dr. James Mwangi to focus on the larger role of Equity Group Managing Director and CEO. While overseeing management succession is a critical function for the board of directors, the board is also responsible for its own renewal. We review the Board's composition and diversity regularly and are committed to ensuring we have the right balance of skills and experience within the Board. We pay close attention to the mix of talents of our directors, constantly seeking diversity and change over time to ensure that we remain relevant and can fulfil our governance role in the most effective way.

Remuneration

Our approach to reward aims to provide a clear link between remuneration and delivery of the Group's key strategic objectives. We believe in offering fair reward where colleagues are rewarded for performance aligned to the long-term sustainable success of the business, our commitment to transforming society and truly living the culture of the Group.

In Closing

The strategic transformation we embarked on will ensure we maintain the core values of the past, while equipping us to succeed in the future. It will also ensure we use all our capabilities across the Group to serve our customer needs seamlessly as an integrated financial services provider. The pace and scale of this transformation will be challenging to every bank, but we have a very strong foundation from which to move forward. I am confident that our new strategy will provide the capabilities to continue to deliver for customers, colleagues and shareholders and support the communities in which we operate.

We as a Board are committed to setting our sights higher by complying with globally recognized ethical standards, fostering a culture that motivates employees to live the values that define our brand and earning our customers' trust to cement long-term relationships. Our commitment is geared towards building local opportunity that is matched by our passion for giving back to society. Delivering an inclusive workplace where everyone feels respected and where diversity is a source of strength.

There is of course much more to do as we face into a rapidly changing and challenging world. However, given our clear strategy and approach to transforming the business, our strong track record of delivery, our customer focused values and the dedication and commitment of our employees, we have all the components to succeed in building a great African institution we can all be proud of.

CHAIRMAN'S STATEMENT (continued)

All of us on the Board of Directors feel privileged to have been given the opportunity to serve and on my fellow directors' behalf, I thank all our stakeholders for the confidence you have shown in us.

Farewell

During this 15th Annual General Meeting (AGM), I will be retiring as the Non-Executive Chairman of the Equity Group Holdings Plc Board. I would like to thank you for the unwavering support you have given me and the board during my tenure, which has made me execute my mandate seamlessly.

The last 35 years have truly been exceptional, witnessing the growth of what was once a Building Society and is now a Pan African powerhouse. Our people's dedication, their intensity and their commitment to our vision has transformed us into a winning team. Together, we have built a great organisation that is currently operating in East and Central Africa regions, with an asset base of nearly USD 6 Billion, a branch network of 290 branches; all within our mission of inclusivity, customer focused financial services that socially and economically empower our clients and other stakeholders.

We have remained true to our purpose and continued to outperform while delivering best-in-class returns ahead of our peers. Equity has led the way in breakthrough technology and innovation becoming the leading digital bank in the region. Already, 96% of our transactions are outside the branch contributing 48% of transaction value. It has been an honour to be part of a larger team that has built an organisation committed and geared towards building local opportunity that is matched by world-class delivery.

The strategic transformation the Group has now embarked on, will ensure we maintain the core values of the past, while equipping us to succeed in the future. It will also ensure we use all our human resource capabilities and cutting edge innovations across the Group to serve our customer needs seamlessly as an integrated financial service provider. The pace and scale of this transformation will be challenging to every bank. Despite this fact, I am confident that under the leadership of the new Chairman, David Ansell, Equity will be able to leverage off its strong foundation to move forward and accomplish so much more.

I am also confident in the leadership of Dr. James Mwangi, who has worked with me for the last 26 years. He is a visionary leader who has motivated and inspired staff to actualise the vision we the founders had when we started Equity. Equity has overcome barriers and made normal what was previously impossible. His leadership, with the support of the entire management team, has propelled Equity to become the largest bank in the region in terms of customer base and market capitalization.

I have an assurance from the board that they will remain dedicated to setting their sights higher by complying with globally recognized ethical standards, fostering a culture that motivates employees to live the values that define our brand and maintaining our customers' continued trust to cement long-term relationships.

As Chairman, there is always so much more to do as the Group faces a rapidly changing and challenging world. However, I believe this is the right time for me to hand over the baton to my successor.

As I leave, I am confident that the new Designate Chair, together with the Board, Management and staff will propel Equity Group to even higher heights. I urge you all to continue working together, as we work towards fulfilling our vision of becoming the champion of the socio-economic prosperity of the people of Africa.

Dr. Peter Kahara Munga, CBS
Non-Executive Chairman
Board of Directors
Equity Group Holdings Plc

David Ansell
Chairman Designate
Board of Directors
Equity Group Holdings Plc

TRIBUTE TO THE FOUNDING CHAIRMAN

Dr. Munga has been the long serving founding Chairman at Equity Group since its humble beginnings as a building society in 1984. For over half a century, he has served and continues to serve in various Boards both in the public and private sector. He has over the years brought to the institution an unmatched wealth of experience in sound corporate governance, banking and finance, entrepreneurship, innovation, public sector administration, industrial development, agriculture, education and philanthropy. Under his astute leadership, Equity Group has achieved great strides of success as a pioneer in modern day banking and grown into the largest financial services provider in the region. Equity Group has consistently actualised on its purpose to transform the socio-economic lives of our people through committed dedication and bold innovation, all under his visionary leadership.

Leading a diverse organisation like Equity Group called for creativity, multidimensional expertise and broad networks in both the public and private sector. Under his stewardship, the Board has been able to navigate volatility, uncertainty, complexity and ambiguity; right from the birth of Equity, with its diverse stakeholders and inherent risk due to the scale it desired to achieve; the funding uncertainties it faced and the totally new model as an innovation hub that it was going to use to disrupt the banking industry in it's early years. The start-up that was founded less than four decades ago has brought dignity to the majority of low income earners, embraced innovation to compress time and geographies, evolved into an award winning social impact enterprise and ushered in lifestyle banking.

From the onset, Equity Group was founded to embody an entrepreneurial spirit that is audacious, daring, passionate and devoted to the cause of uplifting and empowering people to do more. The vision he accorded this institution has inspired and rallied people to co-create and bring into fruition a noble cause that was once deemed to be far-fetched or impossible to do. Many of the initial shareholders 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. These initial members have been inspired by Equity's entrepreneurial spirit to become business leaders and investors in various industries and at the Nairobi Securities Exchange(NSE). Equity Group has over the last two decades attracted the interest of international funds as the top shareholders in the organization; partnering to expand the business through thought leadership.

As a result of the shared success that has been achieved under his tenure, Dr. Munga has won the admiration of so many people from all walks of life. In September 2009, he received the Yara award in Oslo-Norway for his contribution to transforming smallholder farmers and business people in Africa. In 2011, former President Mwai Kibaki decorated him with the prestigious Elder of Burning Spear (EBS) award for his outstanding contribution to nation building. In 2016, he received the Honorary Doctor of Letters (Honoris Causa) from the University of Nairobi during its 55th Graduation ceremony.

As his deputy in the Board, I have personally witnessed the motivation behind the diverse teams of employees who have all played a role in building Equity Bank into the current market leader with a market capitalization of Shs. 132 Billion, as at 31st December 2018, from a building society with five employees and an initial capital of Shs. 5,000. Over the years, Equity has nurtured a purpose driven team, firmly rooted in a foundation of trust and emboldened to push boundaries and catalyse change in people lives and livelihoods. Under his leadership, the Board and management has been very intentional in building leadership capacity by instilling confidence, fostering innovation, encouraging consultative teamwork and challenging every member of the team to make a lasting difference. The work done by this team has had a huge impact in re-imagining and re-shaping the financial services industry; and laid the foundation for how the world now views financial inclusion and its impact as an enabler of sustainable human and economic development.

TRIBUTE TO THE FOUNDING CHAIRMAN (continued)

Also during his tenure, the Equity Group Foundation was started as a creative vehicle that would transform the concept of philanthropy and corporate social responsibility with hallmark programs like *Wings to Fly*, Equity Leadership Program and Equity Afia. As an external validation of its contribution and unique model for fostering socio-economic advancement in the region, Equity Group has been singled out as a unique case study in world class universities and business schools like Harvard, Stanford and Columbia Business School.

In the 35 years of its existence, Equity Group has gone through several transformations that have defined its path to success. In every single phase of dynamic change, the Chairman has championed the Board to rise to the challenge and support management to steer the organisation through major leaps of growth and development.

Dr. Munga has also brought to Equity Group; and this is perhaps our greatest debt to him; his aspirations for entrepreneurial innovation as the key driver for good and for change and his ambitions for Africa. He has been the driving force behind Equity Group's unshakeable belief in the African continent; the potential of its talented people and their ideas, its excellence, its values and its pivotal role in transforming the world of the future.

The shoes that Dr. Munga has left behind for me to fill are huge by any measure. As many of my colleagues would say, he has executed his mandate with grace, patience, passion, confidence; and often, with totally off-the-wall humour. He is a father figure to the entire Equity Group family, both past and present, a friend to the Board and a role model to many. I take deep pride in the fact that I have served under him on the board for the past 10 years and interacted with him in other capacities many years before that. I have learnt invaluable lessons from him serving as his deputy. It is my promise to all our stakeholders that I will not only sustain and protect his legacy but scale it up to achieve the dream he has for the empowerment of the African people. We as Equity Group, shall remain purpose driven, uphold our values and committed to transformation. There is no more befitting tribute to such a remarkable leader than remaining true to our cause. Our purpose will remain our true North.

David Ansell
Chairman Designate
Board of Directors
Equity Group Holdings Plc

Equity's Journey:

From 2014 to Date, Equity has focused on technology driven innovations and fintech capabilities to achieve scale and make banking something exciting to do.

Between 2004 and 2014, Equity became a fully licensed commercial bank and listed at the Nairobi Securities exchange, fast becoming the leading local and regional bank.

Between 1984 and 2004, Equity started as a building society that grew from a start-up to a micro-enterprise that championed the democratization of financial access.

Dr. James Mwangi, CBS

Group Managing Director & CEO
Board of Directors
Equity Group Holdings Plc

Statement of the Group Managing Director and CEO

> "With the strength of our people, our reach, our infrastructure and our platform of diversified businesses, we will not only have a positive impact on the lives of our customers – but we will continue to push boundaries and be a force for positive change."

Consistent and Disciplined Delivery

2018 has been a busy and exciting year with dynamic market environments, regulatory changes and evolving consumer preferences that have compelled us to better understand our customers' needs and evolve and execute on our strategy faster and with precision. The impressive results for the year are very pleasing and a clear demonstration of our long-term efforts to establish a strong strategic framework and discipline in its execution.

We have delivered a 3% growth in total revenue, 10% increase in interest income post interest rate cap and a 9% growth in our balance sheet. This is a testament to the effectiveness of a revitalised management team and commitment to long term business sustainability and growth. We started the year excited about the recovering local and regional economies and the well-thought-through strategic focus areas every person was charged with implementing. As the year progressed, the operational and financial results we delivered served to invigorate everyone in the Group. We have been making significant changes to embed ourselves in our customers' journeys and enhance the value we offer them in an ever-changing environment. Our customers are constantly looking for more choice, ease and flexibility to suit their preferences. Each country had a set of initiatives to support overall revenue growth and the regional bank subsidiaries now contribute 15% of our Profit-After-Tax up from 14% last year. Our commitment to continuous efficiency improvements, through a deeper dive on innovation and digitization, remains unchanged, as does our steady focus on attracting, developing and retaining the best talent.

Digital to the Core

Last year, I touched on the importance of digitization in delivering simple, fast and convenient banking to customers. Being truly digital involves a complete transformation of the bank, from the front to back end. In 2018, we expanded, redesigned and strengthened our technology foundation. Now we are leveraging that investment to further transform how customers bank with us and pursue their financial goals. Through Finserve Africa Limited ("Finserve"), we are offering new platforms for like-minded businesses to partner with us for their own growth. With our powerful digital capabilities, we can deliver the fast, convenient experiences customers expect. And by applying advanced analytics to our unique data assets, we can better anticipate people's needs while intensifying cyber-security to protect their assets and privacy.

The benefits of this transformation are everywhere. Smart branches that blend digital and face-to-face support as well as biometric identification. *Jenga* Payment gateway and *Jenga* API that has allowed over 2,000 businesses to automate their back end, provide multiple payment options to their customers and expand their revenue streams. mKey, which is Africa's first keyboard app that combines lifestyle, social and financial features. Equitel, which channels 93% of the loans we process. 28% growth in Agent deposits and 90% growth in transaction volumes on EazzyPay. EazzyFX platform, which enables SME and Corporate clients to carry out secure real time forex transactions at their convenience among many other digital products we have rolled out.

As innovations like these make customers' lives easier, they also enable us to work more efficiently. It is part of my senior management team's agenda to re-imagine the workplace of the future. We're streamlining processes, reducing costs and finding more agile, productive ways of collaborating assisted by automation and artificial intelligence. By unifying our efforts across borders and businesses, we are building customer loyalty and accelerating growth.

Appreciating and Understanding the Customer's Journey

Customers are our lifeline. Without them, we don't have a business. As we strive to be more customer-centric, we continue to embed ourselves in the customer's journey. In so doing, we have continuously improved our approach to customer service by always starting from their perspective. We are committed to listening and responding to their feedback as we continuosly partner with them through provision of products and services that meet their needs and aspirations.

Digitization presents new opportunities to communicate and interact with customer and gain new information about how they consume our products and services. The insights we gain from these channels are being utilized to customise products and services to match different customer preferences by leveraging on big data, data analytics and artificial intelligence.

Our People are our Driving Force

The Group performance is driven by our people – talented individuals from diverse backgrounds who know that by managing our business responsibly and transparently, we create value for all of our stakeholders. Our unique culture is also shaped by our belief that strategy must be grounded on a clear set of principles that guide how we conduct business. Our people are passionate and are motivated by living our core values each day.

We take cognizance of the evolving need for new skillsets that will fit into the digital future we foresee for the Group. In light of this, we are partnering with tertiary institutions to develop courses that put more focus on work based learning to ensure that graduates are equipped with current skills and are work-ready when they complete their course work. These initiatives help us to develop a talent pool of young innovative minds to drive our future growth.

Accelerating on our Plan

Having invested time and resources in digitizing the bank, realigning our people with our purpose and embedding ourselves in the customer journeys; we have seen visible results in a number of areas:

- The leading banking brand in Kenya: once again we have been recognized by various bodies as the leading commercial bank locally and regionally based on various aspects. These recognitions validate our dedication to deliver superior services and in a consistent manner.
- Deepened wallet share in our core markets. In Kenya we continue to be the leading commercial bank. In Uganda we have risen to position 8, in DRC we moved up to position 4 while in Rwanda we were at position 3. We are growing in strength and relevance as a major regional player and becoming more digital has been key in helping us grow our market share and create new income streams for the Group.
- Broadened our reach. In the Eastern and Central Africa geographies, the roll out of our EazzyBanking suite of products have enabled the creation of new distribution models, which reduce dependency on expensive brick and mortar outlets. While our consumer and SME franchise in these markets is still nascent, there is good traction in digital customer acquisition with our investments being a bet on the future.
- Improved efficiency: Through innovative mobile, online and internet banking platforms that incorporate several features, we offer our customers more convenience and 24hr banking. Innovation has helped our teams work smarter, reducing manual processes and increasing productivity. This has enabled us to support higher business volumes, without a commensurate increase in resources; registering a lower Cost-to-income ratio of 52.2% in 2018 (53.5% in 2017).

Looking Forward

We are excited by the gains we have made in all our Markets. The excellent progress against our strategy gives us confidence about the future. With the introduction of interest rate capping two years ago, we have seen banks make alternative capital allocation decisions that secure returns for their shareholders, while the SME sector and the economy struggle. This is one of the unintended consequences after the Finance Bill came into effect as private sector credit dropped to the lowest levels in Kenya's history. We welcome the effort of the National Treasury to drive the repeal of the cap. We will continue to support its efforts to come up with ways to reverse the negative effects of the interest rate caps so as to unlock the true potential of the Kenyan economy.

CEO'S STATEMENT (continued)

In 2019 the full effect of IFRS9, interest caps and corporate failures with a low single digit banking average revenue growth rate and near zero balance sheet growth will be felt by many institutions.

The banking sector is undergoing consolidation and we welcome the new market dynamic it heralds. What is happening in Kenya has happened in other markets. Kenya has a bank to population of 1:1 Million compared to 1:3 Million in South Africa and 1:10 Million in Nigeria.

Consolidation in the banking sector allows for Kenya's economy to be serviced by few, large and strong banks. The result will be a more efficient financial sector that can offer increased value for the customer. With the digital revolution, banking is being fundamentally redefined. The ubiquity of the mobile phone has made banking something you do and not somewhere you go. By giving customers access to financial services any time anywhere, this new banking platform has integrated banking into people's lifestyle.

The explosion of big data means that as we go forward, a huge part of the battle for the customer will be fought along data lines. Strong banks support a strong economy and they help create vibrant communities. We have invested heavily in expanding and digitizing our business, we are well capitalised and we continue to manage our risk exposures prudently. In addition, the pace of change in our industry remains relentless, and it is imperative that we continue to further our digitization agenda in the coming year. As a financial service provider we have some innate advantages: robust networks and infrastructure, and established risk management frameworks. We shall continue to challenge and disrupt ourselves. We are building and refining capabilities to rise up to the challenge that has been advanced upon us by fintechs.

In closing, a strong economy and vibrant communities are also indispensable contributors to our commercial performance. We owe our success to the people, businesses and communities, we have supported and partnered with over the years. Our commercial success is inseparable from the responsibility we have to make a significant and positive contribution to communities. This involves providing responsible banking, creating social impact by investing back in the communities through the work of Equity Group Foundation special intervention programs as delivered by the special projects team, volunteerism by our employees as well as doing our part to engage with Governments for sustainable development.

Our Founding Chairman, Dr. Peter Munga, an exceptional leader and a mentor is retiring as the Group Chairman. It gives me satisfaction to say that we recognize, respect, and appreciate all the valuable skills, knowledge, and the positive qualities that our founder has passed onto us and to thank him for all his time and efforts in shaping the future of this great organisation. We express our sincere gratitude to him for all his uncommon contributions to this organization and towards every life that Equity Group has impacted. On behalf of Equity Group myself and my colleagues, we wish him good health and a long life full of joy and happiness.

Dr. James Njuguna Mwangi, CBS
Group Managing Director & CEO
Board of Directors
Equity Group Holdings Plc

GROUP BOARD OF DIRECTORS

Our Board continues to focus on enhancing long-term shareholder returns, having regard to the interests of other stakeholders including our customers, our people and the communities in which we operate.

Profiles of the Group Board of Directors are available on pages 234-245

GROUP EXECUTIVE MANAGEMENT

Our senior management team is driven by a collective responsibility to deliver the products and services that support our customers, people, shareholders and communities.

James Mwangi, CBS
Group Managing Director & Chief Executive Officer

Mary Wamae
Group Executive Director

Bhartesh Shah
Chief Operations Officer

Reuben Mbindu
Chief Officer, Human Capital and Administration

Brent Malahay
Group Director Strategy, Strategic Partnerships and Investor Relations

David Ngata
Group Finance Director

James Mutuku
Group Director Treasury

Julius Kayoboke
Group Director Customer Experience and Product Man-agement

Christine Browne
Group Director Legal Services and Company Secretary

Bildard Fwamba
Chief Internal Auditor

Gerald Warui
Director Operations and Customer Experience

Elizabeth Gathai
Director Credit

Philip Sigwart
Director,SME Banking

Allan Waititu
Director, Special Projects

John Wamai
Director, ICT-Enterprise Business Systems and Services

David Nyamu
Director, Marketing

GROUP EXECUTIVE MANAGEMENT (Continued)

Polycarp Igathe
Managing Director
Equity Bank Kenya

Samuel Kirubi
Managing Director,
Equity Bank Uganda

Anthony Kituuka
Executive Director,
Equity Bank Uganda

Addis Ababa Othow
Managing Director,
Equity Bank South Sudan

Hannington Namara
Managing Director,
Equity Bank Rwanda

Robert Kiboti
Managing Director,
Equity Bank Tanzania

Celestin Muntuabu
Managing Director,
Equity Bank Congo

Jack Ngare
Managing Director,
Finserve Africa

Eric Karobia
Executive Director.
Finserve Africa

Profiles of the Group Executive Management members are available on pages 246 - 251

OUR BUSINESS

OUR STRATEGY

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

- Leveraging on technology and innovation by disrupting our self-virtualization and digitizing our services and processes.
- Convergence of various financial products and services for focused strategic delivery and scaling of the brand visibility and loyalty. This will be done by increasing access and enhancing customer experience.
- Exercise strict operational control that will involve redesigning the operating model to enhance efficiency and high performance.

In order to deliver on these three objectives and maintain our growth trajectory, we will leverage on four things.

1. Third party infrastructure to foster growth and scale up our operations without increasing our cost structure.

- The agency network that has 42,635 agents with a 13% growth in the number of transactions
- Our investment in Equitel which is now the 2nd largest money transfer system in Kenya and handled Shs. 572 Billion in 2018.
- Our merchant network which now has 24,990 POS merchants and 40,450 Eazzypay merchants on board.

2. Execution of digital banking through an enhanced offering on our different digital platforms such as EazzyNet, Eazzy API, EazzyBiz, Eazzy App, Eazzy Diaspora, EazzyChama, EazzyPAy, EazzyLoan and Equitel. We have in place best in class security capabilities that ensure protection of customer transactions and information in this age of cybercrime. The Group also launched its fintech business, Finserve. During the year Finserve launched its own digital capabilities including: Jenga API, Jenga Payment Gateway and mKey.

3. Regional diversification which allows for diversified income streams through the contribution of the various subsidiaries, spreading of our business risks and expansion into different sectors of the economies of these regions.

4. Efficiency through continuous improvement and innovation that will allow us to maintain a low cost to income ratio and thereby improve our profitability. We have invested heavily in technology and projects which will allow us to harness efficiencies going forward. Through our digitization agenda and third party infrastructure we are moving away from a direct fixed cost operating model to a low and variable cost model as facilitated by mobile and agency banking.

Focus areas for 2018

In light of the changing business environment, we realigned our focus and business model into eight facets, as follows:

- Non- funded income growth;
- Treasury operations;
- Regional and business diversification;
- Balance sheet agility;
- Asset quality;
- Innovation and digitization;
- Efficiencies and cost optimization; and
- Impact investment & social brand development

VALUE CREATION MODEL

Our vision is to be the champion of the socio-economic prosperity of the people of Africa. We work for great causes, such as financial inclusion and literacy, economic development, enterprise development, education, health, energy and agriculture. We continuously seek the common good, contributing to the development of the regions we operate in.

OUR BUSINESS (continued)

1. CAPITALS

All organizations depend on inputs (or capitals) for their success. We use a wide range of inputs that are related to raise, finance and manage our customers' funds. By allocating capital to our businesses, we provide differentiation, create value and share it with our stakeholders, while also increasing our own capitals. We present below a brief description of the capitals that are most relevant to our business model:

Financial capital

The financial capital is composed of the financial resources available and allocated to the businesses, our own or third parties', obtained in the form of products and services provided to our customers, such as: loan operations, financial investments, deposits and funding, investments and other operations that generate fees and commissions.

Human capital

This is composed of our employees and their skills and experiences, as well as their motivations to innovate and develop better products and services, in an ethical and responsible way, by means of their capabilities for management, leadership and cooperation.

Intellectual capital

This is composed of the reputation obtained by our brand, by technical knowledge and intellectual property and by the ability to develop new technologies, products and services for the sustainability of the business.

Manufactured capital

This is composed of the equipment and physical installations, such as branches, ATMs, platforms, applications and systems that are used by the organization in the provision of products and services.

Social and relationship capital

This is mainly composed of the ethical and transparent relationship with our customers, shareholders, investors, suppliers, regulatory agencies, government and society. This also includes the ability to share value with our stakeholders to enhance individual and collective well-being.

Natural capital

These are the renewable and non-renewable environmental resources, consumed or affected by our businesses, for the prosperity of the organization. We are particularly talking about water, soil, ores, forests and biodiversity.

2. BUSINESS MANAGEMENT

Management is responsible for the efficient allocation of the capitals to our activities and operations, focused on the creation of shared value over time. Our governance and risk management framework has tools and internal policies that help us in the control of risks, identification of opportunities, and definition of strategies and assessment of the performance of the businesses. Efficient management allows us to offer products and services that are more suited to the needs of our customers.

3. PRODUCTS AND SERVICES

By means of portfolios and commercial agreements, we offer a wide range of financial products and services to a diversified base of customers, locally, regionally and abroad, which are sold via our physical and digital channels. We highlight below the main financial products and services offered to our customers:

- Savings and current accounts;
- Loans and financing;
- Cards;
- Investment;
- Brokerage;
- Wealth management;
- Telecommunications; and
- Insurance.

4. RESULTS

For us, to create value is to obtain sustainable results in an ethical and responsible way that meets the needs of our stakeholders. This is how we seek to create shared value, achieve the established targets and encourage the development of people, society and the countries in which we operate.

OUR STAKEHOLDERS

This section of the report describes our stakeholders' needs, our pledge to our stakeholders and our strategy and purpose. Our pledge is to create lasting stakeholder value and to make a sustainable contribution to society. To achieve this, we listen closely to our different stakeholders. In a world that is defined by constantly changing trends, we want to understand what matters most to our stakeholders now and how their needs will change going forward. We do this by engaging in dialogue with our stakeholders.

Shareholders and Investors

These are the initial providers of financial capital and we disclose to them relevant information to make informed investment decisions as well as seek their perspectives on our financial performance and strategy.

Key concerns

The key concerns raised by shareholders related to credit risks in light of the introduction of interest rate capping and IFRS 9. They were also concerned about business growth prospects in a challenging operating environment. A greater number of shareholders showed interest in how we are embedding sustainability considerations into our business practices.

Value we create

Delivering value to our shareholders by increasing net asset value, dividends, share price and earnings. Continuous engagement to ensure full disclosure and open communication so as to inform their investment decisions.

Customers

Customers remain the largest source of our deposits, which enable us to fund lending activities. Gaining more customers results in greater revenue growth and this can only be achieved by providing superior customer experience. On the other hand, sustainable banking practices and world-class governance and risk management ensure we maintain the trust customers have in us.

Key concerns

They desire banking to become simpler, more intuitive and time-efficient. Providing excellent customer service and getting it right for customers first time and security for their money and information.

Value we create

- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, economic development and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing access to affordable products to the previously unbanked.
- Providing financial education and advice.
- Developing innovative solutions that meet our customers' specific needs.

Employees

Our staff are key to making Equity a great place to bank and work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations, offer value to our customers. Staff as part of society, contribute materially to the communities in which they live and work.

OUR BUSINESS (continued)

Key concerns

They require that they grow as the business grows, open doors for career progression, opportunities to contribute to society and a work environment that is friendly, safe and conducive for work life balance.

Value we create

- Employing citizens in the jurisdictions in which we operate.
- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to further their careers and improve our services and products.
- Transforming to an inclusive society through employment equity and gender equality.
- Motivating and energising our workforce.

Society

We engage with our different communities so as to better understand the role we can play to address the needs of the societies we operate in. It is society that grants us the license to operate and as such, we must be forever conscious of its interests.

Key concerns

The public is demanding that banks exert greater influence on their customers and employees to act responsibly in environmental, social and governance matters.

Value we create

- Embracing sustainable banking practices and regulatory compliance that enable a safe and stable banking system and a thriving society.
- Playing a meaningful part in the broader society as a procurer of goods and services, making a difference through our corporate social investment activities and positively transforming economies and society through our activities and our lending.

Regulators and Policy Makers

We purpose to be a good corporate citizen and a long-term participant in our markets by providing input to and implementing public policies. We are regulated by a wide spectrum of regulators due to our regional footprint.

Key concerns

Regulation for the banking industry continues to be around key areas such as cyber security, business and professional conduct, corporate governance, financial reporting and financial crime.

Value we create

- Complying to set rules and regulations to ensure a stable financial sector.
- Collaboration with regulators to deepen financial inclusion.
- Contributing meaningfully to government budgets through our own corporate taxes, staff paying personal taxes and participation in buying government and public sector bonds.

OUR MATERIAL ISSUES

These are the factors, which in our view, could materially impact our ability to serve our customers, deliver our strategy, and determine the nature of relationships we have. We also look at the actions we are taking to mitigate the inherent risks. The careful analysis of these matters informs the strategic approach adopted by Board and the choices senior management make in running the bank.

	The risks and their impact	How we are responding
Competition and industry disruption	Meeting customer needs with innovative solutions and superior experiences is critical to maintaining high-quality relationships with our customers. As customer expectations continue to evolve, competitors are finding alternative ways to deliver financial services, and emerging technologies present new sources of competitive advantage. A failure to recognise and adapt to changing competitive forces in a timely manner could erode our earnings and our market position over the long term.	• We actively monitor changes in customer preferences, products, technologies and distribution channels and continuously improve customer experiences with market leading innovation. • We invest in people and key areas of technology capability that are critical to our value proposition to customers, including cyber-security, digital channels, data and analytics. • We are investing in emerging technologies to ensure that the way we operate and the solutions we provide to our customers are industry leading. • We invest in productivity to optimise our cost base and continue to remain competitive for our customers.
Business Resilience	The resilience and continuity of our operations is critical to providing our customers with the products, services and experiences that they expect. Events driven by our external environment, including cyberattacks, political instability, unfavourable business conditions and adverse weather conditions can significantly disrupt the systems and processes that enable us to serve and protect our customers. Such disruptions can affect our trusted relationships with customers, our reputation, and our operating costs.	• We monitor the health of all systems and perform contingency planning for disruptions to critical systems and processes. • We are implementing a number of process and system simplification initiatives through investments in agile capability, automation and systems resilience. • We are investing in our technology, processes and people capabilities to mitigate the impact of cyber-security risks on our businesses and customers. • We apply Group policies and standards on supplier governance, selection and management and on outsourcing/ offshoring to mitigate the risk and impact of third-party disruptions. • We are improving partnership arrangements to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.

OUR BUSINESS (continued)

	The risks and their impact	How we are responding
People capability	Our people are critical to the success of our strategy and ensuring we are able to continuously find better ways to operate and meet customer needs. A shortage of key skills, a failure to help our people continuously update their capabilities, the emergence of new technologies, and/or a fall in our attractiveness relative to other leading employers, could impact our ability to deliver on our strategy and vision.	• We are investing in our value proposition as an employer, through new ways of working, competitive benefits and a focus on culture and diversity. • We focus on developing and retaining our people, including senior management, through targeted training programs and skill upgrading. • We are creating flexible and innovative workspaces to enable stronger collaboration and foster an innovative culture. • We are building partnerships with leading universities to further develop top talent and are investing in community awareness of potential future skills shortages. • We are assessing how new technologies will impact the future workforce for the regional economies and our businesses. We are building these changes into our long-term people development and capability roadmaps.
Regulatory and policy environment	Regulatory compliance and involvement in evolving policy discussions are critical to how we continue to run our business, and interact with customers. The banking industry remains subject to ongoing regulatory and policy changes. If we are unable to foresee, advocate for, plan for, and adapt to regulatory change, this could negatively impact our ability to serve customers, and/or our earnings.	• We allocate a material proportion of our investment budget to regulatory compliance and risk prevention initiatives, and engage with policy makers and communities to advocate for appropriate regulatory reform. • We maintain constructive and proactive relationships with key regulators.

	The risks and their impact	How we are responding
Data and information management	As one of the region's largest financial institution, we manage a significant volume of sensitive customer data and value the trusted relationship we have with our customers. As technology continues to evolve, the threat of cyber-attacks is becoming more sophisticated and greater numbers of third-parties seek to access our customers' data and remove it from the safety of our systems and firewalls. A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.	• We have, and continue to invest significantly in our data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches. • We actively engage with regulators to ensure that there is appropriate governance in place and that evolution in regulation appropriately balances the value of giving customers control of their data, with our duty to protect customers' privacy and security. • We continuously invest in IT system security and identity and access management controls to secure the confidentiality, integrity and availability of our data. • Our people undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.
Reputation	Our reputation is of critical importance to us and is directly related to how we run our businesses, make decisions, and communicate with customers and the communities in which we operate. A negative shift in any stakeholder's perception of the Group may materially undermine our ability to advocate for positive outcomes that align to our vision and values, and our ability to drive long-term performance. It may also affect the cost and availability of funding necessary for the sustainable management of our business.	• We actively focus on improving the transparency of our business decisions and engage with our customers, employees and the communities in which we operate to understand their concerns and balance their needs. • We have embedded our organizational culture which communicates what we expect of our people in applying our vision and values as a guide for business management and decision-making. • We continue to drive deeper engagement with customers, government and industry groups to ensure we deliver better and consistently fair outcomes, and remediate issues when we are made aware of them. • We engage with external rating agencies to assist them in forming an opinion on our general creditworthiness, with mechanisms to adjust business settings as appropriate.

OUR BUSINESS (continued)

	The risks and their impact	How we are responding
Social and Environmental footprint	We actively consider the social and environmental impacts of our activities and are committed to operating sustainably and making a positive contribution beyond our core businesses. We consider social and environment issues to be significant long term drivers of both financial and non-financial value. We appreciate the potential impact they have on our relationships with different stakeholders.	• Under the Equity Group Foundation programs and initiatives, we take a long term view to ensure that we do business in a sustainable and efficient way, and appropriately use our influence to enhance social and environmental outcomes. • We have implemented frameworks for considering Environmental, Social and Governance (ESG) issues in assessing our relationships with customers and suppliers.

OPERATING ENVIRONMENT

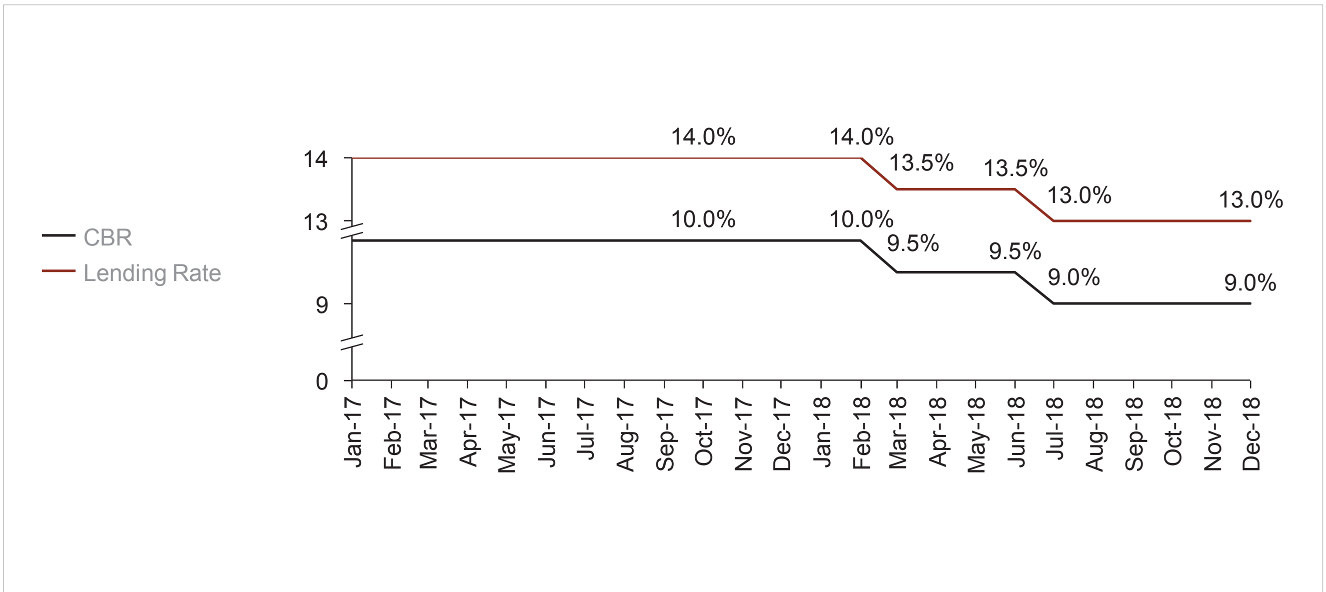
OPERATING ENVIRONMENT

KENYA

2018 presented a relatively stable operating environment for the banking industry as a whole. The economy as well is expected to have done better as compared to 2017. World Bank's projections after Q3 2018 anticipated that Kenyan economy would grow at 5.7% up from 4.7% in 2017.

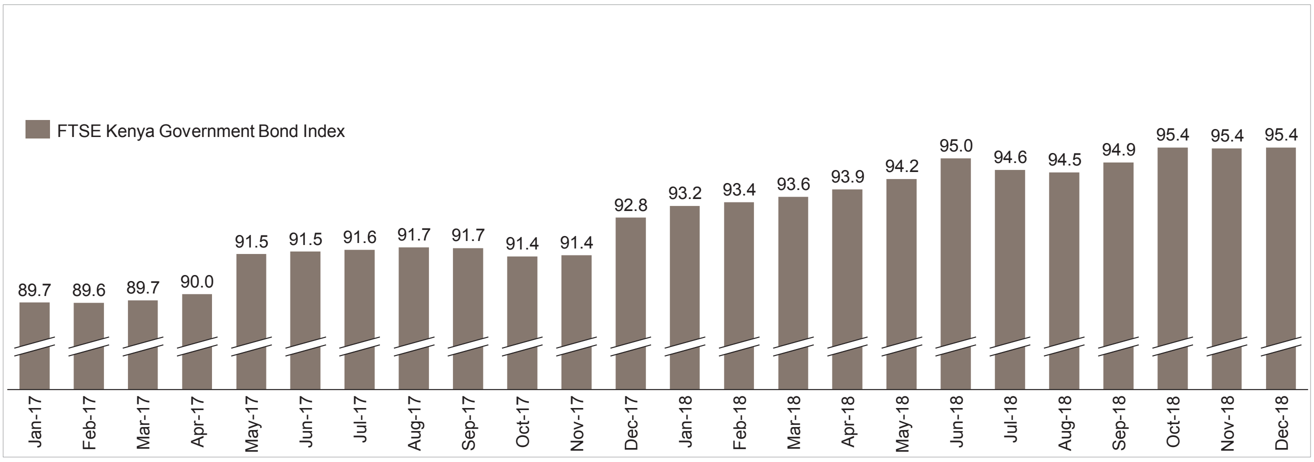
The following are the key macro-economic and operating environment highlights for 2018:

- Shs continuously gained ground against the USD, regional peers and other SSA currencies. Shs gained 1%, 4%, 4%, 5% against USD, UGX, TZS and RWF respectively in 2018
- World Bank heightened its confidence in Kenya's attractiveness through its Ease of Doing Business ranking that saw Kenya improve from position 80 to 61
- Renewed vigour to fight economic crimes leading to heightened expectations on compliance for financial institutions
- Establishment of Kenya Mortgage Refinance Company (KMRC) set to bolster liquidity for mortgage financiers and also promote the much needed Asset/Liability maturity match by the mortgage financiers
- Inflation was consistently within the target range
- The continuous drop in CBR put pressure on Yields on Loans. The CBR went down 100 basis points in 2018
- Parliament's retention of interest capping law continued to hinder credit growth and curtail revenue upswing for the banking sector. Most importantly, this decision continued the crowding out of the private sector by the Government in the competition for credit
- Uninterrupted increase in LIBOR rates in the international debt markets (where banks borrow) continued to depress Kenyan banks' Net Interest Margins (NIMs). 6-month USD LIBOR closed Dec 2018 at 2.8% against 1.84% end of Dec 2017. The combination of increasing London Inter Bank Offered Rate (LIBOR) and decreasing CBR stifled the sector's NIMs
- The abolition of interest rate floor on deposits however brought reprieve to banks

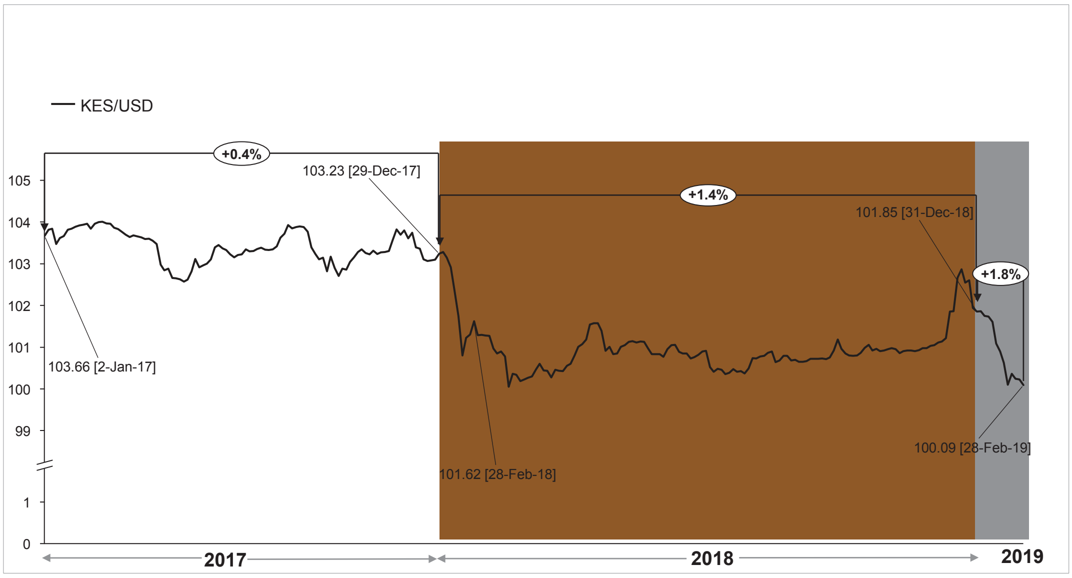


CBR and Lending Rates

OPERATING ENVIRONMENT (continued)



Government Bond Index (increasing appetite for Government Securities as lending rates drop)



Forex Exchange Rate Shs/USD

UGANDA

Uganda's economy registered an overall GDP growth of 5.8% in FY 2017/18 vs 3.9% in FY 2016/17. This was on the back of multiplier effect of public infrastructure investment, improved agriculture productivity, and recovery in foreign direct investment.

The annual headline inflation for the year ending December 2018 reduced to 2.2% compared to 3.8% for the year ended in August 2018. The decrease was mainly due to annual food crops inflation that decreased to 3% for the year ended December 2018.

Interbank rates edged up during December 2018 with inter- bank rates and Treasury bill rates increasing towards the end of the year.

Over the medium term, the Uganda shilling is expected to continue weakening on account of pick up in corporate demand global financial conditions and widening current account deficit.

TANZANIA

Tanzania witnessed an accelerated growth rate for the first half of 2018 at a GDP growth rate of 7% in the first half of the year.

OPERATING ENVIRONMENT (continued)

Annual core inflation, which excludes food and energy, stood at 3.1% from 2.6% in November. The annual average inflation rate for 2018 was at 3.5%, compared to 5.3% in the 2017.

The overnight lending rates remained low but on an upward trend in Q4 2018.The rate rose to 3.09% in December from 1.88% in September.

The weighted average yield on Treasury bills was at 8.72% in December, rising from 8.19% in November and 7.9% in September.

The Tanzania shilling weakened against the dollar in the last three months of the year 2018. Year on year, the shilling lost by 2.0% against the US dollar.

RWANDA

In the first half of 2018, the economy grew by 8.7% on average, relative to 2.9% in the same period of 2017. In the third quarter of 2018, economic growth was 7.7% relative to 8% in the same period of 2017. These positive developments were attributed to strong industrial activity and favourable rains that are expected to boost agricultural output. Manufacturing, agriculture and services sectors grew by 12%, 5%, and 7%, respectively.

Indicators show that economic activities performed well throughout quarter four 2018, tending towards attaining the 7.2% GDP growth that was projected in 2018.

Inflation remained low and stable. On average core inflation eased from 2.5% in the second quarter of 2018 to 1.6% in December 2018. On monthly basis, the decline in Consumer Price Index in December 2018, reflected mainly continuous fall in prices of food and beverages (-0.7%) and partly in housing, water, electricity, gas and other fuels (-0.1%).

In the near term, inflation is projected to remain below the 5.0% medium term benchmark.

Pressures on exchange rate remained moderate due to the improvements in international trade sector resulting from a significant increase in exports by 23.8% while imports grew by 7.0%.

Money market interest rates were stable in 2018 but increase in the last quarter, due to reduction of liquidity in the financial sector.

SOUTH SUDAN

A Revitalized Peace Agreement was signed in South Sudan in September 2018. This led to a return of peace and political stability in the country. Oil production increased which is positive for an economy that is oil dependent as its major income earner.

Consumer Price Index (CPI): CPI rate continued to increase in 2018 and reached a high of 6,123.86 in November 2018.

Volatility of local currency against regional currencies continued to be felt across 2018 and in the coming months, it will highly depend on implementation of the recently signed peace agreement.

DRC

The Central Bank maintained its Gross Domestic Product (GDP) growth forecast at 4.1% in 2018 compared to 3.7% in 2017.

