EQUITY
Group Holdings Limited

2015 ANNUAL REPORT AND FINANCIAL STATEMENTS

CORPORATE PHILOSOPHIES

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

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

The Group's strategic initiatives and innovations are geared towards enhancement of access, convenience and affordability of financial services and have seen the group grow into a regional diversified services firm maintaining an impressive growth momentum and trajectory.

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

In 2015, the Group took a step further in enhancing its reach and financial inclusion agenda by commencing operations in the Democratic Republic of Congo after a successful acquisition of Procredit Bank. The acquisition dovetails with the Equity 3.0 strategy and is part of the commitment to deepen financial inclusion in Africa.

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

The 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.

Through Equity Group Foundation, the Group has continued to invest in social and impact investments that have enhanced the growth of its customer numbers to over 10.1 million by the end of 2015. 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 Programs are just a few of the several initiatives in this regard.

In 2016 and beyond, the Group has positioned itself to take advantage of the opportunities associated with Kenya becoming the hub for financial services in the region.

This will be achieved by offering differentiated, high quality offerings driven by segmentation and cross-selling initiatives and responsiveness to the needs of the customers across the different segments.

We invite you to be part of this dream.

OUR PURPOSE

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

OUR VISION

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

OUR MISSION

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

POSITIONING STATEMENT

Equity provides inclusive financial services that transform livelihoods, give dignity and expand opportunities.

OUR TAGLINE

Your Listening Caring Partner.

OUR MOTTO

Growing Together In Trust.

OUR VALUES

Professionalism

Integrity

Creativity & Innovation

Teamwork

Unity of Purpose

Respect & Dignity for Customers

Effective Corporate Governance

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NOTICE OF THE TWELFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting (AGM) of Equity Group Holdings Limited will be held on **Thursday, 31st March 2016 at Kenyatta International Convention Centre** (KICC) NAIROBI at **10.00 am** to transact the following business:

1. The Company Secretary to read the notice convening the meeting.

2. To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 31st December 2015 together with the Chairman's, Directors' and Auditors' reports thereon.

3. To approve a first and final dividend for the year ended 31st December 2015 of KES 2.00/= per ordinary share of KES 0.50 cents each, subject to withholding tax, where applicable.

4. Election of Directors:

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

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

   c) Mr. Deepak Malik having been appointed as a director by the board on 29th April, 2015 retires in accordance with Article 101 of the Company's Articles of Association and being eligible, offers himself for election as a director.

5. To approve the remuneration of the directors for the year ending 31st December 2016.

6. To note that the auditors Messrs Ernst & Young LLP, being eligible and having expressed their willingness, will continue in office in accordance with section 159 (2) of the Kenyan Companies Act (Cap 486) and to authorize the directors to fix their remuneration.

7. Any other business of which notice will have been duly received.

By order of the Board

Mary Wangari Wamae
Company Secretary
P.O. Box 75104 -00200
NAIROBI.

8th March, 2016

Notes

1) A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy must be duly completed by the member and lodged with the Company Secretary at the Company's Head Office situated at EQUITY CENTRE, 9TH FLOOR, Hospital Road, Upper Hill, Nairobi, not later than 10.00 am on Tuesday, 29th March 2016, 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 2015 of KES 2.00 per share to be paid to shareholders on the register of members of the Company at the close of business on 18th March 2016. The dividend will be paid on or about 29th April 2016.

3) The full set of the audited financial statements for the year ended 31st December 2015 is available at the Company's registered office at Equity Centre, 9th Floor or can be downloaded at the website, www.equitygroupholdings.com

GROUP AND COMPANY INFORMATION

REGISTERED OFFICE:

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

LAWYERS:

Anjarwalla & Khanna (A&K)
3rd Floor, The Oval
Junction of Ring Road Parklands & Jalaram Road
Westlands
P.O. Box: 200-00606
NAIROBI

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

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

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

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

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

A.F. Mpanga Advocates
9th Floor North Wing Workers House
1 Pilkington Road
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

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

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
KINSHASHA, DEMOCRATIC REPUBLIC OF CONGO

Bank of Uganda
P.O Box 7120
KAMPALA, UGANDA

AUDITORS:

Ernst & Young LLP
Kenya-Re Towers, Upper Hill
Off Ragati Road
P.O. Box 44286 - 00100
NAIROBI

COMPANY SECRETARY:

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

> It gives me great pleasure to present to you an update on the Group's performance, the competitive and regulatory environment and economic factors affecting our business.

CHAIRMAN
EQUITY GROUP HOLDINGS LIMITED
MR. PETER K. MUNGA, CBS

CHAIRMAN'S STATEMENT (Continued)

Introduction

The period under review saw continued investment in the execution of our Equity 3.0 strategy which is aimed at disrupting ourselves using technology. The implementation of this strategy will ultimately deliver unmatched customer experience that will lead to sustainable growth and enhanced shareholder return.

Our superior capabilities continue to enable us support our stakeholders in their endeavor to improve their lives and that of the people of Kenya, East and Central Africa. Our commitment to continue transforming lives remains strong and with our strategy in place, we are confident that we shall continue the theme of shared prosperity for our shareholders and customers.

Operating environment

Kenya's economy remained fairly stable with the GDP growing at 5.5%, which was a slight increase from the 5.3% in 2014. The performance was supported by a reduction in energy prices and increased government spending on major projects by both the national and the devolved governments. Inflation edged up towards the end of 2015 but averaged at 6.8%, which was within the CBK target of 7.5%.

In the past year, interest rates remained stable for the earlier part of the year but high volatility was experienced between August and November. The intervention by the Government / CBK helped to ease the rates in Quarter 4.

On the foreign currency exchange market, the Kenya shilling weakened against the dollar, a factor attributable to the decline in dollar inflows mainly from the tourism sector and a global strengthening of the dollar.

The Banking sector has continued to witness growth in recent years, accelerating financial inclusion with developments that have led to increased access to banking services by the Kenyan public.

The NSE 20 share index shed 21% and over 15 Listed Companies issued profit warnings.

Two banks; Dubai Bank and Imperial Bank were placed under statutory management.

CBK also imposed a moratorium on licensing of new banks. The regulator has also introduced stricter rules on audit on banks and banking systems.

Achievements during the year

Equity Group lists on the Rwanda Stock Exchange

Equity Group Holdings Limited joined the nascent Rwanda Stock Exchange (RSE) as part of its regional development strategy.

The cross listing of Equity Group Holdings Limited on the Rwanda Stock Exchange marked a major milestone as we seek to enhance integrated financial solutions delivery capacity.

Significant changes in shareholding and Board

On January 16th, 2015 , Norfininvest AS (a joint venture investment company between Norfund and Norwegian private investors) announced that it had agreed terms with Helios Investment Partners ("Helios") to purchase from Helios an effective stake equivalent to 12.223% in Equity Group Holdings Ltd. ("Equity"), representing half of Helios' interest in Equity. Regulatory approval was given thereto. The remaining part of the stake was sold to various other investors in several on-market transactions. As a result of these various sales, Helios EB exited

CHAIRMAN'S STATEMENT (Continued)

from shareholding in Equity Group Holdings Limited in 2015. Consequently Mr. Babatunde Soyoye, Mr. Temitope Lawani and Mr. Alykhan Nathoo resigned from the board in the course of the year. Mr. Dennis Aluanga was retained by the board as an independent director. On 29th April 2015, Mr. Deepak Malik joined the board representing NorfinInvest AS.

Equity Group enters the vast Democratic Republic of Congo market with acquisition of ProCredit Bank (DRC)

Equity Group Holdings Limited ("EGHL") entered into an agreement with ProCredit Holding AG & Co. KGaA (PCH), Belgische Investeringsmaatschappij Voor Ontwikkelingslanden N.V ("BIO") and Stichting DOEN ("DOEN") to acquire 79% of the issued share capital of ProCredit Bank Congo S.A. ("ProCredit"), a public limited liability company established in the Democratic Republic of Congo ("DRC").

ProCredit is the leading Bank in the SME sector in the DRC. The Bank is the 7th largest bank by assets in the market with a customer base of over 170,000. The Bank is well positioned for growth in the country as the market scales up its banking penetration across its 85 million population from current levels of under 4% towards the region's average banking penetration level of over 20%. The acquisition was successfully completed in September 2015 whereby ProCredit Bank (DRC) became a subsidiary of EGHL.

Financial results

Equity Group's focus on enhancing affordability, accessibility and convenience has seen its growth momentum maintained for the period ended 31st December 2015.

The Group achieved a Return on Equity (ROE) of 25.5% and a Return on Assets (ROA) of 4.5% despite the massive investment in the IT platform, payments processing, mobile and internet banking services and the branch network to support growth during the year. Profit before tax and exceptional items grew by 12% from Kshs 21.3 billion to Kshs 24.0 billion demonstrating the resilience of the Group's business model.

Against uncertain global economic recovery and despite stiff competition in many of our markets, the strong performance by the Group once again demonstrates our ability to deliver substantial and sustained value for our shareholders and other stakeholders. On the customers front, the number has reached over 10 million demonstrating the social and financial inclusivity of our business model.

Corporate Governance

Strong management and corporate governance continues to be key pillars of Equity Group. The various board committees continued to play a vital role in supporting the board and management to discharge their duties. The sub committees also continued to be guided by the regulatory framework including risk management and prudential guidelines.

Awards and Accolades

Equity Group's business model and position as a financial and social brand has continued to attract both local and international recognition. On many occasions, the Group has been invited to various international forums to share on its successes. The Group has also become a hub of other institutions worldwide keen on learning and exchanging insights on its model of extending financial services to the low income segment and the un-banked population.

Some of the accolades and recognitions that the Group and its subsidiaries received in 2015 include the Most Innovative Bank & Best in

CHAIRMAN'S STATEMENT (Continued)

Mobile Payments at the Banker Africa Awards, Most Innovative Financial Services Firm at the 5th CIO Annual Awards, Top Banking Brand by Qudal and the Best Financial Services Firm (Social Corporate Category) at the Social Media Awards. The Bank also won an astounding 10 awards, 42% of all awards on offer, at the Think Business Banking Awards 2015. For the third year in a row, the Banker Magazine recognised the Bank on increased soundness (Capital Assets Ratio). The Bank rose from position 112 to 88. The overall ranking also improved by 83 positions.

Dividends

The Board continues to balance between maximizing shareholder value as well as the need to plough back funds into the business for future growth. As a demonstration of continued confidence in the strength and sustainability of the Group's balance sheet and potential earnings, the Board has recommended a dividend of Kshs 2.0 per share (2014: Kshs 1.8 per share) translating to a growth of 11% from the previous year.

2016 outlook

2015 was another year of strong performance and the Board remains confident for the year 2016. Analysts project growth of 5.8% for 2016 as a result of ongoing infrastructure development (especially the Standard Gauge Railway project), low oil prices, an expanding services sector and regional integration. We at Equity Group will continue to march forward confidently as we continue to transform lives, deliver sustainable performance and contribute to the country's economic development through inclusive customer focused financial services.

Conclusion

Finally, I would like to express my heartfelt gratitude to the stakeholders that have enabled us to make such immense progress over the years. Thanks to my fellow members of the Board, the management and staff of the Equity Group for their hard work, our customers for their tireless support and all our development partners who have believed in us throughout this journey.

Thank you.

Mr. Peter Munga, CBS

Chairman – Board of Directors

CEO'S STATEMENT

> "I am delighted to present to you Equity Group's business highlights and financial statements for the year ended 31 December 2015."

CEO AND MANAGING DIRECTOR
EQUITY GROUP HOLDINGS LIMITED
DR. JAMES MWANGI, CBS

CEO'S STATEMENT (Continued)

Introduction

The country and the region faced a number of challenges in 2015 that consequently affected the overall economic growth and the operating business environment.

2015 Performance review

I am happy to report that the Group has continued to defy macro-economic turbulence to deliver strong growth, with profit before tax and exceptional items increasing by 12% to Kshs 24.0 billion up from Kshs 21.3 billion realized in the previous year.

The Group's total assets grew by 24% during the year to close at Kshs 428.1 billion up from Kshs 344.6 billion. Net customer loans reached Kshs 269.9 billion up by 26% from Kshs 214.2 billion. Cash and bank placements grew by 46% to Kshs 70.2 billion up from Kshs 48.2 billion.

The growth in assets was mainly funded by a 23% growth in customer deposits to Kshs 303.2 billion up from Kshs 245.6 billion, a 42% growth in long term borrowed funds to Kshs 42.9 billion up from Kshs 30.2 billion and a 13% growth in shareholders' funds to Kshs 72.1 billion up from Kshs 63.8 billion. Total income grew by 18% to Kshs 56.1 billion up from Kshs 47.6 billion while total operating expenses grew by 22% to Kshs. 32.1 billion up from Kshs.26.3 billion.

The unique funding structure of strong savings and current deposits, strong shareholders' funds and long-term debt led to Net Interest Margin (NIM) of 10.5%. The Group's strong and liquid balance sheet characterized by a high asset quality portfolio, strong liquid asset position, loan to deposit ratio of 88% and a liquidity ratio of 33% allowed the Group to continue its strategic growth pursuit despite the increased uncertainty in the turbulent macro-economic environment.

Progress in Key Strategic Initiatives

Focus on SME

The Group's strategic focus on SME has seen its non-funded income grow by 19% to Kshs 21.9 billion up from Kshs 18.5 billion. This growth was driven by merchant commissions (+53%), Diaspora remittance commissions (+47%) and foreign exchange trading income (+26%). Cross-selling initiatives have diversified income streams through growth in non-funded income, and also improved the quality of the Group's earnings as reflected by the annuity nature of these revenue streams. The SME strategy also drove the loan book and deposit growth. This resulted in interest income growth of 23% to Kshs 43.5 billion up from Kshs 35.4 billion and interest expense grew by 51% to Kshs 9.3 billion up from Kshs 6.2 billion.

Regional Expansion & Diversification

The Group's regional expansion and diversification strategy has maintained a growth momentum with the combined banking subsidiaries' loan book growth of 73%, deposits growth of 28%, assets growth of 40% and PBT growth of 53% in spite of the economic challenges in South Sudan in 2015. Future growth in the South Sudan business will be driven by strategic partnerships in key ecosystems across the public, NGO and private sectors. The performance of the newest subsidiary, ProCredit Bank (DRC), looks promising and will be a major contributor to the Group's overall performance driven by its focus on the SME sector. Investment Banking and Insurance Agency achieved a PBT growth of 808% and 32% respectively.

CEO'S STATEMENT (Continued)

Digital Bank

The Group continued to strengthen its unique business model through digitization, innovation and enhanced use of technology for better customer experience and efficiency.

In July 2015, we launched Equitel, a mobile payment and banking platform for our customers – that officially brings to the fore the convergence between mobile and banking services in Kenya.

Our newest innovation will promote greater access to banking services which currently stands at 53% of the Kenyan population.

Equity Group CEO Dr. James Mwangi fields questions from the media during the launch of the Equitel mobile platform. To his right is Airtel Africa CEO Christian De Faria

Equitel became the first platform in Kenya to combine the best of mobile and banking services to give Kenyans more Freedom, Choice and Control in managing money and staying in touch with their loved ones.

Equitel is providing the Bank with another opportunity to continue our mission of offering inclusive, innovative, customer-focused financial services that transform livelihoods, give dignity and expand opportunities.

New income streams, built on the convenient Equitel mobile banking channel, has seen mobile customer numbers grow by 215% to 1.6 million in 2015. The value of mobile banking transactions grew to reach Kshs 115 billion while mobile banking transactions grew to 151 million by December 2015. Complimentary to the mobile banking channel is Agency Banking which has seen transactions increase 35% to 51 million and the number of agents grow to approximately 24,000. The customer base of the Group is now 10.04 million.

The impact of adopting these alternate delivery channels will manifest in cost saving going forward. The investments in IT from 2014 and the early adoption of mobile and Agency Banking in Kenya has started improving efficiencies and productivity. As a result, the cost to income ratio in Kenya has improved from 48% to 47%.

Merchant Business, Payments Processing & Diaspora Remittances

The Group continues to nurture its partnerships with the world's leading payment processing companies and card operators including American Express®, Visa, MasterCard, UnionPay, Diners Club, JCB, Western Union, MoneyGram, PayPal, Swift, VFX and Equity Direct.

Income streams from these partnerships have seen merchant commissions grow by 53% to Kshs 900 million up from Kshs 600 million, and diaspora remittances commissions grow by 47% to Kshs 200 million up from Kshs 130 million.

CEO'S STATEMENT (Continued)

Outlook

GDP is expected to improve in 2016, reflecting falling oil prices and faster scaling up of public investments in infrastructure. Strong medium-term growth is also predicated on rising private investment, helped by an improved business environment, the expansion of financial inclusion, and deeper regional integration.

By maintaining an efficient operating structure and risk management principles, focusing on SME, and providing a robust and scalable digital bank leveraging on technology and risk management, the Group will be well positioned to capture emerging growth opportunities in Kenya and the region.

Conclusion

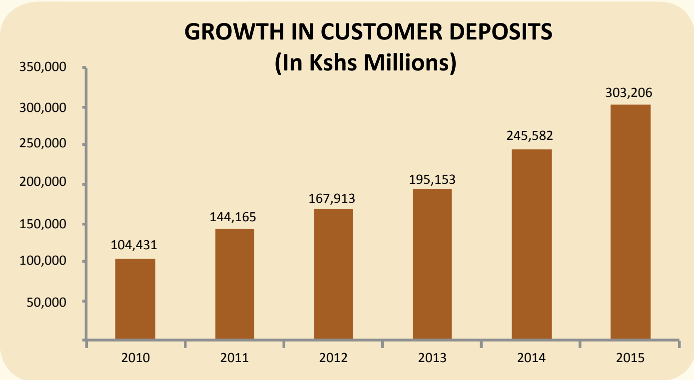
Let me conclude my remarks by expressing a deep sense of gratitude to all who have enabled the Group to achieve the success registered in 2015. To all our members in the region, thank you very much for continuing to trust the Group. To all our shareholders, development partners and strategic business partners, thank you for your continued support. To the Board of Directors, thank you most sincerely for your continued guidance and support.

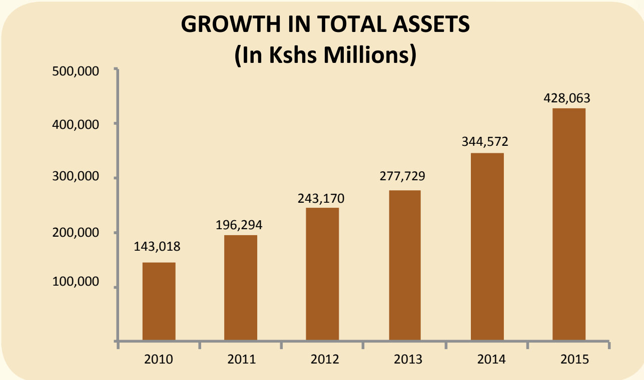
Finally, all the aforementioned achievements were made possible by a passionate and enthusiastic team at Equity Group comprising over 8,000 members of staff. We could not have done it without you, so thank you for continuing to live our brand pillars, essence and core values. I am confident that together and guided by a common vision and purpose we shall be able to steer the Group to even greater heights of success and prosperity.

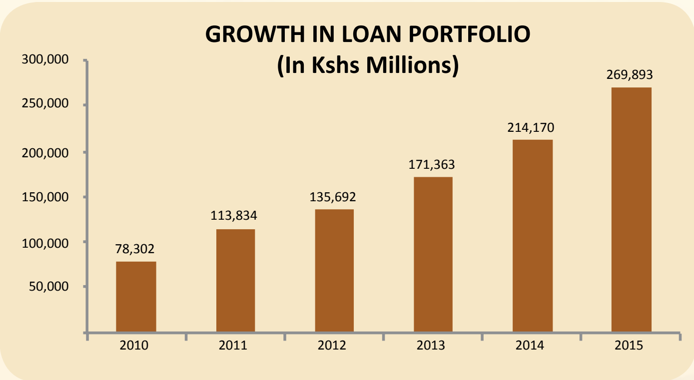
Dr. James Mwangi, CBS

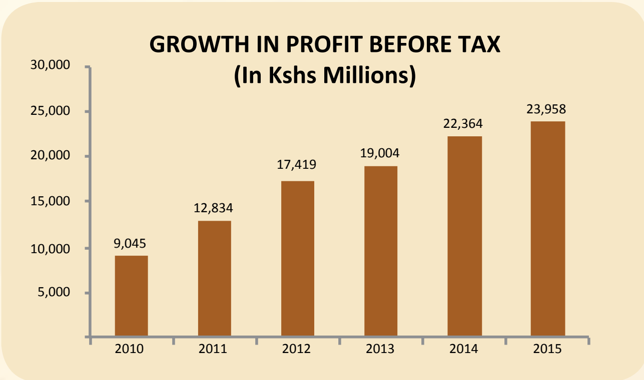
Chief Executive Officer & Managing Director

FINANCIAL HIGHLIGHTS



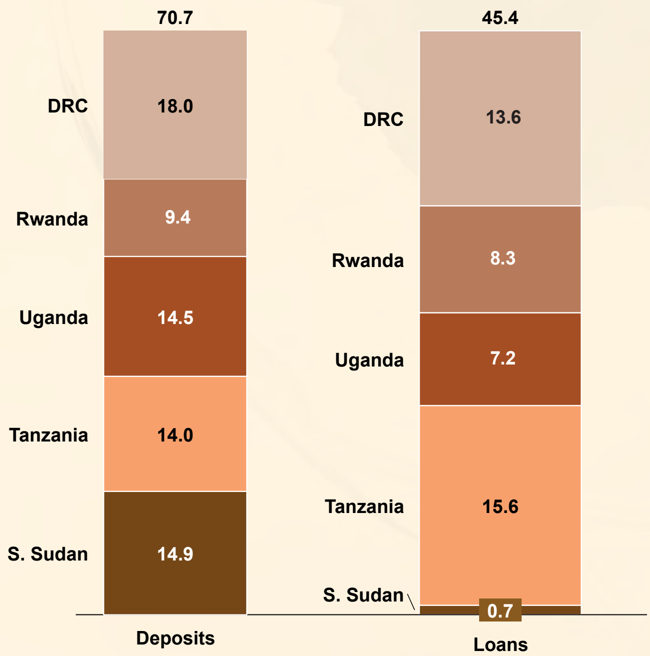




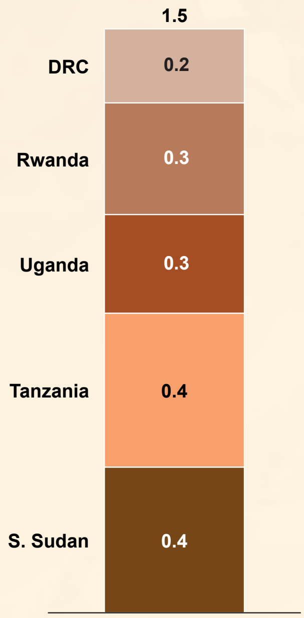


REGIONAL EXPANSION CONTRIBUTION (In Ksh Billions)

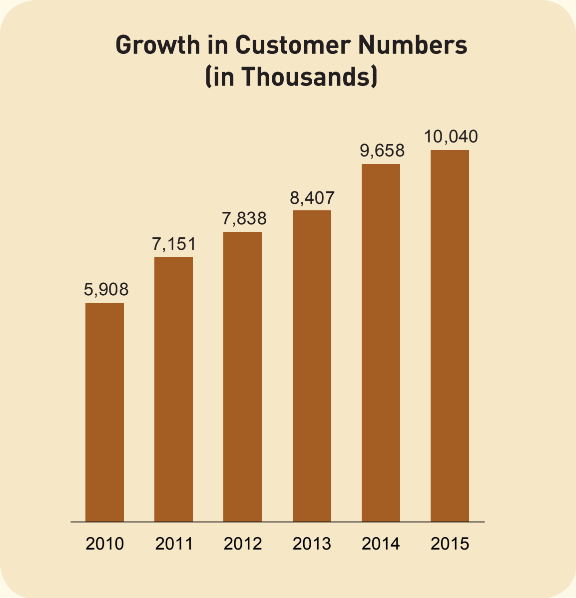
DEPOSITS AND LOAN PORTFOLIO (In Kshs.Billions)

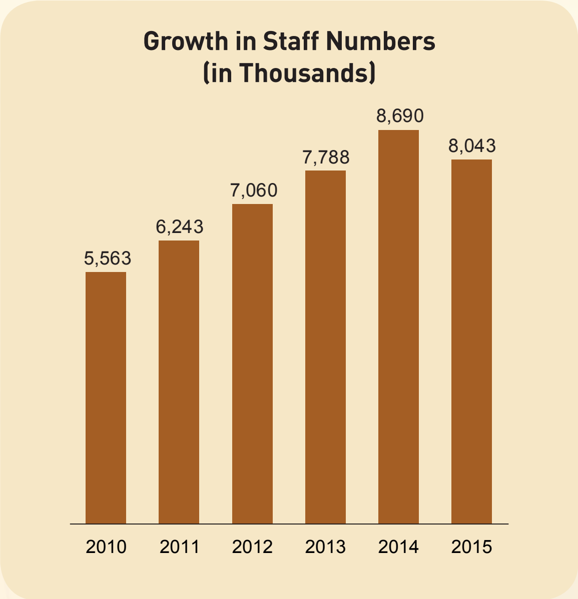


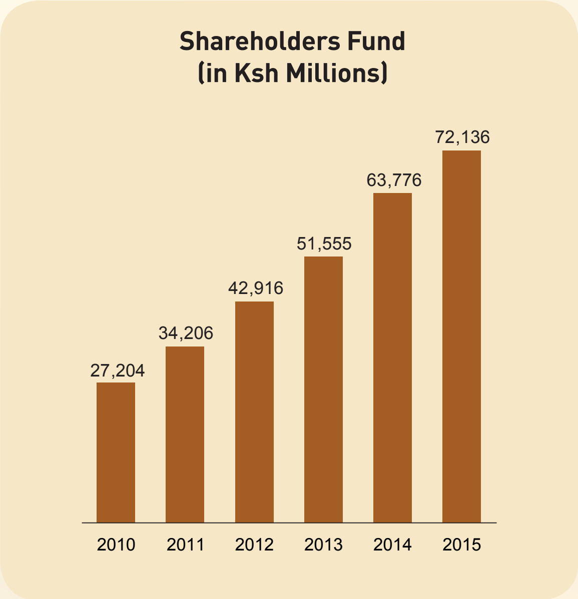
PROFIT BEFORE TAX (In Kshs.Billions)