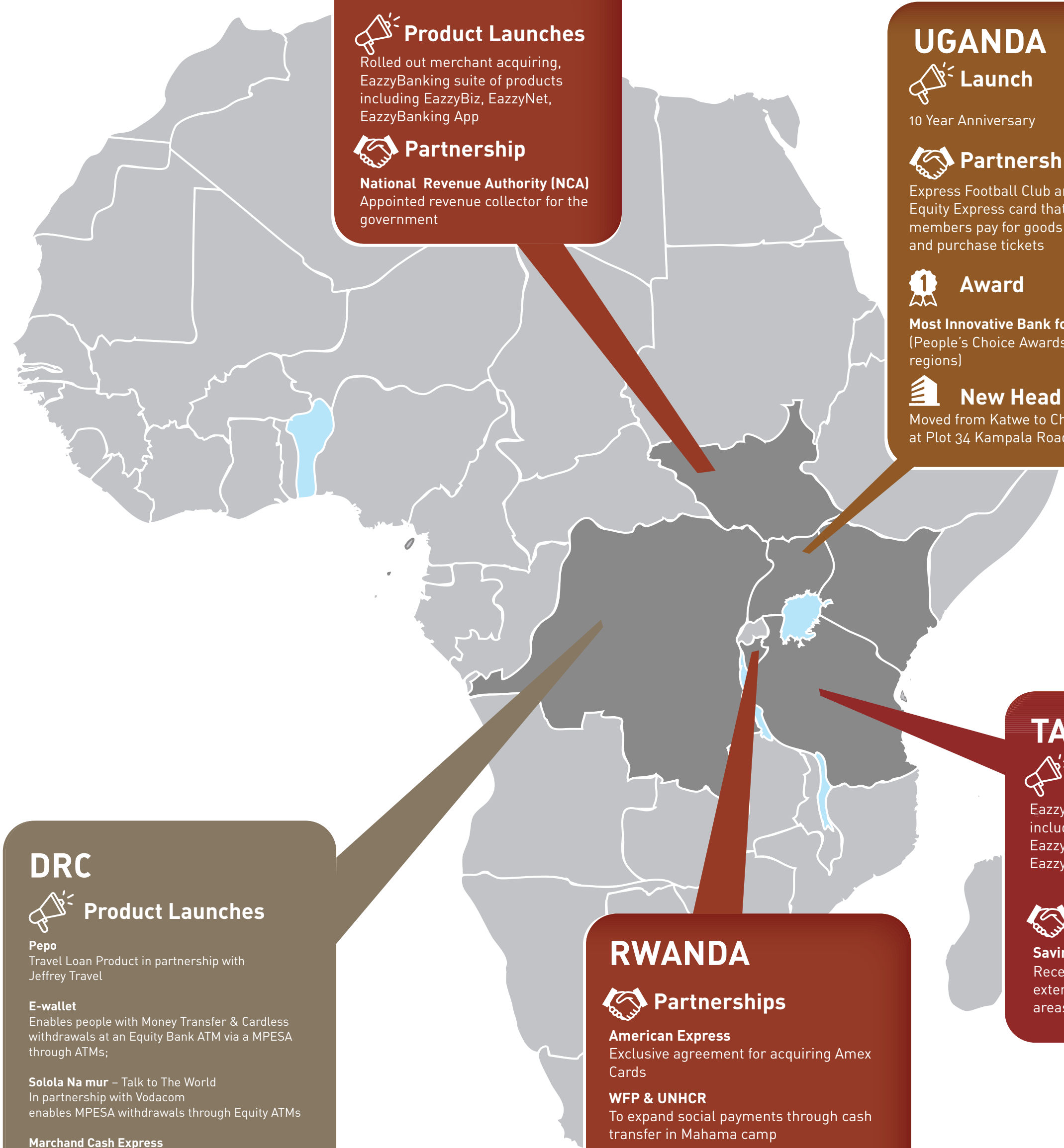
The inflation (MTD) increased over the period from 0.417% in October to 0.478% in November. The general elections were organized at the end of 2018 and there has been a changeover in power.

The Interbank placement rate in Local Currency (LCY) was between 4%-6% at the close of the year.

Copper and cobalt prices remained stable over the 2018 period and are expected to improve in 2019.

OPERATING ENVIRONMENT (continued)

BUSINESS HIGHLIGHTS 2018



SOUTH SUDAN

Product Launches

Rolled out merchant acquiring, EazzyBanking suite of products including EazzyBiz, EazzyNet, EazzyBanking App

Partnership

National Revenue Authority (NCA)
Appointed revenue collector for the government

UGANDA

Launch

10 Year Anniversary

Partnership

Express Football Club and launched Equity Express card that enables club members pay for goods and services and purchase tickets

Award

Most Innovative Bank for Equiduuka
(People's Choice Awards- Survey in 5 regions)

New Head Office

Moved from Katwe to Church House at Plot 34 Kampala Road

TANZANIA

Product Launches

EazzyBanking suite of products including EazzyKikundi, EazzyBiz, EazzyNet, EazzyPay and EazzyBanking App

Partnership

Savings at the Frontier (SatF)
Received USD 1 Million funding to extend financial services in rural areas.

DRC

Product Launches

Pepo
Travel Loan Product in partnership with Jeffrey Travel

E-wallet
Enables people with Money Transfer & Cardless withdrawals at an Equity Bank ATM via a MPESA through ATMs;

Solola Na mur – Talk to The World
In partnership with Vodacom enables MPESA withdrawals through Equity ATMs

Marchand Cash Express
Agency Banking

Awards

Choiseul 2018

Training

Trained female farmerentrepreneurs in Central Kongo

RWANDA

Partnerships

American Express
Exclusive agreement for acquiring Amex Cards

WFP & UNHCR
To expand social payments through cash transfer in Mahama camp

The Energy Utility Corporation Limited (EUCL)
Contracted as a superdealer to sell power on post paid and pre-paid to all citizens

Small World and Terrapay
For money transfers

Palladium International Ltd
Improving market system for agriculture in Rwanda (IMASAR) and catalyzing agri-finance innovation through product development

Awards 2018

East African Youth Development Agency

Bank of the Year – Customer Service excellence 3rd Edition
Best Tech Innovation – EazzyPay 3rd Edition

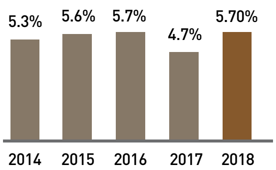
PSF Expo
3rd Overall Best Bank

OPERATING ENVIRONMENT (continued)

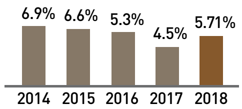
SUBSIDIARY PERFORMANCE: EQUITY BANK (KENYA) LIMITED

KEY HIGHLIGHTS

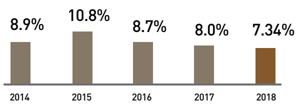
GDP



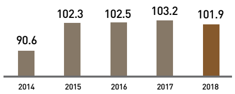
INFLATION



INTEREST RATES-91-DAY T-BILLS



USD/KSHS



PERFORMANCE 2018

Performance	2017	2018
Total revenue	47,727	49,372
Customer deposits	298,703	341,623
Total assets	406,402	438,509
PBT	23,086	24,382
Customer numbers	10,141,831	10,920,271
Employee numbers	4,413	4,113
ATM's	502	487
Branches	177	179
Agents	31,280	35,630

Isaac Macharia
Non-Executive Chairman

Polycarp Igathe
Managing Director

Bhartesh Shah
Chief Operations Officer

Adema Sangale
Non-Executive Director

Mary Wamae
Group Executive Director

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

Shem Migot-Adholla
Non-Executive Director

Julius Muia, EBS
Non-Executive Director

James Mwangi, CBS
Group Managing Director
and CEO

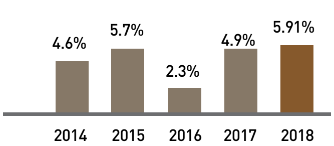
Profiles of the Equity Bank (Kenya) Limited Board of Directors are available on pages 234 - 245

OPERATING ENVIRONMENT (continued)

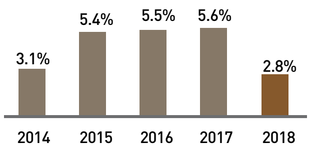
SUBSIDIARY PERFORMANCE: EQUITY BANK UGANDA LIMITED

KEY HIGHLIGHTS

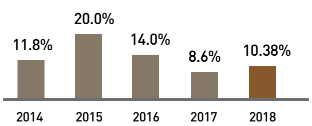
GDP



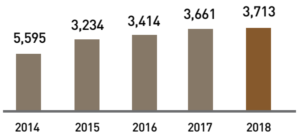
INFLATION



INTEREST RATES-91-DAY T-BILLS



USD/USHS



PERFORMANCE 2018

Performance	2017	2018
Total revenue	3,361	3,890
Customer deposits	20,724	24,035
Total assets	29,265	32,267
PBT	1,184	1,345
Customer numbers	506,580	662,960
Employee numbers	678	774
ATM's	35	38
Branches	33	35
Agents	405	1,752

Apollo Makubuya
Non-Executive Chairman

Samuel Kirubi
Managing Director

Anthony Kituuka
Executive Director

Evelyne Rutagwenda
Non-Executive Director

Peter Kimbowa
Non-Executive Director

Mark Ocitti
Non-Executive Director

Geoffrey Rugazoora
Non-Executive Director

Mary Wamae
Non-Executive Director

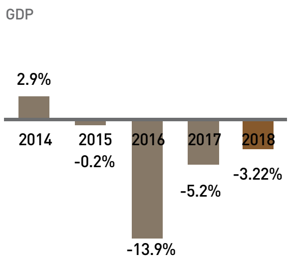
James Mwangi, CBS
Non-Executive Director

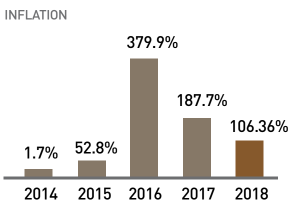
Profiles of the Equity Bank Uganda Limited Board of Directors are available on pages 234 - 245

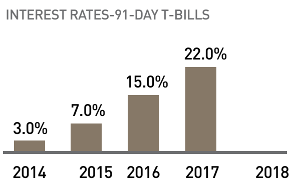
OPERATING ENVIRONMENT (continued)

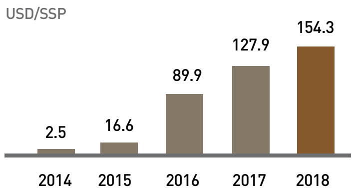
SUBSIDIARY PERFORMANCE: EQUITY BANK SOUTH SUDAN LIMITED

KEY HIGHLIGHTS









PERFORMANCE 2018

Performance	2017	2018
Total revenue	2,331	992
Customer deposits	4,900	5,251
Total assets	8,298	8,560
PBT	35	24,382
Customer numbers	163,187	153,984
Employee numbers	86	75
ATM's	14	15
Branches	5	5
Agents	-	-

Shem Migot-Adoholla
Non-Executive Chairman

Addis Abbaba Othow
Managing Director

Mary James Ajith
Non-Executive Director

Kenyi Spencer
Non-Executive Director

Mary Wamae
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

Allan Waititu
Non-Executive Director
Alternate to James Mwangi

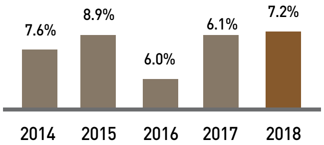
Profiles of the Equity Bank South Sudan Limited Board of Directors are available on pages 234 - 245

OPERATING ENVIRONMENT (continued)

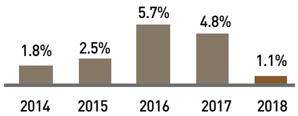
SUBSIDIARY PERFORMANCE: EQUITY BANK RWANDA PLC

KEY HIGHLIGHTS

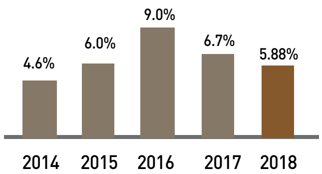
GDP



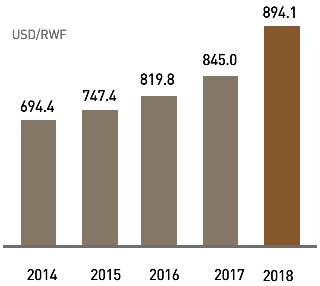
INFLATION



INTEREST RATES-91-DAY T-BILLS



USD/RWF



PERFORMANCE 2018

Performance	2017	2018
Total revenue	2,085	2,604
Customer deposits	15,057	20,169
Total assets	21,397	27,004
PBT	697	1,008
Customer numbers	457,903	616,086
Employee numbers	333	286
ATM's	18	18
Branches	13	13
Agents	839	990

Evelyn Rutagwenda
Non-Executive Chairperson

Hannington Namara
Managing Director

Dr. Patrick Uwizeye
Non-Executive Director

Robert Bafakulera
Non-Executive Director

Joanna Bichsel
Non-Executive Director

Julius Kayoboke
Non-Executive Director

Emmanuel Butare
Non-Executive Director

Mary Wamae
Non-Executive Director

James Mwangi,CBS
Non-Executive Director

James Mutuku
Non-Executive Director
Alternate to James Mwangi

Profiles of the Equity Bank Rwanda Plc Board of Directors are available on pages 234 - 245

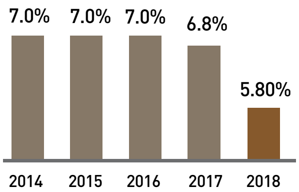
OPERATING ENVIRONMENT (continued)

SUBSIDIARY PERFORMANCE

SUBSIDIARY PERFORMANCE: EQUITY BANK (TANZANIA) LIMITED

KEY HIGHLIGHTS

GDP



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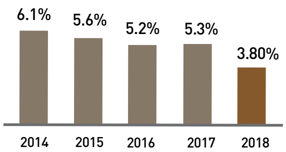
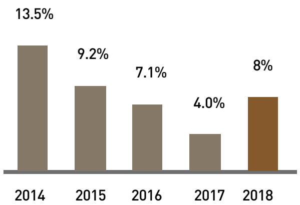
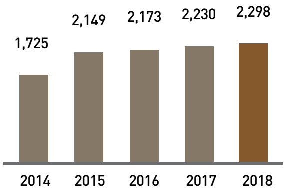


INTEREST RATES-91-DAY T-BILLS



USD/TZS



PERFORMANCE 2018

Performance	2017	2018
Total revenue	2,348	2,115
Customer deposits	15,703	16,284
Total assets	19,113	27,004
PBT	352	(559)
Customer numbers	417,525	506,078
Employee numbers	344	374
ATM's	17	22
Branches	15	15
Agents	1,568	2,051

Raymond Mbilinyi
Non-Executive Chairman

Robert Kiboti
Managing Director

Godfrey Simbeye
Non-Executive Director

Dino Stengel
Non-Executive Director

Mary Wamae
Non-Executive Director

James Mwangi,CBS
Non-Executive Director

Reuben Mbindu
Non-Executive Director
Alternate to James Mwangi

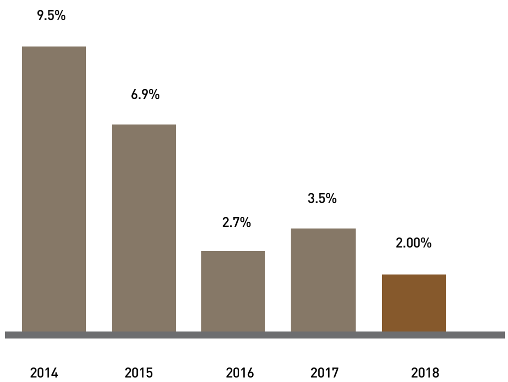
Profiles of the Equity Bank (Tanzania) Limited Board of Directors are available on pages 234 - 245

OPERATING ENVIRONMENT (continued)

SUBSIDIARY PERFORMANCE: EQUITY BANK CONGO S.A.R.L

KEY HIGHLIGHTS

GDP



PERFORMANCE 2018

Performance	2017	2018
Total revenue	5,489	6,613
Customer deposits	32,331	43,753
Total assets	42,863	57,965
PBT	776	1,358
Customer numbers	428,529	600,971
Employee numbers	567	445
ATM's	107	114
Branches	41	43
Agents	1,180	2,212


Wolfgang Bertelsmeier
Non-Executive Chairman


Celestin Muntuabu
Managing Director


Philip Sigwart
Non-Executive Director


Jean- Claude Tshipama
Non-Executive Director


Nestor Ankiba
Non-Executive Director


Dr. Mark Schwiete
Non-Executive Director


Mary Wamae
Non-Executive Director


James Mwangi,CBS
Non-Executive Director


James Mutuku
Non-Executive Director


Bhartesh Shah
Non-Executive Director

Profiles of the Equity Bank Congo S.A.R.L Board of Directors are available on pages 234 - 245

OPERATING ENVIRONMENT (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS

Grow Non-funded Income

We laid out and executed well on our plans to grow non-funded earnings - which are derived from bank charges, transaction fees, monthly account charges, mobile banking, among others, to boost performance. Currently, alternative channels such as agency and mobile banking have seen branch activities slow down and now over 96% of transactions happen outside branches. This trend supports our strategy as it enables us to not only provide convenience and ease of access to customers, the fees and commissions chargeable are a sustainable source of other revenue for the Group.

Key non-funded income revenue streams for the Group included merchant & card business. Our merchant and card business continues to grow exponentially and this is line with our strategy of becoming a one-stop-shop for financial services, and giving our customers the freedom of modern banking in today's fast-paced world. We are currently the leading issuer and acquirer in the market. Merchant commissions rose by 30% to Shs. 2.0 Billion.

Trade finance grew by 20% to hit Shs. 1.52 Billion. We continued to facilitate trade of goods and services, locally and internationally, and financing against trade documents. Our key advantage is that we bring the whole globe to our customers by availing trade finance products and instruments that facilitate movement of goods/services from one point to another locally, regionally and internationally. We have seen growth in sectors such as real estate, logistics, export/import and regional trade which continued to perform despite the diminished economic performance.

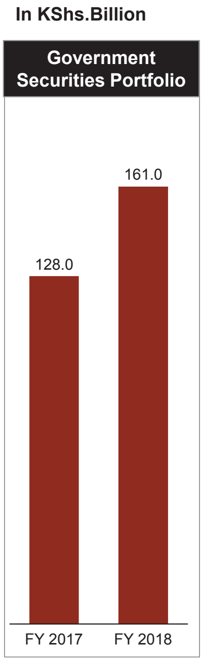
The heightened Treasury activities also boosted the Group's performance with bond trading income growing at a significant rate of 40% to Shs. 1.03 Billion.

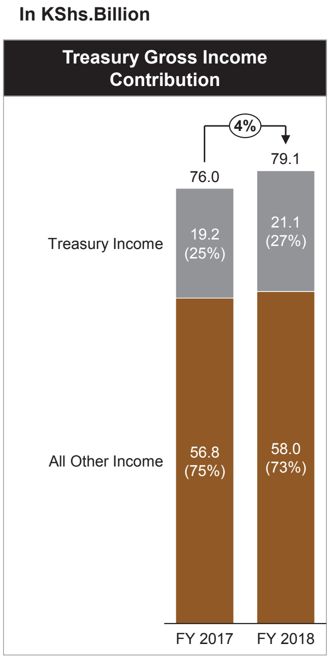
Diaspora banking continued its uninterrupted growth over the years. Our Diaspora banking offers financial solutions to the citizens working and living abroad. This is an area where we have heavily leveraged on technology to bring closer our local offerings and expertise to a global setting. Through EazzyNet-online banking, Equity Direct, Eazzy Banking App, Eazzy API, EazzyChama and several partnerships with global remittance service providers we have grown the number of accounts opened and increased our portfolio of services offered from simple banking and remittances to investment solutions, insurance and credit facilities. Diaspora remittances have increased threefold to Shs. 108 Billion and income generated grew by 169% to Shs. 751 Million.

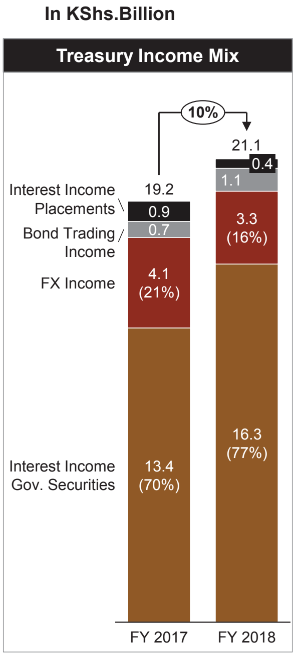
Treasury Operations

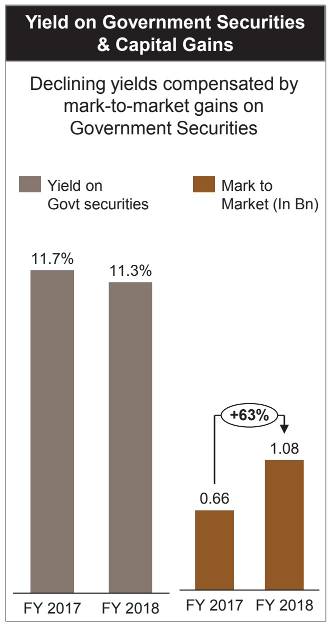
With the ever increasing pace of changes to regulation, compliance standards and technology in the financial sector, Treasury has increasingly become a strategic business partner across all areas of the business, adding value to the operating divisions of the Group. We targeted to transform treasury operations from the traditional role of making sure that the business has sufficient liquidity to meet its obligations as a revenue generating business line by leveraging on technology to effectively manage excess cash flows and generate the highest return, while managing risk. By working closer with other business units, we continued to explore and capitalise on areas of collaboration and cross sell by offering full suite of services to customers who would require treasury products. Interest income from trading in government securities and bond trading have been the biggest drivers of growth under this pillar.

OPERATING ENVIRONMENT (continued)









Regional and Business Diversification

The Group continued to scale up the digital capabilities across the regional subsidiaries as well as aggressively growing the loan book in these markets since interest capping only affected Kenya. Strategic dividends have already been realized as the regional subsidiaries and the local non-banking subsidiaries grew their PAT contribution to the Group to 15% from 14% in 2017. In particular, a majority of the regional subsidiaries saw their PAT increase by double digits with South Sudan and DRC leading the pack with 125% and 173% PAT growth respectively.

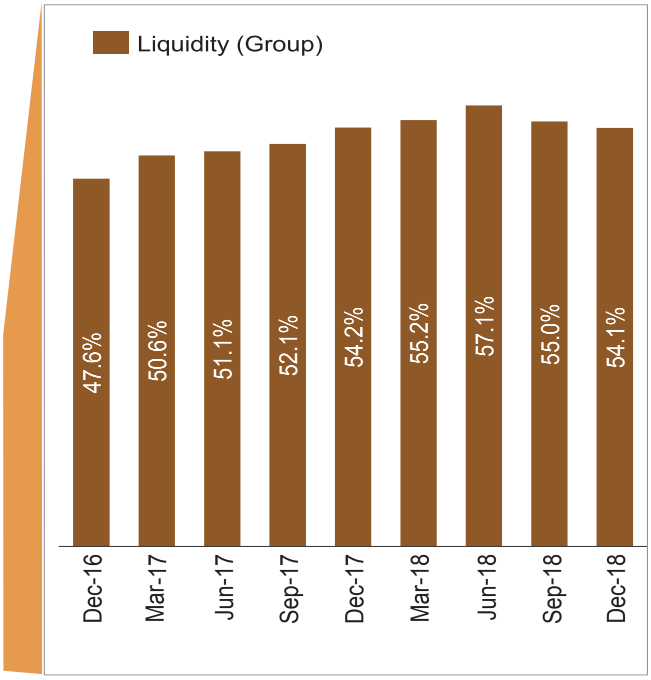
In KShs.Billion

	TZ	RW	UG	SS	DRC	EIA	EIB	Finserve	Subsidiaries Total/Growth	EBKL Total/Growth	Regional Contribution FY 2018	Regional Contribution FY 2017
Deposit	16.3	20.2	24.0	5.3	43.8				**109.5**	**341.6**	24%	24%
Growth	-15%	34%	16%	7%	35%				19%	14%		
Loan	14.5	15.3	19.2	0.1	24.5				**73.6**	223.6	25%	23%
Growth	-16%	33%	38%	-1%	12%				14%	4%		
Assets	24.5	27.0	32.3	8.6	58.0	0.3	0.6	1.8	**153.0**	438.5	26%	24%
Growth	-5%	26%	10%	3%	35%	-21%	-54%	-11%	16%	8%		
PBT	-0.6	1.0	1.3	0.2	1.4	0.5	0.0	0.0	**4.0**	24.4	14%	14%
Growth	-259%	45%	14%	590%	75%	19%	-105%	-84%	2%	6%		
PAT (Kes)	-0.3	0.7	1.0	0.2	1.0	0.4	-0.01	0.01	**2.9**	16.8	15%	14%
	-229%	46%	10%	125%	173%	21%	-116%	-95%	8%	3%		

OPERATING ENVIRONMENT (continued)

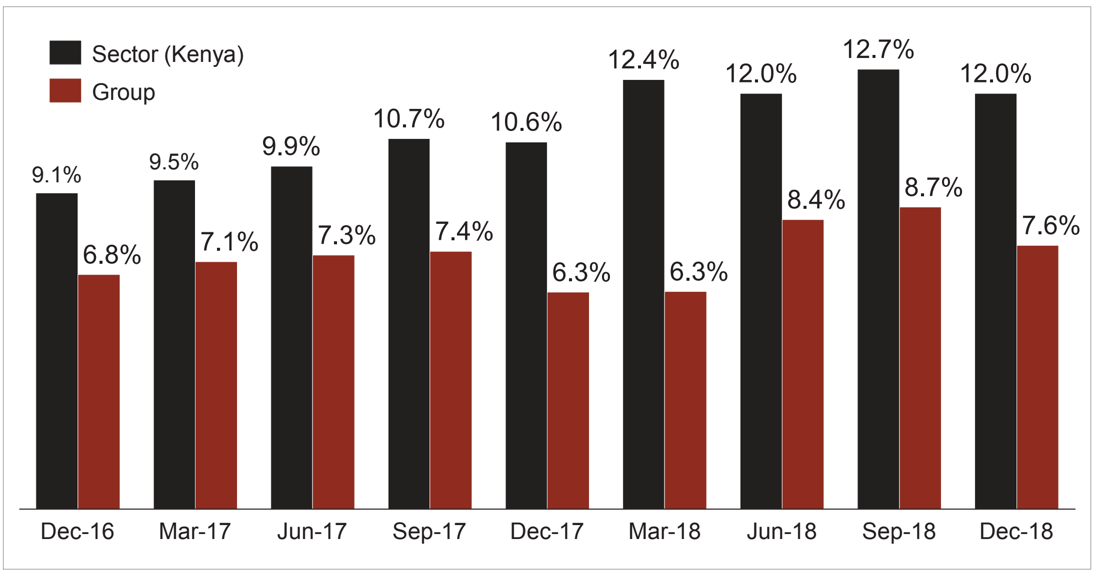
Strengthening Liquidity and Balance Sheet Agility

Liquidity and balance sheet management was also key in supporting other focus areas like treasury and also in aiding the Group navigate through dynamic shifts in the regional economy. Balance sheet management saw an asset re-allocation that increased Government Securities portfolio by 26% to Shs. 160.9 Billion and a further significant improvement in liquidity ratio to 54.1% against the Kenyan banking sector average of 48.6%. This balance sheet nimbleness puts the Group as the most liquid bank in the sector.



Asset Quality

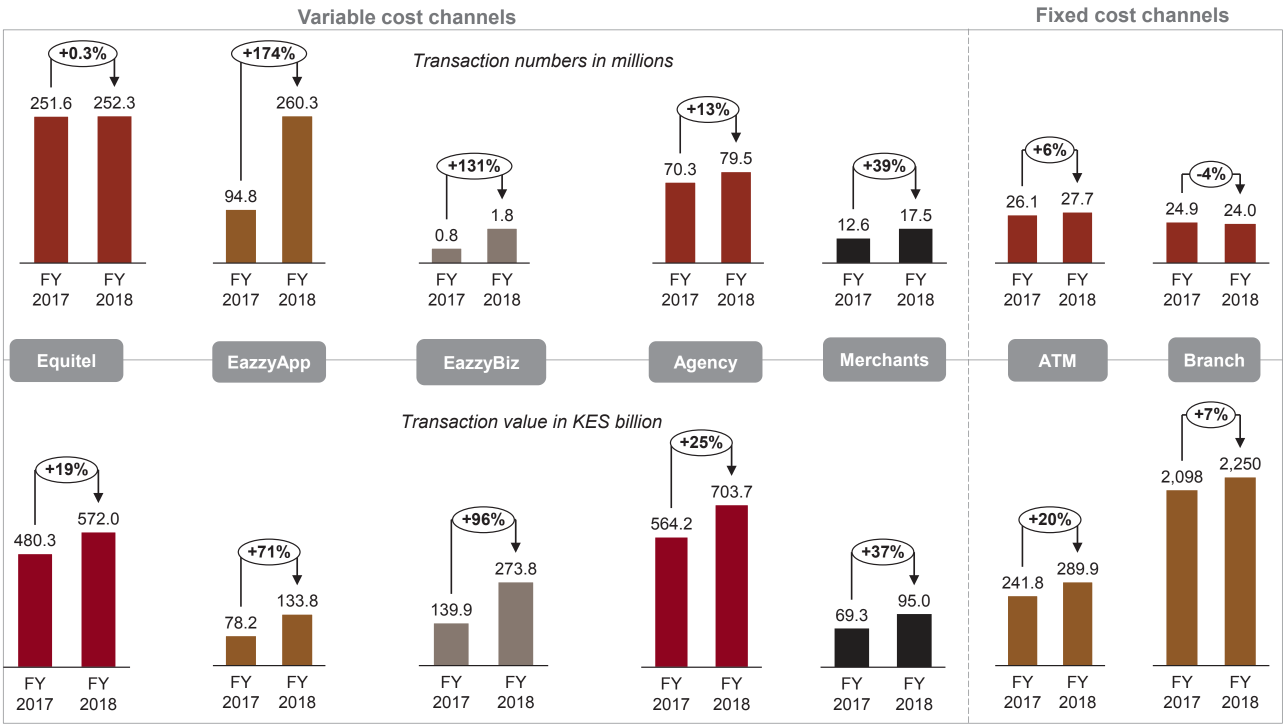
The Group continued to concentrate on asset quality that saw the group having NPLs ratio of 7.6% against an industry average of 12.0%. This has been achieved through better credit risk management and exceptional relationship management of our customers which ensures we have intimate knowledge of their activities and operations. Our NPL coverage closed the year at 89.1%.



OPERATING ENVIRONMENT (continued)

Innovation and Digitization

Our business model is heavily reliant on innovation and digital channels to deliver cutting edge products and services to customers. We continue to see strong growth in transaction volumes and values across all our variable cost channels such as Equitel, internet banking, mobile banking App, Agency network and Merchants. M-commerce has been a key focus area for us as we continue to collaborate through 3rd party infrastructure to bring value added services to our customers. Under Diaspora banking we have added new remittance partners such as Wave and this has seen the value of remittance values continue to grow year on year.



Efficiencies and Cost Optimization

Through cost optimization, the Group continued to transform its cost structure. One area of focus has been on the delivery channels from fixed to variable cost channels, with the bulk of transactions being processed via mobile, agency and merchants' outlets. We also rationalized on our investment in new branches and the ATM network with an aim of reducing the operating cost of these fixed channels. Staff costs have also been on the decline mainly due to natural attrition and prudent recruitment based on current and future business needs. Automation of processes and operations has also resulted in the decline of our operating costs. All these efforts have led to a cost-to-income ratio of 47.2% for the Kenya banking subsidiary without loan loss provision (52.2% for Group) while Group's total costs increased to Shs. 38.8 Billion up from Shs. 38.3 Billion in 2017.

OUR CAPITALS

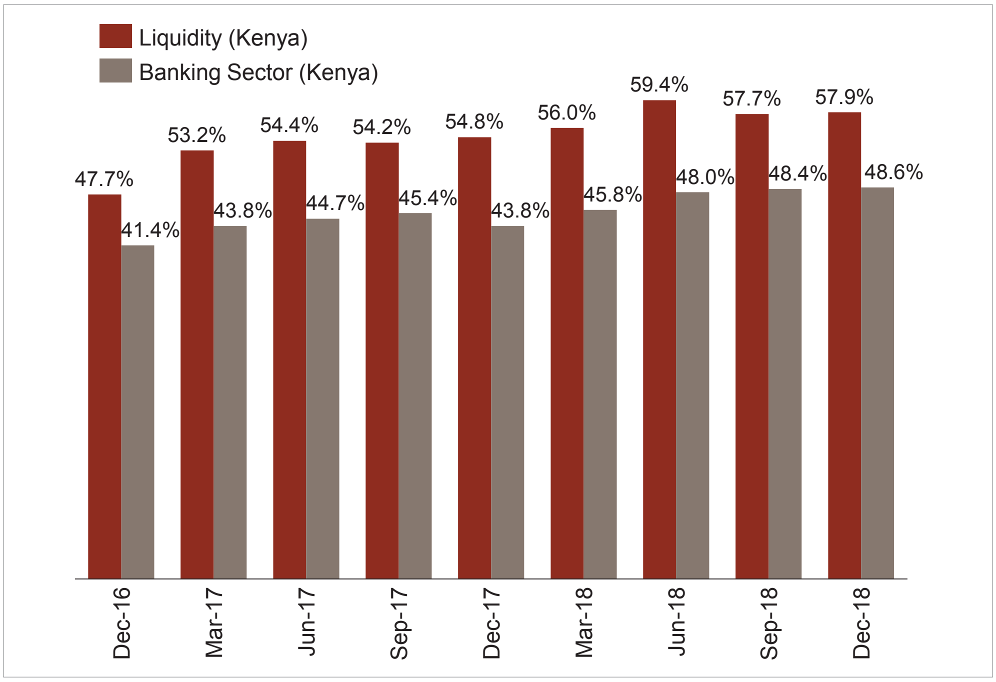
FINANCIAL CAPITAL

Creating Value through Best-In-Class Capital Allocation

Equity Group sources of financial capital include shareholders' funds, debt investors and also the retained earnings of prior years. Our financial capital is made up of paid up and assigned capital (Shs. 1.9 Billion), share premium (Shs. 16.1 Billion), retained earnings (Shs. 85.0 Billion) and minority interest of Shs. 883 Million as at December 2018. These funds are key in running and growing our businesses and making strategic investments. We seek to efficiently leverage our financial strength, raise the necessary capital and funding at the best possible rates, and produce a sustainable return on equity, to create value for our shareholders. This in turn enables a good working environment for staff members who provide innovative and competitive banking solutions for customers and ensures that we are well within or above regulatory capital and funding requirements.

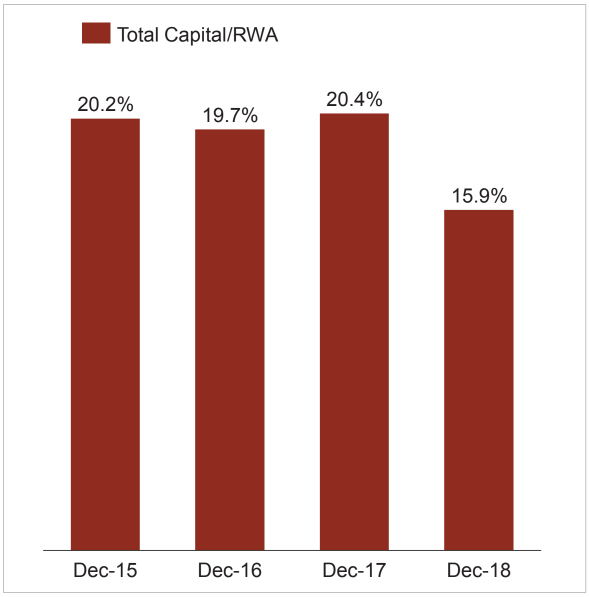
Equity Group has a comprehensive capital allocation strategy framework through the ICAAP process that increases shareholder value creation. Equity Group puts focus on financial performance, which is the core building block of any capital allocation process. Accounting measures and ratios have been developed which provides the Group with a straightforward method for calculating returns and can be easily applied to any division of a project to determine whether it meets the minimum rate of return. Equity Group allocates capital based on the economic value of each investment opportunity, while still accounting for its risk-adjusted returns. Financial performance of a project is a big determinant of financial capital allocation.

The Group continues to have a liquid and well capitalized balance sheet and as a result of this good gearing we have continued to generate returns for our shareholders. Customer deposits grew by 13% in 2018 contributing to 74% of total funding sources. This growth was driven by the investments we have made in service delivery through the expansion of our alternative delivery channels and great improvement in customer experiences across these channels. 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.



Total deposits 422.8 Billion and Total Equity 95.0 Billion

OUR CAPITALS (continued)



We have maintained a prudent approach in the management of our loan book and increased our provisions as a proactive measure in the challenging operating environment which has negatively impacted the quality of our asset portfolio. Our NPL for the year stood at 7.6% compared to an industry average of 12.0% in the same period. We continue to outperform the industry and this is attributable to our robust credit and credit underwriting policies as well as intimate customer knowledge and relationship management.

Our capital allocation approach remained focused on prudent and optimal allocation to areas of our business that boost value creation for not only our shareholders but all other stakeholders we partner with. The Group will continue enhancing its balance sheet such that it remains nimble and agile to adopt to any changes in the operating environment as enabled by strong liquidity and improved asset quality. We are also investing in our brand visibility as well as digitization and innovation for increased operational efficiency that will result in lower cost to income ratios. The end result of these efforts shall be better utilization of the embedded value in our balance sheet and improved productivity across all our subsidiaries.

HUMAN CAPITAL

The Group continues to focus on its People Capital as a key competitive edge in the delivery of its agenda. It recognises that people remain the strongest differentiating factor thereby rendering talent attraction, development, motivation and retention as paramount in its pursuit 'to transform the lives and livelihoods of our people'.

The Group continues to build a solid team of talented men and women who embrace its culture and are focused on serving its customers and meeting their needs in a timely, responsive and seamless system.

Culture Alignment

It is said that 'culture eats strategy for breakfast' a prism that clearly demonstrates that culture is that strong invisible fabric that holds an organisation or a people together and must therefore be safeguarded at all times. Having always appreciated this, the Group embarked on re-immersing its staff in its corporate philosophies that resulted in an internalisation of its inspiration, anthem, vision, mission, values among others. This has further enriched the staff induction programme and ensured that all staff are culturally aligned and appreciate what ties the team together.

We now have in place a robust performance driven culture where staff are required to take personal responsibility for becoming the very best they can be. This is premised on honest and transparent performance feedback, development opportunities adequate for the needs of each employee and continuous encouragement of staff to seek the best opportunities to excel within our organization. We are continuously working to improve performance management by empowering employees and making them more personally accountable for their own performance, pay and career growth.

Diversity & Inclusion

The Group is committed to having a great 'mix' of its people at all levels as it recognises that diversity is not only a strength but also provides a great competitive edge. In its inclusivity approach, the Group welcomes diversity and continues to seek to create an environment where all its staff thrive, succeed and enjoy being a part of it.

To this end, the Group is focused on providing equal access to resources and opportunities to all its staff by ensuring that doors are opened and allow every competent individual an equal chance to be part of the team and contribute their best. Over time and having taken a deliberate step to enhance representation at all levels, the Group initiated various programs including separate forums for women and men, mentorship, leadership trainings and strategic hires; all designed to propel a better representative mix based on competence and has achieved notable progress at various management levels. The Group currently enjoys a rich diversity base in age, gender, nationality, race and profession.

Leadership

Leaders set the tone and pace of the business and therefore play the critical role of planning, directing and executing on strategy while deploying resources optimally. Investment in our leadership team in both soft and more specialised technical skills remains key. To this end, the Harvard ManageMentor program for first cohort of 250 Managers came to an end coupled with other development initiatives over the period. Other programs will be deployed to continue equipping and enabling our leadership team to discharge their mandate.

Nurturing Talent

Experience is an important element in broadening our people's skill-sets across businesses and geographies. We continue to tap into the internal pool of talent as a priority in supporting vacancies partly complemented by external candidates where necessary. As part of our people strategy, we take a broader and deeper approach to talent management to identify and develop a greater number of our people as key talent across all levels of the business.

Employee Wellbeing

A healthy, motivated team brings forth its full potential and discretionary effort to the workplace. This is taken very seriously and we have in place deliberate efforts focused on ensuring that staff are catered for in mind, spirit and body through various programs that enrich the multiple facets of a person. Teams are encouraged to participate in physical activities, embrace the wellness initiatives and grow spiritually as we provide avenues that support staff and their families. The Group has rolled out a 24/7 counselling service for staff and their dependants to complement its internal support structures. In addition, numerous sessions have been held on personal finance management. The Group remains relentless in its quest to achieve its goal of having well balanced employees who are growing in all the facets of their lives.

Equity Group is commited to the socioeconomic transformation of the people of Africa, which informs the initiatives the group supports. Equity Bank Kenya participated in the 15th edition of the Standard Chartered Marathon, a 'Seeing is Believing' community initiative aimed at raising funds for the needy in the community. 200 of the Bank's staff participated in five out of six race categories.

OUR CAPITALS (continued)

Equity Group Chief Human Capital Director Mr. Reuben Mbindu (left) and Equity Bank Kenya Digital Lending General Manager Mr. Michael Nyaga (right) receive the 2018 FIBA Zone V tournament trophy from Equity Hawks point guard Samba Mjomba (centre) at the JKIA.

Equity Bank Kenya Hawks reclaimed the Kenya Basketball Federation Premier League cup after beating the previous title holders, Kenya Ports Authority. The Hawks, who are also the reigning Fiba Zone Five champions, defeated KPA 73-64 in the fourth game of the finals play-off.

INTELLECTUAL CAPITAL

It is composed of the reputation achieved by our brand, technical knowledge, intellectual property, and the ability to develop new technologies, products and services for the sustainability of our business.

Digitization

In a world permeated by continuous digital transformation, our challenge is to monitor changes and meet our clients' needs. An essential part of this transformation is the increasing usage of mobile devices with access to the Internet, which directly reflects on the exponential growth in the use of mobile banking.

A key pillar in our strategic focus is digitization which provides us with significant competitive advantages and distinguish us from our competitors.

New technologies are arising and being gradually incorporated into our business. By aligning these trends to our competitive strengths, we seek differentiation in the way we relate with clients and do business.

By investing in new technologies aiming at transformation, we seek the balance between transactions and clients' experiences, constant simulations of attacks and defences related to cyber risks, and security in the whole technology chain, and protection of our clients' information.

There are two principal reasons why digitalisation boosts operating performance. First, it lowers the costs of on boarding customers and serving them – the marginal cost of transacting over digital platforms is significantly lower than for traditional methods where relationship managers or sales people are needed. Second, the convenience, ease of use and instant completion of transactions that digital platforms offer improve customer engagement. As a result, customers transact multiple times more than non-digital customers, giving us a higher share of their wallet across all products. The higher level of engagement also results in consistently faster income growth for digital customers over time.

Technology and Innovation

Our approach to technology is focussed on delivering reliable and stable experiences for our people and customers, continually improving our technology platforms and services to make them simple and agile, and getting products to our customers faster. Our intensive use of technology and electronic distribution channels have significantly helped increase the volume of sales of products and services and is one of our top competitive advantages. We prioritize efforts to develop platforms and services that use the best of technology, so that we can simplify and make life easier for everybody engaged with the bank, with a focus on mobility and convenience.

We were the first bank in the region to launch a developer portal through the use of Application Program Interface (API) technology, giving approved third party developers the chance to plug into our data through our APIs, enabling the delivery of even more integrated experiences for our customers. We also further entrenched the rollout of the Eazzy Banking suite regionally allowing us to scale up our operations and reach at a fraction of the cost it would cost to establish a physical presence. This has seen the bank grow its customer numbers, increase uptake of products and services and gain in relevance in all the markets it operates.

We also utilise technology to make a better work place for our employees by improving workplace conditions, effective meeting management, reducing complexity of our operations and communication, and increasing productivity.

Think Beyond Traditional Banking

Thinking beyond traditional banking is crucial given that disruption in the banking industry puts a significant portion of revenues at risk. To be successful, we need to expand the concept of what a bank is and what it means to customers. Our payments value chain is already under threat from many bank and non-bank players. We are responding through our own fintech named Finserve.

Finserve allows us to do so much more than we are curtailed from doing as a regulated banking institution. Finserve offers futuristic digital solutions that contribute to the ease of doing business in Africa and beyond. It is able to partner with third parties and provide a complete suite of digital financial products and services to customers all found in one place. Finserve operates the Equitel MVNO which has over 2.8 Million customers and channels 89% of all loans that Equity Bank Kenya processed. In the year, Finserve launched three revolutionary products. The *jenga* Payment Gateway that is supporting businesses in processing payments regionally and beyond so that they can grow their revenues. The Jenga API which is an integrated payment platform that allows businesses to carry out many types of transactions under one roof. And finally mKey which is Africa's first keyboard app that integrates social and financial services in a single platform. Finserve has also been empowered to manage our agency banking platform of 42,635 agents, a merchant network of nearly 14,000 merchants and to provide connectivity to all our global card associations and payment gateways.

We also aim to find ways to be relevant to customers earlier in their purchasing decision process, for example, not only offering a mortgage, but also connecting customers via digital platform to real estate listings and other things they need when buying a new house, like insurance, legal advice and even a removal company. We are developing and looking into initiatives in numerous beyond banking value spaces.

Guests display some of the YetuMoji during the launch of the new mKey app. mKey allows one to access both social and financial services in one integrated platform. YetuMoji, are customized emojis, stickers and gifs available through the mKey app, with an added Kenyan flavor and pride. Users will have the freedom to co-create and use their own emojis.

OUR CAPITALS (continued)

Finserve Africa Limited (Finserve) Managing Director, Mr. Jack Ngare (left) shares a light moment with Opera Software Managing Director Eddy Ndichu (right) during the launch of Finserve. Finserve has distinguished itself as an innovator with futuristic solutions that will contribute to the ease of doing business in Africa and beyond.

Develop Data Analytics

The relationship between banks and their customers is increasingly a digital one. Digitalisation challenges banks to maintain intimacy with a customer whom they rarely meet face-to-face. But the digital interface also provides a wealth of data on customers' preferences and needs that gives banks important insights they can use to provide the kind of experience customers now expect from businesses they interact with online. Analytic skills are essential for serving customers in a digital world and also for preventing fraud, improving operational processes, reducing risks and generating services that go beyond traditional banking. We recognise that excelling at data management is a core competency if we are to realise our ambition to create a personal digital experience for customers. We are on course to implement one global approach to data management to ensure we maximise the potential of this key resource. We have an advanced analytics team based in Nairobi that acts as a centre of excellence.