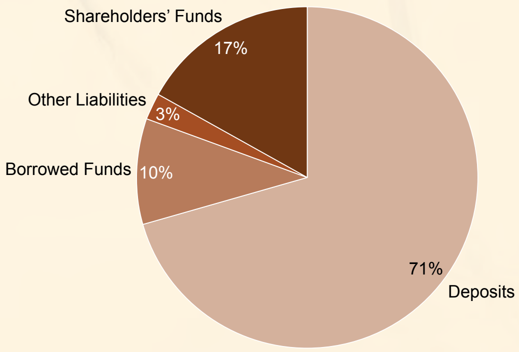
FINANCIAL HIGHLIGHTS



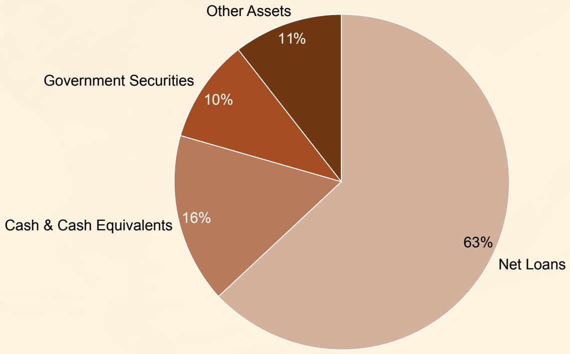




Funding & Asset Distribution



Funding Distribution



Asset Distribution

EQUITY GROUP HOLDINGS LIMITED'S SUBSIDIARIES

The Group had 11 wholly owned subsidiary companies as at 31st December 2015. It owns 79% of ProCredit Bank (DRC) and the rest of shareholding being held by German Development Bank (KfW) and International Finance Corporation (IFC).

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

Subsidiaries	Principal Activity	Percentage Shareholding
Equity Insurance Agency Limited	Insurance brokerage	100%
Equity Investment Bank Limited	Investment banking	100%
Equity Investment Services Limited	Non-trading	100%
Equity Consulting Group Limited	Non-trading	100%
Equity Nominees Limited	Custodial services	100%
Finserve Africa Limited	Infrastructure services	100%
Equity Bank (Kenya) Limited	Banking	100%
Equity Bank (South Sudan) Limited	Banking	100%
Equity Bank (Rwanda) Limited	Banking	100%
Equity Bank (Tanzania) Limited	Banking	100%
Equity Bank (Uganda) Limited	Banking	100%
ProCredit Bank Limited (DRC)	Banking	79%

Equity Bank Uganda

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

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

Equity Bank South Sudan

Equity Bank South Sudan Limited commenced operations on 9th May 2009 with a branch and the head office in Juba. Since then, the Bank has grown to be the leading bank in South Sudan by customer base of over 160,000 clients and commanding over 50% of market share in a market of 29 commercial banks. The Bank's branch network has since grown to 11 branches supported by a network of 19 ATMS. The growth of the subsidiary is underpinned by a well-planned strategic growth plan to cover all the State capitals. The Bank is credited for expanding access to banking through its accessible, affordable and flexible service provision across all the sectors of the economy.

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

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

The Company was voted Best Bank of the Year 2015 by the South Sudan Chamber of Commerce, Agriculture and Industry.

EQUITY GROUP HOLDINGS LIMITED'S SUBSIDIARIES (Continued)

Equity Bank Rwanda

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

In its effort to continue participating, contributing and developing the economy, the Bank has partnered with private institutions, businesses, people and the Government of Rwanda. The Bank has a partnership with the Rwanda Revenue Authority to offer tax payers an easy and convenient way of paying taxes through Equity Bank branches and Agents countrywide. The Bank has also entered into a partnership with Rwanda Social Security Board (RSSB) to enable Rwandese to pay Mutuelle contributions through Equity branches and Agents.

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

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

Equity Bank Tanzania

Equity Bank Tanzania commenced its operations on 9th February 2012 with two branches in Dar es Salaam and Arusha. The subsidiary has grown rapidly since then and now has a total of 14 branches; 8 in Dar es Salaam and a branch each in Arusha, Mwanza, Dodoma, Mbeya, Moshi and Zanzibar.

The Bank championed the roll out of Agency Banking in Tanzania. So far, there are over 661 agent locations, 238 merchants, 16 ATMs, mobile banking and internet banking services. With only 14% banked population in the country, the subsidiary sees an enormous opportunity of empowering the Tanzanian people and making a positive impact on the economic growth of the country. Equity Bank Tanzania has partnered with private institutions, businesses, people and Government of Tanzania to take banking services closer to the people. The Bank signed a partnership with the Tanzania Revenue Authority to offer tax payers an easy and convenient way of paying taxes.

ProCredit Bank (DRC)

ProCredit Bank (DRC) was established in 2005 by a strong alliance of international shareholders as a full-fledged commercial bank which provides credit and other financial services to small and micro entrepreneurs and low-income households in DR Congo. The bank played a key role in supporting the rapid development of the country's private sector and contributes to the establishment of a more stable economic environment. After 10 years of operations, the bank is very successful in helping entrepreneurs grow their businesses and become more formal. The bank was acquired in 2015 by Equity Group, and has adopted the Group's focus on offering completely inclusive financial services. The agency banking concept was launched following this, and is about to transform the financial sector in the country. The Group's technological advance as regards mobile banking should help the bank bring its services to the doorstep of millions of Congolese in the future. The bank currently has 23 branches and around 170,000 clients.

Equity Investment Bank

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

EIB is a one-stop shop for financial and investment services offering through the following key divisions;

Corporate Finance

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

Asset and Wealth Management

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

EQUITY GROUP HOLDINGS LIMITED'S SUBSIDIARIES (Continued)

Brokerage

In 2014, EIB entered into a collaboration agreement with respect to its brokerage business with Exotix Partners LLP, a specialist merchant bank with global capability and expertise in fast-growing emerging, frontier and illiquid markets. Exotix is authorized by the Financial Conduct Authority of the United Kingdom and has offices in London, New York, Lagos and Dubai.
EIB deals with both institutional and retail clients in East Africa allowing them to trade securities in the region. Using the Exotix platform in New York, London, Dubai and Lagos, the brokerage team has access to international clients looking to invest in securities in the region. Additionally it also allows East African investors to trade securities across frontier markets, using current technology to deliver tremendous value.

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

Equity Insurance Agency

Equity Insurance Agency Limited was incorporated in December 2006 and licensed in May 2007 by the Commissioner of Insurance to offer both life and non-life business.

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

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

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

Finserve Africa Ltd.

Finserve Africa Limited ("Finserve") was operationalised in 2014. Finserve holds two licenses from the Communications Authority of Kenya and operates one of Africa's first Mobile Virtual Network Operators (MVNO) under the brand **Equitel.** Finserve acts as a channel for Equity Group's other subsidiaries by providing mobile capabilities and as a business in itself by offering full voice/SMS/DATA services to Equity's customers. Finserve Africa combines the strengths of Equity Group with a uniquely innovative mobile services proposition.

Equity Group Foundation

Equity Group Foundation (EGF) was established in 2008 in recognition of the need to scale up the existing corporate social responsibility (CSR) initiatives by Equity Group Holdings Limited (EGHL). EGF champions socio-economic transformation through leveraging the Group's infrastructure and resources keeping overhead costs low while effectively and efficiently scaling high-impact social programmes with ample return on social investment.

EGF works to create change through seven strategic pillars:

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

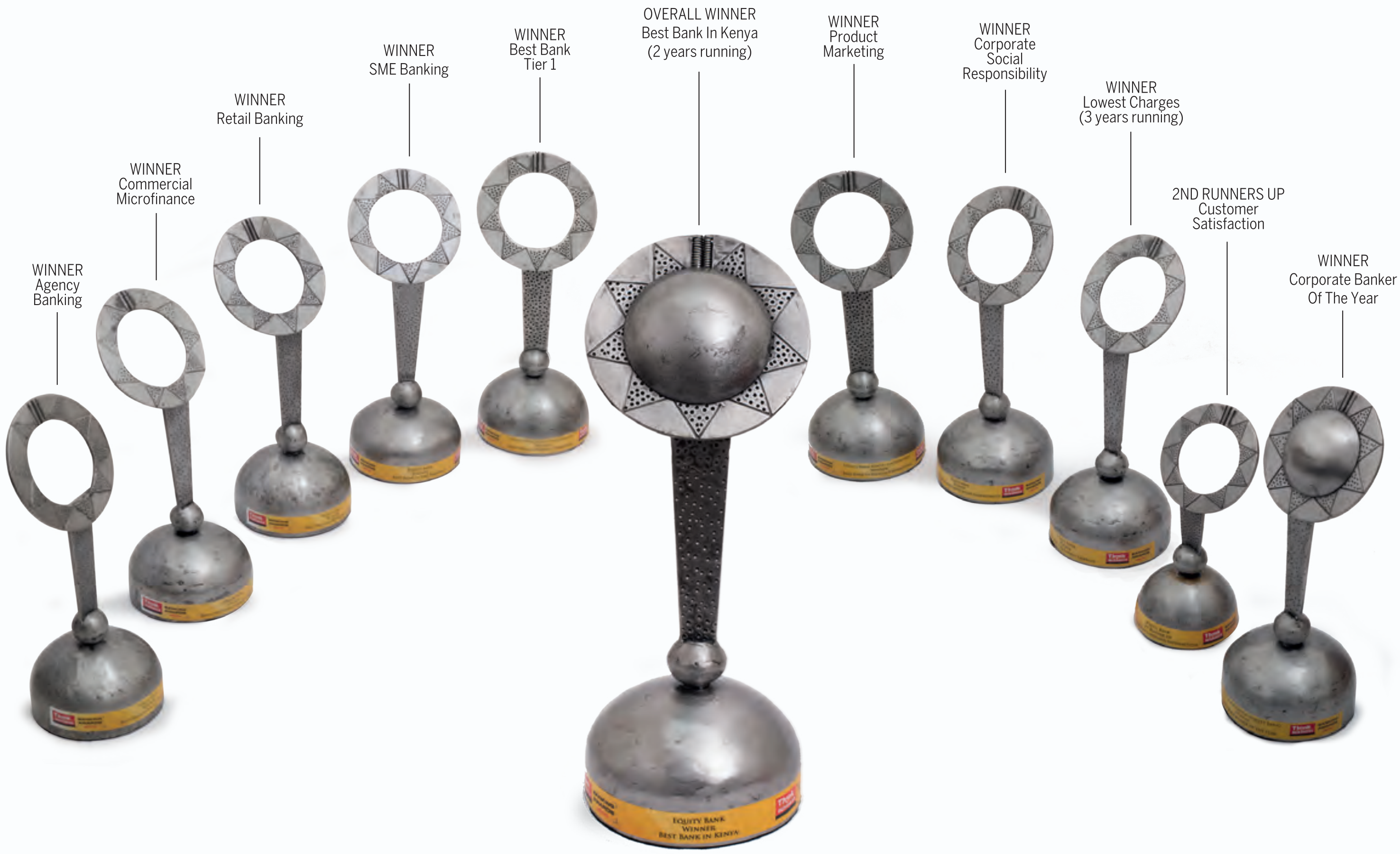
2015 KEY ACHIEVEMENTS & ACCOLADES

BANK OF THE YEAR - AFRICA CEO FORUM

In 2015 Equity Bank was awarded Bank of the Year at the 2015 Africa CEO Forum for being the bank most committed for Africa Development.

BEST BANK IN KENYA 2015 - THINK BUSINESS AWARDS

In 2015 Equity Bank emerged the overall winner at the 10th edition of Think Business Banking Awards 2015. The bank walked away with 10 out of 24 awards on offer. Winners were chosen from 24 entries into the 2015 Think Business Banking Awards themed "Innovating banking for a greater financial inclusion".



2015 Think Business Banking Awards

CIO100
ANNUAL AWARDS COMPETITION

MOST INNOVATIVE FINANCIAL SERVICES FIRM - 5TH CIO ANNUAL AWARDS

In 2015, Equity Group was awarded the 2015 Most Innovative Financial Services Firm at the 5th CIO 100 Awards.

MOST INNOVATIVE BANK & BEST IN MOBILE PAYMENTS - BANKER AFRICA AWARDS

In 2015 the Banker Africa - EA Banking Awards recognized Equity Bank with two awards; The Most Innovative Bank and the Best in Mobile Payments Solution

CEO OF THE YEAR & BEST PERFORMING COMPANY IN THE Ai40 AWARDS

In 2015, Equity Group Holdings Managing Director and CEO Dr. James Mwangi was bestowed the 2015 Ai40 CEO of the Year Award at the 2015 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York.

Equity Bank was also named the Best Performing Ai40 Company in the Ai40 Index company category.