Information Security And Management

A digital bank is also driven by data. We use it to improve processes and make better management decisions. Crucially data provides meaningful customer insights to better understand our customers and develop innovative data-driven products that personalise and improve their experience. However, raw data in itself has little value. To be meaningful, it has to be sorted, harmonised and put into context. Global data management is therefore a key priority to ensure the availability, quality, integrity, usability and control and governance of our data. We continue to invest in technology, operations and people. This ensures customer data and information is protected and used appropriately.

Data privacy is of utmost importance to us because our customers entrust us with confidential information that they expect us to keep safe. We aim to comply with our legal obligations around data protection, which can differ from country to country. We are transparent about what we do with the personal data of customers, suppliers and business partners and only process it for specific business purposes. Whenever we process data for services or offers we consider the wishes of our customers and corporate clients. In cases where we rely on consent, the customer can withdraw it at any time.

Cyber Security

Our holistic approach to countering the complex and constant threat of cybercrime combines prevention with detection and rapid response. We provide banking fraud awareness training for employees and clients, which, in addition to maturing controls, has contributed to stabilising banking fraud damages at low levels across our organisation. Advanced analytics capabilities play a key role in combatting criminal activity. Pattern recognition and advanced algorithms help to predict and detect, and thus prevent, fraudulent activity.

We regularly provide customer alerts about the latest security threats on our website and social media channels. We proactively educate our customers about cyber-crime. We provide regular insights on the measures they can take to protect themselves online, and keep their information secure. This year we ran a number of seminars for our business customers that covered the latest cyber security threats and trends targeting businesses and how they can manage cyber security risk. All our people, including contractors, are required to complete mandatory security training. This training is updated every year to reflect the changing threat landscape.

We continuously invest in our security organisation and systems to protect our data and that of our customers. We have created a cybercrime resilience control environment designed to predict, protect against, detect, respond to and mitigate e-banking fraud, Distributed Denial of Service (DDoS) attacks and targeted attacks. We maintain strong global alliances with the financial industry, law enforcement authorities, governments and internet service providers to jointly fight cybercrime.

A Super Brand

With our long track record and strong brand, we believe we are well placed to seize these opportunities and become a better financial services provider for all of our stakeholders.

We are a leader in digital banking, and we have scale combined with local market expertise. We are investing in building profitable, mutually beneficial relationships with our customers based on the quality of our service and the differentiating experience we offer them. We continue to work hard to win their hearts and minds, demonstrating our concern for them and all our stakeholders. Equity Bank was also awarded Super Brand status in 2018 for the 11th year in a row by Super Brands East Africa.

MANUFACTURED CAPITAL

It is composed of equipment, physical facilities and digital channels such as ATMs, applications and operational systems that are made available by the organization for use and offer of products and services. Our equipment and facilities provide, primarily, more comfort, convenience and security to our customers and employees. We invest constantly to improve our infrastructure, which is essential for the efficacy and efficiency of our business model.

The ecosystem that we have created and the varied channels we offer sets us clearly apart from the competition and a lot of corporates want to partner with us because we bank their employees, suppliers, distributors and customers. They are also able to tap into our large distribution network both locally and regionally. We also have partners who sell their products through our agents.

- Number of branches across the region: 290
- Number of ATMs across the region: 694
- Number of Online banking users: 49,049
- Number of Agents: 42,635
- Number of Equitel customers: 2,831,435
- Number of active users on Eazzy App: 199,683
- Number of Eazzy App downloads: 464,387

Equity Bank is no longer a place where you go to, but rather something you do. The volume of banking transactions carried out through internet and mobile phone continued to grow significantly in 2018.

As a rule, we do not replicate products and services that we offer in other countries we operate in, we just replicate capabilities. The products we offer in the different markets are always reflective of the specific environment. For example in DRC where there is only 6% penetration of banking services, mobile banking offers the best access channel but we will not rollout all the functionalities currently available on our mobile App. Once the market is ready for something new we deliver it seamlessly because we operate on a shared platform.

Digitization

Equity Bank democratized banking by giving banking products and services to people where they are and when they want. Our digitization strategy is all based on customer centricity. We started off with the variable channels, like agency banking then we went into mobile banking. We chose to go the Equitel way because if you want to do mobile banking in a safe and secure manner, the only secure element on a feature phone is the Sim card and most of our customers own feature phones. Equitel offers voice and data but for us, it also forms a channel for customers to access banking services,

OUR CAPITALS (continued)

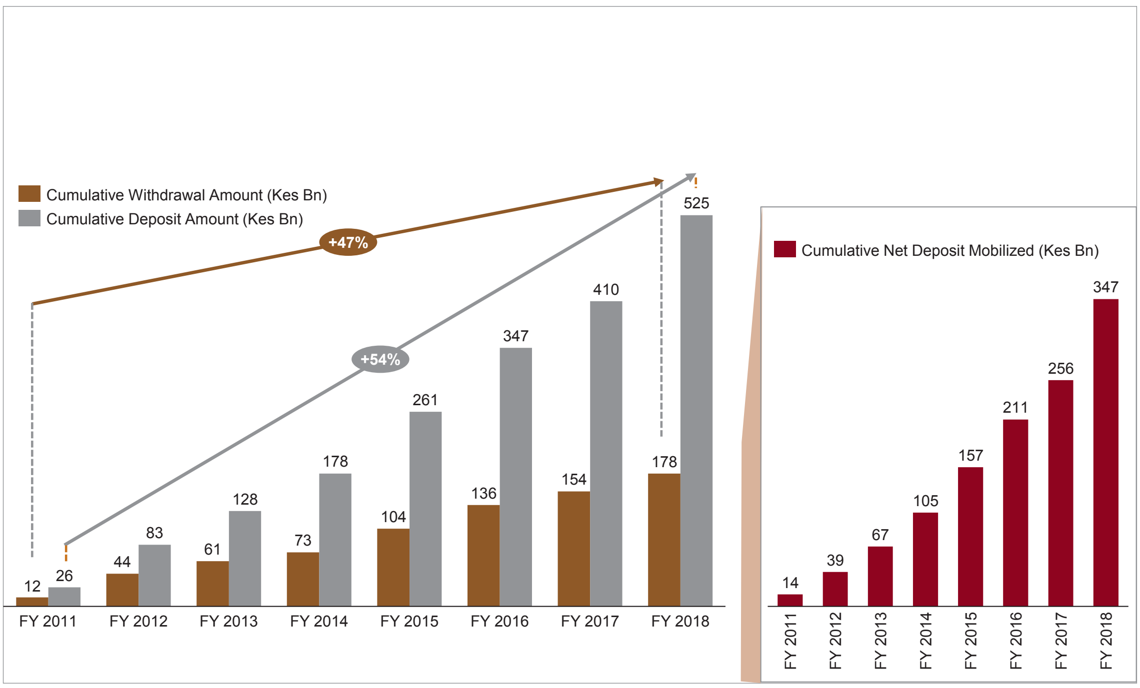
so much so that 93% of our loans are processed on the mobile phone without any human intervention. The mobile dignifies the borrower by allowing them to borrow even small amounts, anytime anywhere without the human interface. These new self-service channels that enable customers to do banking on their own devices has revolutionized money transfer and payments with customers having greater control and freedom to manage their bank accounts. This also confirms that customers want a banking service that is integrated into their everyday lives

Eazzy Banking products continued demonstrating phenomenal uptake. EazzyBiz hit Kes 11.6 Billion per month in value of transactions, EazzyPay moved Kes 293.5 Million per month while Eazzy Banking App's transactional value stood at Shs. 6.5 Billion per month in 2018. Eazzy Banking App is the number one banking App in Kenya leading in both App Store and Play store. EazzyNet which targets the retail market has over 170 functionalities including unique features such as buying stocks online.

We not only innovate internally, but we also have open APIs which allow third party developers to leverage off our banking license and banking tools to reach their target markets. We also afford them the ability to innovate on to our platform so that we crowd-in ideas and benefit from the innovation as well. At Equity there is free flow of ideas in terms of innovation and other ecosystems including customers interacting on our platforms.

Agency Banking

By embracing the agency model, we are serving our customers better by bringing services closer to them. Not only does it save the customer numerous hassles associated with visiting banking halls, it ensures that areas where there is little or no road infrastructure are now opened up to financial inclusion. Furthermore, it creates new business opportunities and new revenue streams for residents in the countries we operate in. Appointed Equity agents earn using the commission model from transactions done at their outlets and they are also distribution points for our partners who sell commodities such as solar panels and lighting as well as eco-friendly jikos. Going forward, we see them also being insurance brokers through our bancassurance outfit selling insurance products such as life, vehicle and medical insurance amongst others.



AGENCY BANKING	Dec-17	Dec-18	Growth
Number of agents	35,272	42,635	21%
Monthly transactions	5.9Mn	6.6Mn	13%
Monthly value of transactions	47.02Bn	58.6Bn	25%
Monthly agent commissions (gross)	144.6Mn	174.5Mn	21%

Card and Merchant Solutions

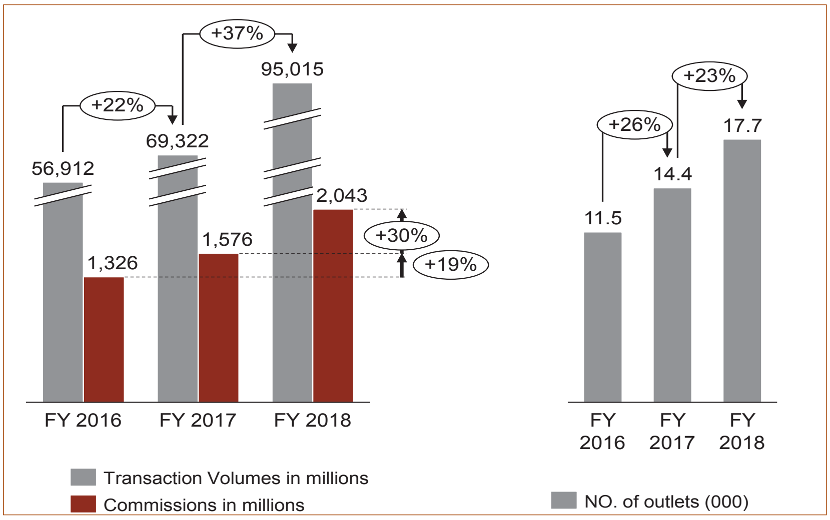
The Group's integrated multi-channel network operates in synergy with the Group products and services. We have a widely recognized range of card-based payment products, including debit cards, credit cards and the pre-paid cards, as cash-free payment solutions. Our debit and credit cards can also be used for online e-commerce transactions. As an integrated feature of our savings product, the debit card can be used on various channels, including the branch, ATM and POS networks. We have partnered with key payment companies to ensure our customers are open to choice that fits their lifestyle. The range of products and services that are linked to debit cards and various facilities are regularly reviewed and enhanced in accordance with advances in the market. Through credit cards, we offer a variety of products with attractive programs suited to different customers' lifestyles and consumption needs. In 2018, we had over 15,000 credit cards in issue with a transaction value of Shs. 5.3 Billion representing a market share of 41%. While promoting credit card growth, we consistently and carefully manage credit card loan quality with the credit card NPL ratio maintained at low levels.

Currently, we have 17,720 POS merchants and 33,259 Eazzypay merchants. We offer:

- Stand-alone point of sale terminals which enable businesses to securely accept debit and credit card payments.
- Integrated Retail Solutions (pin-pads) which are suitable for businesses with several pay-points/ tills for medium to large supermarkets, hospitals and high-traffic retail points.
- E-Commerce payment gateways that enable businesses to accept secure online payments cards for both domestic and international card transactions through their websites.

During the year under review, Merchant Turnovers totalled Kes 95.0 Billion, a 37% growth from previous years Shs. 69.3 Billion. Merchant Commissions totals Kes 2.0 Billion up by 30% from Kes 1.6 Billion the previous year. Number of merchant transactions

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



OUR CAPITALS (continued)

stood at 17.5 Million, a growth of 39% from 12.6 Million transactions recorded in 2017. Our acquiring market share stands at 35% as at end of 2018.

The total transaction value for debit and prepaid cards totalled to Shs. 16 Billion for both inbound and outbound transaction while Issuing Interchange income reached a high of Kes 6.9 Million with ATM transaction commissions at Shs. 48.1 Million.

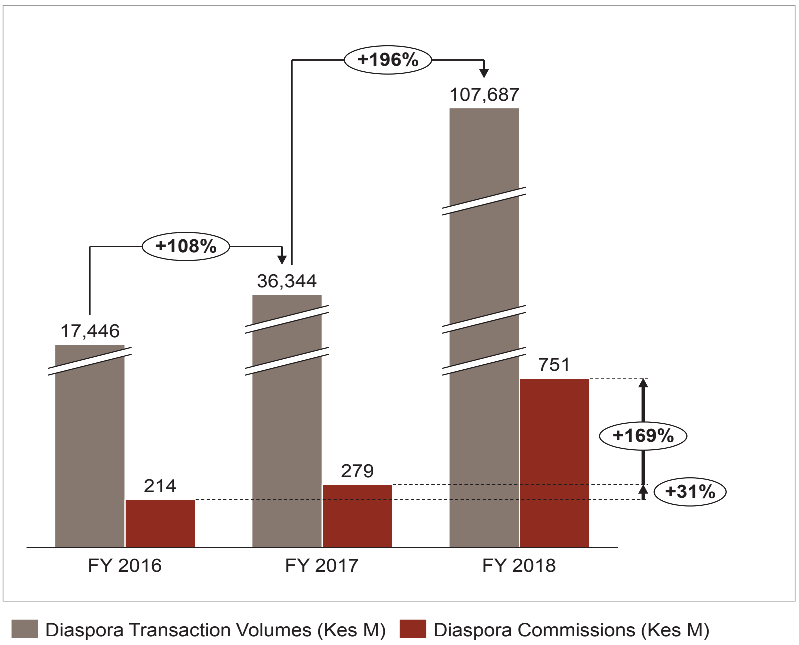
Diaspora Banking

We developed this service upon realisation that there are Millions of people from the regions we operate who live and work abroad in search for a better life for themselves.

Diaspora banking offers a wide range of services to suit the banking needs of our target clientele that ranges from banking services for individuals and groups, card products, mobile and online banking, credit facilities, investment solutions and insurance products. We have diaspora customers in well over 20 countries globally and we have segmented ourselves based on five different regions that are overseen by a specialised team who have expertise and experience in the needs of our customers based on their location.

Access remains a challenge for the recipients of the remittances made from Diaspora and we are heavily leveraging on our vast network of agents and the capabilities of Equitel and our mobile banking App to ensure that recipients access their money. This large footprint that spreads across the region in which we have a presence is a key advantage for us and remains one of the biggest reasons why customers living abroad want to bank with us and use our services.

We have partnered with globally recognized remittance partners and we seek to partner with even more, as technology evolves and new service providers emerge and take the fore front in money transfer. We leverage heavily on online and mobile banking using world class solutions such as EazzyNet and Eazzy Banking App, that allow customers to access their accounts from anywhere in the world as long as they have internet connection. One of the things we are especially proud of, is our role in helping customers who live abroad to play a part in the development of their home countries. So far, we have helped many in the diaspora to own homes, buy parcels of land in Kenya and invest in treasury bills and bonds. Furthermore, we are making it easier and simpler for our customers to support their dependents in socially and economically relevant agendas such as education, healthcare and economic enterprise.



SOCIAL AND RELATIONSHIP CAPITAL

Composed basically of ethical and transparent relationships with our customers, shareholders, investors, suppliers, regulatory bodies, government and society. It also includes the skill of sharing value with our audiences to improve individual and collective welfare. Our CSR strategy relates to social development initiatives, such as education, leadership development, entrepreneurship, agriculture, health, financial literacy, energy and environment which are delivered to all communities in which we have operations. We also work together with various levels of government to improve public policy models in the many countries where we operate.

Customer Experience

To be truly successful, we must understand our customers, respond to their needs and requirements and ultimately create exceptional customer experiences in all that we do – better than any other financial services provider. Creating value and delightful experiences for our customers that exceed their expectations is encompassed in our mission to be customer-focused, which we believe will be a key enabler in delivering on our purpose and is a strategic focus area in response to the material matter 'Competition and Industry disruption.

We acknowledge that customer preferences are unique and fast evolving and continue to challenge us to use our financial expertise to meet their diverse needs. In order to remain relevant, there is a continuous need to understand, anticipate and timeously deliver customer experiences that exceed expectations. This is central to all our strategic focus areas, because innovation whether technology driven or not, is key to retaining existing and attracting new customers, which in turn drives revenue growth.

We are differentiating ourselves by delivering innovative market-leading customer experiences by investing in digital channels, streamlining our processes and strengthening our culture of service delivery and innovation. We will continue to accelerate digital implementation in the years ahead, with exciting market-leading innovations planned for the future. This will enable us to develop greater agility with a view to innovating quicker and responding to disruptive threats faster, optimally addressing new-customer requirements and providing world class customer experiences and creating an enterprise capability with the customer at the centre of all we do. In addition, we aim to organise ourselves, our data analytics and information technology to enable differentiation in our customers' universe, respond more effectively to regulatory change and improve our ability to execute our strategy more effectively.

Being operationally excellent in all we do embraces simplifying, rationalising and continuously improving our processes and operations to allow us to save costs and invest in our franchise to unlock new growth opportunities. Unlocking efficiencies is an imperative in a tougher and more competitive environment, but operational excellence also provides benefits to customers as customer experiences are enhanced through simplification and optimisation.

Providing our customers with access to the best financial services network in the region and globally ensures that we are well positioned to participate in the longer-term growth prospects of financial services on the continent. We have invested directly in 6 countries so far and we are driving our capabilities in these markets for the benefit of our customers.

The Customer Relationship Management (CRM) module we launched in 2017 continues to enable us to deliver an outstanding customer experience, while improving operational efficiency. We can efficiently follow up on complaints within agreed timelines and customers can keep track of the resolution of their complaints and requests. The system also helps us to manage customer requests by following pre-defined processes to manage the complete customer journey – from the initial request for information to continued account maintenance and servicing. We are now able to maximize cross-selling and up-selling, evaluate customer satisfaction and manage every stage of customer interactions quickly and effectively.

OUR CAPITALS (continued)

Social Welfare Programs

As part of our responsibility to alleviate the challenges that vulnerable persons of our communities are faced with, we partner with both the Kenyan Government and donor organizations to deliver much needed monetary aid to targeted persons. We leverage off our banking infrastructure, distribution network that includes branches and agents, digital platforms to deliver real interventions where they are most needed. We have partnered with organisations such as Departmnet for International Development (DFID), Australian Agency for International Development (AusAID), Financial Sector Development (FSD) Kenya, UNHCR, WFP and World Bank to provide aid assistance to poor households, orphans, refugees, internally displaced persons, elderly citizens and other vulnerable persons. Our mode of delivering these interventions is through issuing the beneficiaries with Biometric smart cards that are loaded with the financial aid. These programs automatically includes these families into the financial system by having the financial aid processed through a bank account. These funds can be accessed through a mobile phone or our agency network.

The inclusion of such vulnerable persons into a financial system enables them to leverage social payments to pay for basic needs, pay for school fees, borrow loans or invest in microenterprises which allows them to improve their economic wellbeing. By allowing such persons to be in charge of their own spending and savings, we dignify their existence in society and they are able to move from dependency to independence in a short period of time. These special programs have demonstrated a cost effective way of transferring cash to the poorest and most exposed demographics and helped them start gainful activities.

Equity Group's Special Projects Director Mr. Allan Waititu interacts with UNHCR staff during the registration exercise at Mahama camp. The exercise targeted about 20,000 head of household Burundian refugees residing at the camp to receive WFP/ UNHCR funds via an Equity Bank card, aimed at improving food and nutrition security.

***It works!** H.E President Uhuru Kenyatta observes a beneficiary receiving an Inua Jamii payment from Equity Bank Staff. Equity Bank Kenya has leveraged on its countrywide reach of 179 branches and identified 30,000 agents to roll out the payment program at Shs. 48.1 Million.*

OUR CAPITALS (continued)

Name of Client	Programme	Geographical Area	No. of Beneficiary Households	No.of Targetted Persons	Value Entitled (Shs)
Government of Kenya and Department for International Development (DFID)	Hunger Safety Net Programme II	Turkana,Marsabit,Wajit and Mandera	323,000	1,938,000	20.4 Billion
Government of Kenya, UNICEF and DFID	CT-OVC	All 47 Counties in Kenya (2012-2018)	139,778	838,668	15.4 Billion
Government of Kenya	Inua Jamii (70 +, PLWD, Old Persons and CT-OVC)	All 47 Counties in Kenya	265,802	1,648,374	5.32 Billion
Government of Kenya and International Fund for Agriculture Development (IFAD)	KCEP/ CRAL	Bungoma, Nandi,Nakuru,Transnzoia, Embu,Kitui,Tharaka and Kakamega.	72,000 Farmers	72,000	800 Million
United Nations High Commission for Refugees (KENYA)	Core Relief Items and Permanent Shelter	Kalobeyei	1,025	6,150	265 Million
United Nations High Commission for Refugees and World Food Programme (RWANDA)	Cash Based Intervention	Gihembe, Kiziba, Kigeme, Nyabiheke, Mugombwa and Mahama Refugee Camps	34,822	208,932	1.6 Billion
United Nations High Commission for Refugees (UGANDA)	Cash Based Transfers	Nakivale and Oruchinga	1,882	11,292	2.3 Million
European Union and MOTT MCDONALD (SOUTHERN SUDAN)	IMPACT Programme	All States	29,710 Teachers	29,710 Teachers	871 Million

Equity Group Foundation

Equity Group's approach is to transform the lives and livelihoods of our people socially and economically by availing modern, inclusive financial services that maximize their opportunities and contributes to its market position. It is this need that saw Equity, in 2008, establish a corporate foundation - Equity Group Foundation [EGF] – with a vision to be the champion of the social economic transformation for the people of Africa. EGF's mission is to avail economic opportunities, capacity, tools and technologies that enable individuals and businesses to increase productivity, resilience and share in socio-economic growth in the face of poverty and other threats. Recognizing the diverse nature of Africa's socio-economic needs, EGF responds to the continuum of issues that challenge socio-economic advancement, especially for low-income individuals and families, by working to create change.

Creating Shared Value

Guided by its vision of being the Champion of the socio-economic transformation for the people of Africa, EGF works alongside partners to create shared value, thus contributing to society while ensuring the long-term success of the Group. EGF's Creating Shared Value [CSV] priorities are those areas of greatest intersection between the business and society, and where it can create the most value and make the most difference. These include:

- *Education & Leadership Development:* EGF increases access to and transition through secondary and tertiary education and provides leadership and career development in order to break the cycle of poverty and develop the next generation of leaders.
- *Agriculture:* EGF helps create jobs, improve market access, and expand agricultural production by working in partnership with small and medium-sized farmers to increase their production capabilities, business acumen, and access to technology and financial services.
- *Health:* EGF increases access to comprehensive health financing and private sector-led, affordable, high quality, and standardized health services for poor and middle-income families.
- *Entrepreneurship and Financial Education:* EGF stimulates job creation and economic growth by providing Micro, Small and Medium Entrepreneurs (MSMEs) with advice, mentorship and entrepreneurship training. EGF promotes innovation through the uptake of new ideas, solutions, and technologies to achieve greater impact and scale for all of its work. Additionally, EGF extends Equity Bank's efforts to expand access to financial services to the bottom of the pyramid, helping low-income people to lift themselves out of poverty. EGF also improves financial capability and individual and household financial security by connecting women, youth and communities to expert financial literacy training.
- *Energy and Environment:* EGF promotes the conservation and smart use of natural resources by expanding forest cover, improving water security and promoting the use of renewable energy and energy-efficient technologies.

EGF has also strengthened its commitments in the area of environmental sustainability to emphasize the Foundation's dedication to stewarding natural resources for future generations. Underpinning all these efforts is a robust approach to compliance and dignity, and our people.

Strategic Focus for Improved Impact

In 2018, EGF adopted a 'company and community needs based strategy' to achieve the following outcomes:

- **Strengthened Community Resilience:** Adaptive capacity and ability to reduce [manage] risks.
- **Enhanced Prosperity**: Financial literacy and inclusion improved

- **Improved Equity and Inclusion**: Enhanced access to educational and professional opportunities
- **Tested and Scaled-up Models**: Spurring utilization and adoption of innovation that supports inclusive socio-economic gains
- **Enabled policies and institutions**: Systemic capacity for effective execution and delivery of programs strengthened
- **Increased Partnerships for Impact**: Inclusive, diverse and balanced engagement of partners for collective action strengthened

To achieve these outcomes, EGF continued:

- Focusing on its five key social thematic areas
- Building and sustaining strong partnerships
- Building employee and community engagement
- Driving Leadership in the creation of social and business value within the Group

Specifically, efforts to improve and create bigger impact are articulated in EGF's Creating Shared Value Strategy: 2017-2021. It articulates how the Foundation can play an integral part in the long-term business success for Equity Group Holdings Plc while creating value for society.

It is against these five key social thematic areas that this report presents the Foundation's achievements for 2018.

OUR CAPITALS (continued)

Our CSV Performance

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

Pillar	Program	2018	Cumulative
Education & Leadership Development	*Wings to Fly* Scholars	1,000	16,168
	Wings to Fly Scholars Qualified to Join University	1,421	8,062
	Equity Leaders Program Global Scholars	102	489
	Equity Leaders Program Interns	532	5,963
	Technical and Vocational Education Training Scholars	2,551	3,033
Agriculture	Medium Sized Farmers	28,675	31,291
	Smallholder Farmers	38,552	638,522
Health	Equity Afia Out-patient Clinics	0	5
	Clients Reached through Equity Afia	34,246	43,155
Entrepreneurship and Financial Education	Small and Medium Enterprises Trained [Norfund]	6,661	42,827
	General Financial Education [FiKA]	180,743	1,732,469
Energy and Environment	Households reached with Ecomoto Clean Energy Products	20,179	77,117
	Amount of Charcoal Saved [Tonnes]	1,315	5,025
	Number of Trees Saved	7,891	30,185
	Amount of Kerosene Saved [Litres Millions]	103.1	394
	Reduction in Carbon Emissions [CO2te]	32,690	124,930
	Value of Charcoal Saved [Shs. Millions]	92.1	351.8
	Value Reduction in Household Fuel Budget [Shs Millions]	195.2	745.2
	Value Increase in Agents Margins [Shs. Millions]	17.8	67.9

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. EGF has to date supported to 16,168 students at over 600 public secondary boarding schools through its *Wings to Fly* program. The program has seen a 96% secondary school completion rate with four out of every five [82%] attaining university level grades against a national average of one in every four [21%]. But by far the greatest success of the program is that it has inspired compassion and a commitment by the Kenyan society to educate bright, needy children. In 2018, 587 scholars in the *Wings to Fly* shortlist received scholarships from public and private organizations as well as individuals.

As part of the Equity Leadership Program, EGF has offered 5,963 fully paid internships, mentorship, coaching and leadership development to the most gifted pre-university scholars with 489 attending universities globally.

Form one Wings to Fly scholars during the 9th edition of the Annual Education & Leadership Congress at Kenyatta University, which ran under the theme; Academic Discipline: A Bridge Towards Transformative Leadership.

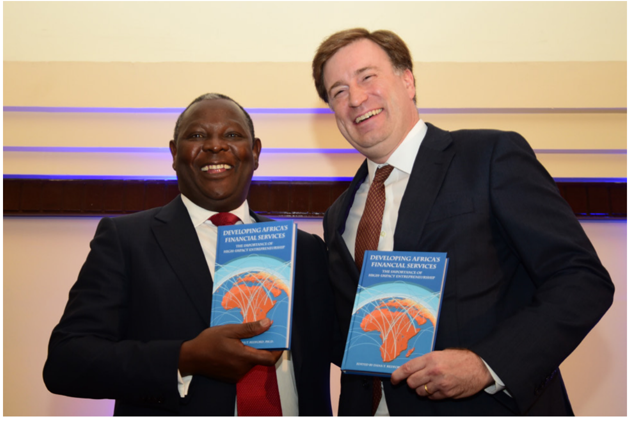
Kajiado Governor Joseph Ole Lenku flags off the 2018 Wings to Fly scholars from Kajiado County at a ceremony held Equity Branch Kajiado.

Entrepreneurship and Financial Education

EGF stimulates job creation and economic growth by providing micro, small and medium entrepreneurs [MSMEs] with advice, mentorship and entrepreneurship training. Under the Entrepreneurship program, 42,827 micro, small and medium size enterprises have been trained. To date, USD 65 Million has been accessed in loans by these MSMEs.

Additionally, EGF improves financial capability and individual and household financial security by connecting people at the bottom of the pyramid to expert financial education training as well as expanding access to financial services and products. To date, EGF has trained 1,732,469 Kenyan women and youths in financial education. These women and youth have subsequently been able to access USD 0.36 Million in credit and mobilized USD 24 Million in savings. EGF has scaled up the program to neighbouring countries. In Tanzania under the Fanikisha Plus project, EGF has trained 42,827 while in Uganda, another 10,266 individuals have been trained the under the SACCO Project. In Rwanda, Fanikisha project has trained 550 women and youth in financial inclusion and education.

OUR CAPITALS (continued)



Equity Group CEO and Managing Director Dr. James Mwangi with the book editor and President of the Policy Experimentation and Evaluation Platform (PEEP) Professor Dana T. Redford at the launch of the book- 'Developing Africa's Financial Services - The Importance of High-Impact Entrepreneurship'. The book features Equity Bank as one of the successful case studies of entrepreneurship in Africa and argues that a key way to lift African economies is through indigenous high impact entrepreneurs, because they know how to best act as role models for other Africans and inspire their fellow entrepreneurs.

Health

EGF increases access to comprehensive health financing and private sector-led, affordable, high quality and standardized health services for poor and middle-income families. EGF has thus far opened five Equity Afia health clinics out of a targeted 300 clinics reaching 34,246 patients seen in 2018 and 43,155 patients seen since inception with out-patient care.

As we move into 2019, it is worth mentioning that all Equity Afia facilities have received National Hospital Insurance Fund (NHIF) accreditation in readiness of scale roll out of universal health coverage under Kenyan Government's Big 4 agenda.

An Equity Afia Kawangware nurse attends to a client during a medical camp at Don Bosco. The Equity Afia team offered check-up services in dental, cancer, mental health, OBS/Gyna, ENT, VCT among others at the camp.

Agriculture and Agribusiness

EGF assisted in creating jobs, improve market access and expand agricultural production for farmers by supporting them to increase their production capabilities, business acumen, and access to technology and financial services. Thus far, the program has supported 638,522 small-scale peasant farmers who have been transformed to agribusiness entrepreneurs with 31,291 of them being medium-sized farmers. To date, USD 2 Million have been accessed in loans by these farmers.

Netherlands Ambassador to Kenya, Amb. Frans Makken and Equity Group Managing Director & CEO Dr. James Mwangi discuss the impact of the Foundation's Agriculture Initiatives during an end of programme experiences and information sharing meeting.

Summary of agriculture projects

Project	Brief - Description	Partners	Target
Kenya Cereal Enhancement Programme (KCEP)	An input subsidy program whereby Equity Bank Kenya has provided an E-voucher platform, for farmers to access inputs from selected agro dealers. Selected beneficiaries are trained on financial education and entrepreneurship education.	Government of Kenya, IFAD, EU, Equity Bank Kenya	40,000 farmers and 300 Agro dealers, 38,522 farmers and 288 agro dealers reached. Subsidy inputs worth Ksh 764M channelled through Equity Bank Kenya
Smallholder Dairy	Target to train dairy farmers and empower the beneficiaries to make informed financial choices.	Government of Kenya, IFAD, Equity Bank Kenya	Target to train 24,400 dairy farmers and other dairy value chain stakeholders
Kenya Forest Services (KFS)	Risk sharing fund to reach farmers under the climate smart financing. The program promotes farm forestry investments.	Government of Kenya, Kenya Forest Service, Equity Bank Kenya	Advance loans to farmers groups referred by KFS. 2,374 farmers accessed loans worth to Ksh 41.2M
Kilimo Biashara	Risk sharing partnership to support food crop farmers.	Government of Kenya, IFAD, World Bank, AGRA, Equity Bank Kenya	Ksh 7B has been disbursed to over 78,000 households. Disburse Ksh 3B loans in the next 5 years to 100,000 farmers
Satellite Technologies, Innovative and Smart Financing for Food Security (Satisfy)	Research project whereby agriculture loans are bundled with insurance.	International Food Policy Research Institute, Equity Bank Kenya	292 clients reached with loans amounting to Ksh 3.09M – Project to scale up to other counties.
Financial Access to SMEs and Rural Population in Agriculture using Technology	Financial Access to SMEs and Rural Population in Agriculture using Technology	NORAD, Equity Bank Kenya	60,000 farmers and 5,000 SMEs
The Medium size farm project	Project aimed to commercialize 2,000 medium size farmers	Kingdom of Netherlands, Equity Bank Kenya	2,616 medium size farmers trained on Financial Management and Good Agricultural practices
Small holder irrigation project for Mt Kenya Region (SIPMK)	Provide water for consumption and for irrigation	KfW, Government of Kenya and Equity Bank Kenya	Farmers with water and engage in export of fresh produce

OUR CAPITAL (continued)

Energy and Environment

Clean and sustainable energy has emerged as a focal point in developing countries with mounting pressure to preserve natural resources while increasing access to renewable sources of energy. Utilisation of biomass and fossil based fuels lead to deterioration in people's health and productivity whilst having undesired and sometimes non-reversible damage to the natural environment. Despite the availability of cleaner and more efficient energy solutions, communities in rural and peri-urban areas lack knowledge on such solutions or cannot access or afford to invest in them. Access to electricity grids and the cost of connecting and staying connected to the grid remains a big inhibitor in ensuring every home has electricity.

EGF seeks to address this challenge by increasing awareness of the benefits of clean energy for cooking and lighting. In addition, it facilitates access to clean energy through affordable financing to purchase innovative clean energy technologies that directly impact peoples' health, incomes and the environment. Tapping into the power of the sun to provide lighting and electronic charging solutions makes a real difference in how communities sustain themselves. Poor families are able re-allocate funds saved from the adoption of renewable energy technologies such as solar panels and improved cook stoves to other basic needs such as education, sustenance or healthcare.

To date, 77,117 households with an estimated 300,000 individuals have benefited from clean energy products such as solar and clean cook stoves. Other programmes include promotion of solar irrigation pumps, biogas, solar water heating, energy efficiency (retrofits), clean biomass fuel and water purifiers. Innovations on crop and index linked livestock insurance have reached thousands, and one Million trees planted to save the Mau Forest water tower. To reach scale and create more impact, we have created the first energy loan in the world to be available in digital form through the phone and established a robust distribution network of high quality renewable energy products throughout the country. This will enable us to reduce greenhouse gas emissions by 800,000 tonnes by 2020.

EGF supports the aquisition of solar panels for rural homes in Kenya through its Ecomoto loan products available on the equitel mobile platform.

OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS

At Equity Group, we frame our Creating Shared Value (CSV) agenda closely with the United Nations 2030 agenda for sustainable development – the Sustainable Development Goals (SDGs). Integrating the SDGs into our CSV approach has enabled us to identify areas where we can create a positive impact or, at the very least, mitigate a negative impact.

The Group has contributed largely to the United Nations Sustainable Development Goals (SDG), otherwise known as the Global Goals, which are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

These 17 Goals build on the successes of the Millennium development goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often, the key to success on one will involve tackling issues more commonly associated with another.

Equity Group has explored the interlinkages between its activities and the 16 United Nations SDGs and is committed to playing its part in meeting the SDGs, a fact reflected in its strategic initiatives for the period under review.

SDG 1: No Poverty

The World Bank reports that almost one in every three (29%) Kenyans is still grappling with poverty. Many people cannot access basic needs due to extreme poverty caused by unemployment. More than 3.4 Billion people all over the world are still struggling to meet basic needs living on USD3.20 a day.

Equity continues to use financial services and non-financial means to disrupt poverty by offering multiple pathways out of poverty. Equity believes the solutions lie in democratization of access to Financial Services.

With financial support from the Government and other partners Equity provided 1.2 Million households with over USD44 Million Social Protection Cash Transfers.

SDG 2: Zero Hunger

The agricultural sector is the mainstay of Kenya's economy. The sector directly contributes 24% of the Gross Domestic Product (GDP) and 27% of GDP indirectly through linkages with manufacturing, distribution and other service related sectors. Over 80% of the population derive their livelihoods mainly from agricultural related activities. Against this background, Equity has continued to give agriculture a high priority.

Through its Value Chain Agriculture Financing Model, Equity has disbursed, through its Kilimo Biashara loan product, USD521 Million to 849,148 farmers. Through its subsidiary, Equity Insurance, the Group has continued to offer weather and Index Based Livestock Insurance. Equity has partnered with the Government of Kenya and IFAD to provide agricultural subsidies through the Kenya Cereals Enhancement Program that supports over 40,000 smallholder farmers to increase productivity and profitability through the adoption of value-added agricultural practices.

Additionally, Equity through a program funded by the Embassy of the Kingdom of the Netherlands that has now been scaled up with support from Norwegian Agency for Development (NoRAD) and has reached 31,291 medium scale farmers to increase agriculture production and incomes in key food crops across various regions in Kenya. In addition, the same farmers have received crop and weather monitoring support from the Foundation with the support of Geodata for Agriculture and Water (G4AW).

OUR CAPITALS (continued)

SDG 3: Good Health and Well-Being

The Human Development Index (HDI by UNDP) is a summary measure for assessing long-term progress in three basic dimensions: a long and healthy life (measured by life expectancy), access to knowledge (mean years of education and expected years of schooling) and a decent standard of living (Gross National Income per capita). Kenya's HDI value for 2017 is 0.590— which put the country in the medium human development category—positioning it at 142 out of 189 countries and territories. Between 1990 and 2017, Kenya's HDI value increased from 0.468 to 0.590, an increase of 26.1%.

At Equity, we believe that by improving access to high quality and standardized health care, we will enhance quality of life and contribute to a healthier future. Equity Afia Limited is implementing a sustainable, integrated health model that oversees a network of clinician entrepreneurs to provide standardized, quality healthcare throughout the country.

Through its subsidiary Equity Insurance Agency Limited and in partnerships with insurance underwriters, the Group has continued to offer a medical insurance product targeting 20 Million Kenyans.

SDG 4: Quality Education

Introduction of Free Primary Education in Kenya saw Grade 1 enrolment rise from 0.969 Million in 2002 to 1.312 Million in 2003, an increase of 35%. Increased enrolment rates coupled with high costs prohibited children from vulnerable backgrounds from accessing secondary education.

Consequently, *Wings to Fly* was established to support the transition to secondary education for top performing children from financially challenged backgrounds in all counties across Kenya thus availing access to leadership training to previously marginalized children. The program, with support from Mastercard Foundation among other donors/sponsors, offers comprehensive support for the scholars through provision of tuition fees, accommodation, books, uniform, shopping, pocket money and transport to and from school during their four years of secondary education.

By the end of 2018, number of scholars rose to 16,168. Out of these, 10,060 have already completed their KCSE. Further, of the scholars who have completed secondary education, 8,062 have qualified for university entry with 489 securing admissions to global universities and the rest joining universities in Kenya.

Through Equity Bank, the Group provides parents and education institutions with loans to support access to education as well as infrastructure development.

SDG 5: Gender Equality

UN indicates that women and girls, everywhere, must have equal rights and opportunity, and be able to live free of violence and discrimination. Women's equality and empowerment is one of the 17 Sustainable Development Goals, but also integral to all dimensions of inclusive and sustainable development. In short, all the SDGs depend on the achievement of Goal 5.

At Equity, we believe that that empowering women and girls has a multiplier effect, and helps drive economic growth and development. We have empowered 1,732,469 women and youth in Kenya with financial literacy skills. On the economic side, through its Fanikisha Women suite of six loan products on both Group and Individual Lending methodologies – USD36.7 Million cumulative disbursements to 351,000 women between 2007 to 2018 has been achieved.

SDG 6: Clean Water and Sanitation

The United Nations classifies Kenya as a chronically water scarce country on the basis of having one of the lowest natural water replenishment rates, at 647 metres cubed per capita per annum, which is far below the 1,000 metres cubed per capita per annum.

Equity supports the belief that to address water and sanitation challenges, investment in adequate infrastructure, provision of sanitation facilities, protecting and restoring water-related ecosystems such as forests, mountains, wetlands and rivers is essential.

To this end, Equity continues to finance water and sanitation infrastructure, including but not limited to water storage, bio-gas digesters and modern toilets. Additionally, Equity Group Foundation (EGF) was involved in the "Save the Mau Water Tower initiative" that saw at least 1 Million trees planted. On its *Wings to Fly* program, Equity staff work with the respective community scholarship selection boards to organize community give back days. Notably, during these days, community primarily engage in clean up activities as well as tree planting.

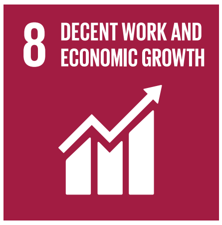
SDG 7: Affordable and Clean Energy

The renewable energy sector in Kenya is among the most active in Africa. In Kenya, investment grew from virtually zero in 2009 to USD3.6 Billion in 2010 across technologies such as wind, geothermal, small-scale hydro and biofuels. The country's ambitious plan of raising electricity capacity from the current 2.4GW to 22.7GW by 2030 is pegged on producing cheaper sustainable energy, improving distribution and exploring clean energy.

To date, Equity has supported 77,117 households with an estimated 300,000 individuals who have benefited from clean energy products such as solar and clean cook stoves. Other programmes include promotion of solar irrigation pumps, biogas, solar water heating, energy efficiency (retrofits), clean biomass fuel and water purifiers. Innovations on crop and index linked livestock insurance have reached thousands and one Million trees planted to save the Mau Forest water tower.

To reach scale and create more impact, we have created the first energy loan (Ecomoto loan) in the world to be available in digital form through the phone and established a robust distribution network of high quality renewable energy products throughout the country. This will enable us to reduce greenhouse gas emissions by 800,000 tonnes by 2019.

SDG 8: Decent Work and Economic Growth



MSMEs (Micro Small Medium Enterprises) both formal and informal contribute over 80% (Kenya National Bureau of Statistics) of employment opportunities in the country. Yet many enterprises face a significant barrier in accessing credit with a lack of physical collateral. This has further been exacerbated by the interest rate cap in Kenya, which has severely constrained the ability of banks to offer risk adjusted pricing. Consequently banks are not able to mitigate the riskiness of these businesses by increasing the interest charged. The MSMEs are therefore not able to access credit to support their business needs, which has slowed economic activity and the resultant employment growth.

Further, EGF stimulates job creation and economic growth by providing micro, small and medium entrepreneurs [MSMEs] with advice, mentorship and entrepreneurship training. Under the Entrepreneurship program, 42,827 micro, small and medium size enterprises have been trained. To date, USD65M have been accessed in loans by these MSMEs.

At the Group level adopts consistent, equitable and fair labour policies and practices in rewarding, developing and caring for our employees under the direct hire.

OUR CAPITALS (continued)

Through our human resources policy and operations manual we also ensure safe, clean, and dignified working and living conditions for the workers.

SDG 9: Industry, Innovation and Infrastructure

Investment in infrastructure and innovation are crucial drivers of economic growth and development. Kenya's unprecedented urban growth is attributable to two main factors: natural population growth and rural-urban migration due to factors like drought, conflict and rural poverty. It is projected that the country's urban population will continue to grow, reaching 31.7 Million (56%) by 2027.

Equity has led the way in breakthrough technology and innovation becoming the leading digital bank in the region. Already, 96% of our transactions are outside the branch contributing 21% of transactional value.

The Group has received Development Finance Institutions (DFIs) loans from Africa Development Bank (AFDB), European Investment Bank (EIB), International Finance Corporation (IFC) etc. for onward lending to SMEs. Flagship departments and branches support MSME and Corporate sectors at the core of manufacturing and industrialization.

SDG 10: Reduced Inequalities

Kenya's unemployment rate is 7.4% (Kenya National Bureau of Statistics' 2015/2016, Labour Force Basic Report). The International Labour Organisation estimates that of those unemployed Kenyans, 26% are youth aged 15-24 years.

Equity is committed to identifying and understanding strategies that can bridge the ongoing education-to-employment gap prevalent among youth in Kenya. Failure to ensure that young people are adequately prepared to enter the workforce and succeed in the workplace jeopardizes the investments that governments and development partners make in primary and secondary education, resulting in a low or lack of return on investment.

EGF targets youth and avails them opportunities for technical skills training in Technical and Vocational Education Training (TVET) institutions while complementing with financial, entrepreneurial and in relevant cases agribusiness training. Coupled with the technical training, youth are equipped with skills that enhance their employability i.e. life skills, agribusiness, financial and entrepreneurship education to support and encourage adoption of multiple career pathways. To date, 3,316 youth had an opportunity to acquire a technical and vocational skill.

SDG 11: Sustainable Cities and Communities

Like other developing countries, Kenya is facing challenges occasioned by rapid urbanisation. While as at 1962 only 7.8 % of the Kenyan population was considered to be urban. Come 2009, the same proportion had risen to 24% and is projected to rise to 56% by the year 2027.

Equity works with Government to improve living conditions through the provision of microfinance loans for sustainable mortgages/real estate sector as well support the provision of prepaid card solutions for urban mass transport.

SDG 12: Responsible Consumption and Production

A key tenet of this goal is to support the attainment of economic growth and sustainable development but at the same time reduce our ecological footprint.

It is for this reason that Equity has adopted ICT to reduce energy use as well as material consumption through its Tier 4 Green Data Centre.

In 2015, MicroEnergy Credits signed an Emission Reduction Purchase Agreement (ERPA) with the Swedish Energy Agency to support Equity energy and environment program. This ERPA generates additional revenue for the program, which is reinvested back into the clean energy initiative. Equity also partnered with development organizations for a Results Based Financing (RBF) program, proceeds of which are reinvested in the clean energy agenda.