BEST FINANCIAL SERVICES FIRM (SOCIAL CORPORATE CATEGORY)- SOCIAL MEDIA AWARDS

In 2015, Equity Bank got awarded at the 3rd annual SoMA Awards in Financial services - (Corporate category) for using social media platforms for economic development while adding value to audiences through social media

The Banker
TOP 1000
WORLD BANKS 2015

EQUITY BANK'S GLOBAL RANK IN SOUNDNESS (CAPITAL ASSETS RATIO) RISES

For the third year in a row, the Banker Magazine in 2015 recognized Equity Bank on increased soundness (Capital Assets Ratio). The Bank rose from position 112 to 88. The overall ranking also went up by 83 positions.

TOP BANKING BRAND

In 2015, Equity Bank was ranked Top Banking Brand in Kenya by Qudal.

STRONG CREDIT RATING 2015

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

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

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

BEST BANK OF THE YEAR, CHAMBER AWARDS (SOUTH SUDAN)

For the second year in a row, Equity Bank South Sudan won Best Bank of the Year award at the 2015 Chamber Awards organized by the South Sudan Chamber of Commerce, Agriculture and Industry. Equity Bank took the top prize ahead of 26 banks in South Sudan.

BEST UTILIZATION OF THE CROSS GUARANTEE FUND AWARD, aBi TRUST (UGANDA)

In 2015, Equity Bank Uganda was awarded for Best Utilization of the Cross Guarantee Fund by aBi Trust.

TOP COMMERCIAL BANK STAND

In 2015, Equity Bank won Top Commercial Bank Stand award at the Nairobi International Trade Fair, (ASK Show) in Nairobi.

EQUITY LIFTS INTER-BANKS TITLE

In 2015, Equity Bank emerged the overall winner at the Inter-Bank games competition.

WINNER 2015 INTER-BANK QUIZ- KENYA INSTITUTE OF BANKERS

In 2015, Equity Bank emerged winner at the Kenya Institute of Bankers Inter-Bank Quiz.

CORPORATE SUSTAINABILITY SOCIAL IMPACT INVESTMENTS

Equity Group Foundation (EGF) serves as the non-profit, social impact arm of Equity Group Holdings Ltd established to champion the social and economic transformation of the people of Africa. The Foundation is able to scale impact through leveraging Equity Group's extensive infrastructure and through strategic partnerships with development partners, national governments as well as local and international technocrats.

The Foundation delivers high-impact social development programmes across seven strategic pillars: Education and Leadership Development, Financial Inclusion and Literacy, Innovation, Entrepreneurship, Agriculture, Health and Environment.

Education and Leadership Development

Under this pillar, EGF continues to implement two programmes; the *Wings to Fly* Programme and Equity Leaders Programme (ELP)

Wings to Fly

Launched in 2010 in partnership with The MasterCard Foundation, the *Wings to Fly* Programme provides education opportunity to academically gifted students from economically disadvantaged backgrounds through provision of comprehensive secondary school scholarships, mentorship and leadership training.

Now in its 6th year and with additional support from USAID, KFW and UKAID, the *Wings to Fly* Programme has surpassed its target of 10,000 scholarships set for phase 1 by providing 10,377 scholarships. The programme relies on Equity Group's infrastructure to select scholars, disburse scholarships, provide ongoing mentorship and support, and manage ongoing monitoring and reporting. In 2015, Equity Group Foundation inducted 1,988 scholars into the 6th cohort of the *Wings to Fly* Programme.

The 2010 and 2011 classes have successfully graduated from high school. 94% attained the university entry grade (C+ and above), 59% achieved a B+ and above while 36% attained an A grade. The 2012 has also recently completed their Kenya Certificate of Secondary Education (KCSE) examinations and await results in March, 2016.

Commissioning of the Wings to Fly 2015 scholars at the Kasarani Sports Centre.

Annual Education & Leadership Congress

The Annual Education and Leadership Congress is a component of the *Wings to Fly* Programme aimed at providing a platform where scholars have the opportunity to learn from and interact with local and international leaders, while also strengthening their relationships with their mentors and *Wings to Fly* peers. The programme gives the Wings to Fly scholars inspiration to continue focusing on academic excellence. In 2015, a total of about 9,000 scholars participated in this annual event. The climax of the April congress was the visit and plenary presentation by the 42nd President of the United States of America, Bill Clinton.

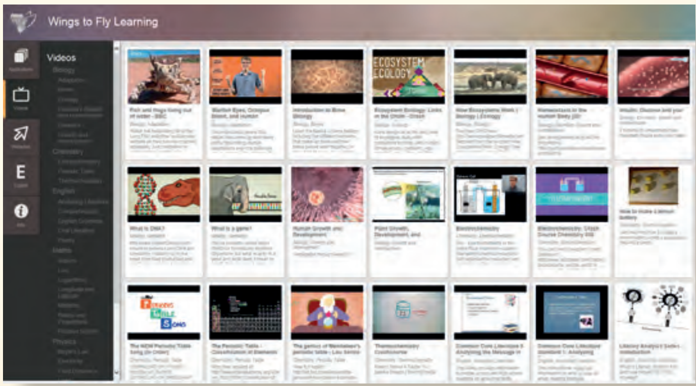
President Clinton and Chelsea Clinton receiving a commemorative plaque from the Wings to Fly scholars alongside Dr. James Mwangi, Chairman of the Equity Group Foundation (Second left).

President Clinton shared his personal story and implored the scholars to take pride in telling their own stories and in learning from them. Drawing from his own upbringing in rural America, President Clinton emphasized the values of industry and integrity. Listening to the testimonials of the scholars, Chelsea Clinton who accompanied her father during this visit observed that she had never seen her father "so inspired".

President Clinton addressing Wings to Fly scholars at the 2015 Annual Education & Leadership Congress

Wings to Fly Learning

Wings to Fly Learning aims to give all *Wings to Fly* scholars - as well as any Equitel user in the country - a rich set of digital learning resources aligned to the Kenyan 8-4-4 curriculum. Using a range of affordable and accessible technologies, the educational content offers supplementary learning experiences that are engaging, high-quality and relevant and that can be used in-school, out-of-school and during holidays. The project is intended to improve academic performance, build 21st century skills and act as a catalyst for wider change among teachers and schools with *Wings to Fly* scholars.



Wings to Fly Learning USB Platform

Equity Leaders Programme (ELP)

The Equity Leaders Programme (ELP) is a post-secondary programme which aims to equip young people from across Kenya with the professional and leadership skills they need to succeed in an increasingly competitive global marketplace. The programme is centered on a rigorous paid internship experience that allows scholars to intern at Equity Bank branches around the country before joining university. The internships not only develop the scholars professionally giving them real-world working experience, but also help the scholars to fund their university education in Kenya with their internship stipends. The internship model aims to develop scholars across four key areas: personal and professional development, global exposure, creativity and innovation, and community engagement.

In addition to the pre-university internship experience, the programme provides internships and leadership development experiences to scholars throughout their time in university and beyond. It also provides a select number of scholars with college counseling support to help them gain admission and scholarships to some of the world's best universities, including the Ivy League schools in the U.S.

Key milestones for ELP in 2015 included:

- Internships offered by Equity Bank to 594 scholars, including 340 *Wings to Fly* graduates. A total of 2,673 scholars have benefited from this programme.
- Admission of 65 scholars to international universities in North America and Africa. These scholars had the opportunity to attend a send-off event by President Uhuru Kenyatta at State House. A total of 265 scholars have been admitted to top global universities.
- Held employability workshops at 8 university chapters in Kenya.
- Placed 42 interns in 3 high schools to serve as residential mentors in Equity's Centers of Excellence Programme.
- Founded Equity Tech Hub to bridge the gap between education and industry in the technology sector.

President Uhuru Kenyatta hosts Equity Global Scholars interning with Equity Bank for the summer holiday of 2015 at State House, Nairobi.

President Uhuru Kenyatta hosts 65 Equity Scholars admitted to global universities in 2015 at State House, Nairobi

Financial Literacy and Inclusion

The Financial Literacy and Inclusion Programme provides financial access to those living at the bottom of the pyramid with the goal of providing access to financial knowledge and products (such as formal savings, debt management and investments) creating a pathway to financial inclusion. It does so by providing financial capabilities consequently developing, strengthening and growing the beneficiaries' capabilities, and ultimately improving their livelihoods.

In 2015 achievements included:

- Training of 175,000 beneficiaries on financial education, increasing the total number of beneficiaries reached since the programme inception to 1,239,034. 170,000 of Financial Education users are now on the Equitel mobile application.
- Completed digitizing financial education content for mobile application via Equitel. The content is in four modules; budgeting, savings, financial services and debt management. This content is in form of USSD and SMS format focused on tips, questions answered and financial education terms.
  - › Reached 175,000 mobile users
  - › 27,671 people subscribed to be receiving weekly Financial Education Tips
  - › 446,400 tips sent through SMS format

EGF also provided capacity building support to Rwanda and Tanzania. In Rwanda, 20 Equity Rwanda staff underwent "Training of Trainers" course aimed at equipping them with skills and knowledge to administer financial education under the Fanikisha Programme. In Tanzania, EGF carried out a financial education needs assessment research study during the month of October 2015. Results of the study showed there was very low financial literacy. The Financial Inclusion and Literacy programme intends to reach to 15 million people by 2025.

Vijana Na Equity

In an effort to harness and develop talent among our youth and explore ways of strengthening the Fashion Sector, EGF in partnership with Equity Bank held a five day training for 40 upcoming designers. These were the finalists in the **Vijana Na Equity; Design your Destiny,** fashion design competition. The young budding designers underwent a 30 hours comprehensive financial training programme custom designed for players in the creative arts sector. The training was geared towards empowering the youth with knowledge, attitude and skills on how to manage and grow their fashion businesses, setting the stage for their formal entry into the world of business. A graduation ceremony was held thereafter where the winning designer was awarded startup capital and an invitation to attend an all paid 2015 Hub of Africa Fashion Week in Ethiopia to showcase his designs in the trade fair.

Winner of design your destiny competition Arnold Muriithi (23 years old) describing his winning design to Equity Group Foundation Executive Chairman Dr. James Mwangi. Looking on is Sally Karago, Chairlady, Association of Fashion Designers of Kenya and the managing director of Mcensal Fashion House

Equity Bank launched the **Vijana na Equity** campaign in 2015 geared at providing support for youthful creative entrepreneurs' aspiring to make their mark in various local arts and creative fields such as the fashion industry.

"Through the Vijana Na Equity initiative, we are setting off on a journey to help the youth and transform their dreams to be entrepreneurs in the creative arts scene, which is in line with Equity's mission to transform lives' - Dr. James Mwangi during the Financial Education graduation ceremony.

Financial Inclusion

The Group's aim is to broaden access for financially excluded low income populations deepen financial inclusion. As a result, EGF implements, together with partners, two social payments programmes: the Hunger Safety Net Programme (HSNP) and the Orphaned and Vulnerable Children (OVC) Programme.

Hunger Safety Net Programme (HSNP)

HSNP is a Government of Kenya social protection intervention in collaboration with development partners, DFID, AusAID, and FSD Kenya, which is executed by Equity Bank. HSNP is part of the National Safety Nets Programme (NSNP), which is coordinated by the National Social Protection Secretariat and reflects the Government of Kenya's commitment to improving social welfare systems as outlined in the National Social Protection Policy. When HSNP payments were introduced five years ago, Equity Bank's main role as a payment service provider pioneered an efficient and secure delivery model for 40% of the poorest households or 69,000 beneficiaries in Turkana, Wajir, Marsabit and Mandera counties.

A beneficiary utilizing the MasterCard EMV smart card with biometric and PIN authentication to withdraw HSNP payments in Kakuma, Turkana County.

In 2015, the HSNP had transitioned to Phase 2 where approximately 378,000 households were registered across the four counties. The total number of households who receive regular cash transfers in Phase 2 is 100,000 (equivalent to 720,000 persons) across the four counties. Beneficiaries received an increase in the cash transfer value of Kshs. 300 therefore receiving Kshs. 4,900 every two months since the beginning of 2015. Another 275,000 were targeted for emergency scale up due to increase in weather emergencies such as drought. Equity has already paid 5 emergency scale ups with the largest being during El Nino late last year.

This Programme has well demonstrated a cost effective way of transferring cash to the poorest in some of the most challenging environments in Kenya where limited infrastructure, insecurity and drought adversely affect the nomadic communities.

Orphaned and Vulnerable Children (OVC) Programme

The programme is a partnership between the World Bank and the Government of Kenya, with financial support from DFID. It is executed by Equity Bank, to provide bi-monthly cash transfers to vulnerable households in 25 districts in Kenya, using a network of agents equipped with biometric smart cards and POS terminals.

The OVC Programme was established to provide a social protection system through regular and predictable cash transfers to families in order to enourage fostering and retention of children within their families and communities; increase school enrolment; attendance and performance; reduce the rates of child mortality and morbidity and to promote household nutrition and food security. The programme marked its 11th year in 2015 with 57,547 beneficiaries receiving aid through the programme. Total payments to date amount to Kshs. 3.3 billion and the smart card technology with biometric authentication is used to disseminate the funds to beneficiaries.