SDG 13: Climate Action

Kenya Vision 2030 – the long-term development blueprint for the country – aims to transform Kenya into "a newly industrialising, middle-income country providing a high quality of life to all its citizens in a clean and secure environment''.

Equity, in addition to other environment and energy initiatives, supports productive uses of energy (PUE) in areas such as water pumping for drip irrigation and cattle drinking, aeration for aquacultures, refrigeration and poultry lighting. Other areas of interest are pest control and electric fencing. The impacts of solar electricity on agricultural activities are increased productivity (including higher yields, lower losses and faster production) and improved natural resource management.

Efficient utilization of power is cheaper than production of power. Together with our partners, Equity supports efficient utilization of energy through energy audits and funding of retrofits necessary to reduce power consumption in both commercial and residential establishments. This also includes financing of factories that use heavy industrial fuels and coal for heating to switch to more sustainable and environmental friendly fuels like solar and biomass energy.

SDG 15: Life on Land

Human life depends on the earth as much as the ocean for our sustenance and livelihoods. It is for this reason that Equity support sustainable financing to fishing industry in Lake Victoria, Turkana & Indian Ocean as well as funding to sustainable horticulture farms on Lake Naivasha.

SDG 16: Peace, Justice and Strong Institutions

Without peace, stability, human rights and effective governance, based on the rule of law we cannot hope for sustainable development. It is for this reason that Equity maintains Political neutrality and 100% legal compliance.

Equity is an active member of the Kenya Private Alliance (KEPSA) lobby group involved in civic education campaigns for peace before, during and after general elections.

Anchored on its CSV model, both economic and social programs are based on a principle of shared prosperity, which ensures distribution of opportunities to minimize conflict. To date, Equity Group has a Cost-To-Income Ratio of 52.2%, in large part, due to its shared prosperity model.

SDG 17: Partnerships for the Goals

The world today is more interconnected than ever before. Improving access to technology and knowledge is an important way to share ideas and foster innovation. Equity continues to implement Public Private Partnerships (PPPs) and other Strategic alliance partnerships to support the scaling up and replication of its programs.

Equitel MVNO for mobile broad band provides internet access to over 2.8 Million people. EGF has thus far raised USD344.9 Million to support the implementation of its social programs.

OUR CAPITALS (continued)

RESPONSIBLE BANKING

Combating Financial Crime

Financial crime, including money laundering and corruption, has corrosive effects on society and gives rise to compliance and reputational risks. Through our risk management function, we ensure we are fully compliant to laws and regulations applicable to financial crimes such as anti-money laundering and countering the financing of terrorism, fraud and bribery/corruption. We also maintain a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

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 disclosure 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 significant impact on society, and we remain committed to promoting sustainable development. To this end, when granting loans, we assess how our customers address material risks, including their exposure to environmental and social risks where relevant. We are also part of the industry's push towards sustainable development through our membership in the Kenya Bankers Association's Sustainable Finance Initiative and are committed to fully implementing the guidelines within our operations.

Sustainable Sourcing

Our supply chain covers a wide range of segments – such as telecommunications, building works, cash and valuables deliveries, market research, furnishings, electricity, and training programs – in which our relationships are based on transparency, sustainability and adding shared value. We have had approximately two hundred partners that provide goods or services to our business. This partnership is made through a formal contract process whose objective is to minimize possible financial, reputational, operational and legal impacts during the provision of the service or upon the termination of the contract. We also endeavour to improve sustainable practices, as well as the conformity with the legislation and the ethical principles that must govern business relationships. Our supply chain is centrally managed by the procurement function with the involvement of the contracting and legal functions, among other supporting areas. The procurement operation model allows the understanding of each business line in order to identify the most appropriate procurement strategy for each type of business and ensure consistent supplier relationships.

Regulatory Compliance

As we continue to expand the scope and complexity of our activities, we face an ever changing and increasingly complex regulatory environment. Furthermore, due to the consumer credit crisis, several high profile compliance breakdowns, and increased emphasis on consumer protection, regulatory agencies, investors, legislators and the general public are focused on our customer practices and regulatory compliance performance like never before. A compliance failure can result in litigation, financial penalties, regulatory constraints and reputational damage that can strategically affect our operations. 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.

Ensuring Financial Stability

We understand that our 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 laying 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

It consists of renewable and non-renewable environmental resources, consumed or affected by our business for the prosperity of the organization. Here we are mainly talking about water, soil, ores, forests, and biodiversity. We understand that, even though we are a service business, our activities impact the environment, both directly through the operation of our administrative units, branch networks and technology centres and indirectly through our loan and financing operations. Our main sources of electricity and water consumption, for example, come from cooling systems and the use of electronic equipment.

We continuously strive to improve our energy efficiency through the best market practices, ambitious goals and a management increasingly more attentive to the consumption of natural resources. Our management is segregated by administrative units, branches and technology centres, and all areas work together with the sustainability team.

Our strategy to increasingly become a more digital bank has strongly contributed to a reduction in paper consumption. A large part of our internal processes no longer use paper, which is replaced by electronic and digital means. Our operations are highly dependent on the availability of electricity and, therefore, we seek to continually improve our energy efficiency through internal projects and consumption reduction targets.

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.

Risk Governance Structure

For effective risk management, the Group has developed a risk governance structure for the Group and subsidiaries that define the roles and responsibilities of the board, the chief risk officer and risk management function, as well as the independent assessment of the risk governance framework. The governance structure 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. The governance structure is designed to protect against the erosion of prudent risk management culture and practices even in the face of challenging business and economic environments.

Group Integrated Risk Management Policy

The Group Integrated Risk Management Policy outlines the risk management framework, risk appetite setting framework, risk evaluation and reporting, and harmonises risk policies across the Group.

The Group has developed a risk intelligent culture, to help it achieve the following strategic objectives:

- *Limiting potential losses;*
- *Improving profitability;*
- *Supporting growth;*
- *Increasing quality of strategic and operational decisions; and*
- *Improving stakeholder management*.

Assurance is guaranteed through the risk department, internal audit, compliance and enforcement teams, external audit by PwC, The Central Bank audit, Capital Markets Authority and Nairobi Securities Exchange reviews, and Cross Border Supervisory Colleges as well as credit rating agencies' reviews.

Risk Review

The Group continues to leverage on technology and innovation to transform banking from "somewhere you go" to "something you do". This is characterised by including segmentation for focused strategic delivery, seamless integration of channels to improve experience and convergence of financial products and services.

Having made significant achievements in digitization over the years culminating in recognition of the business as the most innovative bank, as well as the first in Kenya to receive PCI-DSS certification, the Group focused on opening its financial services and infrastructure to 3rd parties through APIs integration. This is a first for an East African bank.

In executing its strategy, the Group is 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:

REGULATORY LANDSCAPE

IT Risk and Information Security

As the Group strategic initiatives under Equity 3.0 strategy are undertaken, the IT risk and information security landscape has been changing. Focus on technology by the industry players has altered existing information supply chains, created data types and data models and expanded IT infrastructure risk and security perimeter. Emerging risks around IT programme & change execution and IT operational resilience have joined cybercrime, data security and third party management as being the most pressing IT risks identified over the recent past. In 2017, the CBK responded by introducing a guidance note on cyber risk management. The guidance note required banks to formulate and implement cyber risk strategies,

CONTROL ENVIRONMENT (continued)

policy, procedures, guidelines and set minimum standards. Equity Bank is fully compliant with this guidance note.

The Group has responded to the emerging IT Risk threat landscape by developing IT Risk Management Policy and Information Security Management Framework Policy. The establishment of an IT Risk function as part of the Bank's Integrated Risk Management framework is intended to monitor the Bank's IT risk profile and recommend necessary actions. The Group continues to enhance the IT governance structure for effective risk control.

Impairment of Financial Instruments

International Financial Reporting Standard (IFRS) 9 financial instrument became effective on 1st January, 2018. It provides guidance on the recognition, classification and measurement of financial instruments. The standard replaced International Accounting Standard (IAS) 39, which applied an Incurred Credit Loss (ICL) model. IFRS 9 requires entities to recognize Expected Credit Loss (ECL) rather than incured losses. Full adoption of the standard has led to an increase in provisioning that has impacted the capital position of the Group. Equity Bank Kenya is observing the 5 year CBK transitional IFRS 9 arrangement issued to allow banks to be fully compliant without significant disruption to their capital base and business models. The Group continues to engage KPMG as well as leverage on internal resources in order to be fully compliant with the standard.

AML/CTF Programs

As a key player in the financial system, the Group is alive to the fact it is imperative upon it to adhere to local and international obligations in the management of money laundering, financing of terrorism and sanctions risks. Subsequently, the Group has a robust Anti-Money Laundering and Counter-Terrorism Financing Program (AML/CTF) which aims to identify, manage and mitigate the money laundering and terrorism financing risks faced by the Group.

Though AML/CTF falls under the umbrella of Compliance function, the AML/CTF program is given special focus due to considerable reputational risk that this component holds. The program is divided into three distinct components: Customer acceptance and identification program, robust automated information technology solutions as well as reporting and record keeping.

In addition, the program is supported by four pillars to enable proper execution and compliance: an independent reporting officer, risk awareness programs, independent assurance and internal policies and procedures. The Board has the oversight responsibility in ensuring that AML/CTF programs are carried in strict adherence to applicable laws, regulations, statutes and internal controls.

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 taken by all staff upon induction. Subsequent trainings to agents and staff are done to ensure they remain updated. The responsibility to manage AML/CTF risks rests upon all staff from both our business and support units so as to protect the Group's assets, the interests of our customers and shareholders.

Internal Capital Adequacy Assessment Process (ICAAP)

Internal Capital Adequacy Assessment Process (ICAAP) is a process to estimate capital requirements through an enterprise-wide quasi-quantitative methodology as part of a detailed risk based business and capital planning process. It is a formal process through which a bank identifies, measures, aggregates and monitors material risks to ultimately build a risk profile that becomes a basis for capital allocation. ICAAP documents are reviewed by CBK through Supervisory Review Process (SREP) to ensure that banks understand the risk that they take or might be exposed to.

The Group has an approved ICAAP policy in line with

CONTROL ENVIRONMENT (continued)

the ICAAP Guidance Note issued in 2016 by the CBK. In 2018, the 5 year ICAAP plan for the Group and the Bank was prepared and submitted before April as per the guidance note. The Group shall continue to assess its capital requirements on a regular basis.

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 effective social and environmental risk management within the Group and its stakeholders.

Introduction of a 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 to the social and environmental priorities of the host countries, as well as the global standards. To inculcate a risk culture, the Group developed a 'Speak Up' policy intended to encourage staff to provide both positive and negative feedback without fear of retaliation.

The Group continued giving back to the society by championing social and environmental changes through Equity Group Foundation.

BUSINESS ENVIRONMENT

Liquidity Risk

The Group constantly reviews the business environment against its strategic objectives. Liquidity management remained a key focus in 2018. The Group subsidiaries, particularly the banking ones, had to constantly monitor their liquidity profile on a regular basis. This also involved relooking at the adequacy of their liquidity contingency plan. Given the decline in private credit in Kenya, the Group maintained adequate liquidity buffers. This notwithstanding, the Group regularly monitored the results of 3-day liquidity stress tests to assess resilience in case of a run on deposits.

Credit Risk

The banking industry performance remained subdued in 2018, with the industry reporting double digit ratios of non-performing assets. The low growth in credit portfolio and high non-performing assets was occasioned by interest rate capping that denied banks the opportunity to measure credit risks in Kenya. The segments perceived to be high risk and those without quality collaterals were most hurt. Nevertheless, the Group continued to advance credit based on customized and detailed credit risk assessments as a foundation of sustainable asset growth. A comprehensive early warning framework was established to support the Group's SME strategy under Equity 3.0. For the large credit exposures and those with strategic implications, the Group's Corporate, Strategic and Advisory Committee (COSAC) is involved to provide guidance. As a result, the Group was able to maintain a relatively low Portfolio at Risk (PaR) compared to the industry.

RISK APPETITE

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

- *Credit risk* – Ratio of non-performing assets, Concentration of assets per product, sector, currency, counterparty etc.,
- *Market risk* – leverage ratios, return on assets, liquidity, value at risk, durations on investment securities etc.

Stress Testing

The primary objective of stress testing is to assess the impact of "exceptional but plausible" bank specific or macro-economic variables on crucial elements of business sustenance such as liquidity, profitability and capital adequacy, to ensure that the bank can withstand such shocks and mitigating management action is taken, preventing business failure.

The stress testing activity goes through the following process:

- Identification of stress components involving the different types of material risks and stress factors;
- Identification of methodology for application of stress;
- Estimation of the impact of stressed conditions on the profitability, asset quality and capital adequacy;
- Identification of remedial plans/ actions; and
- Reporting of the stress test results and identified remedial plans to the Board and regulators.

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS

Credit Risk

The Group credit management framework is defined by the Group's Integrated Risk Management Policy and customized 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 2018 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 a monthly basis and drivers and possible solutions discussed in Credit Risk and ALCO Committees.
- Evaluation of credit risk is conducted at customer, product and sector level.
- The Group employs a proactive approach to credit risk management by gathering market trends that inform customer, product or sector credit outlooks.
- The credit book growth strategies are aligned to expectation in the macro-economic environment.
- Underwriting risks are closely managed through credit committees that start from the branch level to the Board.
- For large credit exposures, the Corporate Strategic and Advisory Committee (COSAC) provides strategic guidance in the underwriting process to ensure consistency with the overall Group strategy.

The Group continues to leverage on technology in delivery of credit products. Credit scores have been done for the Group's retail customers. Comprehensive model validation is done on a quarterly basis to confirm suitability of the model. The qualitative validation involves evaluation of the effectiveness of the governance model and consistency with the overall Group strategy. The quantitative validation involves assessment of model efficiency, discriminatory power, predictive power, model stability and concentration. The Group has embarked on automation of micro and SME products to enhance efficiency and service delivery.

As the Group seeks to deliver on its financial inclusion objective, investment in solutions and systems to enhance data quality and breadth will continue. This is expected to improve prediction of probability of default, loss given default and recovery rates for both the existing and potential customers.

Market Risk

The Group's market risk management is defined in the Group's Integrated Risk Management Policy and customized through Market Risk Policies by various subsidiaries. The policies define the risk appetite and risk metrics for the Group. 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.
- Liquidity – The Group ensures compliance with liquidity ratios as stipulated by regulators and regularly compares its liquidity position against international standards as provided by Basel III.
- Efficiency – this is evaluated in a number of ratios, key one being interest rate spread. Interest rate

spread decomposition is intended to indicate how stable the spread is, based on the components.

- Stop loss limits – ensure that trade does not proceed if losses being realised exceed the set limits.
- 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 light of expected forex volatility.
- Government securities risk:

Trading book carries many risks and price volatility 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 a 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/ fair value through other comprehensive income, the Group monitors mark to market losses to ensure optimal portfolio management. To achieve this, the market risk team continuously monitors the yield curves.

Durations – Market Risk policies define the appetites for investment securities' duration. This is monitored by both the Treasury Middle Office and Market Risk Unit in the enterprise risk department unit.

The Market risk management process also includes a liquidity contingency management plan. The Group Stress Testing Policy is aligned to various market risk appetites and is done assuming a wide range of possibilities. Market risk appetites are reviewed continuously and discussed on a monthly basis by subsidiaries' ALCO, as well as the Group ALCO Committee.

Operational & Compliance Risks

The Group operational risk management gets authority from the Group's Integrated Risk Management Policy. This is customized through Operational Risk Policy by different subsidiaries. The subsidiary Operational Risk Management policies were reviewed in 2017 defining governance structures, operational risk department/unit, role and responsibilities and operational risk appetite.

The operational risk & compliance 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 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 and
- Comprehensive compliance toolkits

Compliance department has developed comprehensive

CONTROL ENVIRONMENT (continued)

compliance tool kits guided by existing policies, laws and regulations for compliance assessments. Risk-based compliance programs have been developed to ensure identification of significant rules, policies and regulations where weak enforcement or non-compliance would threaten the Group's assets. The Group has zero tolerance to regulatory breaches.

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 impact on a continuous basis.

Risk Culture

Whereas there is the tangible appreciation of tools to help in the identification, assessment, setting of appetites, mitigation and monitoring (the 'what' of risk management), we recognize that "the how" of risk management contributes towards success or otherwise of risk management initiatives. The Group's risk culture, "the set of individual and corporate values, attitudes, competencies and behaviours that determine our commitment to and style of risk management" provides reference against which our conduct is evaluated.

The Group's risk culture is founded on four pillars, namely:

Transparency;

- Level of insight (Knowledge of the risks)
- Tolerance (how much risk to be taken on account of control effectiveness)
- Communication (purposeful and deliberate sharing of risk events)

Acknowledgement

- Confidence, that we are vulnerable and risks can crystallize
- Challenge, of behaviours not consistent with those ascribed
- Openness, as regards experiences of control failures / weaknesses

Respect

- Adherence to rules; following laid down procedures
- Coordination; acknowledging that controls are not self-standing

Response

- Calling for speedy response
- Diligence in response, to ensure that weaknesses are effectively addressed.

The aim is to achieve a "strong risk-culture" through creating awareness and competency of the risks around us and driving the goal of consistency in how we react to them. This emphasizes on;

- Setting the "Tone at the Top", using the Board and senior management to walk the talk on risk management
- Data mining and analysis; use of data to inform on progress or otherwise
- Compensation and reward; honouring good risk behaviour and discouraging / punishing the opposite
- Communication; deliberate sharing of lessons learnt to shape values and behaviours.

To enhance the Group's risk culture, risk culture policies that define the frameworks of achieving socio-economic transformation of the people of Africa have been developed. These include the Group's Corporate Responsibility Policy that articulates our role as a responsible corporate citizen. The Social and Environmental Risk Management framework sets the Group's approach in achieving triple bottom lines targets.

The Consumer Protection Policy provides customers with a sense of goodwill and comfort in the Group's character and integrity as a corporate citizen. It enables the Group to comply with regulatory Guidelines on Consumer Protection and the Consumer Protection Act and in extension cushion the Group from legal risks, reputational risks and liquidity risks among others.

Future Risk Priorities

The Group's operating environment continues to experience changes that increase the downside risk in the short term. The regulatory landscape has become more dynamic with the regulators seeking to improve resilience of the banking institutions. International standards on accounting and risk management have set the benchmark higher in not only corporate governance, but also systems and processes that enhance performance and improve stability.

Increased automation of services and products under an environment where cyber threats are on the rise will continue to define the Group's priority in risk management. The Group will constantly test its IT operational resilience against the best practices in data security, cyber risks and effective third party risk management.

Cross border operations have been on the rise occasioned by the Group's regional operations and globalization that has led to seamless financial interactions across the globe. While commodity prices are expected to remain stable in 2019, geopolitics, terrorism and civil wars continue to supress the-would-be rosy outlook in global trade. Enhancing sovereign risk management will remain a top agenda for the business moving forward.

While regional inflation expectations are largely within central bank target ranges, the Group acknowledges susceptibility of regional prices to external events. Top on the list is currency depreciation. The US Federal Reserve Bank is expected to raise interest rates at least twice in 2019 and this is likely to exert pressure on regional currencies. Any significant rise in the cost of crude oil is likely to impact on the regional countries import bill and thus the current account balance and their currencies as well as domestic inflation. The Group will continue to enhance its market risk management practice and frameworks to guarantee balance sheet agility.

CORPORATE GOVERNANCE

"Corporate Governance involves the manner in which the business and affairs of an institution are governed by its Board and Senior Management, and provides the structure through which the objectives of the Company are set and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the Board and Management to pursue objectives that are in the interests of the institution and its shareholders, as well as facilitate effective monitoring." (2013 CBK Prudential Guidelines on Corporate Governance (CBK/PG/02).

Corporate Governance is the backbone to any organization's strategy and success. It provides a framework within which corporate objectives are set and performance monitored, as well as providing assurance to investors that they will receive a return on their investment. Governance has proven from time immemorial to be paramount to the success of any institution. Good corporate governance is critical in the banking industry because with good corporate governance, financial fraud that could lead to financial distress and bankruptcy is avoided.

The Group has complied with all the aspects of the 2015 CMA Code of Corporate Governance as highlighted under the following broad topics:

- Board operations and control;
- Rights of shareholders;
- Stakeholder Relations;
- Ethics and social responsibility;
- Accountability, risk management and internal control; and
- Transparency and disclosure.

BOARD OPERATIONS AND CONTROL

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

The Governance, Nominations and Compensation Committee proposes new nominees for appointment to the Board. In making the proposals for appointment, the Committee ensures diversity in the Board composition, as well as ensuring a balance of executive and non-executive directors, with the majority being non-executive and at least one-third of the total number of Board members being Independent non-executive directors. The Group avails information relating to those nominated for Board positions to shareholders, to ensure only credible persons who can add value to the Group's business are elected to the Board.

a) Diversity

The Group is committed to having a great 'mix' of qualified individuals appointed to the Board, as diversity is not only a strength but also provides a great competitive edge. Diversity is observed through differentiation in the age of directors, their gender, professional qualifications, as well as their nationality. Additionally, there is diversity in terms of the highest education (academic) level achieved; with 3 members of the Group Board having received presidential awards, 2 hold honorary doctorates, 2 hold earned PhDs, 3 hold Masters degrees and the rest hold Bachelors degrees. Many are members of professional bodies.

b) Principle on structure of the Board

To ensure effectiveness and value addition to the Group, the Group at all times, has a minimum of at-least 7 Directors and a maximum of 12 Directors. Additionally, the Board has established Committees, with written terms of reference, to provide guidance on broad functions of the Group such as audit, risk management, remuneration, finance, investment and governance. The Board ensures that the Committees are appropriately constituted with members who have the necessary skills and expertise to handle the responsibilities allocated to them.

c) Principle on the functions of the Board

To enhance accountability to its shareholders, the Group has ensured that:

- It has distinguished the roles reserved for the Board and those delegated to the Management;
- The functions of the Chairperson and the Chief

Executive Officer are not exercised by the same individual;

- The Chairperson of the Board is a non-executive director;
- It is assisted by a qualified and competent company secretary of good standing with the Institute of Certified Public Secretaries of Kenya (ICPSK);
- The Group's strategies are sustainable;
- It has clearly identified the Directors' fiduciary duties; and
- It has established a Conflict of Interest Policy.

d) Principle on Board independence

The Group Board assesses the independence of Board members on an annual basis, so as to ensure that the Board always benefits from independent and objective judgment.

e) Principle on age limit for Board members

The Group has prescribed 70 years as the age limit for its Directors. Any Director who has reached the age of 70 years resigns from the office of Director at the following Annual General Meeting and Shareholders are informed of such resignation at each Annual General Meeting. If any Director wishes to continue serving in the office of Director, he/she must seek the approval of the Shareholders at an Annual General Meeting.

f) Principle on Board tools

The Group has formulated a Code of Ethics and Conduct, which has been cascaded down to all employees, as well as established a Board Charter, to guide in the activities of the Board. The Code and the Charter are reviewed from time to time and have been disclosed in the Group's website.

Further, the Board develops a work plan and an evaluation toolkit annually, to ensure effectiveness.

g) Principle on governance and legal audit

In 2018, the Board mandated the Group to conduct an annual governance audit, in order to assess the level of compliance with sound governance practices. The governance audit was spearheaded by a competent and recognized professional accredited by the Institute of Certified Public Secretaries of Kenya (ICPSK). Additionally, a compliance and legal audit was conducted to identify the level of compliance with applicable laws, regulations and standards. It was spearheaded by a competent and experienced advocate, in good standing with the Law Society of Kenya (LSK).

h) Principle on insider dealings/ trading

In line with the Group's continuing listing obligations, the Group prohibits insider trading, as it enables persons who have access to non-public information to potentially profit or avoid loss unfairly. The Group has developed and enforced an insider trading and market abuse policy. In the year 2018, there were no known insider dealings.

RIGHTS OF SHAREHOLDERS

The Group Board recognizes, respects and protects the rights of shareholders through:

- Availing information on the Group's performance through distribution of integrated reports annually, as well as convening investor briefings on a quarterly basis;
- Disseminating information concerning the date, location and agenda of the Annual General Meeting (AGM) at least 21 calendar days before the AGM;
- Ensuring that every shareholder has a right to participate and vote at the AGM;
- Ensuring equitable treatment of all holders of the same class of issued shares;
- Ensuring that institutional investors hold meetings with the Management, so as to discuss the Group's performance; and
- Engaging the media on dissemination of important Group information.

STAKEHOLDER RELATIONS

The Board has identified at least 9 categories of stakeholders as follows: depositors, development partners, employees, financiers, government, regulators, shareholders, suppliers and the wider community. Before making its decisions, the Board takes into account the interests of all stakeholders and ensures that engagement with stakeholders is deliberate and planned and that communication is always transparent and effective.

ETHICS AND SOCIAL RESPONSIBILITY

The Group's Board has identified the following four ethical values, which underpin good corporate governance, to guide all its deliberations, decisions and actions:

- Responsibility: the Board assumes responsibility for the assets and actions of the Group and is willing to take corrective actions to keep the Group on a strategic path that is ethical and sustainable;
- Accountability: The Board justifies its decisions and actions to Shareholders and other Stakeholders;
- Fairness: The Board ensures that it considers the legitimate interests and expectations of all Stakeholders; and
- Transparency: the Board discloses information in a manner that enables Stakeholders to make an informed analysis of the Group's performance and sustainability.

The Board has developed the Code of Ethics and Conduct to ensure that its business is conducted according to the highest ethical standards and in compliance with all the applicable laws and regulations governing the banking industry. The provisions of the Code apply to all Directors and the Board ensures that all the Directors, Senior Management and staff adhere to it

Additionally, the Board has put in place a Speak Up Policy to encourage feedback towards improving the Group's procedures in line with market developments, organisation's strategies and business process optimization. The Policy enables stakeholders to speak up on their experiences, observations and opinions on products, service delivery, expectations and challenges, as well as encouraging employees and other relevant stakeholders to report any perceived act of impropriety without fear of retaliation.

The Board has established the Social and Environmental Risk Management Policy and the Social and Environmental Management System for Credit Exposures to ensure that its activities lead to good corporate citizenship. Additionally, the Group observes:

- IFC exclusion list in credit activities;
- NEMA Regulations;
- Code of Ethics for businesses in Kenya; and
- Sustainable banking initiatives by Kenya Bankers Association.

Division of Role of Chairperson and Chief Executive Officer

The Chairperson

The Chairperson of the Board is an Independent Non-Executive Director. The Chairperson leads and manages the work of the Board and ensures that decisions are taken on a sound and well-informed basis. The Chairperson provides leadership to the Board and is responsible for the Board's effective overall functioning.

The Chairperson also ensures:

a) the smooth functioning of the Board, the governance structure and instils a positive culture in the Board;

b) guidelines and procedures are in place to govern the Board's operation and conduct;

c) all relevant issues are on the agenda for Board meetings and all Directors are able to participate fully in the Board's activities;

d) the Board debates strategic and critical issues; and

e) the Board receives the necessary information on a timely basis from the management.

CORPORATE GOVERNANCE (continued)

The Chief Executive Officer

The Chief Executive Officer is 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 and bears ultimate responsibility for all management functions.

The Chief Executive Officer undertakes the following key responsibilities:

a. ensures that the policies spelt out by the Board in the Group's overall corporate strategy of the institution are implemented;

b. identifies and recommends to the Board competent officers to manage the operations of the Group;

c. establishes and maintains efficient and adequate internal control systems; and

d. ensures that the Board is frequently and adequately appraised about the operations of the Group.

Compliance with Laws and Regulations

The Group is licensed by Central Bank of Kenya as a non-operating holding company listed on the Main Investment Market Segment of the Nairobi Securities Exchange (the Exchange) and as such, is bound by and complies with:

- The Capital Markets Act and all subsidiary legislation made thereunder;
- The NSE rules and guidelines issued by the Capital Markets Authority (the Authority), the Exchange and any requirements, decisions, or directions given by the Authority and the Exchange;
- The Banking Act and all prudential guidelines and directions given by the Central Bank of Kenya and other regional regulators;
- The Companies Act 2015 and its amendments thereto; and
- All other applicable laws and regulations governing the various lines of businesses it is engaged in.

TRANSPARENCY AND DISCLOSURE

Policy on Conflict of Interest

The Group Board has established a Conflict of Interest Policy, in recognition that excessive activities, gratuities and access to information may lead to actual or potential conflicts of interest between the interests of the Group and those of its relevant persons. The Policy identifies the activities which may compete or conflict with the Group's interests and outlines the steps to manage conflict of interest, should it arise.

Policy on IT

The Group Board has developed various IT policies, so as to enable the Group to realise its digitisation agenda. The policies provide in-depth coverage and guidance on IT- related matters such as: SLA management, project management, branch server room management, business partnerships, database procedures, incident management, invoice processing, quality assurance, security procedures and software design, development and testing.

Policy on Procurement

The Group Board has developed a Group Procurement Policy, so as to:

- Promote best practices, transparency and professionalism in all acquisition processes within the Equity Group fraternity;
- Ensure that suppliers of goods and services are subjected to a competitive tendering process in order to achieve quality, price competitiveness and reliability;
- Ensure that all expenditure is in accordance with prior approved budget and procurement plan; and
- Ensure compliance with applicable regulations and legislations.

DIRECTORS' REMUNERATION REPORT

The Board reviews and recommends the remuneration structure of Directors annually, subject to Shareholder's approval. Directors' remuneration is linked to performance but is competitively structured to attract and retain the best talent to effectively develop the Group's business.

Executive Directors

The Executive Directors' remuneration package comprises core fixed elements (base salary, pension and other benefits). Executive Directors are eligible to participate in the Group's bonus scheme which is anchored on achievement of key business performance indicators, but are not entitled to earn fees or sitting allowances.

Non-Executive Directors

Non-Executive Directors are appointed for a renewable term of 3 years, subject to regulatory approval and shareholder ratification. They are obligated to act reasonably, in good faith and in the best interests of the Group and its Shareholders. Non-Executive Directors are vested with the following key responsibilities:

a) to constructively challenge and contribute to the development of strategy and extend the business of the Group;

b) to monitor the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance; and

c) to ensure that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

Non-Executive Directors are entitled to sitting allowances for attending Board and Committee meetings, as well as an out of station per diem for attending to Group's business outside their usual place of business. Non-Executive Directors do not earn a salary and they do not participate in the Group's bonus schemes nor the Group's pension plan.

Upon retirement or termination, Non-Executive Directors are entitled to any accrued but unpaid Director's fees or reasonably incurred expenses but not to any other compensation.

INSURANCE

The Group provides Directors' and Officers' Liability Insurance for all Directors of the Group during the entire duration of their tenure.

Share Options

There are currently no share options issued by the Group to the Executive and the Non-Executive Directors. Particulars of compensation of directors and key personnel are disclosed to the public in the audited financial statements under note 28.

See remuneration report on pages 111 - 113 and Legal and Compliance Auditor's report on pages 103 - 104.

CORPORATE GOVERNANCE (continued)

Details of Equity Group Holdings Plc Board members

Name	Expertise	Executive/ Independent	Non-Executive Independent	Gender	Meeting Attendance	Nationality
Dr. Peter Munga	Accounting and financial management experience	Non-Executive Chairman	Independent	Male	5/7	Kenyan
Mr. David Ansell	Management of financial institutions, strategic planning and business development	Non-Executive Chairman Designate	Independent	Male	4/7	Kenyan
Dr. James Mwangi	Banking and financial experience, leadership and management of financial institutions	Chief Executive Officer	Non-independent	Male	7/7	Kenyan
Mr. Deepak Malik	Accounting, banking, financial investment experience, leadership and management of financial institution	Non-Executive Director	Non-Independent	Male	5/7	Indian
Mrs. Evelyn Rutagwenda	Accounting, auditing, leadership and management	Non-Executive Director	Independent	Female	5/7	Rwandese
Dr. Edward Odundo*	Strategic Management & Marketing. Finance & Accounting, pension and tax	Non-Executive Director	Independent	Male	1/7	Kenyan
Dr. Helen Gichohi	Leadership and international management of social impact and transformational programs	Non-Executive Director	Non-Independent	Female	6/7	Kenyan
Mr. Dennis Aluanga	Finance, operations, strategic planning and project management	Non-Executive	Independent	Male	3/7	Kenyan
Prof. Isaac Macharia	Medical, strategic planning, leadership and business development	Non-Executive Director	Independent	Male	7/7	Kenyan
Mr. Vijay Gidoomal	Finance, operations, strategic planning and business development	Non-Executive Director	Independent	Male	6/7	Kenyan
Mrs. Mary Wamae	Legal, company secretarial, strategic planning, leadership and business development	Executive	Non-Independent	Female	5/7	Kenyan

* Appointed on 27.7.18

The Board meetings were held on a quarterly basis in the month of February, April, July and October. There were 3 ad hoc meetings; with 1 meeting being convened in June and 2 meetings being convened in September. The Committee meetings on the other hand were held on a quarterly basis in February, April, July and October.

The key areas of focus for the Board meetings was as follows:

- Review of the macro-economic environment and developments in the banking industry;
- Review of financial and management performance and approval of accounts;
- Review of compliance with Anti-Money Laundering/ Combating the Financing of Terrorism Regulations;
- Review of Board Evaluation Report;
- Update on the Subsidiaries;
- Review of preliminary Inspection Report; and
- Recommendation on dividend for the year ending 31st December, 2018.

Board Committees

The Group Board has established Board Committees in each of the Subsidiaries, governed by charters and aligned to the Group's delivery of its vision and mission. The secretary to each Board Committee is the head of the relevant function within the Group and Company.

The Group Board has Four significant committees which supports it in discharging its responsibilities these are: the Audit Committee, Governance, Nominations and Compensation Committee; Strategy & Investment Committee; and Risk & Assets and Liabilities Management Committee (ALCO).

The Group Audit Committee

The Group Audit Committee is appointed by the Board and is responsible for providing independent oversight on:

- The integrity of the financial statements of the Group;
- The effectiveness of the Group's financial reporting, accounting policies and internal control system;
- The effectiveness of the Group internal audit function; and
- The external auditors qualifications, independence and performance.

The Committee is currently composed of 4 Independent and Non-Executive Directors, 2 of whom are Certified Public Accountants. The following is the current membership and attendance to the Committee meetings:

- Mrs. Evelyn Rutagwenda- Chairperson (3/4)
- Mr. Dennis Aluanga Member (2/4)
- Mr. David Ansell Member (3/4)
- Mr. Vijay Gidoomal Member (3/4)

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

- Presentation of the Audit Plan for the year ending 31st December, 2018 by the external auditor;
- Consideration and recommendation of financial statements;
- Status of issues raised in previous Internal and External Audit Reports, Management Letters and Central Bank Onsite Examination Reports;
- Significant internal audit findings and coverage of audit plans; and
- Consideration and recommendation of the Board Audit Committee Charter.

Governance, Nominations and Compensation Committee

The Committee derives its mandate from the Board and its purpose is to:

- recommend to the Board the remuneration packages offered to its Executive Directors, including bonuses, deferred awards and long-term incentive awards, pension rights and any compensation arrangements, taking account of the Group's compensation and risk framework and appraisal structures;

- recommend general staff remuneration and human resource related practices;
- periodically review the completeness and effectiveness of the Group's corporate governance initiatives and policies; and
- Regularly reviewing the required mix of skills and experience, so as to determine the effectiveness of the Board and making recommendations to the Board for new appointments.

The Committee is composed of 6 members, four of whom are Independent Non-Executive Directors. All Committee members have extensive experience in business management in key positions and have adequate understanding of the impact of compensation practices on the Group's risk profile. The following is the current membership and attendance to the Committee meetings:

• Mr. Dennis Aluanga	Chairman	(2/4)
• Mrs. Evelyn Rutagwenda	Member	(3/4)
• Dr. James Mwangi	Member	(4/4)
• Mr. David Ansell	Member	(3/4)
• Prof. Isaac Macharia	Member	(4/4)
• Mr. Deepak Malik	Member	(4/4)

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

- Proposal for appointment of new directors;
- Consideration of the Board Evaluation Report;
- Human Resource Strategic discussion; and
- Proposal on Employee Share Ownership Plan.

Strategy & Investment Committee

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

The Strategy and Investments Committee, in conjunction with the Group's Senior Management is responsible for:

- regularly reviewing, discussing and suggesting revisions to the Group's vision and mission;
- establishing procedural guidelines with the Senior Management for the development of the Group's corporate and investments strategy and its implementation and clearly identifying the goals and expectations for the Group's strategic planning process;
- providing ongoing critical evaluation of, and accountability for performance within, the corporate and investments strategy, financial limits and operating objectives approved by the Board;
- understanding, identifying and discussing key issues, assumptions, risks and opportunities that impinge upon the development and implementation of appropriate corporate and investments strategies; and
- ensuring Group-wide risk discussion and management are key components of the strategic planning process, including consideration of risk and opportunities relating to the economy, the environment, ethics, finance, leadership, operations, politics, reputation, strategy, competition, technology and other types.

The Committee comprises five members, four of whom are Non-Executive, with two being Independent.

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

- Mr. Deepak Malik Chairperson (4/4)
- Dr. James Mwangi Member (4/4)
- Dr. Helen Gichohi Member (3/4)
- Mr. Vijay Gidoomal Member (3/4)
- Prof. Isaac Macharia Member (4/4)

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

- Proposal on Employee Share Ownership Plan;
- Discussion on culture and brand;
- Proposal on capital injection and funding;
- Proposal on expansion; and
- Impact of IFRS9.

Risk & Assets and Liabilities Management Committee

The Risk & Assets and Liability Management Committee derives its authority from the Board and is responsible for:

- Reviewing and assessing the quality, reliability and integrity of risk management;
- Ensuring that the Group risk policies and strategies are effectively managed;
- Ensuring the optimisation of the Group's assets and liabilities;
- Ensuring compliance with statutory and legal requirements and Group's policies and procedures; and
- Reviewing on an annual basis the effectiveness of the Group's risk management and internal control practices.

The Committee consists of five members, four of whom are Non-Executive, with two being Independent. The current membership of the Committee together with attendance is as follows:

- Mr. David Ansell Chairperson (3/4)
- Dr. James Mwangi Member (4/4)
- Mr. Deepak Malik Member (4/4)
- Mrs. Evelyn Rutagwenda Member (3/4)
- Dr. Helen Gichohi Member (3/4)

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

- The review of leading risk issues;
- Enterprise Information Security;
- Regional macro-economic outlook review; and
- Review of Internal Capital Adequacy Assessment Process.

Management Committees

The Group has established the following Management Committees:

Management Credit Risk Committee

The Management Credit Risk Committee is vested with the following responsibilities:

- To periodically monitor concentrations in credit portfolio and assess efficacy of thresholds and action plans in case of threshold breach in the Group;
- To review and monitor the credit portfolio quality;
- To review credit vintages; and
- To ensure implementation and adherence to credit policies.

Management Risk & ALCO Committee

The responsibilities of the Management Risk & ALCO Committee are as follows:

- To recommend the risk philosophy, strategy and policies to the Board;
- To monitor and ensure optimal composition of assets and liabilities within the Group;
- To monitor the liquidity positions for the banking and non-banking subsidiaries against regulatory requirements, as well as conduct stress tests;
- To ensure effective management of a high quality loan portfolio;

- To review and ensure that the Group's capital adequacy is within the regulatory requirements.
- Compliance & Operational Risk Committee

The Compliance & Operational Risk Committee is vested with the following responsibilities:

- To ensure implementation of operational policies;
- To monitor compliance with internal policies and procedures and the regulatory environment;
- To review operation risk management tools, procedures, methodologies, as well as to understand and discuss emerging trends in operational risk profile;
- To review and ensure effective implementation of a robust Business Continuity and Disaster Recovery framework; and
- To review and discuss operational risk appetite, trends and composition of operational risk loss data, risk control self-assessment results, key risk indicator breaches and risk library maintenance and usage.

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:

- Providing dedicated support for the Board and is a point of reference and support for all Directors;
- 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;
- 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;
- 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 Integrated Report and Financial Statements as well as interim statements;
- Handling all matters affecting shareholding, queries and requests from shareholders, as well as capital issues and restructuring; and
- 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:

Appointments to the Board

- Mr. David Ansell was appointed as Chairman Designate, to take over as Chairman during the 2019 Group AGM. He has subsequently retired from membership of Subsidiary boards.
- Mr. Polycarp Igathe was appointed as the Managing Director of Equity Bank (Kenya) Limited;
- Mr. Robert Kiboti was appointed as the Managing Director of Equity Bank (Tanzania) Limited;
- Dr. Edward Odundo was appointed as a Non-Executive Director of Equity Group Holdings PLC;
- Ms. Adema Sangale was appointed as a Non-Executive Director of Equity Bank (Kenya) Limited;
- Mrs. Jane Ngige was appointed as a Non-Executive Director of Equity Bank (Kenya) Limited and is awaiting regulatory approval;
- Mr. Dino Stengel was appointed as a Non-Executive Director of Equity Bank (Tanzania) Limited;

- Prof. Honest Ngowi was appointed as a Non-Executive Director of Equity Bank (Tanzania) Limited and is awaiting regulatory approval;
- Mr. David Somen was appointed as a Non-Executive Director of Finserve Africa Limited;
- Mrs. Mary Wamae and Mr. Allan Waititu were appointed as Non-Executive Directors of Equity Bank (South Sudan) Limited; and
- Mr. Nestor Ankiba was appointed as a Non-Executive Director of Equity Bank (Congo) Limited.

Retirements from the Board

- Dr. Peter Munga retires from the Board of Equity Group Holdings Plc during the 2019 Group AGM;
- Mr. Dennis Aluanga, retires from the Board of Equity Group Holdings Plc during the 2019 Group AGM;
- Prof. Herman Musahara retired from the Board of Equity Bank Rwanda Plc; and
- Mr. Joseph Iha retired from the Board of Equity Bank (Tanzania) Limited.

Appointment of Board Chairmen

- Mr. Wolfgang Bertelmeier was appointed Chairman of Equity Bank Congo S.A.R.L;
- Mr. Raymond Mbilinyi was appointed Chairman of Equity Bank (Tanzania) Limited; and
- Mr. Vijay Gidoomal was appointed Chairman of Equity Investment Bank Limited.

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, regional regulators and the Capital Markets Authority. For the financial year 2018, 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:

- Board Structure;
- Board Composition;
- Board Role and Responsibilities;
- Key Board Functions and Processes;
- Board Information;
- Board Meetings;
- Board Relationships;
- Board Development; and
- 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 2018 were as follows:

- The Deloitte Banking Sector Non-Executive Directors Briefing - Acting In the Face of Uncertainty; the disruptive nature of recent regulatory changes;
- Strathmore Business School - Anti-Money Laundering and Countering the Financing of Terrorism;
- The KPMG Audit Committee Institute Forum - Dynamic Risk Assessment; and
- 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.

CORPORATE GOVERNANCE (continued)

The induction process is intended to achieve the following:

- build an understanding of the nature of the Group, its business and the markets in which it operates;
- build a link with the Group's staff;
- build an understanding of the Group's main relationships; and
- ensure an understanding of the role of a Director and the framework within which the Board operates.

Independence of Chairman

To ensure independence, the Group has appointed a Non-Executive Chairman. Additionally, the Chairperson does not act as the chairperson of more than 2 public listed companies at any one time in order to ensure effective participation in the Board.

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 (SBBillion);
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);
16. Kenya Healthcare Federation; and
17. East Africa Humanitarian Private Partnership Platform.

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.

Particulars of Shareholding

The Group and the Equity 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 top ten largest shareholders as at 31st December, 2018 were:

	SHAREHOLDERS NAME	NUMBER OF SHARES	% OF SHAREHOLDING
1	ARISE B.V.	452,581,275	11.99
2	JAMES NJUGUNA MWANGI	127,809,180	3.39
3	BRITISH-AMERICAN INVESTMENTS COMPANY KENYA LIMITED	123,890,750	3.28
4	EQUITY NOMINEES LIMTED A/C 00104	121,139,284	3.21
5	EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	116,403,900	3.08
6	STANBIC NOMINEES LTD A/C OWNERSHIP PLAN	104,647,155	2.77
7	FORTRESS HIGHLANDS LIMITED	101,010,000	2.68
8	STANDARD CHARTERED NOMINEES NON-RESD. A/C 9069	100,116,581	2.65
9	STANDARD CHARTERED KENYA NOMINEES LTD A/C KE002825	97,235,100	2.58
10	AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.39
11	OTHER SHAREHOLDERS	2,338,726,667	61.98
	TOTAL	**3,773,674,802**	**100%**

EGHPLC Director Shareholding as at 31st December, 2018

DIRECTOR	NO. OF SHARES	Ownership %age (100%)
Peter Kahara Munga	15,417,690	0.41
David Ansell	Nil	Nil
Dr. James Mwangi	127,809,180	3.39
Prof. Isaac Macharia	Nil	Nil
Dr. Helen Gichohi	13,200	0.003
Mr. Dennis Aluanga	Nil	Nil
Mrs. Evelyn Rutagwenda	Nil	Nil
Mr. Vijay Gidoomal	Nil	Nil
Mr. Deepak Malik	Nil	Nil
Mrs. Mary Wamae	1,110,000	0.0229
Dr. Edward Odundo	Nil	Nil

By virtue of his shareholding and units in British American Investments Company (Kenya) Limited and Employee Share Ownership Plan (ESOP)* respectively, Dr. James Mwangi's total direct and indirect shareholding is 4.54%.

The following is the shareholding structure as at 31st December, 2018

Shareholding	No. of Shareholders	No. of Shares	% Shares Held
1 to 500	9,906	2,441,049	0.06
501 - 5,000	11,430	21,143,523	0.56
5,001 - 10,000	1,796	13,803,959	0.36
10,001 - 100,000	2,329	67,849,646	1.79
100,001 - 1,000,000	520	185,898,772	4.92
1,000,001 and above	337	3,482,537,853	92.28
Total:	**26,318**	**3,773,674,802**	**100**

* The ESOP is not a Group sponsored scheme. The special business at the 15th Annual General Meeting to be held on 30th April 2019 includes approval of the establishment of an ESOP and allotment of shares to the ESOP.

CORPORATE GOVERNANCE (continued)

The largest shareholders of Equity Group Plc

ARISE B.V

ARISE is a leading African investment company that partners with sustainable, locally-owned Financial Services Providers (FSPs) in Sub Saharan Africa. The company was founded by 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. ARISE has taken over the stake currently owned by NorfinInvest AS under an investment restructuring arrangement approved by the regulator.

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.

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.

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.

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.

LEGAL AND COMPLIANCE AUDITOR'S REPORT

The Capital Markets Authority's Code of Corporate Governance for Issuers of Securities for the Public 2015 requires the Boards of listed companies to ensure the following;

a. Save for when the independent legal and compliance audit is carried out, an internal legal and compliance audit shall be carried out on an annual basis, with the objective of establishing the level of adherence to applicable laws, regulations and standards;

b. That a comprehensive independent legal audit is carried out at least once every two years by a legal professional in good standing with the Law Society of Kenya; and

c. That the findings from the audits are acted upon and any non-compliance issues arising corrected as necessary.

STATEMENT OF THE RESPONSIBILITIES OF THE DIRECTORS

The Board is committed to ensuring that the Company is in compliance with the laws, regulations and standards applicable to it. In order to ensure compliance, the Board has established internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards. In this regard, the Board is supported by duly qualified legal and compliance professionals to guide and focus the Company's compliance efforts.

In order to assure itself that the Company and its Kenyan Bank subsidiary is compliant with applicable laws, regulations and standards, the Board commissioned a Legal and Compliance Audit with the aim of establishing the level of adherence to applicable laws, regulations and standards. The Directors have therefore adopted this Legal and Compliance Audit Report, which discloses the state of compliance within the Company for the period under review.

RESPONSIBILITY OF THE LEGAL AUDITOR

The responsibility of the Auditor is to express an impartial opinion on the level of compliance by the Company on applicable laws, regulations and standards based on an analysis of a representative sample of transactions, processes, practices and procedures and other internal policies documents.

OPINION

The Auditor is of the opinion that the Company is, in material respects, substantially compliant with the requirements of the provisions of the laws applicable to it during the period under review. We say substantially compliant because, as is the case with every legal and compliance audit, not every transaction, process, practice or procedure was investigated and the Auditor selected the objects of inquiry based on agreed materiality and gravity of risk regard being had to the circumstances of the audit and the importance of making findings that can be generalized to all the operations of the Company.

Charles B G Ouma

For more information about this LCAR, please contact: Charles B G Ouma – couma@dorion.co.ke

CORPORATE GOVERNANCE (continued)

GOVERNANCE AUDITOR'S REPORT

Regulatory requirements for good Corporate Governance have become more stringent in Kenya following the corporate failures seen in the recent past. Boards are now required to adhere to Corporate Governance principles that are appropriate for the nature and scope of their Company's business; establish policies and strategies for achieving them, and annually assess the extent to which the Company has observed the set policies and strategies. The Code specifically requires listed Companies to engage the services of an independent and accredited Governance Auditor to establish the extent to which the Board has applied Corporate Governance principles, particularly those required under the Code and the Act.

The annual Governance Audit should be conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Secretaries (ICS). The Company, in compliance with the Act and Code, retained Ms Catherine Musakali of Dorion Associates ("the Auditor") to conduct a Governance Audit of the governance structures, procedures and processes of the Company in order to assure the Board that its goals, structure and operations are consistent with the law, the Code, as well as the latest developments in Corporate Governance; and that the Company has adopted best practices in Corporate Governance as a means of ensuring sustainability. The Code further requires that after undergoing the Governance Audit, the Board should provide an explicit statement on the level of compliance.

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

Directors have a statutory duty to promote the success of the Company for the benefit of its stakeholders. In promoting the success of the Company, Directors must have due regard to the long term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and others, the impact of the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to adhering to high standards and practices in Corporate Governance and more specifically to the principles, practices and recommendations set out under the Code of Corporate Governance for Issuers of Securities in Kenya ("the Code") as well as the Companies Act, 2015 ("the Act"). The Board recognises that its core role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls so as to ensure that the Company achieves the objectives for which it was set up.

In order to be effective in its role, the Board ensures that it is composed of Directors who bring on board diversity in educational, technical skills and geographical background among others. The Board has set up Committees with extensive Committee Charters that define their respective role and responsibilities and is supported by an effective team of Senior Executives.

As required by the Code therefore, the Board commissioned a Governance Audit with the aim of ensuring that the Company has complied with the Act, the Code and has adopted best practices in Corporate Governance. The Directors have therefore adopted this Governance Audit report for the year ended 31st December 2018, which discloses the state of Governance within the Company.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization in accordance with best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with ICS Governance Audit Standards and Guidelines, which conform to global Standards. These standards require that we plan and perform the Governance Audit to obtain reasonable assurance on the adequacy and effectiveness of the Company's governance framework including policies, systems, practices and processes. The Audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

OPINION

In our opinion, the Board has put in place a satisfactory governance framework in compliance with the legal and regulatory framework, and in this regard, we issue an unqualified opinion.

FCS. Catherine Musakali, ICPSK GA. No 006 Dorion Associates

For more information about this report, please contact: Catherine Musakali – cmusakali@dorion.co.ke

FINANCIAL REVIEW

FINANCIAL REVIEW

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P.O. Box 1520
Kampala, Uganda

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

BANKERS
Central Bank of Kenya
P.O. Box 60000 - 00200
Nairobi, Kenya

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

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

Bank of South Sudan
P.O. Box 136
Juba, South Sudan

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

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

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

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

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

REPORT OF DIRECTORS

The directors submit their report together with the audited financial statements of Equity Group Holdings Plc (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of Equity Group Holdings Plc are:

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

b) To employ the funds of the Group in the development and expansion of the business of the Group and all or any of its subsidiaries; and

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

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

BUSINESS REVIEW

The operating environment in the last twelve months was characterized by volatility in the business environment resulting in elevated inflation, continued interest rate capping causing a credit crunch, and a lowered Central Bank Rate, which dipped the yield on loans. A fortified liquid and agile balance sheet positioned the Group competitively in the uncertain operating environment while diversified revenue streams, geographic expansion and structural efficiency gains enabled the Group to weather the effects of interest rates capping.

The Group reported interest income growth of 10% to Shs. 53.23 Billion from Shs. 48.41 Billion. During the year, the Group's execution of the 3.0 Strategy of digitization through its digital suite of self-service tools known as Eazzy Banking continued to pay off. Third-party channels reported an exponential growth of customer activity, contributing over 92% of transaction count. Eazzy Banking App grew by 175% to 260.3 Million transactions from 94.8 Million and a value of Shs. 133.8 Billion from Shs. 78.2 bilion which represents 71%.

EazzyBiz, which is a cash management solution for SMEs had a rapid adoption in the market that resulted in a growth of 96% year on year with a transaction value of Shs. 273.8 Billion from Shs. 139.9 Billion. The strategy of re-inventing the branches as relationship and wealth creation centres for our SMEs, corporates and high net worth individuals saw transaction value grow to Shs. 2.25 trillion from Shs. 2.10 Trillion, while transaction count declined from 24.9 Million to 24.0 Million as customers preferred to transact on the self-service channels.

Equitel's transaction value grew by 19% to Shs. 572.0 Billion from Shs. 480.3 Billion despite a slight increase in transaction count to 252.3 Million from 251.6 Million. The agency network which has now grown to reach over 40,000 agents saw the transaction count grow by 13% to 79.5 Million from 70.3 Million with value growing by 25% to Shs. 703.7 Billion from Shs. 564.2 Billion. Diaspora remittances grew by 194% to Shs. 106.7 Billion from Shs. 36.3 Billion due to increased strategic partnership with payment partners including PayPal, Equity Direct, Western Union, MoneyGram, Wave and Swift. Income from treasury operations increased by 9% to Shs. 21.1 Billion from Shs. 19.4 Billion driven by an increase in government securities portfolio to Shs. 161.0 Billion from Shs. 128.0 Billion and increasing its contribution to the total income to 27%.

Profit before tax grew by 6% to Shs. 28.5 Billion from Shs. 26.9 Billion.Total assets grew by 9% to Shs. 573.4 Billion from Shs. 524.5 Billion with net loans growing by 6% to Shs. 297.2 Billion from Shs. 279.1Billion while government securities grew by 26% to Shs. 161.0 Billion from Shs. 128.0 Billion.

REPORT OF DIRECTORS (continued)

BUSINESS REVIEW (continued)

The focus by the Group on the quality of the loan book saw non-performing loans (NPLs) as at the end of the year close at 7.75% compared to 12.0% for the Kenyan banking sector. Deposits grew by 13% to Shs. 422.8 Billion from Shs. 373.1 Billion as the number of customers reached 13,460,350 from 12,115,555 which is 11% growth.

The Group's strategy of regional expansion and business diversification resulted in a double-digit growth across the subsidiaries with a profit contribution (PBT) of 14%, validating the Group's decision to expand into the East and Central Africa region and diversify in financial services offering. EBUL PBT grew by 14%, EBRL by 45%, EBCL by 75%, EBSSL by 590% and EBTL dropped by 259%.

The Equity Group Foundation has continued to invest in social impact investments. To date Equity Group Foundation has trained entrepreneurs including farmers, women, youth groups, and micro, small and medium-sized enterprises through various initiatives in partnership with Mastercard Foundation and the International Labor Organization. The number of *Wings to Fly* beneficiaries reached over 15,000 on comprehensive secondary school scholarships and leadership training.

The Group's business model continues to be validated by rating agencies and recognitions locally, regionally, and globally. Moody's gave the Bank a global rating of B2 with a stable outlook same as the sovereign rating of the Kenyan government due to the Group's strong brand recognition, solid liquidity buffers and resilient funding profile, established domestic franchise and extensive adoption of digital and alternative distribution channels. Global Credit Rating (GCR) maintained Equity's investment grade AA- on long term and A1+ short term with a stable outlook.

RESULTS AND RECOMMENDED DIVIDEND

Profit after tax for the year of Shs. 19,824 Million (2017: Shs. 18,918 Million) has been added to retained earnings. The directors recommend the approval of a dividend of Shs. 2.00 per share amounting to Shs. 7,547 Million (2017: Shs. 2.00 per share amounting to Shs. 7,547 Million).

DIRECTORS

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

Dr. Peter Kahara Munga (Chairman)

Dr. James Njuguna Mwangi* (Group Chief Executive Officer & Managing Director)

David Ansell**

Helen Gichohi

Dennis Aluanga

Evelyn Rutagwenda***

Deepak Malik****

Prof. Isaac Macharia
Vijay Gidoomal

Mary Wangari Wamae*

Dr. Edward Odundo - Appointed on 27 July 2018

* Executive Director

** American

*** Rwandese

**** Indian

REPORT OF 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 years.

1. 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 does not offer himself for re-election;
2. Mr. Dennis Aluanga, retires in terms of Article 100 of the Company's Memorandum and Articles of Association and does not offer himself for re-election;
3. 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;
4. Dr. Edward Odundo, having been appointed by the Board as a director on 27th July, 2018 and being eligible, retires and offers himself for election as a director in accordance with Article 132 of the Companies Act, No. 17 of 2015.

STATEMENT AS TO DISCLOSURE TO THE GROUP'S AUDITOR

With respect to each director at the time this report was approved:

a. there is, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and

b. the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers has expressed willingness to continue in office in accordance with the Company's Articles of Association and Section 721 of the Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

SECRETARY

25 March 2019

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

The Board reviews and recommends the remuneration structure of Directors annually, subject to Shareholder's approval. Directors' remuneration is linked to performance and is competitively structured to attract and retain the best talent to effectively develop the Group's business.

Executive Directors

The Executive Directors remuneration package comprises core fixed elements (base salary, pension and other benefits). Executive Directors are eligible to participate in the Group's bonus scheme which is anchored on achievement of key business performance indicators, but are not entitled to earn fees or sitting allowances.

Non-Executive Directors

Non-Executive Directors are appointed for a renewable term of 3 years, subject to regulatory approval and shareholder ratification. They are obligated to act reasonably, in good faith and in the best interests of the Group and its Shareholders. Non-Executive Directors are vested with the following key responsibilities:

a) to constructively challenge and contribute to the development of strategy and extend the business of the Group;

b) to monitor the performance of management in meeting agreed goals and objectives and monitor the reporting of performance; and

c) to ensure that the financial information is accurate and that financial controls and systems of risk management are robust and defensible.

Non-Executive Directors are entitled to sitting allowances for attending Board and Committee meetings, as well as an out of station per diem for attending to Group's business outside their usual place of business. Non-Executive Directors do not earn a salary and they do not participate in the Group's bonus schemes nor the Group's pension plan.

Upon retirement or termination, Non-Executive Directors are entitled to any accrued but unpaid Director's fees or reasonably incurred expenses but not to any other compensation.

Insurance

The Group provides Directors' and Officers' Liability Insurance for all Directors of the Group during the entire duration of their tenure.

Share Options

There are currently no share options issued by the Group to the Executive and the Non-Executive Directors. Particulars of compensation of directors and key personnel are disclosed in Note 28.

Information subject to audit

The following table shows a single figure remuneration for the Chairman, Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2018 together with the comparative figures for 2017. The aggregate Directors' emoluments are shown on Note 28 (e).

	Salary	Fees	Pension	Bonus	Other allowances	Total
Year ended 31 December 2018	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
Dr. James Mwangi*	56,734	-	-	-	3,744	60,478
Mrs. Mary Wamae*	35,212	-	1,760	-	-	36,972
Dr. Peter Munga	-	7,417	-	-	-	7,417
Mr. Deepak Malik	-	2,425	-	-	-	2,425
Mr. David Ansell	-	1,825	-	-	-	1,825
Mrs. Evelyn Rutagwenda	-	5,263	-	-	-	5,263
Mr. Vijay Gidoomal	-	2,124	-	-	-	2,124
Prof. Isaac Macharia	-	2,328	-	-	-	2,328
Mr. Dennis Aluanga	-	1,114	-	-	-	1,114
Dr. Hellen Gichohi	-	2,022	-	-	-	2,022
	91,946	**24,518**	**1,760**	**-**	**3,744**	**121,968**

*Executive Directors: Executive Directors are not entitled to receive fees or allowances for attending meetings of the Company's Board and those of any subsidiary company of which they may be a director.

DIRECTORS' REMUNERATION REPORT (continued)

Information subject to audit (continued)

Year ended 31 December 2017	Salary Shs' 000	Fees Shs' 000	Pension Shs' 000	Bonus Shs' 000	Other allowances Shs' 000	Total Shs' 000
Dr. James Mwangi*	56,734	-	-	-	3,744	60,478
Mr. John Alan Staley*	18,633	-	932	-	-	19,565
Mrs. Mary Wamae*	12,000	-	600	2,400	-	15,000
Dr. Peter Munga	-	7,637	-	-	-	7,637
Mr. Deepak Malik	-	1,965	-	-	-	1,965
Mr. David Ansell	-	3,932	-	-	-	3,932
Mrs. Evelyn Rutagwenda	-	9,511	-	-	-	9,511
Mr. Vijay Gidoomal	-	932	-	-	-	932
Prof. Isaac Macharia	-	2,897	-	-	-	2,897
Mr. Dennis Aluanga	-	2,993	-	-	-	2,993
Mr. Adil Popat	-	514	-	-	-	514
Dr. Hellen Gichohi	3,283	2,067	-	-	-	5,350
	90,650	**32,448**	**1,532**	**2,400**	**3,744**	**130,774**

*Executive Directors: Executive Directors are not entitled to receive fees or allowances for attending meetings of the Company's Board and those of any subsidiary company of which they may be a director.

On behalf of the Board

Signature

Dr. Peter Munga, Director

FOR THE YEAR ENDED 31 DECEMBER 2018

STATEMENTS OF DIRECTORS' RESPONSIBILITY

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their profit or loss for that year. It also requires the directors to ensure that the Group and Company keeps proper accounting records that: (a) show and explain the transactions of the Group and the Company; (b) disclose, with reasonable accuracy, the financial position of the Group and the Company; and (c) enable the directors to ensure that every financial statements required to be prepared complies with the requirements of the Kenyan Companies Act, 2015.

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 25 March 2019 and signed on its behalf by:

Signature

Dr. Peter Munga
Director

Signature

Dr. James Mwangi
Director

Independent auditor's report to the shareholders of Equity Group Holdings Plc

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Equity Group Holdings Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 119 to 232 which comprise the consolidated statement of financial position at 31 December 2018 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, together with the separate statement of financial position of the Company at 31 December 2018 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2018 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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 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) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Credit impairment allowances on financial assets, including off-balance sheet exposures The Group implemented IFRS 9 on 1 January 2018. The new standard requires the Group to recognise expected credit losses ("ECL") on financial instruments. For the Group, the estimation of ECL requires the development of models to assist in determining probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD). As explained in Note 2 (i) and Note 3 (a) of the financial statements, the directors make complex judgments when estimating ECL. The key areas where we identified greater levels of management judgement and therefore increased level of audit focus are discussed below:	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included; • Obtaining an understanding of the methodology used by management to estimate ECL including the understanding of the key assumptions and judgements used to determine the underlying risk parameters used to develop the ECL. We involved our specialist technical accounting and actuarial teams in evaluating the appropriateness of the Group's IFRS 9 impairment methodology (including management's approach for identifying segments and the SICR criteria used).

Key Audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
• Identification of Significant Increase in Credit Risk ("SICR"). The quantitative and qualitative criteria used by management to identify a significant increase in credit risk is a key area of judgement as these criteria determine whether a 12-month or lifetime PD is used; • The PD models used for the various segments and portfolios are the key drivers of the Group's ECL results and therefore present significant management judgement; and • IFRS 9 requires management to incorporate qualitative factors to adjust the model-driven ECL results to address known impairment model limitations and significant management judgement is involved in estimating these amounts. Application of this new standard has resulted in a significant increase in the level of disclosures regarding the Group's application of IFRS 9 to help explain the key judgements and material inputs to the IFRS 9 ECL results. Due to the significant impact of management judgements applied in calculating the ECL and the variations in the assumptions applied, we have designated this as a key audit matter in our audit.	• Testing the completeness and accuracy of the historical data used in derivation of key model parameters. • Examining the reasonableness of assumptions relating to expected future recoverable amounts as assessed by management. • Testing the actual model logic for accuracy. • Assessing management overlays in order to assess the reasonableness of the adjustments by challenging assumptions and comparing estimates to both internal and external evidence, where available. • Reviewing the disclosures and assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Other information

The other information comprises Group and Company information, Directors' remuneration report, Report of directors and Statement of Directors' Responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Integrated Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Other information (continued)

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

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

When we read the rest of the other information in the Integrated Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of directors on pages 108 to 110 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 111 to 113 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants
Nairobi

29th March 2019

FCPA Richard Njoroge, Practising certificate No. 1244
Signing partner responsible for the independent audit

Consolidated statement of profit or loss

	Notes	2018 Shs' millions	2017 Shs' millions
Interest income	6	53,230	48,410
Interest expense	6	(11,808)	(10,841)
Net interest income		**41,422**	**37,569**
Fee and commission income	7(a)	18,264	19,280
Fee and commission expense	7(b)	(2,993)	(2,938)
Net fee and commission income		**15,271**	**16,342**
Net foreign exchange income	8	4,856	6,053
Other operating income	9	1,964	1,543
Credit impairment losses	11	(2,936)	(2,716)
		3,884	**4,880**
Net operating income		**60,577**	**58,791**
Personnel expenses	12	(11,544)	(11,545)
Operating lease expenses	13	(2,257)	(2,171)
Depreciation and amortisation	10	(4,441)	(4,822)
Other operating expenses	16	(13,632)	(11,925)
Loss on net monetary position	35	(240)	(1,446)
Operating expenses		**(32,114)**	**(31,909)**
Profit before income tax		**28,463**	**26,882**
Income tax expense	18	(8,639)	(7,964)
Profit for the year		**19,824**	**18,918**
Profit attributable to:			
Owners of the parent		19,691	18,869
Non-controlling interest		133	49
		19,824	**18,918**
Earnings per share (basic and diluted) (Shs)	**29**	**5.25**	**5.00**

FOR THE YEAR ENDED 31 DECEMBER 2018

Consolidated statement of comprehensive income

	Notes	2018 Shs' millions	2017 Shs' millions
Profit for the year		**19,824**	**18,918**
Other comprehensive income:			
Items that will be reclassified to profit or loss:			
Fair value (losses) / gains on investments in financial instruments measured at FVOCI	21	(944)	1,486
Deferred income tax	23	310	(189)
		(634)	**1,297**
Exchange differences on translation of foreign operations		(1,035)	(1,502)
Other comprehensive income for the year		**(1,669)**	**(205)**
Total comprehensive income for the year, net of tax		**18,155**	**18,713**
Total comprehensive income attributable to:			
Owners of the parent		18,022	18,664
Non-controlling interest		133	49
		18,155	**18,713**

Company statement of profit or loss and other comprehensive income

	Notes	2018 Shs' millions	2017 Shs' millions
Interest income	6	212	229
Dividend income	28 (h)	10,450	8,300
Other operating income	9	44	29
Operating income		**10,706**	**8,558**
Credit impairment losses	11	(35)	-
Personnel expenses	12	(55)	(29)
Other operating expenses	16	(51)	(329)
Operating expenses		**(141)**	**(358)**
Profit before income tax		**10,565**	**8,200**
Income tax expense	18	(18)	(77)
Profit for the year		**10,547**	**8,123**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		**10,547**	**8,123**

AT 31 DECEMBER 2018

Consolidated statement of financial position

	Notes	2018 Shs' millions	2017 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19 (a)	74,619	79,621
Derivative financial asset	33	225	253
Investment securities	21	160,952	128,002
Due from related parties	28 (f)	24	449
Current income tax	18	632	2,193
Loans and advances to customers	20	297,227	279,092
Other assets	22	12,395	10,631
Property and equipment	14 (a)	10,276	10,865
Intangible assets	15	10,466	10,099
Deferred income tax	23	6,117	2,706
Prepaid leases	14 (b)	451	554
Total assets		**573,384**	**524,465**
Liabilities			
Deposits from customers	24	422,758	373,143
Borrowed funds	26	45,101	47,873
Other liabilities	25	10,343	9,832
Current income tax	18	185	411
Deferred income tax	23	40	64
Total liabilities		**478,427**	**431,323**
Equity			
Share capital	27(a)	1,887	1,887
Share premium	27(b)	16,063	16,063
Retained earnings		85,034	79,082
FVOCI reserve	27(c)	(116)	518
Loan loss reserve	27(d)	16	2,617
Foreign currency translation reserve	27(f)	(8,697)	(7,662)
Other reserves	27(e)	(113)	(113)
Equity attributable to owners of the Company		**94,074**	**92,392**
Non-controlling interests		883	750
Total equity		**94,957**	**93,142**
Total equity and liabilities		**573,384**	**524,465**

The financial statements on pages 119 to 232 were approved for issue by the Board of directors on 25th March 2019 and signed on its behalf by:

Dr. Peter Munga
Director

Dr. James Mwangi
Director

AT 31 DECEMBER 2018

Company statement of financial position

	Notes	2018 Shs' millions	2017 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19	7,675	8,318
Due from related parties	28(f)	95	313
Other assets	22	236	-
Current income tax	18	11	-
Investments in subsidiary companies	17(a)	66,786	65,761
Deferred income tax	23	83	-
Total assets		**74,886**	**74,392**
Liabilities			
Due to related parties	28(g)	422	2,667
Other liabilities	25	3	259
Current income tax	18	-	3
Total liabilities		**425**	**2,929**
Equity			
Share capital	27(a)	1,887	1,887
Share premium	27(b)	16,063	16,063
Retained earnings		56,511	53,513
Total equity		**74,461**	**71,463**
Total equity and liabilities		**74,886**	**74,392**

The financial statements on pages 119 to 232 were approved for issue by the Board of directors on 25 March 2019 and signed on its behalf by:

Dr. Peter Munga

Director

Dr. James Mwangi

Director

Consolidated statement of changes in equity

		Attributable to owners of the parent									
	Notes	Share capital	Share premium	Retained earnings	Loan loss reserve	FVOCI reserve	Foreign currency translation reserve	Other reserves	Total	Non-controlling interests	Total equity
Year ended 31 December 2018		Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At start of year		1,887	16,063	79,082	2,617	518	(7,662)	(113)	92,392	750	93,142
Changes on initial application of IFRS 9, net of tax		-	-	(8,809)	-	-	-	-	(8,809)	-	(8,809)
Transfer on initial application of IFRS 9		-	-	2,617	(2,617)	-	-	-	-	-	-
Changes on initial application of IFRS 15, net of tax		-	-	16	-	-	-	-	16	-	16
Total comprehensive income:											
Profit for the year		-	-	19,691	-	-	-	-	19,691	133	19,824
Other comprehensive income		-	-	-	-	(634)	(1,035)	-	(1,669)	-	(1,669)
		-	**-**	**19,691**	**-**	**(634)**	**(1,035)**	**-**	**18,022**	**133**	**18,155**
Loan loss reserve transfers		-	-	(16)	16	-	-	-	-	-	-
Final 2017 dividend declared and paid	27 (g)	-	-	(7,547)	-	-	-	-	(7,547)	-	(7,547)
At end of year		**1,887**	**16,063**	**85,034**	**16**	**(116)**	**(8,697)**	**(113)**	**94,074**	**883**	**94,957**

Consolidated statement of changes in equity (continued)

		Attributable to owners of the parent									
Year ended 31 December 2017		**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**
		Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**
At start of year		1,887	16,063	68,097	2,280	(779)	(6,160)	(113)	81,275	701	81,976
Total comprehensive income:											
Profit for the year		-	-	18,869	-	-	-	-	18,869	49	18,918
Other comprehensive income		-	-	-	-	1,297	(1,502)	-	(205)	-	(205)
		-	**-**	**18,869**	**-**	**1,297**	**(1,502)**	**-**	**18,664**	**49**	**18,713**
Loan reserve transfers		-	-	(337)	337	-	-	-	-	-	-
Final 2016 dividend declared and paid	27 (g)	-	-	(7,547)	-		-	-	(7,547)	-	(7,547)
At end of year		**1,887**	**16,063**	**79,082**	**2,617**	**518**	**(7,662)**	**(113)**	**92,392**	**750**	**93,142**

Company statement of changes in equity

Year ended 31 December 2018	Share capital Shs' millions	Share premium Shs' millions	Retained earnings Shs' millions	Total equity Shs' millions
At start of year	1,887	16,063	53,513	71,463
Changes on initial application of IFRS 9, net of tax	-	-	(2)	(2)
Total comprehensive income:				
Profit for the year	-	-	10,547	10,547
Dividends (Note 27(g)):				
Final 2017 dividend declared and paid	-	-	(7,547)	(7,547)
At end of year	**1,887**	**16,063**	**56,511**	**74,461**
Year ended 31 December 2017				
At start of year	1,887	16,063	52,937	70,887
Total comprehensive income:				
Profit for the year	-	-	8,123	8,123
Dividends (Note 27(g)):				
Final 2016 dividend declared and paid	-	-	(7,547)	(7,547)
At end of year	**1,887**	**16,063**	**53,513**	**71,463**

Consolidated statement of cash flows

	Notes	2018 Shs' millions	2017 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		28,463	26,882
Adjustments for:			
Depreciation on property and equipment	14(a)	3,139	3,541
Amortisation of intangible assets	15(a)	1,016	960
Amortisation of prepaid leases	15(b)	286	321
(Loss) / gain on disposal of property and equipment		(29)	10
Credit impairment charge	11	3,714	2,716
Interest expense on term borrowings	6	2,691	2,419
Prepaid leases	14(b)	(205)	(266)
Effect of foreign exchange differences		63	(447)
Operating profit before changes in operating assets and liabilities		**39,138**	**36,136**
Loans and advances		(32,950)	(15,740)
Other assets		(2,209)	4,728
Deposits from customers		49,615	35,939
Related party balances		425	(66)
Other liabilities		(513)	1,953
Movement in restricted cash balances		(3,007)	(2,126)
Cash generated from operations		**50,499**	**60,824**
Income taxes paid	18	(6,723)	(9,852)
Net cash generated from operating activities		**43,776**	**50,972**
INVESTING ACTIVITIES			
Purchase of property and equipment	14(a)	(2,754)	(2,336)
Purchase of intangible assets	15(a)	(1,593)	(1,672)
Proceeds from sale of property and equipment		7	65
Purchase of investment securities	21	(154,385)	(121,172)
Receipts from sale / maturity of investment securities	21	119,950	95,245
Net cash used in investing activities		**(38,775)**	**(29,870)**
FINANCING ACTIVITIES			
Dividend paid	27(g)	(7,547)	(7,547)
Proceeds from long term borrowings		124	8,046
Repayment of long term borrowings		(2,896)	(6,133)
Interest paid on term borrowings	6	(2,691)	(2,419)
Net cash used in financing activities		**(13,010)**	**(8,053)**
Net (decrease) / increase in cash and cash equivalents		**(8,009)**	**13,049**
Cash and cash equivalent at start of year		68,582	55,533
Cash and cash equivalent at end of year	**19**	**60,573**	**68,582**

FOR THE YEAR ENDED 31 DECEMBER 2018

Company statement of cash flows

	Notes	2018 Shs' millions	2017 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		10,565	8,200
Adjustments for:			
Dividend received		(10,450)	(8,600)
Credit impairment loss charge	11	35	-
Operating profit / (loss) before changes in operating assets and liabilities		**150**	**(400)**
Other assets		(271)	1
Related party balances		(2,029)	500
Other liabilities		(256)	258
Cash (used in) / generated from operations		**(2,406)**	**359**
Income taxes paid	18	(115)	(66)
Net cash (used in) / generated from operating activities		**(2,521)**	**293**
INVESTING ACTIVITIES			
Dividend received		10,450	8,600
Net cash from investing activities		**10,450**	**8,600**
FINANCING ACTIVITIES			
Dividend paid	27(g)	(7,547)	(7,547)
Additional capital injected into subsidiaries		(1,025)	(1,040)
Net cash used in financing activities		**(8,572)**	**(8,587)**
Net (decrease) / increase in cash and cash equivalents		**(643)**	**306**
At start of year		8,318	8,012
At end of year	**19**	**7,675**	**8,318**

1. Corporate information

Equity Group Holdings Plc (the "Company") is incorporated under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The Company is licensed under the Kenyan Banking Act (Chapter 488). The Company has subsidiaries in Kenya, Uganda, South Sudan, Rwanda, Tanzania and Democratic Republic of Congo. Its shares are listed on the Nairobi Securities Exchange, Uganda Securities Exchange and Rwanda Securities Exchange.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except FVOCI (Available for sale as per IAS 39) investment securities, derivative financial assets and loan notes at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group and Company

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2018:

IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and financial liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group.

The following table shows the original measurement categories in accordance with IAS 39 at 31 December 2017 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018:

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group and Company (continued)

IFRS 9 - Financial Instruments (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

Group	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			Shs' millions	Shs' millions
Financial assets				
Cash and balances due to financial institutions	Loans and receivables	Amortised cost	68,582	68,340
Restricted balances with central banks	Loans and receivables	Amortised cost	11,039	11,039
Derivative financial asset	FVTPL	FVTPL	253	253
Investment securities:				
Available for sale investment securities	AFS	FVOCI	107,470	107,422
Held-to-maturity investment securities	HTM	Amortised cost	20,532	20,519
Due to related parties	Loans and receivables	Amortised cost	449	449
Loans and advances from customers	Loans and receivables	Amortised cost	273,922	261,788
Loan notes at FVTPL	FVTPL	FVPL	5,170	5,170
Other assets	Loans and receivables	Amortised cost	10,631	10,192
Total financial assets			**498,048**	**485,172**
Financial liabilities				
Customers deposits	Other liabilities	Amortised cost	373,143	373,143
Borrowed funds	Other liabilities	Amortised cost	47,873	47,873
Other liabilities	Other liabilities	Amortised cost	9,832	9,832
Total financial liabilities			**430,848**	**430,848**

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

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

IFRS 9 - Financial Instruments (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

Company	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			Shs' millions	Shs' millions
Financial assets				
Cash and balances due to financial institutions	Loans and receivables	Amortised cost	8,318	8,316
Due to related parties	Loans and receivables	Amortised cost	313	313
Total financial assets			**8,631**	**8,629**
Financial liabilities				
Due from related parties	Other liabilities	Amortised cost	2,667	2,667
Other liabilities	Other liabilities	Amortised cost	259	259
Total financial liabilities			**2,926**	**2,926**

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 - Financial Instruments (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 at 31 December 2017 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018:

Group	IAS 39 carrying amount 31 December 2017	Reclassifications / (Remeasurements)	IFRS 9 carrying amount 1 January 2018
Financial assets	**Shs' millions**	**Shs' millions**	**Shs' millions**
Amortised cost:			
Cash and balances due to financial institutions			
Balance as per IAS 39	68,582		
Remeasurement		(242)	
Balance as per IFRS 9			68,340
Restricted balances with central banks			
Balance as per IAS 39 and Balance as per IFRS 9	11,039	-	11,039
Investment securities at amortised cost			
Opening balance as per IAS 39	-		
Additions: From financial assets held to maturity (IAS 39)		20,532	
Remeasurement: ECL allowance		(13)	
Closing balance as per IFRS 9			20,519
Held to maturity investment securities			
Balance as per IAS 39	20,532		
Subtraction: To amortised cost (IFRS 9)		(20,532)	
Balance as per IFRS 9			-
Due from related parties			
Balance as per IAS 39 and Balance as per IFRS 9	449	-	449
Loans and advances from customers			
Balance as per IAS 39	273,922		
Remeasurement		(12,134)	
Balance as per IFRS 9			261,788
Other assets			
Balance as per IAS 39	10,631		
Remeasurement		(439)	
Balance as per IFRS 9			10,192
Total financial assets measured at amortised cost	**385,155**	**12,828**	**372,327**

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 - Financial Instruments (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

Group	IAS 39 carrying amount 31 December 2017	Reclassifications / emeasurements)	IFRS 9 carrying amount 1 January 2018
Financial assets	**Shs' millions**	**Shs' millions**	**Shs' millions**
Fair value through profit or loss (FVPL):			
Loan notes at FVTPL			
Balance as per IAS 39 and balance as per IFRS 9	5,170	-	5,170
Derivative financial asset			
Balance as per IAS 39 and balance as per IFRS 9	253	-	253
Total financial assets at FVPL	**5,423**	**-**	**5,423**
Fair value through other comprehensive income (FVOCI):			
Investment securities at FVOCI			
Opening balance as per IAS 39	-		
Additions: From available for sale (IAS 39)		107,470	
Remeasurement: ECL allowance		(48)	
Closing balance as per IFRS 9			107,422
Available for sale investment securities			
Opening balance as per IAS 39	107,470		
Subtraction: To FVOCI		(107,470)	
Closing balance as per IFRS 9			-
Total financial assets at FVOCI	**107,570**	**-**	**107,422**

NOTES (continued)

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 - Financial Instruments (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

Company	IAS 39 carrying amount 31 December 2017	Reclassifications / (Remeasurements)	IFRS 9 carrying amount 1 January 2018
	Shs' millions	Shs' millions	Shs' millions
Financial assets			
Amortised cost:			
Cash and balances due to financial institutions			
Balance as per IAS 39	8,318		
Remeasurement		(2)	
Balance as per IFRS 9			8,316
Due from related parties			
Balance as per IAS 39 and balance as per IFRS 9	449	-	449
Total financial assets measured at amortised cost	**8,767**	**(2)**	**8,765**

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

Measurement category - Group	Loan loss allowance under IAS 39	Reclassifications / (Remeasurements)	Loan loss allowance under IFRS 9
	Shs' millions	Shs' millions	Shs' millions
Cash and balances with financial institutions	-	242	242
Loans and advances to customers	7,449	12,134	19,583
Investment securities at amortised cost	-	13	13
Investment securities at FVOCI	-	48	48
Other assets	-	439	439
Total	**7,449**	**12,876**	**20,325**

2 Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

IFRS 9 - Financial Instruments (continued)

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

Measurement category - Company	Loan loss allowance under IAS 39	Remeasurements	Loan loss allowance under IFRS 9
	Shs' millions	Shs' millions	Shs' millions
Cash and balances with financial institutions	-	2	2
Total	**-**	**2**	**2**

2 Significant accounting policies (continued)
(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the Group (continued)

The following standards and interpretations applied for the first time to the Group and did not have a significant impact:

- Classification and measurement of share-based payment transactions – amendments to IFRS 2
- Annual improvements 2014-2016 cycle
- Transfers of investment property – amendments to IAS 40
- Interpretation 22 foreign currency transactions and advance consideration

ii) New standards and interpretations not yet adopted

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 - Determining whether an arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC - 27 - Evaluating the substance of transactions involving the legal form of a lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

Application of IFRS 16 in 2019 will require right-of-use assets and lease liabilities to be recognised

in respect of most operating leases where the Group is the lessee. Based on the Directors' preliminary assessment, right of use assets of Shs 9.087 Billion, lease liabilities of Shs 8.704 Billion and a provision for restoration costs of Shs 372.6 million will be recognised at 1 January 2019. There's no transition impact on opening retained earnings at that date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and Company.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred 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 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.

2 Significant accounting policies (continued)

(b) Business combinations and goodwill (continued)

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.

In the Company's financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

(c) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "Functional currency"). The consolidated financial statements are presented in Kenya Shillings, which is the Company's Functional and Presentation currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the group entities at their respective Functional currency prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the Functional currency at the spot rate of exchange at the reporting date. All differences arising from non-trading activities are taken to other operating income in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the dates of recognition.

(ii) Group companies

On consolidation, the assets and liabilities in foreign operations whose functional currencies are not the currency of a hyperinflationary currency are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at average rates.

The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(iii) Hyperinflationary economies

The Group considers an economy to be hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100%. The financial statements of a subsidiary whose functional 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 2

2 Significant accounting policies (continued)

(c) Foreign currency translation (continued)

(iii) Hyperinflationary economies
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 35).

For the purpose of consolidation, the results and financial position of a subsidiary whose functional currency is the currency of a hyperinflationary economy are translated into Kenya Shillings at the spot rate of exchange prevailing at the reporting date. However, the comparative amounts are those that were presented in the prior year financial statements.

(d) Recognition of interest income, dividend and interest expense
Revenue is recognised 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 Effective Interest Rate (EIR) method. 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 FVOCI, calculated using the effective interest rate (EIR). The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. When the recorded value of a financial asset or a group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
- Dividend income is recognised when the Company's right to receive that payment is established.

(e) Fee and commission income and expense
Fees and commissions charged for services provided or received by the Group are recognised as the services are provided or received, for example on completion of an underlying transaction.

(f) Net foreign exchange income
Net foreign exchange income arises from both the sale and purchase of investment securities, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates and other market variables.

Gains or losses on assets or liabilities are included in profit or loss under net foreign exchange income.

(g) Leases

(ii) 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.

2 Significant accounting policies (continued)

(g) Leases (continued)

(ii) Group as a lessee (continued)

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

(h) Income tax

The income tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(i) Financial assets and liabilities

(i) Classification and subsequent measurement

Financial assets

Except for trade receivables that do not have a significant financing component, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price.

The Group classifies its financial assets into three principal classification categories based on the cash flow characteristics of the asset and the business model assessment:

- Measured at amortised cost;
- FVOCI; and
- FVTPL.

The previous categories of held to maturity, loans and receivables and available for sale under IAS 39 have been replaced.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Group recognises cash, deposits and balances due from financial institutions including items in the course of collection, amounts due from related parties, loans and advances to customers, certain investment securities, and other assets at amortised cost.

Fair Value through Other Comprehensive Income (FVOCI) – Debt

A financial asset which is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies certain investments it has in gov

ernment securities at FVOCI.

Fair Value through Other Comprehensive Income (FVOCI) – Equity

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by investment basis. The Group currently has no equity investments held at FVOCI.

Fair Value through Profit or Loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group shall classify certain investments in government securities held for trading, derivative financial assets, and loan notes at FVTPL.

A financial asset is classified into one of these categories on initial recognition. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) (continued)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. The definition of principal reflects the economics of the financial asset from the perspective of the current holder. This means that an entity assesses the asset's contractual cash flow characteristics by comparing the contractual cash flows to the amount that it actually invested.

'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considered the contractual terms of its financial assets. The Group, through the Credit, Finance and Treasury departments will from time to time review the contractual terms of existing instruments and also review contractual terms of new products the Group develops or invests in going forward. This includes assessing whether the financial asset contained a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Group shall consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

Contractual features that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, give rise to contractual cash flows that do not meet the SPPI criterion.

Interest rates on loans made by the Equity Bank Kenya Limited are based on the prevailing interest rate which currently are referenced to the regulator. The prevailing rates are generally based on a regulator's rate and include a discretionary spread (Margin). In these cases, the Group will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- the borrowers are able to prepay the loans without significant penalties;
- the market competition ensures that interest rates are consistent between banks; and
- any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Interest rate on loans made by other banking subsidiaries within the Group are based on the prevailing market rates depending on the specific country of operation.

Some of the Group's loans may contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) (continued)

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

De minimis

A contractual cash flow characteristic may not affect the classification of a financial asset if it could have only a de minimis effect on the financial asset's contractual cash flows. To make this determination, the Group considers the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial asset.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The table below summarises the key features of each type of business model and the resultant measurement category:

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Business model assessment (continued)

BUSINESS MODEL	KEY FEATURES	CATEGORY
Held to collect	The objective of the business model is to hold assets to collect contractual cash flows. Sales are incidental to the objective of the model. This model typically involves the lowest level of sales in comparison with other business models (in frequency and volume).	Amortised cost(1)
Both held to collect and for sale	Both collecting contractual cash flows and sales are integral to achieving the objective of the business model. This model typically has more sales (in frequency and volume) than the held-to-collect business model.	FVOCI(1)
Other business models, including: Trading, managing assets on a fair value basis and maximising cash flows through sale	The business model is neither held-to-collect nor held to collect and for sale. The collection of contractual cash flows is incidental to the objective of the model.	FVTPL(2)

Notes

1. Subject to meeting the SPPI criterion.

2. The SPPI criterion is irrelevant - i.e. assets in all business models are measured at FVTPL.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Financial liabilities

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value. Deposits from customers, borrowed funds and other liabilities are also classified at amortised cost.

Reclassification

The Group only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent, and are determined by the Group's senior management as a result of external or internal changes.

Derecognition and contract modification

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. However, when the modification of a financial instrument not measured at FVTPL does not result in derecognition, the Group has recalculated the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Write-off

The Group writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

- Ceasing enforcement activity
- Where the Group's recovery method is foreclosing on collateral and the value of the collateral is such there is no reasonable expectation of recovering in full.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Interest income recognition

According to IFRS 9 paragraph 5.4.1 interest revenue shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

According to IFRS 9 paragraph 5.4.2 an entity that, in a reporting period, calculates interest revenue by applying the effective interest method to the amortised cost of a financial asset in accordance with paragraph 5.4.1(b) (see (b) above), shall, in subsequent reporting periods, calculate the interest revenue by applying the effective interest rate to the gross carrying amount if the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the requirements in paragraph 5.4.1(b) were applied (such as an improvement in the borrower's credit rating). In the context of the Central Bank regulations, credit impaired accounts would refer to the substandard, doubtful and loss risk classifications, and interest on these accounts is calculated on the gross carrying amount and not ecognised in profit or loss but rather suspended in the statement of financial position.

Assets that are credit-impaired on initial recognition

According to IFRS 9 (7A.8.340) Purchased or Originated Credit Impaired (POCI) assets are assets that are credit-impaired on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract - e.g. a default or past-due event
- A lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for that financial asset because of financial difficulties or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event that caused the asset to be credit-impaired. Instead, the combined effect of several events may cause financial assets to become credit-impaired.

Measurement on initial recognition

On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime ECLs are incorporated into the calculation of the effective interest rate.

Subsequent measurement

The ECLs for POCI assets are always measured at an amount equal to lifetime ECLs. However, the amount recognised as a loss allowance for these assets is not the total amount of lifetime ECLs, but instead the changes in lifetime ECLs since initial recognition of the asset.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(i) Classification and subsequent measurement (continued)

Assets that are credit-impaired on initial recognition (continued)

Favourable changes in lifetime ECLs are recognised as an impairment gain, even if the favourable changes are more than the amount, if any, previously recognised in profit or loss as impairment losses.

Modifications

When the contractual cash flows of a POCI asset are modified and the modification does not result in derecognition, the calculation of the modification gain or loss is the difference between:

- the gross carrying amount of the asset before the modification and
- the recalculated gross carrying amount

The recalculated gross carrying amount is the present value of the estimated future cash payments or receipts through the expected life of the modified financial asset discounted using the credit-adjusted effective interest rate before the modification

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

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The new impairment model applies to the following financial instruments that are not measured at FVTPL:

financial assets that are debt instruments – this applies to the Group's loans and advances to customers, Investment in Government securities measured at amortised cost and FVOCI, balances due to group companies and other assets;

lease and trade receivables – this applies to the Group's finance lease and trade receivables; and

loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets) - this applies to the Group's off balance sheet exposures where credit intervention is not required for the counterparty to access the credit facility.

No impairment loss is recognised on equity investments and financial assets measured at FVPL.

The Group recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group has recognised loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date. The Group has considered a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and
- other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.
- Loss allowances for trade and lease receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 are complex and require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:
- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and have been measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset. The following are examples of such events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;
- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses

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For purposes of IFRS 9 there will generally be no difference between credit impaired and non-performing financial loans as defined by the regulator.

Expected credit losses

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD). ECL = PD x LGD x EAD

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach

The simplified approach is applied for trade receivables or contract assets resulting from transactions in the scope of IFRS 15 Revenue from customer contracts or lease receivables resulting from transactions in the scope of IAS 17 Leases. The Group has therefore applied the general approach.