Entrepreneurship

Since 2011, EGF in partnership with The MasterCard Foundation (MCF) and the International Labour Organization (ILO) has been working to eliminate some of the barriers which limit micro and small-scale enterprise growth by offering a suite of entrepreneurship education, business advisory services, and mentorship to build the capacity of promising micro and small entrepreneurs.

EGF entrepreneurship pillar launched a pilot entrepreneurship training programme in 2012, and its final project evaluation informed the design of a customized curriculum that addresses entrepreneur's specific entrepreneurial training needs. Although the programme was successful, the performance of the businesses resulted in the redesign of the programme, to further improve the impact of the training.

Joel Nyamu (Operating the machine), owner of Alfa Fresh Horticultural Farming Enterprise. He attended the entrepreneurship training for three days in Kitengela town. He was trained on record keeping, savings and investment, financial management, budgeting, marketing, and stock taking and control how to write business plans and others. Joel affirms that practicing what they were trained on has contributed to the growth and increase in business profits.

In 2015, EGF entrepreneurship pillar commenced implementation of the redesigned Accelerating Growth and Business Development in partnership with The MasterCard Foundation and EBKL programme; the Winning Women Programme in partnership with the African Management Institute (AMI) and Lundin Equity Emerging Entrepreneurs Fund (LEEEF) programme in partnership with Lundin Foundation and EBKL. Through the three programmes, 6,781 youth, women and emerging entrepreneurs in Kenya were trained in basic entrepreneurship skills including entrepreneurial competencies, record keeping, marketing, costing, ICT for business, business financing and managing family business. 50 women owned small and medium enterprises (SMEs) were trained on access to finance through a pilot blended training model in partnership with AMI.

As a result of these efforts beneficiaries have demonstrated improved business practices; increased profits and incomes, and are enjoying increased access to finance. Under the LEEEF programme, which is being implemented in 3 LAPSSET (Lamu Port Southern Sudan-Ethiopia Transport) counties, 381 entrepreneurs were trained in basic entrepreneurship skills. Cumulatively, the entrepreneurship pillar has provided training and business support services to over 18,000 micro and small enterprises since inception.

Agriculture

Agriculture continues to be the largest sector in Kenya's economy, directly contributing more than 24% of GDP and indirectly contributing upwards of 25% of GDP through ties to manufacturing and other service-related sectors. The sector is also a major source of export earnings and employs 70% of the labour force in Kenya, yet 91% of agricultural exports are in raw or semi-processed form, and only 2% of agricultural workers have formal wage jobs.

Despite its importance to Kenya's economy, agriculture continues to face a number of challenges, including underutilized land, low yields, high post-harvest losses, poor record keeping and management systems. Equity Bank jointly with Equity Group Foundation have been at the forefront in combating these challenges through development of a Growth Accelerator that works with agribusinesses to increase incomes and investment in agriculture, which in turn creates jobs and develops more food for the market.

Agriculture Credit Guarantee Scheme-Kilimo Biashara

Equity Bank has been financing smallholder farmers and agro dealers, with the objective of boosting food security and supporting farmers towards commercial production. This has been facilitated through the Kilimo Biashara product, an initiative by Equity Bank in partnership with the Alliance for a Green Revolution in Africa (AGRA) and the International Fund for Agricultural Development (IFAD) through the Kenya Ministry of Agriculture. The Agriculture Credit Guarantee Scheme is an innovative financing model which involves a funding initiative under the European Union Food Crisis Rapid Response Facility Trust Fund through the International Development Association (IDA) to the Government of Kenya.

An agro dealer shop

Under these projects, Equity Bank jointly with Equity Group Foundation trains and offers financing to farmers and agro dealers. In 2015, a total of *Kshs1, 290,466,850* was disbursed to 5,894 beneficiaries, with 5,287 small holders financed to the tune of *kshs 1,092,514,850* and 607 agro dealers accessed *kshs 197,952,000*. This brings cumulative Kilimo Biashara loans disbursed to *kshs 6,401,862,018*, advanced to 76,067 beneficiaries

Horticultural Initiatives to support SMEs

Equity Bank's effort to transform Kenyan subsistence farming into sustainable commercial agribusiness has been bearing fruits, with some smallholder farmers advancing to Small & Medium Enterprises (SMEs) category. In the horticulture sector, some farmers have now been able to access credit to the tune of Ksh 90 million to boost their production capacities. The produce is sold in local and export markets.

Equity Bank has also played a vital role in linking the small scale producers to other players in the value chain. The Bank has been working closely with horticulture value chain stakeholders such as Meru Greens, Mara Farming Limited and Frigoken among others. The groups have been able to access funding to improve their working structures with the contracted farmers and the funds used to improve packaging and processing of their produce in order to access export market.

Production of sugar snaps by a farmer, financed by Equity Bank - Nkubu Branch

Beef Production

Equity Bank plays a critical role in the advancement of the Kenya beef sector, by enhancing the offtake of animals so as to improve income earned by pastoral communities.

Equity Bank has adopted an innovative financing product for the beef subsector, whereby farmers access credit to stock steers for fattening and later avail them to the market at better prices. The fattening period is usually undertaken for a duration of not more

than four months. The Bank is also supporting feedlot system establishment, an intensive system approach to improving livestock management, helping farmers to get maximum returns from their investment.

An extensive branch network has been of great help in empowering beef farmers in northern Kenya and Rift Valley region. Some of Equity Bank branches involved in beef subsector financing include Marsabit, Garissa, Isiolo, Nanyuki, Maralal, Nakuru, Kilgoris, Narok, Kajiado, Ngong and Loitokitok among others. The Bank has also been supporting abattoirs like K.M.C, Dagoretti and Kiserian in processing and marketing of beef. In 2015, over Ksh 600million was disbursed to support the beef sub sector.

Agricultural machinery & equipment support to enhance technology uptake at farm level for improved production

Lack of modernization in agricultural activities has been a key impediment to improved production per unit area of farms. To address this challenge, Equity Bank has been financing farmers to mechanize their farm operations which has been realized through strategic partnerships with various stakeholders such as John Deer, Massey Ferguson, Chase International, New Holland SAME and many others. The Bank has also been financing technology uptake at farm level in key areas such as greenhouse setup and irrigation farming to help change the norm where agriculture has remained vulnerable to changing of weather patterns making it an economically unattractive investment. Equity Bank has also been facilitating purchase of value addition equipment and machinery.

Harvesting of corn in Uasin Gishu County for silage and fodder production

The target for mechanization and technology uptake has been in areas where large scale farming of crops such as wheat, maize and rice is practiced and also where intensification is being implemented. Over Ksh 500million was disbursed in 2015 to support adoption of modern technology at farm level.

World Food Day 2015 celebration

Equity Bank joined Food and Agricultural Organization of the United Nations (FAO) and other stakeholders to celebrate the World Food Day. The theme of the event held in Nyamira County was ***"Social protection and agriculture: breaking the cycle of rural poverty"***. During the event Ms. Janet Chebet was named the Best Overall Farmer. She has been involved in horticulture and dairy farming with financing support from Equity Bank. In early 2015, Ms. Chebet was also voted National Best Young Farmer by the Agricultural Society of Kenya.

During the event, the Bank donated trophies and various merchandize to outstanding farmers in the region.

Nyamira Branch BGDM, Mr. Robinson Mirieri (right) presents a trophy and certificate to Best Overall Farmer Ms. Janet Chebet Onyaga (left) during the World Food Day celebrations.

Reaching out to farmers

Throughout 2015, Equity Bank was involved in various agricultural events which provide a good platform for capacity building. The objective was to interact with farmers to understand their financial needs and share with them the innovative solutions offered by Equity Bank such as Equitel – the mobile banking platform that gives farmers freedom and convenience of managing their finances; ease of access to banking services and reduction of cost of transactions.

Most of the events were convened within the umbrella of the County Governments, agriculture being one of key functions which has been fully devolved. The Bank won many accolades in various categories.

Samuel Kuria, Marketing officer Equity Bank Nakuru Gateway branch (R) receives a trophy from Ministry of Industry, Investment and Trade Cabinet Secretary Adan Mohammed during the 2015 ASK Nakuru show

Unlocking Agriculture Potential through Medium Sized Farms

Equity Group Foundation has been working directly with farmers in collaboration with the Ministry of Agriculture, research institutions and other private sector partners to eliminate both farm level and systemic challenges facing the farmers and those of other players in agriculture value chain. This includes efforts to improve soil health; enhance use of quality inputs; demonstrate good production and agri-businesses practices and implement effective water management technologies and practices on the farm.

The programme has been working with medium scale farmers to commercialize their farms. So far the farmers in the programme have received a series of training geared towards increasing their farm profitability and re-investment in agriculture.
In 2015, the programme managed to complete the following key activities amongst many;

- Facilitated formation of 263 Peer Groups (PG) a group of 8-15 farmers that live close by and 138 Business Groups(BG) a group made up of 40 -60 farmers, market buyers, input suppliers and private service provider.
- Trained 3,725 farmers in collaboration with key stakeholders such as Ministry of Agriculture personnel in all the 10 counties, private players in the industry and other development partners on production related practices. Topics covered are: soil health management, input quality and usage, crop management, post-harvest handling and storage, water management, dairy production management and feeds and feeding management.
- Trained 2,559 farmers on agribusiness enterprise development. The farmers were taken through gross margin analysis of their farm enterprises, business planning, financial management, marketing and human resource management.
- Took 2,550 farmers through record keeping training and introduced them to suite of farm records both on production and financial related records.
- Linked farmers to 80 input and market partners where the farmers benefited from discounted input prices and also better prices for their produce.
- Introduced farmers to 26 market buyers where they were able to access new market opportunities for their produce.

Health

Kenya has an overwhelmingly young, poor, and rural population, which faces various disparities in demographic determinants of health. Globally, Kenya ranks 145 out of 186 countries on the UN's Human Development Indicators' Health Index, placing it in the lowest category of human development (2012). Its disease burden cannot be addressed by the low levels of public expenditure on health as these levels are unable to link the general population to quality preventive and curative care. Private health care facilities fills part of the access gap, but large facilities are expensive while small facilities provide fragmented care, are often poorly managed, and have limited access to finance needed to scale. Meanwhile the lack of comprehensive and affordable health insurance schemes limits the uptake of private health insurance. Without health insurance, Kenyans are unprepared for when illness, strikes and negative economic consequences follow including absenteeism at work, loss of income, depleted savings, loan defaults, hasty borrowing, and suspended financial plans.

Equity Group Foundation is implementing Equity Afia as a sustainable, integrated health model that will train and monitor a network of clinician entrepreneurs to increase access to standardized, high-quality and affordable health care throughout the country. Different from other clinical franchises and other social enterprises, Equity Afia will also co-design and offer innovative health insurance schemes that are tailored to providers' behaviours and the health demands and purchasing power of consumers, as a key means to achieve the health care system's long-term financial sustainability and solvency.

The overall goal of this five-year project is to increase the health status of Kenyans by increasing access to and utilization of quality health care and affordable, private health insurance. Central to the initiative's objective is to also increase health literacy and health insurance literacy. In 2015, EGF and Equity Bank partnered with the United States Agency for International development (USAID) Kenya in a five-year alliance to execute Equity Afia. Under this multi-million dollar partnership, alliance members will be at the forefront in pioneering private-sector led solutions to increase the scale and impact of affordable and standardized preventative health care services and sustainably financed and data-informed health insurance schemes benefiting all Kenyans.

Dr. Bola addresses participants at a health dissemination conference organized by Equity Group Foundation

In 2015, EGF also concluded its short-term research engagement with The Rockefeller Foundation to understand the health of a growing socially disadvantaged group – informal workers in urban areas. EGF planned several research activities, including ethnographic studies, focus groups, stakeholder workshops, and a Computerized-Assisted Telephone interview (CATI), and convened several stakeholders to increase their understanding of the needs of the target population. EGF shared its results in a dissemination workshop attended by stakeholders across various sectors in Kenya.

Results from EGF's work culminated in multi-modal, clientele-focused, market-based sustainable model that leverages social networks, mobile technology, and the delivery agents to channel important information about health, health insurance, health service providers, health products and services, including health micro insurance for urban informal workers. EGF's work was also profiled in The Rockefeller Foundation's report on the health needs of urban informal workers, globally.

Environment

Majority of the Kenyan population does not have electricity at home. For the average Kenyan the cost of connecting to the country's national grid is restrictive. The alternative source of energy for cooking is predominantly firewood in rural areas and charcoal in urban areas. The average household spends around Kshs 100 a day on charcoal a significant amount compared to the earnings of low income households. This money spent on charcoal can be spent on renewable energies such as solar power and clean cook stoves, which are more cost effective in the long run as well as more environmentally and health friendly.

As a result, EGF and Equity Bank have partnered with several institutions, the government and local communities to reduce reliance on fuel wood and charcoal by providing awareness and financing to access clean energy technology. EGF also supports forest conservation efforts and works with forest-adjacent communities to increase on-farm forestry.