The General Approach

Under the general approach, at each reporting date, an entity recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss. Essentially, an entity must make the following assessment at each reporting date:

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

The General Approach (continued)

Stage 1 - For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs, i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date (12-month ECL as per formula below).

ECL12m = PD12m x LGD12m x EAD12m x D12m

Stage 2 - For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

ECL LT = LT∑T=1 PDt x LGDt x EADt x Dt

Stage 3 – For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs. However the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

The table below shows the link between the regulator risk classifications and the IFRS 9 stage allocation for assets for Equity Bank Kenya Limited.

CBK PG/04 Guidelines	Days past due	Stage allocation
Normal	0-30	1
Watch	31-90	2
Substandard	91-180	3
Doubtful	181 - 365	3
Loss	Over 365 or considered uncollectible	3

Definition of default

- The Group will consider a financial asset to be in default when:
- the borrower is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Group. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group; or
- if it meets the definition of the local regulator of default, if in the future the local regulator prescribe the criteria of default for IFRS 9 purposes

This definition is largely consistent with the regulator definition that will be used for regulatory purposes. In assessing whether a borrower is in default, the Group will consider indicators that are:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;
- a lender having granted a concession to the borrower - for economic or contractual reasons relating to the borrower's financial difficulty - that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Group has not rebutted the 90 Days Past Due (DPD) rule for identifying defaults.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

Significant increase in credit risk (SICR)

The Group in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group identifies a significant increase in credit risk where

- exposures have a regulatory risk rating of 'WATCH';
- an exposure is greater than 30 days past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period);or
- by comparing an exposures:
  -credit risk quality at the date of reporting; with
  -the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

Credit risk classification

The Group allocates each exposure to a credit risk classification based on the regulatory requirements of the regulator which requires the prediction of the risk of default and applying experienced credit judgement. The Group shall use these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using the regulator's guidance, days past due, management assessment, qualitative and quantitative factors that are indicative of the risk of default.

These factors may vary depending on the nature of the exposure and the type of borrower. The Group shall undertake a thorough credit appraisal process and determine the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk classification.

Determining whether credit risk has increased significantly

The Group has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework has been aligned with the Group's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varys by portfolio and will include a backstop based on delinquency (30 DPD presumption).

Quantitative factors

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Group has developed an internal rating model going forward and movement in rating grades between the reporting period and initial recognition date/ the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

Qualitative factors

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. The management view and judgement has included the following assessments:

- Classification of exposures by any other Banks and Financial institutions or local Credit Reference Bureau (CRB).
- Unavailable/inadequate financial information/ financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff in the organization;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation;
- Deterioration in credit worthiness due to factors other than those listed above

As a backstop, and as required by IFRS 9, the Group will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

SICR at transition to IFRS 9

Under IFRS 9, assessment of SICR requires comparison of default risk at the reporting date with the risk at origination or initial recognition of the asset. However the standard also states that if the Group cannot measure default risk at initial recognition for SICR purposes without undue cost or effort, then it should recognize lifetime ECL on that instrument. The Group at transition has used past due information to determine whether there have been significant increases in credit risk since initial recognition.

Backward transitions

Backward transitions define the criteria for moving a financial asset back from Stage 2 to Stage 1 or Stage 3 to Stage 2. The Group applies the considerations of the central bank prudential guidelines to determine whether a financial asset should be upgraded from Stage 3 to Stage 2 and then Stage 1. Where an account in Stage 3 is regularised (i.e. all past due principal and interest is repaid in full) it may be upgraded to Stage 2 subject to observation of the cooling off period as defined by prudential guidelines. A facility which meets the above condition and has been classified as Stage 2 may be reclassified to Stage 1 if a sustained record of performance is maintained for a period of six (6) months.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

Restructuring

The Group renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximise collection opportunities and minimise the risk of default. Under the Group's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Group's Credit Committee regularly reviews reports on restructuring activities.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

The Group applies the requirements of the Central Bank prudential guidelines where an account in Doubtful or Sub-standard category (Stage 3) will be upgraded to Watch if principal and interest payments are fully regularised at the point of restructure, the account is re-classified to Watch (Stage 2) and observed for six (6) months. Where the account continues to perform appropriately for an additional six (6) months the account is upgraded to normal and the Group reverts to measuring 12-month ECLs.

Where the account is restructured with the customer having not regularized overdue principal and interest, the account shall remain in Substandard for six (6) months or if in Doubtful category, twelve (12) months for observation. If the restructured account performs as per the new contract during the observation period, the account can be then upgraded to Watch (stage 2) and observed for another six (6) months where it can be further upgraded to Normal (stage 1) if good performance is sustained.

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

ECL model

Segmentation

In order to determine the ECL by modelling the PD, LGD and EAD for different loan accounts, the Group has segmented the loan book into five segments namely Corporate, SME, Mortgage, Unsecured and Eazzy (short term mobile loans). The PDs are determined at segment level, LGD at customer or segment level (based on collateral and collections respectively) and EAD at account level. Where a borrower has been in several segments historically the Group uses the borrower's current segmentation. In addition to the on-balance sheet facilities, the Group considered treasury products (investment securities and placements with other banking institutions) and the off balance sheet facilities offered by the Group such as guarantees, letters of credit, overdrafts and credit cards where an exposure is present. The EAD for these facilities is based on whether there is a commitment by the Group to fund a customer and the rate of conversion of such facilities (Credit Conversion Factor – CCF).

Risk parameters in measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- PD;
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters has been derived from internally developed statistical models and other historical data that leverage regulatory models. They have been adjusted to reflect forward-looking information as described below.

Probability of default

Probability of Default ("PD") refers to the likelihood of a default occurring and is a measure of the risk of default. In order to calculate IFRS 9 PD, there is a need to develop a PD term structure for calculating ECL (forward looking and lifetime PDs). PD estimates for loans and advances are estimates at a certain date, which has been calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and has been assessed at portfolio level for portfolios of assets that have similar characteristics. PDs have been estimated based on the theory of Markov Chain process. The method requires information regarding transitions among credit states. Credit states are defined by rating classes.

The Group has reviewed and updates the portfolio PDs on an annual basis. The Group has drawn yearly transition matrix of ratings to compute a value or transaction based PD over the one year horizon for the past 3-5 years. (The Group has built data to 5 years and update every year thereafter for new data). The PDs have been approved by the relevant Board committees for them to take effect. Transition probabilities are determined from the actually observed number of transitions over the observed period of time. These PDs have been classified as per stage 1 and 2 which is driven by the central bank risk classifications, management view and DPD. This rating migration shall capture the movement of obligors into default at yearly intervals. An average default rate of 5 years has been used. Based on the transitions of counterparties within the stages in value terms, the default estimation is done by the transition matrix. In order to calculate the annual migration matrix, the following shall be done:

- Two historical dates subject to analysis (t1, t2) are indicated;
- All exposures belonging to the selected 5 segments (Corporate, SME etc.) are chosen: all exposures existing at t1 (start date) and at t2 (matrix date) and all exposures existing at t1 and closed in t2;

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

Probability of default (continued)

- The Segments are divided into the following statuses;
- Stage 1 and Stage 2 equivalent to non-defaulted risk groups, where Stage 1 denotes normal accounts and Stage 2 denotes the watch accounts, Stage 3 equivalent to the non performing accounts (substandard, doubtful and loss); and
- N*N annual migration matrix, representing the value of exposures that migrated between statuses within a given portfolio between t1 and t2, is constructed.

The Corporate segment for Equity Bank Kenya Limited comprises a few unique customers. These have been individually assessed. The PDs for these loans and advances have been determined by mapping management view of the relevant quantitative and qualitative factors to external ratings and taking the PDs determined for those external rating.

PD estimates for other exposures are estimates at a certain date, which will be calculated based on statistical rating tools and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. Lifetime PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates. Lifetime PDs are calculated using the Matrix Multiplication method utilising the Markov Chain method.

LGD

LGD is the forecast of the magnitude of the likely loss if there is a default. The Group has estimated LGD parameters based on collateral available for secured debt instruments against exposures and the history of recovery rates of claims against defaulted counterparties for unsecured portfolios.

LGD by collateral

The LGD models have considered the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Group will consider the eligibility of collateral. Collateral is eligible if the following can be demonstrated:

- Legal certainty and enforceability
- History of enforceability and recovery

LGD estimates have been calibrated for different collateral types. To reflect possible changes in property prices, the forced sale value (FSV) shall be considered for all collateral types.

The collateral values to consider have been calculated on a discounted cash flow basis using the effective interest. The table below highlights the Group's acceptable collateral types;

No	Collateral Type
1	Cash Under Lien
2	Corporate Guarantees
3	Debenture/Land
4	Government Guarantee
5	Hire Purchase Agreement
6	Land & Buildings-Commercial
7	Land & Buildings-Residential
8	Logbooks
9	Shares
10	Treasury Bonds/Bills

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

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

LGD (Continued)

LGD by Collections

For the purpose of LGD estimation on its non-collateralized portfolio, the Group shall compute LGD based on actual recoveries on its defaulted portfolio over a period of at least 3- 5 years prior to the assessment date. To determine this recovery rate, the Group has identified the point in time when accounts first go into default in half year periods, filter out any non-performing loan (NPL) accounts that cure and for the remaining accounts obtain data on amounts collected. The difference between the value of the NPL accounts that do not cure and the collections from these accounts as a percentage of the original NPL accounts (NPL accounts that cured and did not cure) is determined as the LGD. For individually assessed unsecured accounts, the LGD is assessed based on the particular circumstances of the facility.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group has derived the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is measured as:

EAD = Outstanding exposure + (CCF*Undrawn portion)

For lending commitments and financial guarantees, the EAD has considered the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which will be estimated based on behavioural study of historical patterns and forward-looking forecasts.

For revolving off-balance sheet positions, the CCF to be applied to the undrawn commitments have been derived from a behavioural study of historical patterns. In the case of undrawn commitments (i.e. undrawn portions of the Group's commitments for off-balance sheet items), if the terms of the contract clearly state that the commitment is unconditionally cancellable for any reason, the committed amounts for such arrangements has not be considered as EAD.

Term of loan in calculating Lifetime ECL and determining the EAD

As described previously in this document, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group will measure ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group will consider a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee. For overdrafts, guarantee facilities and other revolving facilities that include both a loan and an undrawn commitment component, the Group will measure ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

Forward-looking information

Under IFRS 9, the Group has incorporate forward-looking information in its measurement of ECLs. The Group has formulated a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Group's Executive Risk Committees (ALCO & CORC) and economic experts and consideration of a variety of external actual and forecast information. This process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in East Africa, supranational organisations such as the World Bank and the International Monetary Fund, and selected private sector and academic forecasters.

2 Significant accounting policies (continued)
(i) Financial assets and liabilities (continued)

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

Forward-looking information (continued)

The base case represents a most-likely outcome and be aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include, among others, inflation rates, GDP forecasts, balance of trade, unemployment rates and interest rates. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets shall be developed based on analysing historical data over the previous 5 years. The economic scenarios used have been approved by the Group's Credit and Risk Committees.

(iii) Fair value measurement

The Group measures financial instruments such as derivatives, loan notes at FVTPL and FVOCI investment securities at fair value at each reporting date. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

Gains or losses on valuation of available-for–sale financial assets are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

NOTES (continued)

2 Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(iii) Fair value measurement (continued)

Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

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

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

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 5 to the financial statements.

2 Significant accounting policies (continued)

(j) Comparative accounting policies for financial assets and liabilities

The IAS 39 related accounting policies below are provided because financial instruments comparative balances were recognised and measured under this standard.

(i) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. The directors determine the appropriate classification of its investments at initial recognition.

(ii) Financial liabilities

The Group's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(i) Financial assets

i. Recognition

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

Assets at fair value through profit or loss are those that are classified as either held-for-trading or those that are specifically designated as such.

ii. Initial measurement

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

(iii) 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

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

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at fair value through profit or loss.

AFS financial assets include both debt and equity instruments and are stated at fair value at the end of each reporting period.

2 Significant accounting policies (continued)

(j) Comparative accounting policies for financial assets and liabilities (continued)

(i) Financial assets (continued)

Available-for-sale investments (continued)
Subsequent changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.The Company has not designated any loans or receivables as available for sale.

Fair value through profit or loss 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 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.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

iv. Derecognition
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.

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.

2 Significant accounting policies (continued)

(j) Comparative accounting policies for financial assets and liabilities (continued)

(ii) Financial liabilities

Derecognition

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.

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.

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.

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.

2 Significant accounting policies (continued)

(k) 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.

(l) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Leasehold improvements are written off over their estimated useful lives or the lease period, whichever is shorter.

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

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

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

2 Significant accounting policies (continued)

(m)Intangible assets

The Group's intangible assets include the value of computer software. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are amortised over the useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The intangible assets have a maximum useful life of ten years.

(n) Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

NOTES (continued)

2 Significant accounting policies (continued)

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

(p) Employee benefits

(i) Defined contribution plans

The Group contributes to statutory defined contribution pension schemes (the National Social Security Fund (NSSF)), for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the schemes are held in a separate trustee administered funds, which are funded by contributions from both the Group and employees.

The Group contributions to both the defined contribution schemes are charged to the statement of comprehensive income in the year to which they relate.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus and leave if the group has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Group Strategy and Investment Committee that makes strategic decisions.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(r) Earnings per share

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

(s) Dividends

Dividends are recognised as a liability and deducted from equity in the year in which they are declared when they are approved by the Company' Shareholders. Proposed dividends are disclosed as part of Note 27 (g).

2 Significant accounting policies (continued)

(t) Deposits from customers

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

(u) Work in progress

Work-in-progress includes assets paid for but are not yet ready for the intended use and include software, computers and equipment. These are not depreciated and are capitalized when they get in the location and condition necessary for them to be capable of operating in the manner intended by management.

(v) 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 34).

(w)Derivative financial assets and liabilities

The Group enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration.

The Group may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The Group uses the following derivative instruments:

Currency forwards

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

Currency swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency.

Currency spots

Spot contracts are contractual agreements between two parties to exchange streams with immediate settlement (payment and delivery) on the spot date, which is normally two business days after the trade date.

(y) Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year

(z) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given banks, financial institutions, and others on behalf of customers to secure loans, overdrafts, and other banking facilities.

2 Significant accounting policies (continued)

(z) Financial guarantee contracts and loan commitments (continued)

Financial guarantees contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of loss allowance and;
- The premium received on initial recognition less recognition in accordance with the principles of IFRS 15

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL
- Establishing the number and relative weightings for a forward-looking scenarios for each type of product / market and associated ECL
- Establishing groups of similar assets for the purposes of measuring ECL.
- Determining LGDs of individually assessed loan accounts

The expected credit loss allowance on loans and advances are disclosed in more detail in Notes 11 and 20 (b).

b) Valuation of loan notes held at fair value

As per IFRS 13, where the Group measures a financial instrument at fair value, the fair value should represent the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market-based measurement, which uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

3 Critical accounting estimates and judgements (continued)

Critical accounting estimates and assumptions (continued)

b) Valuation of loan notes held at fair value (continued)

The Group holds loan notes that contain an embedded derivative and have therefore been measured at fair value through profit or loss. For these, fair value is composed of two key cashflow components, being the interest receivable on the mandatorily convertible component of the loan notes and valuation of the shares upon whose sale the principal debt amount will be realised. Any shortfall from the above cashflow streams is covered, albeit partially, by a government guarantee.

To determine the value of the shares, the Group utilises complex valuation models that incorporate unobservable inputs that drive the projected cash flows of the borrower company which include cashflows and the growth rate assumption which factor in passenger numbers, available seat kilometre and costs, including operating lease and fuel expenses. These cashflows are then subjected to adjustments which include, but are not limited to actual performance and the projected growth rate of the borrower company and any deviation of actual performance from the projected performance. The selection and application of these models and the related inputs is judgmental.

4 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 and Company's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. There were no changes in the risk and capital management policies during the current financial year.

Risk management framework

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

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

4 Financial risk management (Continued)

(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:

Management of credit risk (continued)

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees as stipulated in the Group's Credit Charter.
- Reviewing and assessing credit risk. The group credit committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by group's credit risk department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit department on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the group in the management of credit risk.

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.

4 Financial risk management (continued)

(b)Credit risk (continued)

The maximum exposure to credit risk for the components of the statement of financial position at 31 December is their carrying amount as illustrated in the tables below:

Group		2018		2017	
	Note	Shs' millions	%	Shs' millions	%
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions*	19	54,742	10%	68,582	14%
Derivative financial assets	33	225	0%	253	0%
Investment securities	21	160,952	31%	128,002	26%
Due from related parties	28 (f)	24	0%	449	0%
Loans and advances to customers at amortised cost	20	292,136	0%	273,922	57%
Loans and advances to customers at FVPL	20	5,091	56%	5,170	1%
Other assets**	22	8,738	0%	7,742	2%
		521,908		**484,120**	
Off-balance sheet items					
Guarantees and standby letters of credit	30	44,171		25,040	
Letters of credit, acceptances and other credits	30	29,114		16,260	
		73,285		**41,300**	
		595,193		**525,420**	
Company					
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions	19	7,675	96%	8,318	96%
Due from related parties	28 (f)	95	1%	313	4%
Other assets	22	236	3%	-	-
		8,006		**8,631**	

*Balances and deposits due from financial institutions excludes cash at hand as disclosed under Note 19 (a) as this does not pose a credit risk.

The credit risk on balances and deposits due from financial institutions, investment securities and derivative financial assets is limited as the counterparties are all recognised financial institutions with good reputation.

4 Financial risk management (continued)

(b) Credit risk (continued)

**Other assets are made up of settlement and clearing accounts, refundable deposits and other receivable balances. The balances are settled no more than 12 months after the reporting date. All the balances are non-interest bearing and no impairment has been recognised against them at 31 December 2017.

None of the other assets and balances due from related parties are past due or impaired. Management has established a related entity risk management framework including mandatory credit checks with counter parties.

Letters of credit, acceptances, guarantees and performance bonds are issued by the Group, on behalf of customers, to guarantee performance by customers to third parties. The Group will only be required to meet these obligations in the event of default by the customers.

Exposure to credit risk

	2018				2017
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
Amortised cost	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Individually and collectively impaired					
Grade 3: Substandard	-	-	8,152	8,152	4,504
Grade 4: Doubtful	-	-	11,718	11,718	8,082
Grade 5: Loss	-	-	3,006	3,006	2,856
Gross amount	-	-	**22,875**	**22,875**	**15,442**
Provision for impairment losses	-	-	(9,452)	(9,452)	(5,216)
Carrying amount	**-**	**-**	**13,423**	**13,423**	**10,226**
Individually and Collectively impaired					
Grade 1: Normal	245,135	-	-	245,135	241,316
Grade 2: Watch	-	43,609	-	43,609	24,613
Gross amount	**245,135**	**43,609**	**-**	**288,744**	**265,929**
Provision for impairment losses	(2,992)	(7,039)	-	(10,031)	(2,233)
Carrying amount	**243,143**	**36,570**	**-**	**278,713**	**263,696**
Total carrying amount				**292,136**	**273,922**
Fair value					
Loans notes				5,091	5,170
Total carrying amount				**297,227**	**279,092**

4 Financial risk management (continued)

(b) Credit risk (continued)

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.

Impaired loans

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

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.

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.

Write-off policy

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

Collateral on loans and advances

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

Before attaching value to collateral, business holding approved collateral must ensure that they are legally perfected devoid of any encumbrances. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

The principal collateral types held by the Group for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Valuation of collateral taken is within agreed parameters and will be conservative in value. The valuation is performed only on origination or in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation.

4 Financial risk management (continued)

(b) Credit risk (continued)

The Group has considered all relevant factors, including local market conditions and practices, before any collateral is realized.

The collateral held by the Group against loans and advances is as below;

	Group 2018 Shs' millions	Group 2017 Shs' millions
Property	359,528	405,844
Equities	117	2778
Other	41,242	38,825
Total	**400,887**	**447,447**

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

The Group monitors concentration of credit risk by sector. The credit risk concentrations are controlled wherever they are identified in particular, to individual counterparties and groups of borrowers, countries, and to industry segments. An analysis of concentrations of credit risk at the reporting date is shown below:

	Group 2018 Shs' millions	Group 2017 Shs' millions
Concentration by sector		
Consumer	71,211	57,637
Micro enterprises	9,196	9,580
Agriculture	7,109	6,261
Small and medium enterprises	188,542	184,231
Large enterprises	40,652	28,832
	316,710	**286,541**

4 Financial risk management (continued)

(c) Liquidity risk

The definition of liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events which can result in: – an inability to support normal business activity; and – a failure to meet liquidity regulatory requirements.

During periods of market dislocation, the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Group. In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:

- Maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk framework as expressed by the Board;
- maintain market confidence in the Group's names;
- set limits to control liquidity risk within and across lines of business;
- accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- maintain a contingency funding plan ("CFP") that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

Management of liquidity risk.

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

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

NOTES (continued)

4 Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

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

Exposure to liquidity risk

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

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

	Kenya	Uganda	South Sudan	Rwanda	Tanzania	DRC
At 31 December 2018						
At 31 December	58%	38%	134%	110%	43%	187%
Average for the year	58%	34%	136%	157%	37%	156%
Maximum for the year	60%	44%	166%	281%	43%	187%
Minimum for the year	54%	27%	125%	108%	31%	142%
Minimum statutory requirement	20%	20%	20%	100%	20%	100%
At 31 December 2017						
At 31 December	54%	40%	139%	54%	36%	104%
Average for the year	54%	45%	142%	55%	37%	121%
Maximum for the year	58%	62%	147%	62%	42%	128%
Minimum for the year	49%	30%	138%	39%	31%	113%
Minimum statutory requirement	20%	20%	20%	20%	20%	100%

4 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

Group 2018	Less than 3 months Shs' millions	3-6 Months Shs' millions	6-12 Months Shs' millions	1-5 Years Shs' millions	More than 5 years Shs' millions	Totals Shs' millions
Financial assets						
Balances and deposits due from financial institutions	75,852	-	-	-	-	75,852
Loans and advances to customers	48,434	14,405	29,914	185,346	150,571	428,670
Investment securities	25,578	16,495	43,612	81,307	72,496	239,488
Amounts due from related parties	24	-	-	-	-	24
Derivative financial assets	225	-	-	-	-	225
Other assets	9,068	-	-	-	-	9,068
Total financial assets	**159,181**	**30,900**	**73,526**	**266,653**	**223,067**	**753,327**
Financial liabilities						
Deposits from customers	194,759	21,985	29,408	207,911	39	454,102
Borrowed funds	8,217	1,119	8,308	29,068	4,474	51,186
Other liabilities	7,587	28	68	673	574	8,930
Total financial liabilities	**210,563**	**23,132**	**37,784**	**237,652**	**5,087**	**514,218**
Liquidity gap at 31 December 2018	**(51,382)**	**7,768**	**35,742**	**29,001**	**217,980**	**239,109**

	0 - 3 months Shs' millions	3 - 6 months Shs' millions	6 - 12 months Shs' millions	1 - 5 Years Shs' millions	Total Shs' millions
Off-balance sheet items					
Guarantees and standby letters of credit	7,523	8,889	10,221	17,538	44,171
Letters of credit, acceptances and other documentary credits	13,941	8,720	6,442	11	29,114
Capital commitments	73	-	245	-	318
Loans approved but not disbursed	3,692	4,253	2,418	1,661	12,024
Total commitments and guarantees	**25,228**	**21,862**	**19,326**	**19,210**	**85,627**

4 Financial risk management (continued)

(c) Liquidity risk (continued)

Group 2017	Less than 3 months Shs' millions	3-6 Months Shs' millions	6-12 Months Shs' millions	1-5 Years Shs' millions	More than 5 years Shs' millions	Totals Shs' millions
Financial assets						
Balances and deposits due from financial institutions	78,927	-	-	-	-	78,927
Loans and advances to customers	50,270	8,078	22,787	132,965	143,588	357,688
Investment securities	26,675	9,952	14,335	46,875	64,423	162,260
Amounts due from related parties	449	-	-	-	-	449
Other assets	7,742	-	-	-	-	7,742
Derivative financial assets	253	-	-	-	-	253
Total financial assets	**164,316**	**18,030**	**37,122**	**179,840**	**208,011**	**607,319**
Financial liabilities						
Deposits from customers	114,671	32,468	34,451	185,833	5,726	373,149
Borrowed funds	3,494	787	10,955	31,211	6,498	52,945
Other liabilities	9,832	-	-	-	-	9,832
Total financial liabilities	127,997	33,255	45,406	217,044	12,224	435,926
Liquidity gap at 31 December 2017	**36,319**	**(15,225)**	**(8,284)**	**(37,204)**	**195,787**	**171,393**

Group - 2017	0 - 3 months Shs' millions	3 - 6 months Shs' millions	6 - 12 months Shs' millions	1 - 5 Years Shs' millions	Total Shs' millions
Off-balance sheet items					
Guarantees and standby letters of credit	5,615	3,599	6,257	11,887	27,358
Letters of credit, acceptances and other documentary credits	7,593	2,913	2,505	932	13,943
Capital commitments	31	-	-	-	31
Loans approved but not disbursed	6,646	-	-	-	6,646
Total commitments and guarantees	**19,885**	**6,512**	**8,762**	**12,819**	**47,978**

4 Financial risk management (continued)

(c) Liquidity risk (continued)

The Group has developed internal control processes and contingency plans for managing liquidity risk including maturity gaps that incorporates an assessment of expected cash flows. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

Company 2018	Less than 3 Months Shs' millions	Totals Shs' millions
Financial assets		
Balances and deposits due from financial institutions	7,675	7,675
Amounts due from related party	95	95
Others assets	236	236
Total financial assets	**8,006**	**8,006**
Financial liabilities		
Amounts due to related parties	422	422
Other liabilities	3	3
Total financial liabilities	**425**	**425**
Liquidity gap at 31 December 2018	**7,581**	**7,581**
Company 2017		
Financial assets		
Balances and deposits due from financial institutions	8,318	8,318
Amounts due from related party	313	313
Total financial assets	**8,631**	**8,631**
Financial liabilities		
Amounts due to related parties	2,667	2,667
Other liabilities	259	259
Total financial liabilities	**2,926**	**2,926**
Liquidity gap at 31 December 2017	**5,705**	**5,705**

(d) Market risk

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

Market risk comprises non-traded market risk which is the risk of the Group being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates. Non-trading portfolios also consist of foreign exchange and price risks arising from the Group's amortised and FVOCI financial assets.

(d) Market risk (continued)

Management of market risks

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Group's Treasury is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

Furthermore it includes the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

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

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. The Group does not bear any interest rate risk on off balance sheet items.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Group treasury department is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

Furthermore it includes the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

(i) Value at risk

The Group applies a 'value at risk' (VAR) methodology to its FX trading to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Group, which are monitored on a daily basis by Group treasury.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 1-day periods in the past. The Group's assessment of past movements is based on data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitutes an integral part of the Group's market risk control regime. VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits is reviewed daily by Group treasury.

(ii) Stress tests

The Group applies a 'stress test' methodology to its non-trading book. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by heads of business unit and by the Board. The stress testing is tailored to the business and typically uses scenario analysis.

Exposure to market risks – trading portfolios

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

4 Financial risk management (continued)

(d) Market risk (continued)

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:

Group Interest Rate Risk – Financial assets and liabilities subject to interest rate fluctuations. Included in the table are assets and liabilities at carrying amount categorised by earlier of contractual reprising or maturity date.

	Carrying amount	Non-interest bearing	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years
31 December 2018	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**
Assets							
Balances and deposits due from financial institutions	74,619	36,242	38,377	-	-	-	-
Loans and advances to customers	297,227	-	297,227	-	-	-	-
Investment securities	160,952	-	23,736	13,860	39,422	29,659	54,275
	532,798	**36,242**	**359,340**	**13860**	**39,422**	**29,659**	**54,275**
Liabilities							
Deposits from customers	422,758	282,230	42,247	40,126	33,871	24,277	7
Borrowed funds	45,101	-	6,036	1,017	8,418	27,384	2,246
	467,859	**282,230**	**48,283**	**41,143**	**42,289**	**51,661**	**2,253**
Interest rate sensitivity gap	**64,939**	**(245,988)**	**311,057**	**(27,283)**	**(2,867)**	**(22,002)**	**52,022**

NOTES (continued)

4 Financial risk management (continued)

(d) Market risk (continued)

31 December 2017	Carrying amount	Non-interest bearing	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Assets							
Balances and deposits due from financial institutions	79,621	46,345	33,276	-	-	-	-
Loans and advances to customers	279,092	-	279,092	-	-	-	-
Investment securities	128,002	-	26,384	9,537	13,456	37,367	41,258
	486,715	**46,345**	**338,752**	**9537**	**13,456**	**37,367**	**41,258**
Liabilities							
Deposits from customers	373,143	250,816	36,502	23,829	36,670	25,318	8
Borrowed funds	47,873	-	2,632	773	4,479	34,176	5,813
	421,016	**250,816**	**39,134**	**24,602**	**41,149**	**59,494**	**5,821**
Interest rate sensitivity gap	**65,699**	**(204,471)**	**299,618**	**(15,065)**	**(27,693)**	**(22,127)**	**35,437**

The Group closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee (ALCO) monitors compliance with the set interest rate gaps.

Exposure to other market risks – non-trading portfolios

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

4 Financial risk management (continued)

(d) Market risks (continued)

Company interest rate risk

31 December 2018	Carrying amount Shs' millions	Less than 3 Months Shs' millions
Assets		
Cash and cash equivalents	7,675	7,675
Interest rate sensitivity gap at 31 December 2018	**7,675**	**7,675**
31 December 2017		
Assets		
Cash and cash equivalents	8,318	8,318
Interest rate sensitivity gap at 31 December 2017	**8,318**	**8,318**

During the year, an 5% increase / decrease (2017: 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 Shs' millions	Company impact on profit or loss Shs' millions	Group impact on equity Shs' millions	Company impact on equity Shs' millions
2018	+/-5%	+/-2,071	+/-2	+/-1,450	+/-1
2017	+/-8%	+/-1,230	+/-2	+/-898	+/-1

Exposure to other market risks – non-trading portfolios

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

Foreign currency exposure – 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 strategies used to ensure that positions are maintained within the established limits. The amounts below summarize the foreign currency exposure position as at 31 December.

4 Financial risk management (continued)

(d) Market risk (continued)

	Foreign currency exposure – Group (continued)					
	US$ Shs' millions	GBP Shs' millions	Euro Shs' millions	ZAR Shs' millions	Others Shs' millions	Total Shs' millions
31 December 2018						
Cash and cash equivalents	24,250	455	1,521	39	48	26,313
Loans and advances to customers	106,204	39	192	-	-	106,435
Investment securities	14,337	-	-	-	5,328	19,665
Other assets	1,710	-	119	10	217	2,056
Total assets	**146,501**	**494**	**1,832**	**49**	**5,593**	**154,469**
Customer deposits	94,844	486	2,312	4	40	97,686
Borrowed funds	38,378	-	-	-	58	38,436
Other liabilities	5,922	2	136	24	12	6,096
Total liabilities	**139,144**	**488**	**2,448**	**28**	**110**	**142,218**
Net financial position	**7,357**	**6**	**(616)**	**21**	**5,483**	**12,251**
31 December 2017						
Cash and cash equivalents	35,808	645	1,548	10	303	38,314
Loans and advances to customers	86,687	46	289	-	-	87,022
Investment securities	-	-	-	-	6,654	6,654
Other assets	3,074	4	35	-	357	3,470
Total assets	**125,569**	**695**	**1,872**	**10**	**7,314**	**135,460**
Customer deposits	81,234	355	2,296	1	95	83,981
Borrowed funds	43,046	-	-	-	-	43,046
Other liabilities	8,271	6	76	-	302	8,655
Total liabilities	**132,551**	**361**	**2,372**	**1**	**397**	**135,682**
Net financial position	**(6,982)**	**334**	**(500)**	**9**	**6,917**	**(222)**

4 Financial risk management (continued)

(d) Market risk (continued)

Foreign currency exposure – Group (continued)

	Changes in EUR	Effect on profit before tax Shs' millions	Effect on equity Shs' millions
2018	+/-7%	+/-43	+/-30
2017	+-/11%	+/-81	+/-59
	Changes in US$		
2018	+/-2%	+/-147	+/-103
2017	+/-3%	+/-185	+/-135
	Changes in GBP		
2018	+/-8%	+/-1	+/-1
2017	+/-15%	+/-118	+/-86

The analysis calculates the effect of a reasonably possible movement of the currency rate against other currencies profit or loss and equity. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a net potential increase.

(e) Capital management

Capital risk is the risk that the Group is unable to maintain adequate levels of capital which could lead to an inability to support business activity or to meet regulatory requirements. Changes to credit ratings, could result in increased costs or reduced capacity to raise funding.

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. This is done by the Board of Directors. The Group Board manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group Board may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Primary objectives and core practices are:

- Provide a viable and sustainable business offering by maintaining adequate capital to cover the Group's current and forecast business needs and associated risks;
- Meet minimum regulatory requirements;
- Ensure the Group maintains adequate capital to withstand the impact of the risks that may arise under the stressed conditions;
- Perform internal and regulatory stress tests;
- Maintain capital buffers over regulatory minimum;
- Develop contingency plans for severe (stress management actions) to support the Group's and Company's growth and strategic options; and

Maintain a capital plan on a short-term and medium term basis aligned with strategic objectives.

We adopt a forward-looking, risk based approach to Capital Risk Management. Capital demand and supply is actively managed taking into account the regulatory, economic and commercial environment in which Group operates.

4 Financial risk management (continued)

(e) Capital management (continued)

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

The Group has complied with all externally imposed capital requirements throughout the year. The regulatory capital position at 31 December was as follows:

Shs 'millions	EBKL	EBCL	EBTL	EBUL	EBRL	EBSSL
Risk Weighted Assets	400,289	26,462	22,401	25,284	17,952	766
Core Capital	55,864	6,111	2,546	4,615	3,390	2,984
Total Capital	55,864	6,111	3,022	4,615	3,390	2,984
Core capital / TRWA	15.3%	23.1%	11.4%	18.3%	18.9%	389.5%
Statutory minimum	10.5%	8.0%	10.5%	10.5%	10.5%	10.5%
Excess	4.8%	15.1%	0.9%	7.8%	8.4%	379.0%
Total capital / TRWA	15.3%	23.1%	13.5%	19.6%	18.9%	389.5%
Statutory minimum	14.5%	10.0%	14.5%	14.5%	14.5%	14.5%
Excess	0.8%	13.1%	-1.0%	5.1%	4.4%	375.0%
Core capital / deposits	17.9%	14.0%	15.6%	19.2%	16.8%	56.8%
Statutory minimum	10.5%	8.0%	8.0%	8.0%	8.0%	8.0%
Excess	7.4%	6.0%	7.6%	11.2%	8.8%	48.8%

4 Financial risk management (continued)

(e) Capital management (continued)

	Group	
	2018	2017
	Shs' millions	Shs' millions
Total risk-weighted assets	493,817	444,103
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	19.1%	20.1%
Minimum statutory requirement	14.5%	14.5%
Total tier 1 capital expressed as a percentage of risk-weighted assets	19.1%	19.5%
Minimum statutory requirement	10.5%	10.5%

5 Financial assets and liabilities

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

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair values of loans and advances, borrowings and other financial liabilities, are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of remaining FVOCI financial assets are derived from quoted market prices in active markets. There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2018 (2017: 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.

5 Financial assets and liabilities (continued)

	Valuation technique	Significant observable input	Range (Weighted average)
Level 2			
Investment securities – FVOCI investment securities	Fair value at closing rate	Quoted yields	7%-13.5%
Investment securities - Amortised cost investment securities	Fair value at closing rate	Quoted yields	9.5%-12.5%
	Valuation technique	**Significant unobservable inputs**	**Range (Weighted average)**
Level 3			
Currency swaps and forwards	Forward pricing model	Interest curve	2%-4%
Loans notes	Discounted cash flows	Growth rate assumption	0 - 4%
Financial liabilities			
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	7%-9%
Borrowed funds	Discounted cash flow	Expected cashflows	4%-6%

Group 31 December 2018	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions	Total Shs' millions
Financial assets fair value disclosures:				
Investment securities – FVOCI	-	142,435	-	142,435
Derivative financial assets	-	-	255	255
Loan notes at FVPL	-	-	5,091	5,091
Total financial assets at fair value	**-**	**142,435**	**5,346**	**147,781**
At 31 December 2017				
Financial assets fair value disclosures				
Investment securities – Available for sale	-	107,470	-	107,470
Derivative financial assets	-	-	253	253
Loan notes at FVPL	-	-	5,170	5,170
Total financial assets at fair value	**-**	**107,470**	**5,423**	**112,893**

The movement in the loan notes at FVPL is attributable to exchange losses.

The following summarises the carrying amount of those assets and liabilities not held at fair value. Except for amortised cost investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

5 Financial assets and liabilities (continued)

Fair value measurement hierarchy (continued)

Group	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' million	Level 3 Shs' millions
At 31 December 2018					
Cash balances and deposits in financial institutions	74,619	74,619	-	-	74,619
Investment securities – Amortised cost	18,517	16,469	-	16,469	-
Loans and advances at amortised cost	292,136	292,136	-	-	292,136
Due from related parties	24	24	-	-	24
Other assets	9,157	9,157	-	-	9,157
Total financial assets	**394,453**	**392,405**	**-**	**16,469**	**375,936**
Deposits from customers	422,758	422,758	-	-	422,758
Borrowed funds	45,101	45,101	-	-	45,101
Other liabilities	10,339	10,339	-	-	10,339
Total liabilities	**478,198**	**478,198**	**-**	**-**	**478,198**

Group	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' millions	Level 3 Shs' millions
At 31 December 2017					
Balances and deposits due from financial institutions	79,621	79,621	-	-	79,621
Investment securities – Held to maturity	20,532	20,200	-	20,200	-
Loans and advances	273,922	273,922	-	-	273,922
Due from related parties	449	449	-	-	449
Other assets	7,742	7,742	-	-	7,742
Total financial assets	**382,266**	**381,934**	**-**	**20,200**	**361,734**
Deposits from customers	373,143	373,143	-	-	373,143
Borrowed funds	47,873	47,873	-	-	47,873
Other liabilities	9,832	9,832	-	-	9,832
Total liabilities	**430,848**	**430,848**	**-**	**-**	**430,848**

5 Financial assets and liabilities (continued)

Company	Carrying amount	Fair value	Level 1	Level 2	Level 3
	Shs' millions	Shs' millions	Shs' millions	Shs' million	Shs' millions
At 31 December 2018					
Cash balances and deposits in financial institutions	7,675	7,675	-	-	7,675
Due from related parties	95	95	-	-	95
Other assets	236	236	-	-	236
Total financial assets	**8,006**	**8,006**	**-**	**-**	**8,006**
Due to related parties	422	422	-	-	422
Other liabilities	3	3	-	-	3
Total liabilities	**425**	**425**	**-**	**-**	**425**

	Carrying amount	Fair value	Level 1	Level 2	Level 3
	Shs' millions	Shs' millions	Shs' millions	Shs' million	Shs' millions
At 31 December 2017					
Cash balances and deposits in financial institutions	8,318	8,318	-	-	8,318
Due from related parties	313	313	-	-	313
Total financial assets	**8,631**	**8,631**	**-**	**-**	**8,631**
Due to related parties	2,667	2,667	-	-	2,667
Other liabilities	259	259	-	-	259
Total liabilities	**2,926**	**2,926**	**-**	**-**	**2,926**

6 Interest income

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Interest income				
Loans and advances to customers	36,503	33,779	-	-
Cash and cash equivalents	431	1,237	212	229
Amortised cost (HTM as per IAS 39) investment securities	10,400	2,101	-	-
FVOCI (Available for sale as per IAS 39) investment securities	5,896	11,293	-	-
	53,230	**48,410**	**212**	**229**
Interest expense				
Deposits from banks	(557)	(346)	-	-
Deposits from customers	(8,560)	(8,076)	-	-
Borrowed funds	(2,691)	(2,419)	-	-
	(11,808)	**(10,841)**	**-**	**-**
Net interest income	**41,422**	**37,569**	**212**	**229**

7 Net fee and commission income

	Group	
	2018	2017
(a) Fee and commission income	Shs' millions	Shs' millions
Service fees and commission	13,053	13,136
Credit related fees	5,117	6,008
Custodial fee income	94	136
	18,264	**19,280**
(b) Fee and commission expense		
Fee and commission expense	(2,993)	(2,938)
Net fee and commission income	**15,271**	**16,342**

NOTES (continued)

8 Net foreign exchange income

	Group	
	2018	2017
	Shs' millions	Shs' millions
Bonds trading income	1,034	736
Net foreign exchange gain	3,822	5,317
	4,856	**6,053**

9 Other operating income

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Profit on disposal of property and equipment	12	17	-	-
Rental income	27	4	-	-
Other income	1,925	1,522	44	29
	1,964	**1,543**	**44**	**29**

10 Depreciation and amortisation

	Group	
	2018	2017
	Shs' millions	Shs' millions
Depreciation on property and equipment (Note 14)	3,139	3,541
Amortisation of intangible assets (Note 15 (a))	1,016	960
Amortisation of prepaid operating lease rentals (Note 14 (b))	286	321
	4,441	**4,822**

11 Credit impairment losses

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Increase in stage 3	7,094	3,709	-	-
(Decrease) / increase in stage 1 & 2	(3,380)	(278)	35	-
Net increase in impairment provision	**3,714**	**3,431**	**35**	**-**
Loan recoveries	(778)	(715)	-	-
Statement of profit or loss	**2,936**	**2,716**	**35**	**-**

12 Personnel expenses

	Group		Company	
	2018 Shs' millions	2017 Shs' millions	2018 Shs' millions	2017 Shs' millions
Salaries and other staff costs	11,057	11,070	55	29
Contributions to defined contribution plans	487	475	-	-
	11,544	**11,545**	**55**	**29**

The average number of staff in the Group for the year was 6,318 (2017: 6,710).

13 Operating lease expenses

	Group	
	2018 Shs' millions	2017 Shs' millions
Operating lease rentals	**2,257**	**2,171**

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.

14 (a) Property and equipment – Group

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Village cell banking vans	Work-in-progress	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
31 December 2018								
Cost								
At start of year	1,367	10,732	469	7,165	13,082	103	279	33,197
Translation differences	95	150	2	(87)	19	-	(77)	102
Additions	131	717	50	661	978	-	217	2,754
Transfers	(13)	38	4	42	52	-	(123)	-
Disposals	(7)	(33)	(38)	(270)	(191)	-	(2)	(541)
At end of year	**1,573**	**11,604**	**487**	**7,511**	**13,940**	**103**	**294**	**35,512**
Accumulated depreciation								
At start of year	115	6,945	267	4,278	10,624	103	-	22,332
Translation differences	(56)	202	77	45	2	-	-	270
Charge for the year	26	923	56	747	1,387	-	-	3,139
Transfers	(3)	-	-	(14)	17	-	-	-
Disposals	-	(28)	(38)	(234)	(205)	-	-	(505)
At end of year	**82**	**8,042**	**362**	**4,822**	**11,825**	**103**	**-**	**25,236**
Net book value at end of year	**1,491**	**3,562**	**125**	**2,689**	**2,115**	**-**	**294**	**10,276**

14 (a) Property and equipment - Group (continued)

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Village cell banking vans	Work-in-progress	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
31 December 2017								
Cost								
At start of year	1,193	12,117	444	6,970	12,384	103	328	33,539
Translation differences	-	(1,954)	(4)	(34)	49	-	-	(1,943)
Additions	121	514	52	396	1,052	-	201	2,336
Transfers	53	181	-	5	11	-	(250)	-
Disposals	-	(126)	(23)	(172)	(414)	-	-	(735)
At end of year	**1,367**	**10,732**	**469**	**7,165**	**13,082**	**103**	**279**	**33,197**
Accumulated depreciation								
At start of year	105	6,511	225	3,571	9,270	103	-	19,785
Translation differences	-	(486)	(3)	90	65	-	-	(334)
Charge for the year	24	969	62	782	1,704	-	-	3,541
Disposals	(14)	(49)	(17)	(165)	(415)	-	-	(660)
At end of year	**115**	**6,945**	**267**	**4,278**	**10,624**	**103**	**-**	**22,332**
Net book value at end of year	**1,252**	**3,787**	**202**	**2,887**	**2,458**	**-**	**279**	**10,865**

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NOTES (continued)

14 (b) Prepaid operating lease rentals

	Group	
	2018 Shs' millions	2017 Shs' millions
Cost		
At start of year	1,278	1,012
Translation differences	(362)	-
Additions	205	266
At end of year	**1,121**	**1,278**
Amortisation		
At start of year	724	897
Translation differences	(340)	(494)
Amortisation	286	321
At end of year	**670**	**724**
Net carrying amount at end of year	**451**	**554**
15 Intangible assets		
Software (Note 15 (a))	7,363	6,996
Goodwill (Note 15 (b))	3,103	3,103
	10,466	**10,099**

15 (a)Software

GROUP 31 December 2018	Software Shs' millions	Work in progress Shs' millions	Total Shs' millions
Cost			
At start of year	9,024	2,244	11,268
Translation differences	163	(188)	(25)
Additions	124	1,469	1,593
Transfers	2,892	(2,892)	-
Disposal	(3)	-	(3)
At end of year	**12,200**	**633**	**12,833**
Amortisation			
At start of year	4,272	-	4,272
Translation differences	183	-	183
Amortisation	1,016	-	1,016
Disposal	(1)	-	(1)
At end of year	**5,470**	**-**	**5,470**
Net book value at end of year	**6,730**	**633**	**7,363**

15 (a) Software (continued)

31 December 2017	Software Shs' millions	Work in progress Shs' millions	Total Shs' millions
Cost			
At start of year	7,067	2,684	9,751
Translation differences	(155)	-	(155)
Additions	244	1,428	1,672
Transfers	1,868	(1,868)	-
At end of year	**9,024**	**2,244**	**11,268**
Amortisation			
At start of year	3,344	-	3,344
Translation differences	(32)	-	(32)
Amortisation	960	-	960
At end of year	**4,272**	**-**	**4,272**
Net book value at end of year	**4,752**	**2,244**	**6,996**

The Group's intangible assets include the value of computer software.