Christine Wambui from Ngong began using the Ecozoom Jet, a clean cook stove (jiko) in 2015. When asked about the jiko, Christine, a mother of four said that "It holds a lot of heat, so it is faster and economical. I save Kshs. 50 per day. The stove has less fumes and is favorable with the kids." Christine learned about the jiko from Equity Bank staff and has since recommended the jiko and Eco Moto Loan to relatives and friends.

The Eco Moto Programme

In 2014 EGF, Equity Bank and Micro-Energy Credits (MEC) jointly launched a clean-energy programme pilot with the goal of enabling one million households to access clean energy in three years. The programme is expected to achieve these goals by: increasing awareness of the economic, health and environmental benefits of using clean energy technologies, providing finance for the highest quality energy products available in the market through a special product, the Eco Moto loan, and supporting ongoing research to continue providing appropriate and relevant energy products to households and communities. These products include improved cook stoves and solar lighting systems, and will expand into biogas plants, water purifiers, and other energy saving and fuel-efficient systems.

A survey at the end of the pilot in 2014 showed that Kshs 12,048 in annual savings would be realized per family at a cost of Kshs 3,600, creating a 334% ROI (Return On Investment) in the first year for each family. If one million Equity Bank customers had access to a clean energy product, they would collectively save Kshs 12 billion every year.

Equity Bank and MEC are also moving forward with the development of a clean energy mobile phone loan product, on Equity's Equitel platform. This will be the first of its kind in the world and will dramatically decrease the amount of time required for a customer to acquire a clean energy loan. This will also help track EGF and MEC to track carbon benefits arising out of this initiative which will help fund the scaling of this work.

Innovation

EGF has a strong commitment to innovation in all of its programme areas in order to promote new ideas, experimentation and solutions that increase our impact and scale. In a world in which the rapid pace of change and technology makes solving problems all the more challenging, innovation is often seen as the solution.

By introducing the Innovation function into EGF in 2015, we are investing in work that will help our programmes deliver increasing benefit to our target beneficiaries, especially as they grow in size and regional scope. To do so, we look to the latest technologies, global trends and best practice and local creativity to create new solutions. Initial priority areas of focus in 2015 have included education innovation and the use of our mobile channel to extend EGF programmes to a greater number of people.

Board of Directors

From Left To Right

David R. Ansell - Non-Executive Director, **Helen Gichohi** - Managing Director, Equity Group Foundation, **Deepak Malik** - Non-Executive Director, **Evelyn Rutagwenda** - Non-Executive Director, **James Mwangi** - Managing Director & Chief Executive Officer

Peter Munga - Non-Executive Chairman, **Mary Wamae** - Secretary To The Board, **Adil Popat** - Non-Executive Director,

Dennis Aluanga - Non-Executive Director, **John Staley** - Chief Officer – Finance, Innovation and Payments

BOARD OF DIRECTORS

PETER MUNGA, CBS

NON-EXECUTIVE CHAIRMAN

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

JAMES MWANGI, CBS

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Dr. Mwangi holds five Honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. James has been honoured twice with Presidential national awards; he was vested the First Class Chief of the Order of the Burning Spear (CBS) national decoration-the highest presidential award to a civilian, for outstanding contribution in economic development as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He is currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

HELEN GICHOHI, MBS

MANAGING DIRECTOR, EQUITY GROUP FOUNDATION

Dr. Gichohi holds a Ph.D. in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation and a BSc in Zoology from the University of Nairobi and Kenyatta University respectively. She joined Equity Group Foundation in 2012 from the African Wildlife Foundation where she served for 11 years from 2001, as the President from 2007, Vice President from 2002 and Director of the Conservation Program from 2001 when she joined AWF. Prior to that, she was the Managing Director of the African Conservation Center. Helen is a recipient of the Charlotte Wyman Trust's Women in Conservation Program, the Order of Great Warrior and the Moran of the Order of the Burning Spear awarded by the Kenyan Government. She won the Giai Environmental Award for 2012 at The WIFTs Foundation International Visionary Awards. She serves on the boards of Ol Pejeta Conservancy and Africa Wildlife Foundation.

JOHN STALEY

CHIEF OFFICER – FINANCE, INNOVATION AND PAYMENTS

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

DENNIS ALUANGA

NON-EXECUTIVE DIRECTOR

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

EVELYN KAMAGAJU RUTAGWENDA

NON-EXECUTIVE DIRECTOR

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She previously worked as the Auditor General for the Republic of Rwanda, as the Secretary General of Uganda National Chamber of Commerce and Industry (UNCCI), consultant/project accountant in Decentralization Secretariat (Institutional Capacity Building Project), Ministry of Local Government, Uganda, and also as Chief Auditor at UCA Auditing Services among others. Mrs Rutagwenda spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR). She chaired the Steering Committee that was charged with organizing the accounting profession in Rwanda and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio, and elected member of the Governing Council. She is currently the Vice – Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

DAVID R. ANSELL

NON-EXECUTIVE DIRECTOR

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

ADIL POPAT

NON-EXECUTIVE DIRECTOR

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

DEEPAK MALIK

NON-EXECUTIVE DIRECTOR

Mr. Malik Deepak joined Norfund as an Investment Director in 2003 where his efforts are spent in promoting Norwegian investments in Southern Africa and the region. He is also Head of Department – Financial Institutions and is a part of the Management team of Norfund. Prior to joining Norfund he worked as CEO of DBZ (Development Bank of Zambia) and Senior Executive positions in ZCCM (Zambia Consolidated Copper Mines Limited). Deepak has over 35 years' experience and holds various Board positions in industry, including banks across Southern and Eastern Africa. He holds a Bachelor Degree in Commerce and is a fellow member of the Institute of Chartered Accountants India, 1981.

MARY WAMAE

SECRETARY TO THE BOARD

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

EQUITY BANK (KENYA) LIMITED

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BHARTESH SHAH

CHIEF OPERATIONS OFFICER

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

DENNIS ALUANGA

NON-EXECUTIVE DIRECTOR

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

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FREDRICK MUCHOKI O.G.W.

NON-EXECUTIVE DIRECTOR

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

SHEM MIGOT- ADHOLLA

NON-EXECUTIVE DIRECTOR

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

JULIUS MUIA

NON-EXECUTIVE DIRECTOR

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

ISAAC MUTHURE MACHARIA

NON-EXECUTIVE DIRECTOR

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

MARY WAMAE

SECRETARY TO THE BOARD

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

EQUITY BANK UGANDA LIMITED

DAVID R. ANSELL

NON-EXECUTIVE CHAIRMAN

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

SAMUEL KIRUBI

MANAGING DIRECTOR

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

GEORGE ALIBARUHO

NON-EXECUTIVE DIRECTOR

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

PETER KIMBOWA

NON-EXECUTIVE DIRECTOR

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

APOLLO MAKUBUYA

NON-EXECUTIVE DIRECTOR

Mr. Makubuya is a Senior partner at MMAKS Advocates and works with the Corporate Advisory Team. He mainly advises mining companies, banks, regional and international investors on corporate, commercial law and tax issues. He also has extensive experience in the field of international human rights law. Before going into private practice, Apollo worked as a legal advisor at a private bank and was the Assistant Head of the Financial Sector Adjustment Credit (FSAC) Division of the Bank of Uganda. While at the Uganda law reform commission, Apollo was in charge of reforming the laws applicable to business associations in the country. Apollo has also consulted extensively on human rights, development and corporate law issues with the Uganda human rights commission, DANIDA and UNDP. Apollo is a graduate of Cambridge University, UK and holds a first class honours bachelor's law degree from Makerere University. He is also the Deputy Prime Minister of the Kingdom of Buganda.

EVELYN KAMAGAJU RUTAGWENDA

NON-EXECUTIVE DIRECTOR

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She previously worked as the Auditor General for the Republic of Rwanda, as the Secretary General of Uganda National Chamber of Commerce and Industry (UNCCI), consultant/project accountant in Decentralization Secretariat (Institutional Capacity Building Project), Ministry of Local Government, Uganda, and also as Chief Auditor at UCA Auditing Services among others. Mrs Rutagwenda spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR). She chaired the Steering Committee that was charged with organizing the accounting profession in Rwanda and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio, and elected member of the Governing Council. She is currently the Vice – Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

JOHN STALEY

NON-EXECUTIVE DIRECTOR

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GEOFFREY R. RUGAZOORA

NON-EXECUTIVE DIRECTOR

Mr. Rugazoora holds a Bachelor of Science degree in Industrial Chemistry (Honours) of Makerere University Kampala and postgraduate training in the field of tribology, operations management, leadership and governance at Wits Business School Johannesburg, among other reputable institutions of learning. He began his career with TOTAL Uganda, a multinational oil corporation subsidiary, in 1986 and rose to the level of National Sales Manager. Geoffrey joined MOGAS in 1996 as the Managing Director of MOGAS Uganda and rose to the level of MOGAS Group Chief Executive Officer, a position he still holds to-date."

MARY WAMAE

SECRETARY TO THE BOARD

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

EQUITY BANK SOUTH SUDAN LIMITED

SHEM MIGOT- ADHOLLA

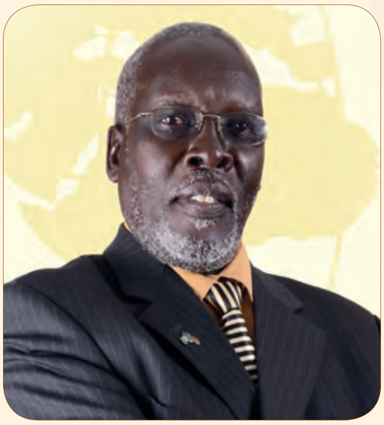
NON-EXECUTIVE CHAIRMAN

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

PAUL GITAHI

MANAGING DIRECTOR

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



KENYI SPENCER

NON-EXECUTIVE DIRECTOR

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

MARY JAMES AJITH

NON-EXECUTIVE DIRECTOR

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

JAMES MWANGI, CBS

NON-EXECUTIVE DIRECTOR

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EQUITY BANK RWANDA LIMITED

DAVID R. ANSELL

NON-EXECUTIVE CHAIRMAN

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HANNINGTON NAMARA

MANAGING DIRECTOR

Mr. Namara has over 15 year of experience as a Senior Private Sector Development specialist. He has extensive track record in Strategy, Leadership and Programme Management, Finance and Communications. Hannington is currently the Chief Executive Officer & Managing Director of Equity Bank Rwanda. Before joining the Bank he was the Country Director of TradeMark East Africa – Rwanda Country Programme leading a large ($65 Million) Trade Facilitation and Regional Integration Programme. Prior to joining Trademark in 2012, Hannington served as the Chief Executive Officer of the Rwanda Private Sector Federation, an umbrella organization that coordinates, promotes and represents the interests of the Business community in Rwanda. He worked with Commercial Bank of Rwanda (BCR) - a private commercial bank where he served the bank for over eight years in various capacities including heading the bank's corporate banking division, marketing and business development functions. He also served as a senior officer in charge of Special Projects at the Rwanda Investment Export Promotion Agency (RIEPA-now known as Rwanda Development Board). Hannington is a graduate of Makerere University Business School with a degree in Business Administration – Finance and has received various trainings in corporate banking, credit, structured finance and hold several positions of responsibility in Boards of Parastatals and Corporates. Hannington is a Fellow of the fourth class of the Africa Leadership Initiative-East Africa and a member of the Aspen Global Leadership Network.

EVELYN KAMAGAJU RUTAGWENDA

NON-EXECUTIVE DIRECTOR

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She previously worked as the Auditor General for the Republic of Rwanda, as the Secretary General of Uganda National Chamber of Commerce and Industry (UNCCI), consultant/project accountant in Decentralization Secretariat (Institutional Capacity Building Project), Ministry of Local Government, Uganda, and also as Chief Auditor at UCA Auditing Services among others. Mrs Rutagwenda spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR). She chaired the Steering Committee that was charged with organizing the accounting profession in Rwanda and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio, and elected member of the Governing Council. She is currently the Vice – Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

HERMAN MUSAHARA

NON-EXECUTIVE DIRECTOR

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

ROSETTE CHANTAL RUGAMBA

NON-EXECUTIVE DIRECTOR

Mrs. Rugamba is the founder and Managing Director of Songa Africa, one of the leading Luxury tour companies in East Africa specializing in luxury tours, consultancies and lodges. She has been actively involved in Travel and Tourism for the past 22 years beginning with Euro Star in UK, and then as the sales and Marketing Manager, British Airways in Uganda, before returning to her native Rwanda to spearhead the revitalization of the Tourism Industry as Director General of Rwanda tourism (ORTPN) and later as Deputy CEO of Rwanda Development Board (RDB). She is the President of Tourism in the Women Chamber and Board member of Women Chamber -Private sector Federation. Mrs. Rugamba's other responsibilities include serving on the Boards of Trade Mark East Africa (TMEA), Sonarwa-Insurance Company, African Parks Network-South Africa and she also serves as special advisor to the Secretary General of the United Nations World Tourism Organisation (UNWTO) on sustainable tourism in Africa. Rosette holds a BA (social sciences) Political science and sociology from Makerere University, studied strategic Marketing in UK and is an Aspen fellow -Ali East Africa class of 2010.

JAMES MWANGI, CBS

NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five Honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. James has been honoured twice with Presidential national awards; he was vested the First Class Chief of the Order of the Burning Spear (CBS) national decoration-the highest presidential award to a civilian, for outstanding contribution in economic development as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He is currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor of Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

JOHN STALEY

NON-EXECUTIVE DIRECTOR

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

MARY WAMAE

SECRETARY TO THE BOARD

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

EQUITY BANK TANZANIA LIMITED

DAVID R. ANSELL

NON-EXECUTIVE CHAIRMAN

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

JOSEPH IHA

MANAGING DIRECTOR

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

DELPHIN RWEGASIRA

NON-EXECUTIVE DIRECTOR

Prof. Rwegasira is a Professor in Development at the University of Dar es Salaam's Economics Department. He has many years of international and regional economic experience. Until 2006, he had worked for four years as Senior Advisor at the International Monetary Fund's African Department. Previously, he was Executive Director of the Nairobi–based African Economic Research Consortium (AERC) and member of its international Board of Directors. He also served in the African Development Bank (AfDB) as Senior Advisor to the President, and Director of Development Research and Policy. In the early 1980s, he served as Associate Professor of Economics at the University of Dar es Salaam, and as Staff Director at the Central Bank of Tanzania. Born in Tanzania, he holds a PhD in economics from Harvard University, U.S.A., and a first-class Bachelor's degree in Statistics and Economics from the former University of East Africa (University College Dar es Salaam). He has published internationally on development and financial issues, contributed to the work of a number of expert and policy groups, and served as a member of the United Nations Committee for Development Policy.

ZAHRA NURU

NON-EXECUTIVE DIRECTOR

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

RAYMOND PETER MBILINYI

NON-EXECUTIVE DIRECTOR

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

JOHN STALEY

NON-EXECUTIVE DIRECTOR

Mr. Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree and is a qualified Chartered Accountant. A specialist in implementing cost effective ICT solutions, John worked as the CEO of Credit Indemnity (Pty) Ltd in South Africa before joining Equity Bank. He has been actively involved in the use of mobile phones to provide financial services since 1998.currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

AHMED MOHAMED AME

NON-EXECUTIVE DIRECTOR

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

PETER MUNGA, CBS

NON-EXECUTIVE DIRECTOR

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

GODFREY SIMBEYE

NON-EXECUTIVE DIRECTOR

Mr. Simbeye is currently the Executive Director of Tanzania Private Sector Foundation (TPSF) since 9th March 2012. Mr. Simbeye has a strong background in Business and Financial Management and has experience of more than 17 years in consultancy and management of finance functions. He is a qualified accountant (ACCA) and has master's degree in Information Systems Management and Technology from University of Strathclyde in the UK. Mr Simbeye is a member of the Board of Millennium Challenge Account Tanzania (MCA-T), Tanzania Bureau of Standards, Tanzania Public Service College and University of Dar es Salaam Computing Centre.

JAMES MWANGI, CBS

NON-EXECUTIVE DIRECTOR

Dr. Mwangi holds five Honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. James has been honoured twice with Presidential national awards; he was vested the First Class Chief of the Order of the Burning Spear (CBS) national decoration-the highest presidential award to a civilian, for outstanding contribution in economic development as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He is currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

MARY WAMAE

SECRETARY TO THE BOARD

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PROCREDIT BANK (DRC)

DAVID R. ANSELL

NON-EXECUTIVE CHAIRMAN

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

CELESTIN MUKEBA MUNTUABU

MANAGING DIRECTOR

Mr. Mukeba holds a Degree in Business Administration from the Protestant University of Congo. Has also has a degree in Banking Administration at ProCredit Academy – Germany. Prior to joining the banking sector, he was an assistant trainer of public and private companies managers in internal control systems and internal audit. He was at PWC in 2006. Since he joined the Bank in 2006, he has contributed in building this institution and held various top level positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014)

PHILIP SIGWART

EXECUTIVE DIRECTOR

Mr. Sigwart holds a Master's degree in Economics from the University of St. Gallen (HSG) in Switzerland and a Master's in International Management from the Community of European Management Schools. He is a specialist of MSME banking in transition and developing countries. Prior to joining Equity Group he was Executive Chairman of ProCredit Bank in the DR Congo, CEO of ProCredit Bank. Kosovo and Chairman of the Kosovo Banking Association, and CEO of ProCredit Bank, Georgia. He started this career as a bank adviser with the Russia Small Business Fund of the European Bank for Reconstruction and Development.

HELEN ALEXANDER

NON-EXECUTIVE DIRECTOR

Mrs. Alexander is a member of the Management Board of ProCredit Holding, the German-based parent company of the ProCredit Group of Banks. The ProCredit Group is made up of specialist SME banks operating today in Eastern Europe, Latin America and Germany. It is supervised by the German federal banking supervision authorities. Prior to joining ProCredit she worked with the consulting company Bain & Company. Mrs. Alexander has been a member of the ProCredit Bank Congo Supervisory Board since its foundation.

BHARTESH SHAH

NON-EXECUTIVE DIRECTOR

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

WOLFGANG BERTELSMEIER

NON-EXECUTIVE DIRECTOR

Mr. Wolfgang Bertelsmeier holds a degree in business administration from Frankfurt university. He also has a degree in banking. He further attended executive education courses at Harvard Business School, INSEAD and Stanford University. He worked initially for Deutsche Bank, then DEG. In 1976 he was recruited by the World Bank. In 1990 he transferred to IFC where he was responsible for west and central Africa, later Vietnam, followed by Brazil and finally Europe. Since retiring in 2009, he has held various board directorships primarily in financial institutions in Europe, Asia and Africa, as well as infrastructure and hospitality companies in Africa.

JOHN STALEY

NON-EXECUTIVE DIRECTOR

Mr. Staley has a Masters of Science in Applied and Computational Mathematics and a Bachelor of Science in Physics. He also holds a Bachelor of Commerce degree and is a qualified Chartered Accountant. A specialist in implementing cost effective ICT solutions, John worked as the CEO of Credit Indemnity (Pty) Ltd in South Africa before joining Equity Bank. He has been actively involved in the use of mobile phones to provide financial services since 1998.currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

MARK SCHWIETE

NON-EXECUTIVE DIRECTOR

Dr. Schwiete holds a Bachelor of Business Administration, a Master of Arts in Economic Studies and a Ph.D. in Economics on the topic of financial sector reform in Eastern Europe from the Friedrich-Alexander-University in Nürnberg. In 1984 Dr. Schwiete began his professional career with Hypo-Bank (Mortgagebank) in Germany. In late 1997, he joined Dresdner Bank in Frankfurt, serving for three years as the Senior Economist for country risk analysis in the emerging markets division of the bank. His post combined professorial and public relations duties with methodological work on the improvement of country risk analysis.

In January 2001, Dr. Schwiete joined KfW where he held various positions in the MENA region as well as the Eastern European department all with a clear focus on financial sector development. Since April 2014 he is heading the division for energy and financial sector in the Eastern Africa department. He represented KfW in various boards, a.o. Access Microfinance Holding, ADVANS, Global Microfinance Facility and was in the Supervisory Board of the Micro Finance Bank of Azerbaijan for several years. He is currently also board member of Access Bank Tanzania as well as the Progression Eastern African Microfinance Equity Fund

JAMES MWANGI, CBS

NON-EXECUTIVE DIRECTOR

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SECRETARY TO THE BOARD

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EQUITY INVESTMENT BANK LIMITED

DAVID R. ANSELL

NON-EXECUTIVE CHAIRMAN

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

JULIUS MUIA

NON-EXECUTIVE DIRECTOR

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

ALI KHALPEY

NON-EXECUTIVE DIRECTOR

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

JAMES MWANGI, CBS

NON-EXECUTIVE DIRECTOR

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ROHAN PATEL

NON-EXECUTIVE DIRECTOR

Mr. Patel is an Executive Director of Grenadier Limited, an investment company with investments across a range of sectors in Kenya. In his current role Rohan is responsible for group-wide corporate development and Heads Up real estate development, investment and management. Rohan previously worked as a management consultant with KPMG for 9 years, most recently in the position of Senior Manager focused on business and financial advisory services. Rohan has an MBA from the International Institute for Management Development (IMD) and both a masters and bachelors degree from the London School of Economics (LSE) in the United Kingdom. Rohan has a Certification in Real Estate, Development, and Hotel Investment from Cornell University School of Hotel Administration

VIJAY GIDOOMAL

NON-EXECUTIVE DIRECTOR

Mr. Gidoomal qualified as a lawyer with Clifford Chance in the UK in 1992. He returned to Kenya in 1993 and was responsible for establishing Car & General operations in Uganda and Tanzania as Executive Director. He became the Managing Director of Car & General in 1996 and oversaw a complete restructuring of the company's revenue base, gradually introducing new product lines that included the pioneering of the introduction of three wheelers and two wheelers as taxis in East Africa.

In the previous years, Vijay has seen the company become really regional with representation in Kenya, Uganda, Tanzania, Rwanda, Burundi, Seychelles, Eritrea, Ethiopia, Djibouti, Somalia and now eying South Sudan. He has also seen C&G expand its franchise representation that include Doosan construction equipment, Kubota tractors, Garmin GPS devices, Toyota forklifts, Cummins diesel generators, Briggs & Stratton power equipment, TVS and Suzuki motorcycles, Piaggio three wheelers, Mercury outboard engines, Ingersoll-Rand air compressors, Motorol lubricants and MRF tyres.

The company has won a number of awards – it has been named Cummins distributor of the year, TVS distributor of the year and also received Kenya Revenue Authority's distinguished taxpayer award in the motorcycle registration category.

Vijay is a passionate golfer and an avid reader. He is an active member of the Young Presidents Association, its past Chairman (Kenya Chapter) and regional board member.

MARY WAMAE

SECRETARY TO THE BOARD

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

FINSERVE AFRICA LIMITED

JOHN WAWERU

EXECUTIVE CHAIRMAN

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

JOHN KIBET BAROROT

NON-EXECUTIVE DIRECTOR

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

ISIS NYONG'O MADISON

NON-EXECUTIVE DIRECTOR

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

JOHN STALEY

NON-EXECUTIVE DIRECTOR

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

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EQUITY GROUP FOUNDATION

JAMES MWANGI, CBS

EXECUTIVE CHAIRMAN

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HELEN GICHOHI, MBS

MANAGING DIRECTOR

Dr. Gichohi joined Equity Group Foundation as Managing Director in 2012. Prior to joining EGF, Helen spent 11 years with the African Wildlife Foundation (AWF), where she served as Director of the African Heartlands Programme, before rising to become Vice President for Programmes in February 2002.

In 2007, she was appointed the first AWF President and led the move of AWF's headquarters to Nairobi, Kenya from Washington, DC in the USA. Helen has received numerous awards and honors, including two presidential awards, the Order of Grand Warrior (OGW) and the Moran of the Order of Burning Spear (MBS) for her distinguished service to the nation. Helen holds a doctorate in ecology from the University of Leicester in the UK. She also holds a Master of Science in biology of conservation from the University of Nairobi and a Bachelor of Science in Zoology from Kenyatta University. She serves on the boards of AWF and Ol Pejeta Conservancy and previously sat on the board of Kenya Wildlife Service

ZAINAB JAFFER

NON-EXECUTIVE DIRECTOR

Ms. Jaffer is Managing Director and Head of Africa for MenaLink Holdings, an integrated holding company that structures, finances and manages international business transactions to facilitate the flow of capital, technology and products across borders. Ms. Jaffer has been mandated with the task of spearheading the MenaLink Socio-Economic Development Initiative for Kenya (SEDIK), which has been launched under the guidance of the Kenyan government to support Kenya Vision 2030. She successfully executed SEDIK's flagship $50 million project with an exclusive partnership with GEMS Education, to structure, finance and build a 200,000 square foot mega campus in Kenya, that is set as one of Kenya's best education and largest foreign direct investment project. Ms. Jaffer also serves as Director, Principal and/or Advisor to IFG Port Holdings, a New York based global investment firm with a focus on agribusiness and port-related investments; Semelex Biometrics, a Brussels based biometrics company; and the The Coast General Hospital in Mombasa County. Ms. Jaffer is highly active and passionate about philanthropic work through her leadership at The Nourafchan Foundation (TNF), an apolitical, non-governmental, non-religious, 501(c)(3) approved non-profit organisation whose mission is to improve the human condition. She has also worked extensively with UNICEF in public-private arena. Ms. Jaffer graduated with honors from the London School of Economics and Political Science with a Bachelor of Science Degree, Management with Law.

PETER MUNGA, CBS

NON-EXECUTIVE DIRECTOR

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

MOHAMED BADAWY AL-HUSSEINY

NON-EXECUTIVE DIRECTOR

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

MARY WAMAE

SECRETARY TO THE BOARD

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

EXECUTIVE MANAGEMENT

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

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

JAMES MWANGI, CBS

MANAGING DIRECTOR AND C.E.O

James holds five Honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. James has been honoured twice with Presidential national awards; he was vested the First Class Chief of the Order of the Burning Spear (CBS) national decoration-the highest presidential award to a civilian, for outstanding contribution in economic development as well as the Moran of the Burning Spear. He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He is currently the Chairman of Kenya's Vision 2030 Delivery Board charged with the responsibility of ensuring Kenya becomes a middle income country with global high standards of living by the year 2030. He serves on several international bodies as an advisor. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor Meru University College of Science and Technology. He has wide experience in the banking industry and inclusive finance.