The work-in-progress is composed of software in development. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the costs can be measured reliably. The transfers relate to projects completed in the course of the year.

15 (b) Goodwill

	Group	
	2018	**2017**
	Shs' millions	**Shs' millions**
Equity Bank Uganda Limited	887	887
Equity Bank Congo Limited	2,216	2,216
	3,103	**3,103**

The goodwill of Shs 887 million arose from the acquisition of Equity Bank Uganda Limited (formerly Uganda Microfinance Limited) in April 2008, which was determined in accordance with IFRS 3. It represents the difference between the total purchase consideration (including acquisition costs) paid to acquire 100% stake in Equity Bank Uganda Limited and the fair value of the net tangible assets and the separable identifiable intangible assets.

15 (b) Goodwill (continued)

On 30 September 2015, Equity Group Holdings Plc acquired 79% of the net assets of Equity Bank Congo Limited. The stake was increase to 86% in 2016 following the acquisition of an additional 14%. The acquisition was in line with the Group's growth strategy focusing on deepening banking services and enhancing 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 Plc and Equity Bank Congo Limited, as well as Equity Bank Uganda Limited.

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 Equity Bank Congo Limited as subsidiaries, the whole amount is allocated to the subsidiaries to which the Group considers as a cash generating unit (CGU). The table below shows the various variables used in management' impairment assessment:

	Equity Bank Uganda Limited		Equity Bank Congo Limited	
	2018 Shs' millions	2017 Shs' millions	2018 Shs' millions	2017 Shs' millions
Value in use	17,345	26,702	14,549	6,734
Projected Return on Assets (ROA) – 2018	8%	7%	11%	12%
Projected Return on Assets (ROA) – 2019	14%	12%	11%	12%
Projected growth in profit margins – 2018	38%	23%	21%	8%
Projected growth in profit margins – 2019	23%	39%	19%	15%
Projected growth in non-interest income – 2018	45%	42%	20%	30%
Projected growth in non-interest income - 2019	25%	60%	20%	23%
Weighted average cost of capital	13.29%	14.46%	13.29%	14.46%

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 systemic risk of the specific Group operating company.
- An assumed terminal value based on a historical performance of the CGUs and Pre-tax risk adjusted discount rate.

Sensitivity analysis

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

16 Other operating expenses

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Software licencing and other IT related costs	3,339	3,036	-	-
Electricity, water and repairs and maintenance	1,292	1,284	-	-
Travel and accommodation	1,709	853	-	-
Marketing, advertising and sponsorship	957	814	-	-
Consultancy, legal and professional fees	859	734	-	-
Publications, stationery and communications	700	551	-	-
Auditors' remuneration	48	45	2	2
Other expenses	4,728	4,608	49	327
	13,632	**11,925**	**51**	**329**

17 (a)Investment In subsidiary companies

	Country of incorporation	Shareholding	2018	2017
			Shs' millions	Shs' millions
Banking				
Equity Bank (Kenya) Limited	Kenya	100%	40,733	40,733
Equity Bank Congo Limited	DRC	86%	6,748	6,748
Equity Bank (South Sudan) Limited	South Sudan	100%	5,712	5,712
Equity Bank Uganda Limited	Uganda	100%	5,005	5,005
Equity Bank Tanzania Limited	Tanzania	100%	3,839	2,814
Equity Bank (Rwanda) Limited	Rwanda	100%	2,807	2,807
Telecommunication				
Finserve Africa Limited	Kenya	100%	1,001	1,001
Investment banking				
Equity Investment Bank Limited	Kenya	100%	420	420
Insurance brokerage				
Equity Insurance Agency Limited	Kenya	100%	100	100
Consultancy				
Equity Consulting Group Limited	Kenya	100%	0.5	0.5
Equity Investment Services Limited	Kenya	100%	420	420
Custodial services				
Equity Nominees Limited	Kenya	100%	0.1	0.1
Total			**66,786**	**65,761**

17 (a) Investment In subsidiary companies (continued)

On 14 November 2018, additional capital of 226,000 new shares with a par value of TShs 100,000 was issued and paid by EGH Plc to Equity Bank Tanzania Limited for a consideration of US$ 10 million (Shs 1.025 Billion).

17 (b) Non-controlling interests (NCI)

Set out below is the summarised financial information of Equity Bank Congo Limited which has non-controlling interest that is material to the Group.

	Group	
	2018	2017
	Shs'millions	Shs' millions
Summarised statement of financial position		
Total assets	57,965	42,863
Total liabilities	51,269	37,074
Equity	6,696	5,789
Accumulated NCI	883	750
Summarised statement of comprehensive income		
Operating income	5,258	4,945
Profit for the period	952	349
Other comprehensive income	-	-
Total comprehensive income	952	349
Profit allocated to NCI	133	49
Summarised statement of cash flows		
Cash flows from operating activities	8,088	7,244
Cash flows to investing activities	(1,010)	(384)
Cash flows from / (to) financing activities	2,565	(799)
Net increase in cash and cash equivalents	**9,643**	**6,061**

17(c) Interests in unconsolidated structured entity

Equity Group Holdings Plc does not consolidate the results of Equity Group Foundation (the "Foundation") which was incorporated on 12 February 2008 under the Companies Act (Cap 486) as a company limited by guarantee. It is a charitable organization set up to provide a platform to development partners, government, the private sector as well as local and international organizations for the implementation of high impact development programs which include *Wings to Fly* Scholarship Program.

17 (c) Interests in unconsolidated structured entity (continued)

The programs of the Foundation are primarily funded by third party donors under donor agreements. The Group's contributions to the Foundation are in monetary terms but mainly in-kind in the form of utilising the Group's extensive branch network and staff in driving the achievement of the goals/activities of the Foundation in communities. On the basis that the donors provide majority of the funding and direct the activities of the Foundation through the donor agreements, the Group does not control the Foundation. The table below summarises EGF's source of funding:

	Shs' millions	Shs' millions
	2018	**2017**
Donors	1,186	1,445
Equity Group Holdings Plc	107	47
Total donations income	**1,293**	**1,492**

The Group does not earn income and is not exposed to loss arising from its involvement with the Foundation.

Consistent with previous years, the Group will continue providing support to the Foundation primarily as regards the use of the Group's branch network to carry out its program activities.

18 Income tax

Recognised in profit or loss	**Group**		**Company**	
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**
	2018	**2017**	**2018**	**2017**
Current income tax:				
Current year	8,058	7,713	107	77
Prior year overstatement	(162)	-	(6)	-
Deferred income tax expense (Note 23):				
Current year	743	251	(83)	-
Income tax expense	**8,639**	**7,964**	**18**	**77**

NOTES (continued)

18 Income tax (continued)

Reconciliation of effective tax rate:

The tax on the Group's and Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group		Company	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
	2018	**2017**	**2018**	**2017**
Profit before tax	28,463	26,882	10,565	8,200
Income tax using the enacted corporation tax rate	8,539	8,065	3,170	2,460
The effect of differential tax rate in South Sudan (25% (2017: 25%))	12	(2)	-	-
The effect of differential tax rate in Democratic Republic of Congo (35% (2017: 35%))	-	39	-	-
Prior year overstatement	(162)	-	(6)	-
Income not subject to tax	(1,200)	(880)	(3,217)	(2,490)
Tax effect of non-deductible expenses	1,153	742	71	107
	8,639	**7,964**	**18**	**77**

Recognised in the statement of financial position:

	Group		Company	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
	2018	**2017**	**2018**	**2017**
At start of year	(1,782)	357	3	(8)
Charge for the year	8,058	7,713	107	77
Prior year overstatement	(162)	-	(6)	-
Translation differences	162	-	-	-
Paid during the year	(6,723)	(9,852)	(115)	(66)
At end of year	**(447)**	**(1,782)**	**(11)**	**3**
Made up of:				
Tax payable	185	411	-	3
Tax recoverable	(632)	(2,193)	(11)	-
	(447)	**(1,782)**	**(11)**	**3**

18 Income tax (continued)

Tax rates are as follows:

	Group	EGH Plc	EBKL	EBCL	EBUL	EBRL	EIAL	EBTL	EBSSL	Others*
2018	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Profit before tax	28,463	10,565	24,382	1,358	1,345	1,008	547	(559)	241	26
Enacted tax rate	30%	30%	30%	35%	30%	30%	30%	30%	25%	30%
Income tax using the enacted corporation tax rate	8,539	3,170	7,315	475	404	302	164	(168)	60	8
2017										
Profit before tax	26,882	8,200	23,086	776	1,184	697	458	352	35	394
Income tax using the enacted corporation tax rate	8,065	2,460	6,926	272	355	209	137	106	9	118

EGH Plc – Equity Group Holdings Plc, EBKL – Equity Bank Kenya Limited, EBCL – Equity Bank Congo Limited, EBUL – Equity Bank Uganda Limited, EBRL – Equity Bank Rwanda Limited, EIAL – Equity Insurance Agency Limited, EBTL – Equity Bank Tanzania Limited, EBSSL – Equity Bank South Sudan Limited.

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

19 (a)Cash, deposits and balances due from financial institutions

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

	Group		Company	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
	2018	**2017**	**2018**	**2017**
Cash in hand	19,877	11,039	7,675	8,318
Cash balances with banks	6,289	10,215	-	-
Unrestricted balances with central banks	13,958	17,836	-	-
Money market placements	20,649	29,492	-	-
	60,773	**68,582**	**7,675**	**8,318**
12 month ECL:				
At 1 January – Initial re-measurement	(242)	-		-
Re-measurement during the year	42	-		-
	(200)	**-**	**-**	**-**
Included in cash and cash equivalents	60,573	68,582	7,675	8,318
Restricted balances with central banks	14,046	11,039	-	-
Net carrying amount	**74,619**	**79,621**	**7,675**	**8,318**
Movement in restricted balances:				
At start of year	11,039	8,913	-	-
Movement during the year	3,007	2,126	-	-
At end of year	**14,046**	**11,039**	**-**	**-**

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

19 (b)Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Group	Shs' millions	Shs' millions
	2018	**2017**
Cash and cash equivalents (Note 19(a))	60,573	68,582
Liquid investments:		
FVOCI investment securities	142,435	107,470
Borrowed funds - repayable within one year	(11,792)	(7,884)
Borrowed funds - repayable after one year	(33,309)	(39,989)
Net debt	**157,907**	**128,179**
Cash and liquid investments	203,008	176,052
Gross debt - fixed interest rates	(8,652)	(7,605)
Gross debt - variable interest rates	(36,449)	(40,268)
	157,907	**128,179**

20 Loans and advances to customers

Loans and advances at amortised cost	292,136	273,922
Loans and advances at fair value through profit or loss	5,091	5,170
	297,227	**279,092**

20 Loans and advances to customers (continued)

(a) Loans and advances at amortised cost

	Group	
	2018	2017
	Shs' millions	Shs' millions
Current	70,750	79,863
Non-current portion	240,869	201,508
Gross amount	**311,619**	**281,371**

(b) Impairment on financial assets

	2018				2017
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Loss allowance as at 1 January	2,513	10,900	6,170	19,583	8,127
Transfer to 12 months ECL	336	(228)	(108)	-	3,431
Transfer to Lifetime ECL not credit impaired	(132)	273	(141)	-	-
Transfer to Lifetime ECL credit impaired	(63)	(2,407)	2,470	-	-
Net remeasurement of loss allowance	(454)	(85)	2,590	2,051	-
Net financial assets originated or purchased	1,606	1,207	4,922	7,735	-
Financial assets derecognised	(814)	(2,619)	(2,639)	(6,072)	-
	479	**(3,859)**	**7,094**	**3,714**	**3,431**
Write offs	-	(2)	(3,812)	(3,814)	(4,109)
Loss allowance as at 31 December	2,992	7,039	9,452	19,483	7,449
Net loans and advances				**292,136**	**273,922**
Current				62,432	73,271
Non-current				229,704	200,651
				292,136	**273,922**

20 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

The following table further explains changes in gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance:

	2018			
	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Gross carrying amount as at 1 January	206,622	56,932	17,817	281,371
Transfer to 12 months ECL	4,706	(4,211)	(495)	-
Transfer to Lifetime ECL not credit impaired	(14,783)	14,893	(110)	-
Transfer to Lifetime ECL credit impaired	(3,275)	(9,267)	12,542	-
Net remeasurement	(16,226)	(6,753)	(2,586)	(25,565)
Net financial assets originated or purchased	138,309	9,714	951	148,974
Financial assets derecognised	(68,732)	(17,290)	(5,118)	(91,140)
Translation differences	(1,486)	(409)	(126)	(2,021)
Gross carrying amount as at 31 December	**245,135**	**43,609**	**22,875**	**311,619**

20 Loans and advances to customers (continued)

(c) Movements per sector - Mortgage, Corporate and SME

	Mortgage sector				Corporate sector				SME sector			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross carrying amount as at 1 January	**35,262**	**3,571**	**2,996**	**41,829**	**69,385**	**46,556**	**3,352**	**119,293**	**40,626**	**4,649**	**7,394**	**52,669**
Transfer to 12 months ECL	647	(461)	(186)	-	2,675	(2,666)	(9)	-	775	(601)	(174)	-
Transfer to Lifetime ECL not credit impaired	(2,625)	2,756	(131)	-	(8,721)	8,689	32	-	(2,400)	2,305	95	-
Transfer to Lifetime ECL credit impaired	(824)	(1,041)	1,865	-	(868)	(6,864)	7,732	-	(729)	(1,055)	1,784	-
Net remeasurement	(3,810)	(436)	37	**(4,209)**	399	(4,996)	(1,983)	**(6,580)**	(6,135)	(908)	(236)	**(7,279)**
Net financial assets originated or purchased	15,793	380	(125)	**16,048**	42,337	6,579	451	**49,367**	25,972	1,684	169	**27,825**
Financial assets derecognised	(5,690)	(792)	(887)	**(7,369)**	(18,857)	(13,512)	(209)	**(34,578)**	(14,462)	(1,965)	(1,027)	**(17,454)**
Translation differences	(255)	(23)	682	**404**	(498)	(336)	(632)	**(1,466)**	(292)	(33)	(151)	**(476)**
Gross carrying amount as at 31 December	**38,498**	**3,954**	**4,251**	**46,703**	**85,852**	**33,450**	**8,734**	**128,036**	**43,355**	**4,096**	**7,854**	**55,285**
Loss allowance as at 1 January	**189**	**317**	**922**	**1,428**	**1,092**	**9,837**	**856**	**11,785**	**395**	**381**	**2,303**	**3,079**
Transfer to 12 months ECL	28	(28)	-	-	60	(60)	-	-	99	(68)	(31)	-
Transfer to Lifetime ECL not credit impaired	(10)	25	(15)	-	(93)	93	-	-	(19)	64	(45)	-
Transfer to Lifetime ECL credit impaired	(7)	(80)	87	-	(38)	(2,191)	2,229	-	(7)	(93)	100	-
Net remeasurement of Loss allowance	(75)	37	209	**171**	20	(101)	(1,034)	**(1,115)**	(204)	4	810	**610**
Net financial assets originated or purchased	60	32	629	**721**	497	744	216	**1,457**	246	114	3,760	**4,120**

20 Loans and advances to customers (continued)

(c) Movements per sector - Mortgage, Corporate and SME (continued)

	Mortgage sector				Corporate sector				SME sector			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Financial assets derecognised	(15)	87	(711)	**(638)**	(267)	(2,366)	(464)	**(3,097)**	(131)	(144)	(1,173)	**(1,448)**
Write offs	-	(2)	(170)	**(172)**	-	-	-	**-**	-	-	(1,014)	**(1,014)**
Loss allowance as at 31 December	**170**	**389**	**951**	**1,510**	**1,271**	**5,956**	**1,803**	**9,030**	**379**	**258**	**4,710**	**5,347**
Net loans and advances	**38,328**	**3,565**	**3,300**	**45,193**	**84,581**	**27,494**	**6,931**	**119,006**	**42,976**	**3,818**	**3,144**	**49,938**

20 Loans and advances to customers (continued)

(c) Movements per sector – Unsecured and Eazzy

	Unsecured sector				Eazzy sector			
	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Gross carrying amount as at 1 January	**56,005**	**2,031**	**3,813**	**61,849**	**5,344**	**125**	**262**	**5,731**
Transfer to 12 months ECL	622	(496)	(126)	-	(13)	13	-	-
Transfer to Lifetime ECL not credit impaired	(985)	1,142	(157)	-	(52)	1	51	-
Transfer to Lifetime ECL credit impaired	(853)	(297)	1,150	-	(1)	(10)	11	-
Net remeasurement	(6,680)	(412)	(402)	**(7,494)**	-	(1)	(2)	**(3)**
Net financial assets originated or purchased	47,999	912	274	**49,185**	6,208	159	183	**6,550**
Financial assets derecognised	(26,242)	(909)	(2,758)	**(29,909)**	(3,481)	(112)	(237)	**(3,830)**
Translation differences	(403)	(16)	(24)	**(443)**	(38)	(1)	(2)	**(41)**
Gross carrying amount as at 31 December	**69,463**	**1,955**	**1,770**	**73,188**	**7,967**	**174**	**266**	**8,407**
Loss allowance as at 1 January	**744**	**359**	**1,965**	**3,068**	**93**	**6**	**124**	**223**
Transfer to 12 months ECL	149	(72)	(77)	-	-	-	-	-
Transfer to Lifetime ECL not credit impaired	(11)	91	(80)	-	-	-	-	-
Transfer to Lifetime ECL credit impaired	(10)	(44)	54	-	-	-	-	-
Net remeasurement of Loss allowance	(197)	(25)	2,173	**1,951**	3	-	431	**434**
Net financial assets originated or purchased	686	308	186	**1,180**	117	9	130	**256**

20 Loans and advances to customers (continued)

(c) Movements per sector – Unsecured and Eazzy (continued)

	Unsecured sector				Eazzy sector			
	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions	Stage 1 12 month ECL Shs' millions	Stage 2 Lifetime ECL Shs' millions	Stage 3 Lifetime ECL Shs' millions	Total Shs' millions
Financial assets derecognised	(358)	(194)	(295)	**(847)**	(44)	(2)	5	**(41)**
Write offs	-	-	(2,156)	**(2,156)**	-	-	(472)	**(472)**
Loss allowance as at 31 December	**1,002**	**423**	**1,770**	**3,196**	**169**	**13**	**218**	**400**
Net loans and advances	**68,460**	**1,532**	**-**	**69,992**	**7,798**	**161**	**48**	**8,007**

20 Loans and advances to customers (continued)

(c) Movement per sector (continued)

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

Retail loans – Retail loans are comprised of consumer loans, micro-enterprises and agriculture. These are interest bearing facilities to retail customers. Collateral is required except for scheme loans to salaried customers. On average, the contractual tenor is between 6 months and 5 years. These loans are charged processing fees.

Corporate loans - Consist of small and medium enterprises and large enterprises - These are loans to small medium and large customers and they are all interest bearing. Collateral is a requirement for all facilities. The contractual tenor is between 6 months and 10 years. These loans are charged processing fees.

Overdrafts - These are short-term facilities to customers with urgent need of cash. Collateral is required for all these facilities and the tenor is 6 to 12 months. The only charge on these facilities is the overdraft arrangement fee.

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

	Group	
	2018	2017
	Shs' millions	Shs' millions
Loans notes	5,091	5,170
Non-current	**5,091**	**5,170**

The financial asset at fair value through profit or loss relates to long term notes issued to the Group in 2017 following a restructure of facilities to a customer in the airline industry (original borrower company). The loan notes earn a coupon rate of interest, are partly guaranteed by the Government of Kenya and are secured by shares held by the issuer in the original borrower company. The ultimate amount recoverable on the loan notes will depend on the value realised when the underlying shares are disposed of (including any upswing) and any guarantee called in the event of loss. The instrument is considered a loan instrument with an embedded derivative and has therefore been classified as an asset at fair value through profit or loss.

The Group has used a discounted cash flow model to compute the fair value of the instrument. The major unobservable input that drives the projected cash flows of the original borrower company as the growth rate assumption.

Changes in assumption about this factor could affect the reported fair value of loan notes. The fair value of the loan notes at 31 December 2018 assumes achievement of 84% of projected cashflows and 1% growth rate from year 4 (2017: 0%). At 31 December 2018, the fair value of the loan notes would have been estimated at:

	2018 basis	Growth rate from year 5: +0.5%	Growth rate from year 5: +1.5%
Fair value	**5,091**	**5,091**	**5,749**

20 Loans and advances to customers (continued)

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

	2017 basis	Growth rate from year 5: +1.5%	Growth rate from year 5: +2.5%
			Shs' millions
Fair value	5,170	5,831	5,407

21 Investment securities

	Group	
	2018 Shs' millions	2017 Shs' millions
Amortised cost (Held to maturity as per IAS 39)		
At start of year	20,532	23,409
Purchase of investment securities	2,778	4,484
Maturity of securities	(4,837)	(7,361)
Translation differences	54	-
At end of year	**18,527**	**20,532**
12 month ECL:		
At 1 January – Initial re-measurement	13	-
Re-measurement during the year	(3)	-
At 31 December	**10**	**-**
Net carrying amount	**18,517**	**20,532**
FVOCI (Available for sale as per IAS 39)		
At start of year	107,470	77,180
Purchase of investment securities	151,846	116,688
Sale / maturity of investment securities	(115,837)	(87,884)
Net (loss) gain on fair valuation	(944)	1,486
Translation differences	(34)	-
At end of year	**142,501**	**107,470**
12 month ECL:		
At 1 January – Initial re-measurement	(48)	-
Re-measurement during the year	(18)	-
	(66)	**-**
Net carrying amount	**142,435**	**107,470**

NOTES (continued)

21 Investment securities (continued)

	Group	
	2018	2017
	Shs' millions	Shs' millions
Total investment securities	160,952	128,002
Current	74,941	49,377
Non-current	86,011	78,625
Total	**160,952**	**128,002**

The weighted average effective interest rate on investment securities at 31 December 2018 was 10.34% (2017: 10.58%)

22 Other assets

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Settlement and clearing accounts	1,749	2,927	-	-
Prepaid expenses	3,429	2,889	-	-
Refundable deposits	548	534	-	-
Sundry debtors	2,757	-	-	-
Other assets	4,375	4,281	511	-
	12,858	**10,631**	**511**	**-**
12 month ECL:				
At 1 January – Initial re-measurement	(439)	-	(240)	-
Re-measurement during the year	(24)	-	(35)	-
	(463)	**-**	**275**	**-**
Net carrying amount	**12,395**	**10,631**	**236**	**-**

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

23 Deferred income tax

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

Movements in temporary differences during the year

Group	At start of year Shs' millions	IFRS 9 day 1 adjustment Shs' millions	Recognised in profit or loss Shs' millions	Translation differences Shs' millions	Recognised in OCI Shs' millions	At end of Year Shs' millions
For the year ended 31 December 2018						
Property, equipment and software	798	-	(201)	176	-	773
Loan impairment provision	1,670	4,067	(66)	(78)	-	5,593
Provision for accrued leave	89	-	10	-	-	99
Unrealised exchange losses	70	-	-	(70)	-	-
Deferred income	-	-	(497)	-	-	(497)
Tax losses	204	-	11	(215)	-	-
FVOCI reserves	(189)	-	-	(12)	310	109
	2,642	**4,067**	**(743)**	**(199)**	**310**	**6,077**
Company						
Loan impairment provision	**-**	**1**	**82**	**-**	**-**	**83**

For the year ended 31 December 2017	At start of year Shs' millions	Recognised in profit or loss Shs' millions	Recognised in OCI Shs' millions	At end of year Shs' millions
Property, equipment and software	847	(49)	-	798
Loan impairment provision	1,878	(208)	-	1,670
Provision for accrued leave	52	37	-	89
Unrealised exchange losses	179	(109)	-	70
Unrealised exchange gains	(1)	1	-	-
Tax losses	127	77	-	204
Available for sale reserves	-	-	(189)	(189)
	3,082	**(251)**	**(189)**	**2,642**

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.

23 Deferred income tax (continued)

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
The balance at 31 December is made up of:				
Deferred income tax asset	6,117	2,706	83	-
Deferred income tax liability	(40)	(64)	-	-
	6,077	**2,642**	**83**	**-**

The Group has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group is expected to continue generating taxable income.

24 Deposits from customers

	Group	
	2018	2017
	Shs' millions	Shs' millions
Retail customers		
Term deposits	23,114	38,011
Current deposits	46,765	25,145
Transactional deposits	126,584	121,798
Savings deposits	28,786	23,843
	225,249	208,797
Corporate customers		
Term deposits	116,691	54,294
Current deposits	58,011	94,637
Transactional deposits	19,628	13,613
Savings deposits	1,721	925
Margin on guarantees	1,458	877
	197,509	**164,346**
	422,758	**373,143**
Current	205,400	178,217
Non-current	217,358	194,926
Total	**422,758**	**373,143**

24 Deposits from customers (continued)

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2018 was 6.12% (2017: 6.55%). The carrying value of customer deposits approximates their fair value.

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

(a) Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified term periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

(b) Current accounts - These are non-interest bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.

(c) Savings accounts - These are deposits accounts designed for the average income earner that enables one to save some money and earn interest. The more one saves, the higher the interest. Interest on minimum monthly balances is paid into the account bi-annually.

(d) Transaction deposits - These are non-interest bearing accounts that can be used directly as cash without withdrawal limits or restrictions.

25 Other liabilities

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Short term employee benefits	363	361	-	-
Settlement and clearing accounts	3,160	3,412	-	-
Accounts payable and sundry creditors	3,941	1,886	-	-
Accrued expenses	1,945	2,030	3	259
Other	934	2,143	-	-
	10,343	**9,832**	**3**	**259**

26 Borrowed funds

	Group	
	2018	2017
	Shs' millions	Shs' millions
Equity Bank (Kenya) Limited (EBKL)		
African Development Bank	13,875	15,581
International Finance Corporation (IFC)	10,417	13,971
ResponsAbility	4,130	4,182
European Investment Bank	1,568	3,080
KFW	-	2,520
Micro Finance Sector Support Credit (Ministry of Finance)	114	160
Inter-bank money market borrowings:		
EBKL	165	-
Equity Bank Rwanda Limited (EBRL)	2,539	2,700
Equity Bank Tanzania Limited	665	851
Equity Bank Uganda Limited (EBUL)	1,293	463
Equity Bank Uganda Limited (EBUL)		
European Investment Bank	1,039	2,292
Equity Bank Tanzania Limited (EBTL)		
European Investment Bank	4,532	-
Equity Bank Congo Limited (EBCL)		
European Investment Bank	2,236	1,485
FPM, Democratic Republic of Congo (DRC)	488	519
REFFA Fund, Democratic Republic of Congo (DRC)	-	69
BCDC	1,020	-
TMB	1,020	-
	45,101	**47,873**
Current	11,792	7,884
Non-current portion	33,309	39,989
	45,101	**47,873**

26 Borrowed funds (continued)

31 December 2018 – Group

Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
African Development Bank	Long term loan	13,875	Directors' guarantee	USD	LIBOR +2.85%	1 February 2023	727
International Finance Corporation (IFC)	Medium term loan	10,417	Directors' guarantee	USD	LIBOR +3.15% LIBOR+ 2.75%	15 March 2023 15 March-2019	641
ResponsAbility	Medium term loan	4,130	Directors' guarantee	USD	LIBOR+ 3.07%	23 September2019	249
European Investment Bank, EBKL	Medium term loan	568	Directors' guarantee	USD	LIBOR +2.95%	17 November 2020	27
European Investment Bank, EBKL	Medium term loan	1,000	Directors' guarantee	KES	6.7% 6.85% 7.04%	15 December 2019 17 December 2019 17 June 2019	112
KFW	Long term loan	-	Directors' guarantee	USD	LIBOR+ 3.3%	14 December 2018	106
KFW (Ministry of Finance) - SIPMK	Long term loan	114	Directors' guarantee	KES	4.00%	30 December 2024	6
Money market borrowings by EBKL	Short term	165	irectors' guarantee	Shs	6.85% 7.04%	17 June 2019 17 June 2019	182
Money market borrowings by EBRL	Short term	2,539	Directors' guarantee	RWF	8%	Less than 3 months	105
Money market borrowings by EBTL	Short term	665	Directors' guarantee	TSHS	Between 2.5% to 7%	13 December 2023	28
Money market borrowings by EBUL	Short term	1,293	Directors' guarantee	USHS	Between 3.72% to 10%	Less than 3 months	84
European Investment Bank, EBUL	Medium term loan	1,039	Directors' guarantee	USHS	10.83%	15 April 2019	112
European Investment Bank, EBTL	Medium term loan	4,532	Directors' guarantee	USD	LIBOR +4.5%	16 January 2019	162
uropean Investment Bank, EBCL	Medium term loan	2,236	Directors' guarantee	USD	Between 4.67 % to 5.23%	Less than 3 months	106
FPM, EBCL	Medium term loan	488	Directors' guarantee	USD	6.0%	16 September 2021 24 November 2019 10 October 2020	36
Money market borrowings by EBCL	Short term	2,040	Directors' guarantee	USD	Between 2.85% to 3.5%	Less than 3 months	8
		45,101					**2,691**

26 Borrowed funds (continued)

31 December 2017 - Group Lender	Type of loan	Loan balance Shs' millions	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year Shs' millions
African Development Bank	Long term loan	15,581	Directors' guarantee	USD	LIBOR +2.85%	1 February 2023	650
International Finance Corporation	Medium term loan	10,524	Directors' guarantee	USD	LIBOR +3.15%	15 March 2023	479
International Finance Corporation	Medium term loan	3,447	Directors' guarantee	USD	LIBOR +2.75%	15 March 2019	190
					LIBOR +3.07%	23 September 2019	
ResponsAbility	Medium term loan	4,182	Directors' guarantee	USD	LIBOR +2.95%	17 November 2020	208
					LIBOR +2.95%	31 March 2021	
European Investment Bank	Medium term loan	3,784	Directors' guarantee	USD	2.86%	16 December 2019	44
European Investment Bank	Medium term loan	1,922	Directors' guarantee	USD	6.85% 7.04%	17 June 2019 17 June 2019	158
European Investment Bank	Medium term loan	1,151	Directors' guarantee	USD	2.86% 2.95%	16 December 2019 16 December 2019	44
KFW	Long term loan	2,520	Directors' guarantee	USD	LIBOR +3.3%	13 December 2018	100
Inter-bank money market borrowings by Equity Bank Rwanda	Short term loans	2,700	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	162
Inter-bank money market borrowings by Equity Bank Tanzania	Short term loans	851	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	107
FPM, Democratic Republic of Congo (DRC)	Medium term loan	519	Directors' guarantee	USD	6.5%	16 January 2019	88
Inter-bank money market borrowings by Equity Bank Uganda	Short term loans	463	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	73
KFW (Ministry of Finance)-SIPMK	Medium term loan	160	Directors' guarantee	KES	4.0%	30 December 2024	46
REFFA Fund, (DRC)	Medium term loan	69	Directors' guarantee	USD	6.5%	13 January 2019	9
China Development Bank	Medium term loan	-	Directors' guarantee	USD	LIBOR +2.6%	20 September 2017	61
		47,873					**2,419**

27 Share capital and reserves

	Group		Company	
(a) Share capital	**2018 Shs' millions**	**2017 Shs' millions**	**2018 Shs' millions**	**2017 Shs' millions**
Authorised- 4,114,196,688 (2017: 4,114,196,688) ordinary shares of Shs 0.5 each	2,057	2,057	2,057	2,057
Issued and fully paid 3,773,674,802 (2017: 3,773,674,802) ordinary shares of Shs 0.5 each	1,887	1,887	1,887	1,887

		Group		Company
	2018 millions	**2017 millions**	**2018 millions**	**2017 millions**
Movement in ordinary shares				
At start and end of year (3,773,674,802)	3,774	3,774	3,774	3,774
In monetary terms:				
At start and end of year	1,887	1,887	1,887	1,887

The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

(b) Share premium

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

(c) FVOCI reserve

The fair value through other comprehensive income (FVOCI) reserve is attributable to marking to market of investment securities classified under the FVOCI category. All unrealised gains and losses are recognised in other comprehensive income and credited to FVOCI reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the FVOCI reserve to profit or loss.

(d) Loan loss reserve

The loan loss reserve represents excess of the loans and advances impairment provision determined in accordance with the central banks' of Kenya, Rwanda and Uganda prudential guidelines compared with the requirements of IAS 39 - Financial instruments: Recognition and measurement. This amount is not available for distribution. The reserve was mostly utilised on initial adoption of IFRS 9.

(e) Other reserves

The other reserves represent pre-acquisition reserves from Equity Bank Uganda Limited. This amount is not available for distribution.

27 Share capital and reserves (continued)

(f) Foreign currency translation reserve

The foreign exchange translation reserve represents translation of the financial statements of the subsidiaries from Uganda Shillings, South Sudan Pounds, Tanzania Shillings, Rwanda Franc and US Dollars for Equity Bank Congo 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	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Final dividend declared and paid for 2017 Shs 2:00 per share (2016: Shs 2.00)	7,547	7,547	7,547	7,547

Proposed dividends on ordinary shares

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Final dividend for 2018 (Shs 2.00 per share (2017: Shs 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 consequence arising from the retention or distribution of the retained earnings during the year (2017: Nil).

28 Related parties and related party transactions

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group (including subsidiaries) and its employees. The Group considers the Board of Directors, executive and non-executive Directors, to be key management personnel for the purposes of IAS 24 - related party disclosures.

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business.

28 Related parties and related party transactions (continued)

(a) Loans to key management personnel

	Group	
	2018	2017
	Shs' millions	Shs' millions
At start of year	1,207	1,229
Interest charged	113	72
Loans disbursed	635	356
Repayments	(441)	(450)
At end of year	**1,514**	**1,207**
Current	443	357
Non - current	1,071	850
Total	**1,514**	**1,207**

(b) Loans to employees

At start of year	4,895	5,119
Interest charged	349	335
Loans disbursed	1,997	1,796
Repayments	(2,168)	(2,355)
At end of year	**5,073**	**4,895**
Current	225	449
Non - current	4,848	4,446
Total	**5,073**	**4,895**

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% per annum.

(c) Loans to associates of key management personnel

	Group	
	2018	2017
	Shs' millions	Shs' millions
At start of year	3,103	2,632
Interest charged	324	324
Loans disbursed	61	1,014
Repayments	(557)	(867)
At end of year	**2,931**	**3,103**

28 Related parties and related party transactions (continued)

(c) Loans to associates of key management personnel (continued)

	Group	
	2018	**2017**
	Shs' millions	**Shs' millions**
Current	820	787
Non - current	1,153	762
Total	**1,973**	**3,103**

These are loans to associates of executive and non-executive directors. The total amount of loans and advances granted was in ordinary course of business. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.

(d) Key management personnel compensation

	Group	
	2018	**2017**
	Shs' millions	**Shs' millions**
Remuneration to executive directors:		
Company*	97	98
Group**	441	492
Remuneration to key management	2,562	2,525
	3,100	**3,115**

* Remuneration to the executive directors of the parent Company, Equity Group Holdings Plc

** Remuneration to the executive directors of the subsidiary companies in the Group.

	Group	
	2018	**2017**
	Shs' millions	**Shs' millions**
Remuneration to key management:		
Salaries and short term benefits	2,431	2,390
Pension	131	135
	2,562	**2,525**

28 Related parties and related party transactions (continued)

(e) Directors' emoluments

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**
Directors of EGH Plc				
As executives	97	98	-	-
Fees for non-executive directors	25	32	25	28
	122	**130**	**25**	**28**
Directors of subsidiaries who are not directors of EGH Plc				
As executives	441	492	-	-
Fees for non-executive directors	538	590	-	-
	979	**1,082**	**-**	**-**

In addition to their salaries, the Group also contributes to a post-employment defined contribution plan and the national social security fund for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

(f) Amounts due from related parties

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' millions**
Equity Group Foundation	24	449	-	-
Equity Bank Congo Limited	-	-	15	30
Equity Investment Bank Limited	-	-	80	283
	24	**449**	**95**	**313**

NOTES (continued)

28 Related parties and related party transactions (continued)

(g) Amounts due to related parties

	Company	
	2018	**2017**
	Shs' millions	**Shs' millions**
Equity Bank (Kenya) Limited	2	2,247
Equity Investment Services Limited	420	420
	422	**2,667**

(h) Dividends received from subsidiaries

Equity Bank (Kenya) Limited	10,000	8,000
Equity Insurance Agency Limited	450	300
	10,450	**8,300**

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 2018, the Group has not recorded any impairment loss on receivables relating to the amounts owed by related parties (2017: 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.

29 Earnings per share

The calculation of basic earnings per share for the Group at 31 December 2018 is based on the profit attributable to ordinary shareholders of Shs 19,824 million (2017: Shs 18,918 million) and the weighted average number of ordinary shares outstanding of 3,774 million (2017: 3,774 Million).

29 Earnings per share (continued)

	Group	
	2018	2017
	Shs' millions	Shs' millions
Profit for the year attributable to equity shareholders	19,824	18,918
Number of shares: (in millions)		
Issued and weighted average number of ordinary shares at start and end of year (3,773,674,802 (2017: 3,773,674,802))	3,774	3,774
Basic and diluted earnings per share (in Kenya Shillings)	**5.25**	**5.00**

30 Off-balance sheet contingencies and commitments

Group

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	Group		Company	
	2018	2017	2018	2017
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Guarantees and standby letters of credit	44,171	27,357	-	661
Letters of credit, acceptances and other documentary credits	29,114	13,943	-	-
	73,285	**41,300**	**-**	**661**

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

	Group	
	2018	2017
	Shs' millions	Shs' millions
Capital commitments	318	31
Loans approved but not disbursed	12,024	6,646
	12,342	**6,677**

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.

30 Off-balance sheet contingencies and commitments (continued)

Group – 2018	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Guarantees and standby letters of credit	7,523	8,889	10,221	17,538	44,171
Letters of credit, acceptances and other documentary credits	13,941	8,720	6,442	11	29,114
Capital commitments	73	-	245	-	318
Loans approved but not disbursed	3,692	4,253	2,418	1,661	12,024
Total commitments and guarantees	**25,228**	**21,862**	**19,326**	**19,210**	**85,627**

Group - 2017					
Guarantees and standby letters of credit	5,615	3,599	6,257	11,887	27,357
Letters of credit, acceptances and other documentary credits	7,593	2,913	2,505	932	13,943
Capital commitments	31	-	-	-	31
Loans approved but not disbursed	6,646	-	-	-	6,646
Total commitments and guarantees	**19,885**	**6,512**	**8,762**	**12,819**	**47,977**

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 31 December are as follows:

	2018	2017
Group	Shs' millions	Shs' millions
Within one year	2,089	2,187
After one year but not more than five years	7,620	4,369
More than five years	1,419	707
	11,128	**7,263**

30 Off-balance sheet contingencies and commitments (continued)

Contingent liabilities - Litigation

Litigation is a common occurrence in the banking industry in which the major subsidiaries of the Group operate due to the nature of the business. The Group and its subsidiary companies have established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes provisions to account for any adverse effects which the claim may have on its financial standing.

Contingent tax liabilities

The Group has unresolved tax disputes with the Kenya Revenue Authority currently pending at the Tax Appeals Tribunal. Based on professional advice received, the directors are of the opinion that no significant loss will arise from these matters.

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.

	Group	
	2018	**2017**
	Shs' millions	**Shs' millions**
National Social Security Fund	91	86
Pension Scheme	412	389
	504	**475**

32 Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(i) Business segments

The Group provides financial services to individuals and small and medium sized enterprises in each of the banking subsidiaries. For management purposes, the results of each business unit (entity) is reviewed separately for the purpose of making decisions. Distinct significant business segments are only considered for loans and advances as presented below:

32 Segment information (continued)

(i) Business segments (continued)

Group	Consumer	Micro enterprises	Agriculture	Small and medium enterprises	Large enterprises	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Gross Loans and advances						
31 December 2018	71,211	9,196	7,109	189,920	40,653	318,089
31 December 2017	58,148	9,665	6,316	183,324	29,088	286,541

The three customer facing lines of businesses include:

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

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

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

The products the group offers its customers include:

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

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

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

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

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

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

32 Segment information (continued)

(i) Business segments (continued)

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

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

Business loan - credit facilities granted to business customers for working capital needs. Biashara Imara - working capital facility provided to micro clients with no conventional collateral.

It is not practicable to segregate revenues from external customers for each product and service as the information is not available and the cost to develop it would be excessive.

There are no other distinct significant business segments within each entity to necessitate detailed disclosures.

(ii) Operating segments

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

Group	Kenya	Uganda	South Sudan	Rwanda	Tanzania	DRC	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At 31 December 2018							
Total assets	423,044	32,267	8,560	27,004	24,544	57,965	573,384
Total liabilities	349,187	27,513	5,338	23,222	21,898	51,269	478,427
Net interest income	32,059	2,551	37	1,655	1,402	3,418	41,122
Total operating income	47,467	3,814	980	2,164	894	5,258	60,577
Depreciation and amortization	3,276	252	117	213	134	449	4,441
Total expenses including impairment of financial assets	26,214	2,479	752	1,522	2,674	5,180	38,821

32 Segment information (continued)

(ii) Operating segments (continued)

Group	Kenya Shs' millions	Uganda Shs' millions	South Sudan Shs' millions	Rwanda Shs' millions	Tanzania Shs' millions	DRC Shs' millions	Total Shs' millions
At 31 December 2018							
Profit before income tax	25,070	1,345	241	1,008	(559)	1,358	28,463
Additions to property and equipment	1,444	778	4	88	49	391	2,754
Additions to intangible assets	1,531	15	-	13	20	14	1,593

Group At 31 December 2017							
Total assets	396,680	29,265	8,298	21,397	25,962	42,863	524,465
Total liabilities	323,226	25,120	4,941	18,195	22,766	37,074	431,322
Net interest income	29,609	2,114	81	1,342	1,481	2,943	37,570
Total operating income	44,058	3,284	2,331	1,984	2,190	4,945	58,792
Depreciation and amortization	3,767	167	101	142	194	450	4,821
Total expenses including impairment of financial assets	22,934	2,100	2,296	1,286	1,838	4,169	34,623

32 Segment information (continued)

(ii) Operating segments (continued)

Group	Kenya	Uganda	South Sudan	Rwanda	Tanzania	DRC	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At 31 December 2017							
Profit before income tax	23,839	1,184	35	697	352	776	26,883
Additions to property and equipment	1,289	434	30	58	80	445	2,336
Additions to intangible assets	1,590	40	-	31	7	4	1,672

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 2017 or 2016. 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.

33 Derivative financial assets and liabilities

The table below shows the fair values of currency forwards and swaps recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

Group	Notional amount asset	Notional amount liability	Fair value of asset	Fair value of liability	Notional amount asset	Notional amount liability	Fair value of asset	Fair value of liability
	2018				2017			
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Forward exchange contracts	5,084	5,084	5,082	5,032	14,945	14,690	14,946	14,692
Swaps	10,982	10,982	11,164	10,989	-	-	-	-
Spot	1,038	1,038	1,102	1,102	1,361	1,360	1,361	1,362
	17,104	**17,104**	**17,348**	**17,123**	**16,306**	**16,050**	**16,307**	**16,054**

33 Derivative financial assets and liabilities (continued)

The Group has netting agreements in place with counterparties to manage the associated credit risks. These netting agreements and similar arrangements generally enable the counterparties to 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.

	2018			2017		
	Fair value of asset	Fair value of liability	Net amount presented	Fair value of asset	Fair value of liability	Net amount presented
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Forward exchange contracts	5,082	5,032	50	14,946	14,692	254
Swaps	11,164	10,989	175	-	-	-
Spot	1,102	1,102	-	1,361	1,362	(1)
	17,348	**17,123**	**225**	**16,307**	**16,054**	**253**

34 Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These financial instruments comprise deposits with financial institutions, government securities and quoted and unquoted securities, among others. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of maladministration or under-performance. The Group's Custodial Services department holds assets on behalf of customers with a value of Shs 79.232 billion (2017: Shs 79.232 billion). The income for the period for custodial services was Shs 81.605 million (2017: Shs 81.605 million) while the expenses amounted to Shs 24.019 million (2017: Shs 24.019 million).

35 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:

35 Hyperinflation accounting (continued)

Year	CPI	Conversion coefficient
31 December 2018		
2009	73	86
2010	82	77
2011	135	47
2012	170	37
2013	155	41
2014	170	37
2015	357	18
2016	2,799	2
2017	4,502	1.4
2018	6,306	1
31 December 2017		
2009	73	62
2010	82	55
2011	135	33
2012	170	26
2013	155	29
2014	170	26
2015	357	13
2016	2,799	2
2017	4,502	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:

	2018 Shs' millions	2017 Shs' millions
Monetary liabilities at 1 January	5,662	7,858
Increase in net monetary liabilities during the year	1,347	658
Monetary liabilities at 31 December	**7,009**	**8,516**
Restated monetary liabilities at 31 December	(5,338)	(4,941)
Gain on monetary liabilities (a)	**1,671**	**3,575**

35 Hyperinflation accounting (continued)

	2018 Shs' millions	2017 Shs' millions
Monetary assets at 1 January	8,853	11,039
Increase in net monetary assets during the year	1,240	1,798
Monetary assets at 31 December	**10,093**	**12,837**
Restated monetary assets at 31 December	(8,182)	(7,816)
Loss on monetary assets (b)	**1,911**	**5,021**
Net monetary position loss (a - b)	**(240)**	**(1,446)**

Monetary liabilities and assets at 1 January are based on opening CPI as of that date.

Monetary liabilities and assets at 31 December have been restated using the conversion coefficient of 1.40 (2017: 1.61).

See also Note 2 (c) (iii).

36 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

DR. PETER MUNGA, EGH

Peter 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 and is a Certified Public Secretary with vast experience in both public and private sector management

He is a recipient of the First Class Chief of the Order of the Burning Spear (CBS) and also the Second Class Order of the Golden Heart of Kenya (EGH) national decoration, for his outstanding contributions in economic development. Peter is the Chairman of Pioneer Group of Schools, Equatorial Nut Processors Ltd, Freshco Seeds Ltd and Murang'a Water and Sewerage Company (MUWASCO). He is the current Chancellor of Pioneer International University. He is also a Director with Britam Holdings Ltd and Housing Finance Group.

Boards: Non-Executive Chairman, Equity Group Holdings Plc.

DAVID ANSELL

David 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.

He has served in various assignments at Citibank in the Emerging Markets, including 16 years in Africa as well as Managing Director and CEO of Ecobank Transnational Inc.

Boards: Chairman Designate, Equity Group Holdings Plc.

DR. JAMES MWANGI, CBS

James holds five honorary doctorate degrees from various universities, including Jomo Kenyatta and Kenyatta University. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has wide experience in the banking industry including finance.

He is a recipient of the First Class Chief of the Order of the Burning Spear (CBS), the Moran of the Burning Spear (MBS) and Head of State Commendation (HSC). 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. He was named the Banker of the Year during the 4th Banker Africa - East Africa Awards 2017.

James serves on several international bodies as an advisor such as the Nairobi Advisory Board of Columbia Global Centres. He is a Board member of the Economic Advisory Board of the IFC, the Africa Leadership Academy in South Africa and the Global Alliance for Food Security and Nutrition. He is the Chancellor of Meru University College of Science and Technology and serving as the Chairman of Kenya's Vision 2030 Delivery Board.

Boards: Managing Director and CEO, Equity Group Holdings Plc; Executive Director, Equity Bank Kenya; Non-Executive Director, Equity Bank Tanzania; Non-Executive Director, Equity Bank Rwanda; Non-Executive Director, Equity Bank Congo; Non-Executive Director, Equity Bank Uganda; Non-Executive Director, Equity Bank South Sudan; Non-Executive Director, Finserve; Non-Executive Director, Equity Investment Bank; Executive Chairman, Equity Group Foundation.

MARY WAMAE

Mary holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public

BOARD OF DIRECTORS' PROFILES (Continued)

Secretaries of Kenya (ICPSK), Law Society of Kenya, Women Corporate Directors and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and Advanced Management Programme at Havard Business School.

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development. She has over 14 years experience in private legal practice.

Boards: Executive Director, Equity Group Holdings Plc; Executive Director, Equity Bank Kenya; Non-Executive Director, Equity Bank Tanzania; Non-Executive Director, Equity Bank Congo; Non-Executive Director, Equity Bank Rwanda; Non-Executive Director, Equity Bank Uganda; Non-Executive Director, Equity Bank South Sudan; Non-Executive Director, Finserve; Non-Executive Director, Equity Investment Bank, Non-Executive Director, Equity Group Foundation.

EVELYN RUTAGWENDA

Evelyn holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant.

She previously worked as the Auditor General for the Republic of Rwanda; as the Secretary General of Uganda National Chamber of Commerce and Industry (UNCCI); consultant/project accountant for Decentralization Secretariat (Institutional Capacity Building Project); Ministry of Local Government, Uganda and also as Chief Auditor at UCA Auditing Services among others. Evelyn also spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR) and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio and elected member of the Governing Council. In 2009 she received an ACCA Achievements Award for her outstanding contribution to developing the accountancy and finance profession. She is currently the Chair-MTN Rwanda and Crystal Telecom Limited Boards of Directors, Vice-Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

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

PROF. ISAAC MACHARIA

Isaac holds a Master of Medicine in Otorhinolaryngology, Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi and is a Fellow of the College of Surgeons of East, Central and Southern Africa (COSECSA).

He is a Professor of ENT, Head and Neck Surgery at the University of Nairobi. 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 was the 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.

Boards: Non-Executive Director, Equity Group Holdings Plc; Non-Executive Chairman, Equity Bank Kenya.

VIJAY GIDOOMAL

Vijay qualified as a lawyer from Clifford Chance in the UK in 1992. He has worked in various capacities with Car & General and has seen the company grow regionally with representation in Kenya, Uganda, Tanzania, Rwanda, Burundi, Seychelles, Eritrea,

BOARD OF DIRECTORS' PROFILES (Continued)

Ethiopia, Djibouti and Somalia. He is an active member of the Young Presidents Association, its past Chairman (Kenya Chapter) and regional board member.

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

DR. HELEN GICHOHI, MBS, OGW

Helen holds a Ph.D. in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation from the University of Nairobi and a BSc in Zoology from Kenyatta University respectively.

She has held various positions in the Equity Group Foundation, the African Wildlife Foundation and the African Conservation Center. She 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). She won the Giai Environmental Award for 2012 at The WIFTs Foundation International Visionary Awards. Helen serves on the boards of Ol Pejeta Conservancy and Africa Wildlife Foundation and previously served on Kenya Wildlife Service Board.

Boards: Non-Executive Director, Equity Group Holdings Plc.

DENNIS ALUANGA

Dennis 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. He was the Chief Operating Officer at Industrial Promotion Services (IPS) 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.

Boards: Non-Executive Director, Equity Group Holdings Plc.

DEEPAK MALIK

Deepak holds a Bachelor Degree in Commerce and is a fellow member of the Institute of Chartered Accountants India.

He is the Chief Executive Officer of Arise and has extensive experience in the financial services sector on the African continent. Prior heading Arise, he worked with Norfund, the Development Bank of Zambia (DBZ), Zambia Consolidated Copper Mines Limited (ZCCM) and serves on various boards of financial institutions across Southern and Eastern Africa.

Boards: Non-Executive Director, Equity Group Holdings Plc.

DR. EDWARD ODUNDO

Edward holds a PhD in Business Administration (Strategic Management) from The University of Nairobi, MBA degree in Strategic Management and Marketing and a BSc. Degree in Finance and Accounting. He is also an alumni of Harvard University, John F. Kennedy School of Government (HSB), London School of Economics (LSE) and holds membership of several professional bodies.

He is the former Chief Executive Officer of Retirement Benefits Authority (Kenya), former Director Nairobi securities. He is the Director, School of Pension and Retirement Studies (SPRS), Chairman of the Public Service Superannuation Scheme, Kenya (PSSS) and a lecturer at the University of Nairobi, School of Business and a Consultant in Pensions, Tax, Corporate Governance and Financial Services. He is a recipient of the Moran of the Order of The Burning Spear (MBS). He is a published author having authored a book titled 'The Doctrine of Strategic Planning'.

Boards: Non-Executive Director, Equity Group Holdings Plc.

BOARD OF DIRECTORS' PROFILES (Continued)

BHARTESH SHAH

Bhartesh holds an MBA from the University of Warwick and a Bachelor of Science (Hons.) in Banking and Finance from Loughborough University.

He has 20 years of experience in the financial services industry with multiple financial institutions in various senior capacities and in different locations globally. Prior to joining Equity, he worked for Midland Bank (HSBC), UK; Standard Chartered Bank, Kenya, Botswana and Singapore and Citibank, Africa. He is currently the Chief Operations Officer.

Boards: Executive Director, Equity Bank Congo; Executive Director, Equity Bank Kenya.

JAMES MUTUKU

James holds a Bachelor of Arts in Economics and Sociology from Egerton University.

He has over 20 years' experience in the Treasury working for Co-operative Bank of Kenya, KCB Kenya and Standard Chartered Bank Kenya. Before joining Equity Bank he was the immediate Country Head of Financial Markets and Co-Head Wholesale Bank for Standard Chartered Bank, Uganda. James is the currently the Group Director, Treasury.

Boards: Non-Executive Director, Equity Bank Congo; Non-Executive Director (alternate to James Mwangi), Equity Bank Rwanda.

PROF. SHEM MIGOT

Shem holds a PhD in Sociology of Development and a Master of Arts in Sociology from University of California. He is a Special Graduate Student in Agricultural Economics (Michigan State University) and holds a Bachelor of Arts (University of East Africa).

He is a private consultant on agriculture and rural development, land policy reform and environmental issues based in Nairobi, Kenya. Previously he was the Lead Specialist on Land Policy and Administration in the World Bank. He also served in the Government of Kenya (on secondment from the World Bank) as Permanent Secretary, Ministry of Agriculture and Rural Development. He served as 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 Asian countries.

He is currently the Chairman of the Council of Kenyatta University and has also served as Chairman of Kibabii University, Chairman of Board of the Centre for Corporate Governance and was a Director of Housing Finance Company of Kenya Ltd and Vice-Chairman Board of Directors of Kenya Wildlife Service.

Boards: Non-Executive Director, Equity Bank Kenya; Non-Executive Chairman, Equity Bank South Sudan.

DR. JULIUS MUIA, EBS

Julius 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.

He is the Principal Secretary, State Department for Planning, The National Treasury and Planning. Some of his past responsibilities include Director General, Vision 2030 Delivery Secretariat and Secretary of the National Economic and Social Council (NESC). Julius is also the Chairman of International Leadership Foundation–Kenya. Prior to joining the public service in 2008, he served in various leadership and technical capacities in the private sector in the United Kingdom and Kenya rising to Group Finance Director and Chief Operating Officer. He is also a recipient of the Elder of the Burning Spear (EBS).

Boards: Non-Executive Director, Equity Bank Kenya; Non-Executive Director, Equity Investment Bank.

BOARD OF DIRECTORS' PROFILES (Continued)

DR. PATRICK UWIZEYE

Patrick holds a degree of Doctor of Business Administration (DBA) from the Heriot-Watt Business School Edinburgh, UK, a Masters of Science (MSc) in Strategic Planning from the same University, a MBA in Financial Management from the University of Hull, UK and a Masters in Communications Management (MCM) from Coventry University, UK. He is also a Certified Public Accountant (CPA) and a member of both Institutes of CPA Kenya and Rwanda; a Certified Member of the Institute of Risk Management (CMIRM), UK and Associate Member of Kenya Institute of Management.

Patrick has over 28 years of working experience in business management working for MTN Rwanda and AACC in Nairobi. Currently, Patrick is the Managing Director of BPU Consulting Ltd, a company he founded.

Boards: Non-Executive Director, Equity Bank Rwanda; Non-Executive Chairman, Finserve.

JOANNA BICHSEL

Joanna holds a Bachelor's degree in Computer Science with Honors from Queen's University in Canada.

She is the CEO and Co-Founder of Kasha, an ecommerce company for women's health operating in Kenya and Rwanda. Prior to founding Kasha, she was the Principal Technology Advisor for Global Development at the Bill & Melinda Gates Foundation focusing on technology strategy and investments across East and West Africa and South Asia. She also spent 11 years at Microsoft Corporation headquarters working as a software engineer, business leader and a senior leader of an international cybersecurity team.

Boards: Non-Executive Director, Equity Bank Rwanda; Non-Executive Director, Finserve.

REUBEN MBINDU

Reuben holds a BSc. in Computer Science from Germany and is a full member of the Institute of Human Resource Management in Kenya.

He has over 31 years work experience, most of which has been in the Banking sector as a human capital specialist. He joined Equity Bank in 2013 from Standard Chartered, where he had served at senior management levels in Human resources for over 15 years. He has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has also held other senior positions including Head of Corporate Affairs - Standard Chartered, East Africa and Chairman of the Standard Chartered Nairobi Marathon. Reuben is currently the Chief Officer, Human Capital and Administration.

Boards: Non-Executive Director (alternate to James Mwangi), Equity Bank Tanzania; Executive Director, Equity Group Foundation.

FREDRICK MUCHOKI, OGW

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

Boards: Non-Executive Director, Equity Bank Kenya.

ADEMA SANGALE

Adema holds a Masters of Business Administration degree from the University of Oxford as a Chevening Scholar. She also has a Master's in Public Administration and Public Policy from the Harvard Kennedy School of Government, where she was an Edward S. Mason Fellow.

She is currently the Managing Partner of C.Suite Africa. Prior to this, she was Vice-President for Africa at World Bicycle Relief and Buffalo Bicycles LLP and also worked at Procter & Gamble in various leadership roles across Africa, Europe and North

America. Adema has received several nominations and recognition including a New Generation Leader by the African Leadership Network nomination in 2012; a 3-time honoree of the Top 40 under 40 Kenyans; a nominee and alumnus of the Paris-based Institut Choiseul's 100 Africa list of top leaders and the Distinguished Women's Leadership award in 2017.

Boards: Non-Executive Director, Equity Bank Kenya.

CÉLESTIN MUNTUABU

Célestin holds a Master's degree in Business Administration and Management from the Protestant University in Congo and a degree in Banking Administration from ProCredit Academy – Germany.

Prior to joining the banking sector, he worked with the International Training Center and is a Permanent Secretary and clerk trainer at the same Center. He has held various positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014). Since March 2017, Celestin has been serving as Deputy Chairman of the United Nations Global Compact, DRC Network. He was listed among the Top 100 Young African leaders by Choiseul in 2017 and 2018.

Boards: Managing Director, Equity Bank Congo.

PHILIP SIGWART

Philip holds an MBA from the University of Chicago, Booth School of Business and a Bachelor and a Master of Arts degree in Economics from the University of St. Gallen in Switzerland.

He has over 20 years of experience in banking in transition economies and emerging markets in Eastern Europe, Latin America and Africa. In 2002 he joined the ProCredit Group, as CEO of ProCredit Bank Georgia and later the CEO of ProCredit Bank Kosovo. He also held directorships at ProCredit Bank Bolivia and ProCredit Bank Ecuador. He joined Equity Bank from ProCredit Bank in the D.R. Congo where he was the Executive Chairman. Currently he serves as Director SME Banking.

Boards: Non-Executive Director, Equity Bank Congo.

WOLFGANG BERTELSMEIER

Wolfgang holds a degree in Business Administration from Frankfurt University. He also has a degree in Banking as well as executive education courses at Harvard Business School, INSEAD and Stanford University.

He has worked in various capacities with Deutsche Bank, DEG, the World Bank and the IFC. He has also held various Board Directorships primarily in financial institutions in Europe, Asia and Africa, as well as infrastructure and hospitality companies in Africa.

Boards: Non-Executive Chairman, Equity Bank Congo.

DR. MARK SCHWIETE

Mark 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.

He has worked under various capacities with Hypo-Bank (Mortgage Bank) in Germany, Dresdner Bank in Frankfurt, and KfW within the MENA and Eastern European regions. Since April 2014 he has been heading the KfW division for energy and financial sector in the Eastern Africa department. He has represented KfW in various boards, A.O. Access Microfinance Holding, ADVANS, Global Microfinance Facility and the Supervisory Board of the Micro Finance Bank of Azerbaijan. He serves as a Board Member of Access Bank Tanzania and the Progression Eastern African Microfinance Equity Fund.

Boards: Non-Executive Director, Equity Bank Congo.

JEAN-CLAUDE TSHIPAMA

Jean-Claude holds an Executive Master in Business Administration (MBA) form McGill University and

BOARD OF DIRECTORS' PROFILES (Continued)

HEC-Montreal. He also has a Master's degree in Economics from the Protestant University in Congo.

He has worked in various capacities with Celtel in the DRC, Digicel Group and Microsoft Corporation, Canal+ (a Pay TV company), Zympala. In his last assignment with EUTELSA, he headed EUTELSAT Broadband in Africa ensuring that their broadband business is successfully deployed across Africa to connect the unconnected.

Boards: Non-Executive Director, Equity Bank Congo.

NESTOR ANKIBA YAR

Nestor holds a Bachelor degree in Business Administration from Kinshasa University in DRC, a MBA in Marketing Communications from Leicester University in UK and has attended Executive Leadership courses at INSEAD in France and Harvard Business School in US.

Nestor has held various positions with ExxonMobil and in international development, overseeing projects with NGOs (ACMS and ASF). He has also served as Managing Director and Executive board member in countries such as Togo, Zambia, Zimbabwe, Cameroon, Chad, Equatorial Guinea and DRC. He served as Assistant Lecturer at Kinshasa University and is the Chairman of the National Refinery Company (SOCIR) since 2015. He also provides consultancy services in Risk management and Compliance

Boards: Non-Executive Director, Equity Bank Congo.

ROBERT KIBOTI

Robert holds a Bachelor's Degree in Economics and Administration from Maharshi Dayan University, India. He has attended several professional courses in banking and finance both locally and internationally.

He has over 24 years' experience in banking, where he has held various leadership positions. Before joining Equity Bank Tanzania, he was the General Manager in charge of Equity Supreme Centre. Prior to joining Equity Bank, he was in Industrial Development Bank, where he worked for 7 years in various capacities. Robert joined Equity Bank in May 2005.

Boards: Managing Director, Equity Bank Tanzania.

RAYMOND MBILINYI

Raymond holds a BSc Engineering and an MBA (Marketing).

He is a professional Engineer, a certified Project Manager, Transportation specialist and a Professional Marketer with over 20 years of professional experience in Africa. He has gained extensive experience in conducting a wide range of assignments in both public and private organizations. Prior to being appointed as Executive Secretary of TNBC, he was the Acting – Executive Director of Tanzania Investment Centre (TIC), First Project Director of Dar Rapid Transit (DART) at Dar es Salaam City Council and Network Development Manager – Retail of BP (T) Ltd and Vice President of World Investment Promotion Agencies Association (WAIPA). He is a Board Member in Swiss port Tanzania PLC, Tanga Cement PLC, Tanzania Industries Licensing Board – BRELA and Tanzania Private Sector Foundation (TPSF). Raymond is also Vice Chairman of the National Hunting Block Allocation Advisory Committee under the Ministry of Natural Resources and Tourism.

Boards: Non-Executive Chairman, Equity Bank Tanzania.

PROF. AHMED AME

Ahmed 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.

BOARD OF DIRECTORS' PROFILES (Continued)

He is an Associate Professor in Business Administration at the University of Dar es Salaam Business School (UDBS). He has undertaken various research projects in the area of banking and is a member of various local and international committees.

Boards: Non-Executive Director, Equity Bank Tanzania.

DINO STENGEL

Mr. Stengel holds a Bachelor of Commerce Degree from Rhodes University.

He joined Achelis in Bremen, Germany in 1997 and is currently the Managing Director of Achelis (Tanganyika) and shareholder of Joh Achelis & Söhne. He has had over 20 years of cross functional experience within the group in Eastern and Southern Africa. In Tanzania he is an active executive committee member of the Young Presidents Organisation, has chaired the German Business Association and founded the European Union Business Group in 2012. He is also a member of various local and International committees.

Boards: Non-Executive Director, Equity Bank Tanzania.

GODFREY SIMBEYE

Godfrey holds a Bachelor of Commerce and Accounting degree 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

He is currently the Executive Director of Tanzania Private Sector Foundation (TPSF). He has a strong background in Business and Financial Management and has more than 17 years of experience in consultancy and management of finance functions. Godfrey is a member of the Boards of African Capacity Building Foundation (ACBF) based in Zimbabwe, Tanzania Bureau of Standards (TBS), Tanzania Investment Centre and Tanzania AIDS TRUST Fund.

Boards: Non-Executive Director, Equity Bank Tanzania.

HANNINGTON NAMARA

Hannington holds a degree in Business Administration – Finance from Makerere University Business School. He is a Fellow of the fourth class of the Africa Leadership Initiative-East Africa, a member of the Aspen Global Leadership Network and has received various trainings in corporate banking, credit, structured finance.

He 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. He is currently the Managing Director of Equity Bank Rwanda. He has held various positions while working for TradeMark East Africa – Rwanda Country Programme, Rwanda Private Sector Federation, Commercial Bank of Rwanda (BCR), Rwanda Investment Export Promotion Agency (RIEPA-now known as Rwanda Development Board). He holds several positions of responsibility in Boards of Parastatals and Corporates.

Boards: Managing Director, Equity Bank Rwanda.

JULIUS KAYOBOKE

Julius holds an MBA from the University of Birmingham, UK including a year spent at the Pepperdine George Graziado Business School in California.

He has vast experience in Marketing, Brand Management and Project Management both in Europe and throughout Africa. He worked at Heineken Rwanda where he rose from Project Manager to Marketing Director. He is currently the Group Director of Customer Experience and Product Management.

Boards: Non-Executive Director, Equity Bank Rwanda.

BOARD OF DIRECTORS' PROFILES (Continued)

ROBERT BAFAKULERA

Robert holds a BComs degree from Makerere University, Uganda.

He has served as Chairman in several Investment and Trading companies and has a wealth of experience in entrepreneurship and business. He is currently the Managing Director of Acacia Developers Ltd, Rwanda.

Boards: Non-Executive Director, Equity Bank Rwanda.

EMMANUEL BUTARE

Emmanuel holds a Master's Degree in law from Ottawa University and a Bachelor of Laws from the National University of Rwanda. He also holds a Postgraduate Diploma in legal Practice from the Institute of Legal Practice and Development (ILPD); A Membership Certificate from the London Institute of Chartered Arbitrators and a Certificate in Global Arbitration from Hamline University of Law in conjunction with School of International Arbitration, Queen Mary University in London.

He worked as an assistant lecturer at the Law School, a Training coordinator in the Rwandan Judiciary and Principal State Attorney. He was part of the team that negotiated the launch of the Tripartite Free Trade Area negotiations between the EAC, COMESA and SADC. He served as a Vice President, East African Law Society (EALS) and President of the Strategic litigation committee of the EALS. He is a member of the Kigali International Arbitration Centre domestic Arbitrators and has handled several arbitrations. Robert is currently the Managing Partner and one of the founding Partners of MRB Attorneys.

Boards: Non-Executive Director, Equity Bank Rwanda.

APOLLO MAKUBUYA

Apollo holds a graduate of Cambridge University, UK and a first class Honours Bachelor's law degree from Makerere University.

Apollo is a Senior Partner at MMAKS Advocates and works with the Corporate Advisory Team. He has 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. He has worked with the Uganda law reform commission and consulted extensively the Uganda human rights commission, DANIDA and UNDP. He is also the Deputy Prime Minister of the Kingdom of Buganda.

Boards: Non-Executive Chairman, Equity Bank Uganda.

SAMUEL KIRUBI

Samuel holds a Master's Degree in Business Administration (Finance) from Moi University and a Bachelor of Arts degree in Economics and Statistics from Egerton University. He is a graduate of Advanced Management Programme (Strathmore IESE Business School, Barcelona Spain).

He joined Equity Bank in 2001 and has gained vast experience in operations, marketing and customer service. Samuel was previously the Chief Operations Officer in Equity Bank South Sudan and most recently the Managing Director, Equity Bank Rwanda.

Boards: Managing Director, Equity Bank Uganda.

ANTHONY KITUUKA

Anthony holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA) and recently completed an Advanced Management Program from Strathmore, Lagos and IESE (Spain) Business Schools.

BOARD OF DIRECTORS' PROFILES (Continued)

He has over 12 years banking experience and has previously worked with Kenya Commercial Bank (KCB) and Barclays Bank Uganda Limited. He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

Boards: Executive Director, Equity Bank Uganda.

PETER KIMBOWA

Peter 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. Peter is also the Board Chairman of the Transport Management Company (TMC).

Boards: Non-Executive Director, Equity Bank Uganda.

GEOFFREY RUGAZOORA

Geoffrey 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 has held various positions within TOTAL Uganda and is the Group Chief Executive Officer of MOGAS

Boards: Non-Executive Director, Equity Bank Uganda.

MARK OCITTI

Mark, holds a Bachelor of Statistics degree from Makerere University in Uganda, an Advanced Management Program certificate from the London Business School and a Master in Business Administration degree from the Heriot-Watt University, Edinburgh, UK.

He has over 24 years of experience working with Shell Uganda, Bharti Airtel International, Celtel Zambia, Airtel Zambia, Airtel Group and EABLI. He is currently the Managing Director of Uganda Breweries Limited.

Boards: Non-Executive Director, Equity Bank Uganda.

DR. ADDIS ABABA OTHOW

Addis Ababa 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.

Prior to joining Equity Bank, he initially worked at Al Neelain University, Khartoum, Central Bank of Sudan in 1997, Dubois & Co Chartered Accountants Amsterdam, The Netherlands.

Boards: Managing Director, Equity Bank South Sudan.

DR. KENYI SPENCER

Kenyi holds a Professional Certificate in International Trade from the International Trade Institute of Southern Africa (Affiliate of International Association of Trade Training Organization), a PhD in Environmental Economics from the University of Geneva in Switzerland, a Master's degree in Environmental Management from the University of the Free State (Bloemfontein) in South Africa, a Post-graduate certificate in Practical Ecology from Technische Universitat Berlin in Germany and BSc. in Science and Applied Environmental Science from the National University of Lesotho.

BOARD OF DIRECTORS' PROFILES (Continued)

He previously worked as a Deputy Director in KB Environment & Trade Consultancy in South Africa and has executed many assignments for the World Bank and the Republic of South Sudan (RSS). Kenyi is currently an Executive Chairman of Central Equatoria Vision 2040 Secretariat, Deputy Chairman of Central Equatoria Development Agency (CEDA) and a board member of the Juba Media Group. He is also the Chairman of the South Sudan Media Development Institute. He recently published a world acclaimed novel – Twisted Gift.

Boards: Non-Executive Director, Equity Bank South Sudan.

MARY AJITH

Mary holds an LL.B. degree from EL-Neelian University, Khartoum, Sudan and a Post Graduate Diploma in Human Rights University of Juba. Mary has worked with various Gender and Child Related Organizations and holds a Certificate in Skill for Communicating with Children, Certificate on Gender and Development and an Advanced Certificate on Women Peace and Security Council Resolution 1325. She serves on the board of the Ethicapl University, Juba and is currently Head of Directororate of Legistlation, Ministry of Justice and Constitutional Affairs, Republic of South Sudan and holds certificates of Legislative Drafting and Bills Scrutiny training with over 14 years' experience.

Boards: Non-Executive Director, Equity Bank South Sudan.

ALLAN WAITITU

Allan is a graduate in Business Information Technology and a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain). He is currently undertaking a Master in Business Administration Degree at Strathmore Business School.

He has over 30 years' experience in Information Technology and banking and previously served as Equity Bank's Director of ICT and Innovations and the General Manager of Operations. He is currently the Director Special Projects.

Boards: Non-Executive Director, Equity Bank South Sudan.

JACK NGARE

Jack holds a Masters 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).

Jack has in depth experience in management, the telco industry, mobile financial services and emerging technology risks and security. 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).

Boards: Managing Director, Finserve.

ERIC KAROBIA

Eric holds a Bachelor of Arts degree in Economics and Mathematics from the University of Nairobi.

He has over 14 years of experience in Banking and Mobile money. He previously worked for Bharti Airtel Group International Netherlands B.V and Safaricom Ltd. Eric joined Equity Bank in 2014 as General Manager- Innovation, Product development & mobile payments. Currently he is the Group Director-Strategic Execution, PMO & ICT Governance.

Boards: Executive Director, Finserve.

BOARD OF DIRECTORS' PROFILES (Continued)

BRENT MALAHAY

Brent holds a Master's degree in Economics and a Bachelor of Business Finance from the University of KwaZulu-Natal, South Africa.

He has over 14 years' experience in financial services with competencies ranging from commercial banking to credit ratings, investment banking and fund management. He has previously held several high-level positions at global financial institutions, notably Standard Bank, Fitch Ratings, J.P. Morgan and Investec Asset Management. Brent has worked at the Equity Group since 2016. He is currently the Director, Operations and Customer Experience

Boards: Non-Executive Director, Finserve.

ISIS NYONG'O MADISON

Isis holds a Master's Degree in Business Administration from Harvard Business School and a Bachelor of Arts Degree in Human Biology from Stanford University.

She is the Founder and Principal of Asphalt & Ink providing strategic advisory services to corporations, governments, non-profit organizations and start-ups. She is also an independent advisor to Kenyan Banks on mobile products strategies. She has previously held senior positions in various companies including INMOBI, Google, MTV Networks and My Jobs Eye.

Boards: Non-Executive Director, Finserve.

DR. JOSEPHINE WAPAKABULO

Josephine holds a PhD in Information Science focused on "big data" and published a book on the adoption of data-exchange standards and knowledge management technologies in Defense and Oil & Gas companies. She obtained her Global Executive MBA from INSEAD business school in France.

She has over 18 years' professional experience with a focus on strategy development and implementation, quality and continuous improvement and engineering management in multinational companies, in Oil & Gas, Defence, Aerospace and IT consulting. She obtained her executive level experience in the UK, Germany, Australia and Uganda. Josephine is the CEO of the Uganda National Oil Company since 2016 and the first woman CEO of a National Oil Company.

Boards: Non-Executive Director, Finserve.

DAVID SOMEN

David holds an MBA from Harvard Business School and a BA in Law from Oxford University.

After an early stint at McKinsey and Co, he has spent his career founding and leading cutting edge technology firms across the world. He founded and served as CEO of LCR Telecom Group, founded and served in senior management at Virtual IT, founded Eldama Technologies Limited and founded AccessKenya. He serves as a non – executive Director of CIM Group, a leading listed financial services company in Mauritius.

Boards: Non-Executive Director, Finserve.

ZAINAB JAFFER

Zainab holds an honours Bachelor of Science Degree, Management with Law from the London School of Economics and Political Science.

She is the Director of MJ Group, a leading African port service provider based out of Kenya. She is also overseeing the implementation of the Social Economic Development Initiative for Kenya (SEDIK), which has been launched under the guidance of the Kenyan government to support Kenya's Vision 2030. She serves as Director, Principal and/or Advisor to IFG Port Holdings, a New York based global investment firm.

Zainab is also a Board Member of the Coast General Hospital and leads the Jaffer Foundation.

Boards: Non-Executive Director, Equity Group Foundation.

GROUP EXECUTIVE MANAGEMENT PROFILES

DR. JAMES MWANGI, CBS

Group 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. He has been honoured thrice with Presidential national awards: the First Class Chief of the Order of the Burning Spear (CBS), the Moran of the Burning Spear (MBS) and Head of State Commendation (HSC).

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 was named the Banker of the Year during the 4th Banker Africa - East Africa Awards 2017.

James serves on several international bodies as an advisor and has recently been appointed to the Nairobi Advisory Board of Columbia Global Centres. He is a Board member of the Economic Advisory Board of the International Finance Corporation (IFC), 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 is currently the Chairman of Kenya's Vision 2030 Delivery Board.

He has wide experience in the banking industry including finance. James is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group.

MARY WAMAE

Group Executive Director
Mary holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya, Women Corporate Directors and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and Advanced Management Programme at Havard Business School.

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 experience in private legal practice. She joined Equity Bank in 2004.

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 and a certificate from Berkeley University. He is a seasoned and successful senior banker; with over 20 years of experience in the financial services industry with multiple financial institutions in various senior capacities and in different locations globally.

He has in-depth experience in the financial services industry covering digital banking, analytics, AI, 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 has a passion and experience in technology and its revolutionary impact on the financial services industry. He joined Equity Bank in 2015.

GROUP EXECUTIVE MANAGEMENT PROFILES (Continued)

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 over 31 years work experience, most of which has been in the Banking sector as a human capital specialist. He joined Equity Bank in 2013 from Standard Chartered, where he had served at senior management levels in Human resources for over 15 years.

Reuben sits on the Boards of Equity Bank Tanzania and Equity Group Foundation. He has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has also held other senior positions including Head of Corporate Affairs - Standard Chartered, East Africa and Chairman of the Standard Chartered Nairobi Marathon.

BRENT MALAHAY

Group Director, Strategy, Strategic Partnerships and Investor Relations

Brent holds a Master's degree in Economics and a Bachelor of Business Finance from the University of KwaZulu-Natal, South Africa. He has over 14 years' experience in financial services with competencies ranging from commercial banking to credit ratings, investment banking and fund management. He has previously held several high-level positions at global financial institutions, notably Standard Bank, Fitch Ratings, J.P. Morgan and Investec Asset Management. Brent has worked at the Group since 2016.

DAVID NGATA

Group Director, Finance

David holds a Bachelor of Commerce degree from the University of Nairobi. He is a Certified Public Accountant and a member of Institute of Certified Public Accountants of Kenya. He has over 20 year's global working experience in the financial services industry. Prior to joining Equity Bank in 2018, he previously worked at American Express, where he held various roles including leading the global internal audit data analytics practice. He has also specialized in the audit of banking institutions, leasing companies, investment banks and broker dealers with KPMG in New York and Kenya.

JAMES MUTUKU

Group Director, Treasury

James has a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 20 years experience in the Treasury business having worked as a treasury dealer for Co-operative Bank of Kenya, Head of Money Markets and Fixed Income at KCB Kenya and the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya.

Before joining Equity Bank he was the immediate country Head of Financial Markets for Standard Chartered Bank Uganda, where he also doubled up as the Co-Head SCB Uganda Wholesale Bank. He brings a wealth of experience in balance sheet management, fixed income trading and general treasury management. He joined Equity Bank in 2016.

JULIUS KAYOBOKE

Group Director of Customer Experience and Product Management

Julius holds an MBA from the University of Birmingham, UK including a year spent at the Pepperdine George Graziado Business School in California. He has professional qualifications in key accounts management, mainstream and premium brand positioning. He worked at Heineken Rwanda in 2001, where he rose from Project Manager to Marketing Director. He has vast experience in Marketing, Brand Management and Project Management. He has vast experience in the commercial disciplines of Marketing and Sales - both in Europe and throughout Africa.

GROUP EXECUTIVE MANAGEMENT PROFILES(Continued)

CHRISTINE AKINYI BROWNE

Group Director of Legal Services & Company Secretary
Christine is a Chevening Alumna who holds a Master of Laws from UCL - University of London. She is an accomplished legal practitioner and has previously worked at The World Bank and the Industrial Promotion Services (K) Limited (IPS). She joined the bank in 2014 after a six year stint as principal counsel at East African Development Bank. Prior to her current position, she was the General Manager for Legal, Corporate Banking. Christine is a member of Law Society of Kenya, Institute of Certified Public Secretaries of Kenya and International Commission of Jurists, Kenya Section.

BILDARD FWAMBA

Chief Internal Auditor
Bildard holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and is a Certified Public Accountant and a member of ICPAK. He has worked in the banking sector for 21 years, serving in senior management capacities. He has wealth of knowledge and experience in Financial Management, Risk Management, Internal Controls and Regulatory Oversight. He joined Equity Bank in 2004. Before his current role, Bildard served in various capacities in Equity Bank Kenya Limited including Compliance Manager, Head of Internal Audit, General Manager, Finance and General Manager, Internal Audit. He previously worked with Central Bank of Kenya and Britam.

GERALD WARUI

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 21 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 18 years of banking experience. Elizabeth joined Equity Bank in 2001.

PHILIP SIGWART

Director SME Banking
Philip holds an MBA from the University of Chicago, Booth School of Business and a Bachelor and a Master of Arts degree in Economics from the University of St. Gallen in Switzerland. He has over 20 years of experience in banking in transition economies and emerging markets in Eastern Europe, Latin America and Africa.

He started his career as a bank advisor with the Russia Small Business Fund of the European Bank for Reconstruction and Development. In 2002 he transferred to the ProCredit Group, where he was CEO of ProCredit Bank Georgia and later the CEO of ProCredit Bank Kosovo. He also held directorships at ProCredit Bank Bolivia and ProCredit Bank Ecuador. His role immediately prior to joining Equity Bank was as Executive Chairman of ProCredit Bank in the D.R. Congo.

GROUP EXECUTIVE MANAGEMENT PROFILES(Continued)

ALLAN 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 30 years' experience in Information Technology and banking and previously served as Equity Bank's Director of ICT and Innovations, and before that as General Manager of Operations. He joined Equity Bank in 2004. He is undertaking a Master in Business Administration Degree at Strathmore Business School.

JOHN WAMAI

Director, ICT - Enterprise Business Systems and Services

John holds a Master's Degree in Business Administration (Management Information Systems) from Kenyatta University, a Bachelor's degree in Economics and a Diploma in Computer Science. He also holds Prince II certification (Project Management).

He has over 14 years of experience in Banking and Financial services, Information systems development and implementation, ICT Projects Management and ICT Operations. He has previously served in Project management and IT General Manager. He joined Equity Bank in 2004.

DAVID NYAMU

Director Marketing

David, holds a Bachelor of Education (Arts) Degree from Kenyatta University, Nairobi, Kenya. He holds an Advanced Diploma in Financial Sector Deepening (FSD), in addition to a Diploma in Business Management from the Kenya Institute of Management, Effective Director Master-Class from Strathmore Business School and is certified in Sales and Marketing through the SPIN Selling Skills Programme.

He holds extensive experience in Banking and Finance spanning over 23 years. He joined Equity in 2008 and has held Senior Management positions at Equity Bank, as a Business Growth and Development Manager, a Senior Relationship Manager in Corporate & SME Banking and as the General Manager- Public Sector. Prior to his engagement with Equity Bank, David worked with Cooperative Bank in Corporate Banking, Charter House Bank as a Credit Manager and ABC Bank as a Marketing Manager. In addition to this, he holds various board positions in Equity Insurance Agency and various educational institutions

POLYCARP IGATHE

Managing Director, Equity Bank Kenya

Polycarp holds a Bachelor of Arts degree in Economics & Sociology from the University of Nairobi and is a graduate of the Strathmore University's Advanced Management Program (AMP) with IESE Business School in Spain.

He has successfully served in leading corporate entities as Regional MD East Africa of Tiger Brands International, MD of Haco Industries, Wines of the World and Vivo Energy. He has also held senior commercial roles as Sales and Marketing Manager at Coca-Cola SABCO, Africa Online and Marketing Manager at Kenya Breweries Ltd.

He has served as Chairman Kenya Association of Manufacturers (KAM); Chairman Petroleum Institute of East Africa (PIEA); Director & Trustee Kenya Private Sector Alliance (KEPSA) and Chair Board of Management at BG Ngandu Girls High School. He has served as Chairman Kenya Association of Manufacturers (KAM); Chairman Petroleum Institute of East Africa (PIEA); Director & Trustee of the Kenya Private Sector Alliance (KEPSA). Prior to joining Equity Bank in 2018 as the Chief Commercial Officer, he served as the Deputy Governor in Nairobi County.

Polycarp is celebrated as a Warrior of the Marketing Society of Kenya (MSK), Savant of Marketing by Marketing Africa Magazine and a Savant of Policy Advocacy by the Kenya Association of Manufacturers (KAM).

GROUP EXECUTIVE MANAGEMENT PROFILES(Continued)

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).

He joined Equity Bank in 2001 and 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, Equity Bank Uganda
Anthony holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA) and recently completed an Advanced Management Program from Strathmore, Lagos and IESE (Spain) Business Schools.

He has over 12 years banking experience and has previously worked with Kenya Commercial Bank (KCB) and Barclays Bank Uganda Limited. He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

DR. ADDIS ABABA OTHOW

Managing Director, Equity Bank South Sudan
Addis Ababa 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.

Prior to joining Equity Bank, he initially worked at Al Neelain University, Khartoum, Central Bank of Sudan in 1997, Dubois & Co Chartered Accountants Amsterdam, The Netherlands.

HANNINGTON NAMARA

Managing Director, Equity Bank Rwanda
Hannington holds a degree in Business Administration – Finance from Makerere University Business School. He is a Fellow of the fourth class of the Africa Leadership Initiative-East Africa, a member of the Aspen Global Leadership Network and has received various trainings in corporate banking, credit, structured finance.

He 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. He is currently the Managing Director of Equity Bank Rwanda. He has held various positions while working for TradeMark East Africa – Rwanda Country Programme, Rwanda Private Sector Federation, Commercial Bank of Rwanda (BCR), Rwanda Investment Export Promotion Agency (RIEPA-now known as Rwanda Development Board). He holds several positions of responsibility in Boards of Parastatals and Corporates.

ROBERT KIBOTI

Managing Director, Equity Bank Tanzania
Robert holds a Bachelor's Degree in Economics and Administration from Maharshi Dayan University, India. He has attended several professional courses in banking and finance both locally and internationally.
He has over 24 years' experience in banking, where he has held various leadership positions. Before joining Equity Bank Tanzania, he was the General Manager in charge of Equity Supreme Centre. Prior to joining Equity Bank, he was in Industrial Development Bank, where he worked for 7 years in various capacities. Robert joined Equity Bank in May 2005.

GROUP EXECUTIVE MANAGEMENT PROFILES (Continued)

CÉLESTIN MUNTUABU

Managing Director, Equity Bank Congo

Célestin holds a Master's 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 the business executives in internal audit and strengthening of the systems of internal control of companies. Célestin is a Permanent Secretary and clerk trainer at the International Training Center.

He has held various top level positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014). He was listed for two consecutive years (2017 and 2018) among the Top 100 Young African leaders by Choiseul. Since March 2017, Celestin has been serving as Deputy Chairman of the United Nations Global Compact DRC Network.

JACK NGARE

Managing Director, Finserve

Jack holds a Masters 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 KAROBIA

Group Director- Strategic Execution, PMO &ICT Governance, Finserve

Eric holds a Bachelor of Arts degree in Economics and Mathematics from the University of Nairobi. He has over 15 years of experience in Banking and telecommunication covering Strategy, systems & 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 & Systems and at Equity Bank for 8yrs in various roles. His immediate former role was Head of Department, Product Development & Operations Financial Services Division (M-PESA) from 2012-2014 at Safaricom Ltd, Senior Manager, Product Development & Operations, Strategic projects for the Financial Services Division (M-PESA) at Safaricom Ltd a position he held for 8 months before being promoted to HOD.

Eric joined Equity Bank in 2014 as General Manager-Innovation, Product development & mobile payments a position that was held from July 2014 to Dec 2016.

NOTES

THE FIFTEENTH ANNUAL GENERAL MEETING OF THE EQUITY GROUP HOLDINGS PLC TO BE HELD ON TUESDAY, 30TH APRIL, 2019 AT THE KENYATTA INTERNATIONAL CONVENTION CENTRE (KICC) NAIROBI, KENYA AT 10:00A.M.

PROXY FORM

I/We ____

____

CDS A/C No ____

Of (address) ____

Being a member(s) of Equity Group Holdings Plc 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, 30th April, 2019 at 10.00 a.m. or at any adjournment.

As witness to my/our hands this ______________________________ day of

______________________ 2019

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 12.00 noon on Saturday, 27th April, 2019, 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 ______________________________ ______________________________ to the Annual General Meeting of Equity Group Holdings PLC which will be held at Kenyatta International Convention Centre (KICC), Nairobi, Kenya on Tuesday, 30th April, 2019 at 10.00 a.m. This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting **Company Secretary**	**Number of ordinary shares held** Name of shareholder Address of shareholder CDS Account Number

GLOSSARY

AGM	Annual General Meeting
ALCo	Asset-Liability Committee
AML	Anti-Money Laundering
API	Application Program Interface
ATM	Automated Teller Machine
AusAID	Australian Agency for International Development
BCP	Business Continuity Planning
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CMA	Capital Markets Authority
CPI	Consumer Price Index
CRM	Customer Relationship Management
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
CTF	Counter-Terrorism Financing
CTI	Cost-to-Income
DfID	Department for International Development
DRC	Democratic Republic of Congo
DPS	Dividend Per Share
EBCSA	Equity Bank Congo Société a Responsabilité Limiteé
EBK	Equity Bank Kenya
EBKL	Equity Bank [Kenya] Limited
EBRPlc	Equity Bank Rwanda Public Listed Company
EBSSL	Equity Bank South Sudan Limited
EBTL	Equity Bank [Tanzania] Limited
EBUL	Equity Bank Uganda Limited
ECL	Expected Credit Loss
EE	Entrepreneurship Education
EGF	Equity Group Foundation
EGHL	Equity Group Holding Limited
EPS	Earnings Per Share
ESOP	Employee Stock Ownership Plan
EU	European Union
F&A	Facilities and Administrative
FAO	Food Agriculture Organisation
FE	Financial Education
FKE	Federation of Kenya Employees
FMO	Netherlands Development Finance Company
FSD	Financial Sector Deepening
FSP	Financial Service Provider
GCR	Global Credit Rating
GDP	Gross Domestic Product
HDI	Human Development Index
HSNP	Hunger and Safety Net Program
ICAAP	Internal Capital Adequacy Assessment Process
ICL	Incurred Credit Loss
ICPAK	Institute of Chartered Public Accountant of Kenya
ICPSK	Institute of Chartered Public Secretaries of Kenya
ICT	Information, Communication and Technology
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
IT	Information Technology
KAM	Kenya Association of Manufacturers
KBA	Kenya Bankers Association
KCEP	Kenya Cereals Enhancement Program
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education
LCY	Local Currency
LIBOR	London Interbank Offered Rate
LSK	Law Society of Kenya
MSME	Micro, Small and Medium Enterprise
MTD	Month to Date
MVNO	Mobile Virtual Network Operator
NEMA	National Environmental Management Agency
NIM	Net Interest Margin
NoRAD	Norwegian Agency for Development
NPL	Non-Performing Loan
NSE	Nairobi Securities Exchange
OVC	Orphans and Vulnerable Children
PaR	Portfolio-at-Risk
PAT	Profit After Tax
PBT	Profit Before Tax
PLWD	People Living With Disabilities
POS	Point of Sale
PPP	Public Private Partnerships
SARL	Société a Responsabilité Limiteé
SDG	Sustainable Development Goal
SLA	Service Level Agreement
SME	Small and Medium Enterprise
TVET	Technical and Vocational Education Training
UN	United Nations
UNHCR	United Nations High Commission for Refugees
VaR	Value-at-Risk
VCT	Voluntary Counseling and Testing
WB	World Bank
WFP	World Food Programme
WtF	Wings to Fly

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 Plc

EQUITY CENTRE, 9TH FLOOR HOSPITAL ROAD, UPPER HILL

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