BHARTESH SHAH

CHIEF OPERATIONS OFFICER

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

HELEN GICHOHI, MBS

MANAGING DIRECTOR, EQUITY GROUP FOUNDATION

Helen holds a Ph.D. in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation and a BSc in Zoology from the University of Nairobi and Kenyatta University respectively. She joined Equity Group Foundation in 2012 from the African Wildlife Foundation where she served for 11 years from 2001, as the President from 2007, Vice President from 2002 and Director of the Conservation Program from 2001 when she joined AWF. Prior to that, she was the Managing Director of the African Conservation Center. Helen is a recipient of the Charlotte Wyman Trust's Women in Conservation Program, the Order of Great Warrior and the Moran of the Order of the Burning Spear awarded by the Kenyan Government. She won the Giai Environmental Award for 2012 at The WIFTs Foundation International Visionary Awards. She serves on the boards of Ol Pejeta Conservancy and Africa Wildlife Foundation.

MARY WAMAE

DIRECTOR OF CORPORATE STRATEGY AND COMPANY SECRETARY

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

JOHN STALEY

CHIEF OFFICER – FINANCE, INNOVATION AND PAYMENTS

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

REUBEN MBINDU

CHIEF OFFICER, HUMAN CAPITAL AND ADMINISTRATION

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

JUMAANE TAFAWA

DIRECTOR STRATEGIC PARTNERSHIPS & PROGRAM MANAGEMENT

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

ROHIT KUMAR SINGH

CHIEF OFFICER, CORPORATE AND SME BANKING

Rohit holds a MS (Finance) degree from Boston College, USA, an MBA from Cardiff Business School, UK and a Bachelor degree in Technology with Honours (Civil Engineering) from Harcourt Butler Technological Institute, India. Additionally, he is a graduate of the Strategic Leadership Program from IESE Business School, Barcelona and has completed an advanced technology program from Carnegie Mellon University, USA. Prior to joining Equity Bank in 2014, Rohit held senior management positions at Emirates NBD Bank in Dubai, Business Development Asia in Mumbai, Private Capital Management in Naples and McKinsey & Company in New York. He has extensive experience in corporate banking, SME banking, investment banking, private equity, capital markets and investment management. In an international career spanning more than 15 years, Rohit has not only worked in developed economies of North America and Europe but also quite extensively in emerging economies of Africa, Asia and the Middle East. In May 2015, Rohit was named the "Corporate Banker of the Year" in the Think Business Banking Awards.

RONALD WEBB

GROUP DIRECTOR OF PAYMENTS

Ronald was educated in Zimbabwe and South Africa.He has over thirty-years experience in the payments industry in Africa. Prior to joining Equity, Ronald was 18 years as co-founder and chief architect of the Paynet and PesaPoint payments businesses in Zimbabwe and Kenya. He has previously worked for Burroughs, Wang, Prime Computer & First National Bank. Able to transition the boundary between technology and business Ronald has worked with a myriad of payment technologies from cheque processing to blockchain. Ronald joined Equity Bank in 2015.

ANTHONY EMEKA OGBECHIE

GROUP FINANCE DIRECTOR

Anthony holds an MBA (Strategy and Finance) from INSEAD, France. He also holds an MSc in Management from The London School of Economics UK, BA in Business Administration and Marketing from the American Intercontinental University London (Magna Cum Laude)and is a qualified Chartered Accountant (ACA) from the Institute of Chartered Accountants in England and Wales. He has over 15 years of international financial services experience covering Financial Reporting, Corporate Planning, Corporate Finance, Performance Management, Strategy and Transformation. Anthony joined Equity Bank as the Finance Director in 2014 from UBA Capital Plc (Nigeria) where he served as the Group Chief Finance Officer. Prior to that he was at Credit Suisse Investment Bank (London) in Strategic Finance Transformation and UBS Investment Bank (London) in Strategic Business Transformation.

GERALD WARUI

DIRECTOR OPERATIONS & 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 18 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 15 years of banking experience. Elizabeth joined Equity Bank in 2001.

ALLAN M. WAITITU

DIRECTOR SPECIAL PROJECTS

Allan is a graduate in Business Information Technology, and a graduate of Advanced Management Programme (Strathmore-IESE Business School, Barcelona Spain). He has over 26 years' experience in Information Technology and banking and previously served as Equity Bank's General Manager of Operations. Allan joined Equity Bank in 2004. He is undertaking a Master in Business Administration Degree at Strathmore Business School.

BILDARD FWAMBA

CHIEF INTERNAL AUDITOR

Bildard holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and is a Certified Public Accountant (CPA-K) and a member of ICPAK. He has over 18 years' experience in Audit, Accounting and Finance. He joined the Group in 2004 from Central Bank of Kenya (CBK) where he served for 7 years as a Bank Examiner. He previously worked with Britam before joining CBK. At Equity Group, Bildard has served in various roles including Compliance Manager, Internal Audit Manager, Head of Internal Audit, General Manager – Finance and General Manager – Internal Audit before his current role.

ANTHONY KITUUKA

EXECUTIVE DIRECTOR FOR REGIONAL SUBSIDIARIES

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

JOHN WAWERU

EXECUTIVE CHAIRMAN - FINSERVE AFRICA LIMITED

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

NEIL DWYER

CHIEF TECHNICAL OFFICER, FINSERVE AFRICA

Neil holds an MSc in Project Management from George Washington University. He has over 27 years in-depth international experience in the Telco and Financial Services sectors. With a broad array of roles spanning IT service management, Service Delivery, Project Management, Strategy, Operations, Customer Experience, IT outsourcing, Vendor Management and Consultancy. Neil previously worked for NatWest Bank, AT&T and EDS, in the UK; IBM and NCR covering the EMEA region; and had a global responsibility at Vodafone. Neil's immediate previous role was the Head of Global Services and Operations for MPESA at Vodafone. From its infancy in 2008 to 2015. Neil joined Equity in 2015

SAMUEL KIRUBI

MANAGING DIRECTOR, EQUITY BANK UGANDA

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

PAUL GITAHI

MANAGING DIRECTOR, EQUITY BANK SOUTH SUDAN

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

ADDIS ABABA OTHOW

DIRECTOR OPERATIONS, EQUITY BANK SOUTH SUDAN

Addis holds a Bachelor of Science in Economics, Master's degree in Economic Development and a PhD in political economics from Al-Neelain University, Khartoum, Sudan. He also holds Bachelor Degree in Finance and Accounting from Hanze University, Groningen, Netherlands. He has a wide range of experience in banking, accounting, finance, and information system. Prior to joining Equity Bank, Dr. Addis initially worked as a teaching assistant at Al Neelain University, Khartoum and was later appointed as a banking inspector, Central Bank of Sudan in 1997. He worked as an assistant accountant and auditor at Dubois & Co Chartered Accountants Amsterdam, The Netherlands. He has also worked as head of non-banking Division before he got transferred to be the Head of planning, regulation and licensing, central bank of south Sudan (BSS). He joined Equity Bank in February.

HANNINGTON NAMARA

MANAGING DIRECTOR, EQUITY BANK RWANDA

Hannington has over 15 year of experience as a Senior Private Sector Development specialist. He has extensive track record in Strategy, Leadership and Programme Management, Finance and Communications. Hannington is currently the Chief Executive Officer & Managing Director of Equity Bank Rwanda. Before joining the Bank he was the Country Director of TradeMark East Africa – Rwanda Country Programme leading a large ($65 Million) Trade Facilitation and Regional Integration Programme. Prior to joining Trademark in 2012, Hannington served as the Chief executive officer of the Rwanda Private Sector Federation, an umbrella organization that coordinates, promotes and represents the interests of the Business community in Rwanda. He worked with Commercial Bank of Rwanda (BCR) - a private commercial bank where he served the bank for over eight years in various capacities including heading the bank's corporate banking division, marketing and business development functions. He also served as a senior officer in charge of Special Projects at the Rwanda Investment Export Promotion Agency (RIEPA-now known as Rwanda Development Board). Hannington is a graduate of Makerere University Business School with a degree in Business Administration – Finance and has received various trainings in corporate banking, credit, structured finance and hold several positions of responsibility in Boards of Parastatals and Corporates. Hannington is a Fellow of the fourth class of the Africa Leadership Initiative-East Africa and a member of the Aspen Global Leadership Network.

JOSEPH IHA

MANAGING DIRECTOR, EQUITY BANK TANZANIA

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

CELESTIN MUKEBA MUNTUABU

MANAGING DIRECTOR, PROCREDIT BANK (DRC)

Celestin holds a Degree in Business Administration from the Protestant University of Congo. Has also a degree in Banking Administration at ProCredit Academy – Germany. Prior joining the banking sector, he was an assistant trainer of public and private companies managers in internal control systems and internal audit. He was at PWC in 2006. Since he joined the bank in 2006, he has contributed in building this institution and held various top level positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014)

PHILIP SIGWART

EXECUTIVE DIRECTOR, PROCREDIT BANK (DRC)

Philip holds a Master's degree in Economics from the University of St. Gallen (HSG) in Switzerland and a Master's in International Management from the Community of European Management Schools. He is a specialist of MSME banking in transition and developing countries. Prior to joining Equity Group he was he was Executive Chairman of ProCredit Bank in the DR Congo, CEO of ProCredit Bank Kosovo and chairman of the Kosovo Banking Association, and CEO of ProCredit Bank Georgia. He stared this career as a bank adviser with the Russia Small Business Fund of the European Bank for Reconstruction and Development

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2015 in accordance with Section 22 of the Kenyan Banking Act and Section 157 of the Kenyan Companies Act, which discloses the state of affairs of the Company and its subsidiary companies.

1. ACTIVITIES

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

a. to carry on the business of non-operating company as defined under the Banking Act;
b. to carry on the business of a holding company;
c. to employ the funds of EGHL in the development and expansion of the business of EGHL and all or any of its subsidiary companies; and
d. to co-ordinate the administration of and to provide advisory, administrative, management and other services in connection with the activities of its subsidiary companies.

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

2. RESULTS

The results for the Group are set out on pages 78-152.

3. DIVIDENDS

The Board has recommended a dividend of KShs 2.00 (2014: KShs 1.80) per share subject to the approval of shareholders at the Annual General Meeting.

4. DIRECTORS

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

Peter Kahara Munga +	-	Chairman
James Njuguna Mwangi*	-	Chief Executive Officer & Managing Director
Benson Irungu Wairegi++++	-	Vice-chairman
Babatunde Temitope Soyoye++**		
Temitope Olugbeminiyi Lawani +++++**		
Helen Gichohi *	-	Managing Director, Equity Group Foundation
David Ansell****		
Dennis Aluanga		
Alykhan Nathoo++***		
Evelyn Rutagwenda+*****		
John Staley+*	-	Chief Officer Finance, Innovations & Payments
Adil Popat+		
Deepak Malik+++******		

+ Retired by rotation on 31st March 2015 and were re-elected.
++ Resigned from the board on 8th May 2015
+++ Appointed to the board on 29th April 2015
++++ Retired by rotation on 31st March 2015 and did not seek re-election.
+++++ Alternate director to Dennis Aluanga; Resigned from the board on 7th September 2015
* Executive Director
** British
*** Canadian, Alternate director to Babatunde Soyoye
**** American
***** Rwandese
****** Indian

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

Mr. Deepak Malik having been appointed as a director during the year will retire in accordance with Article 101 and being eligible offers himself for election as a director.

5. AUDITORS

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

6. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 8th March 2016.

BY ORDER OF THE BOARD

MARY WANGARI WAMAE
Company Secretary

8th March 2016

STATEMENT ON CORPORATE GOVERNANCE

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

The Group and Company has built its business on very strong corporate governance principles based on the application of high and consistent ethical standards in our relationships with all customers, employees and other stakeholders. This is consistent with the Group's core value of effective corporate governance that has led to a strong commitment to conduct business in accordance with best business practices based on the principles of transparency, accountability and responsibility, monitoring compliance with relevant laws and regulations, risk management, appropriate checks and balances and the delivery on commitments to all stakeholders. Ethical leadership and integrity, socio-environmental responsibility and determination of Group strategy are the key principles that are taken into account while setting governance standards for the Group.

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

The Board of Directors is the representative of the shareholders and has the duty of validating financial results and review of Group performance, protecting assets, counselling the CEO on strategy and nurturing the next generation of leaders. Directors are also responsible for ensuring proper and sound corporate governance within the Group. Good corporate governance is therefore a fundamental part of the culture and the business practices of the Group.

OVERSIGHT ROLE OF THE BOARD OF DIRECTORS

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

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

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

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

During the year, nine directors served on the board and five full board meetings were held.
Mr Peter Munga, Mr Adil Popat, Mrs Evelyn Rutagwenda and Mr John Staley retired by rotation from the Board on 31st March 2015 and were re-elected. Mr Benson Wairegi retired on 31st March 2015 and did not seek re-election. Mr Deepak Malik was appointed a director on 29th April 2015.

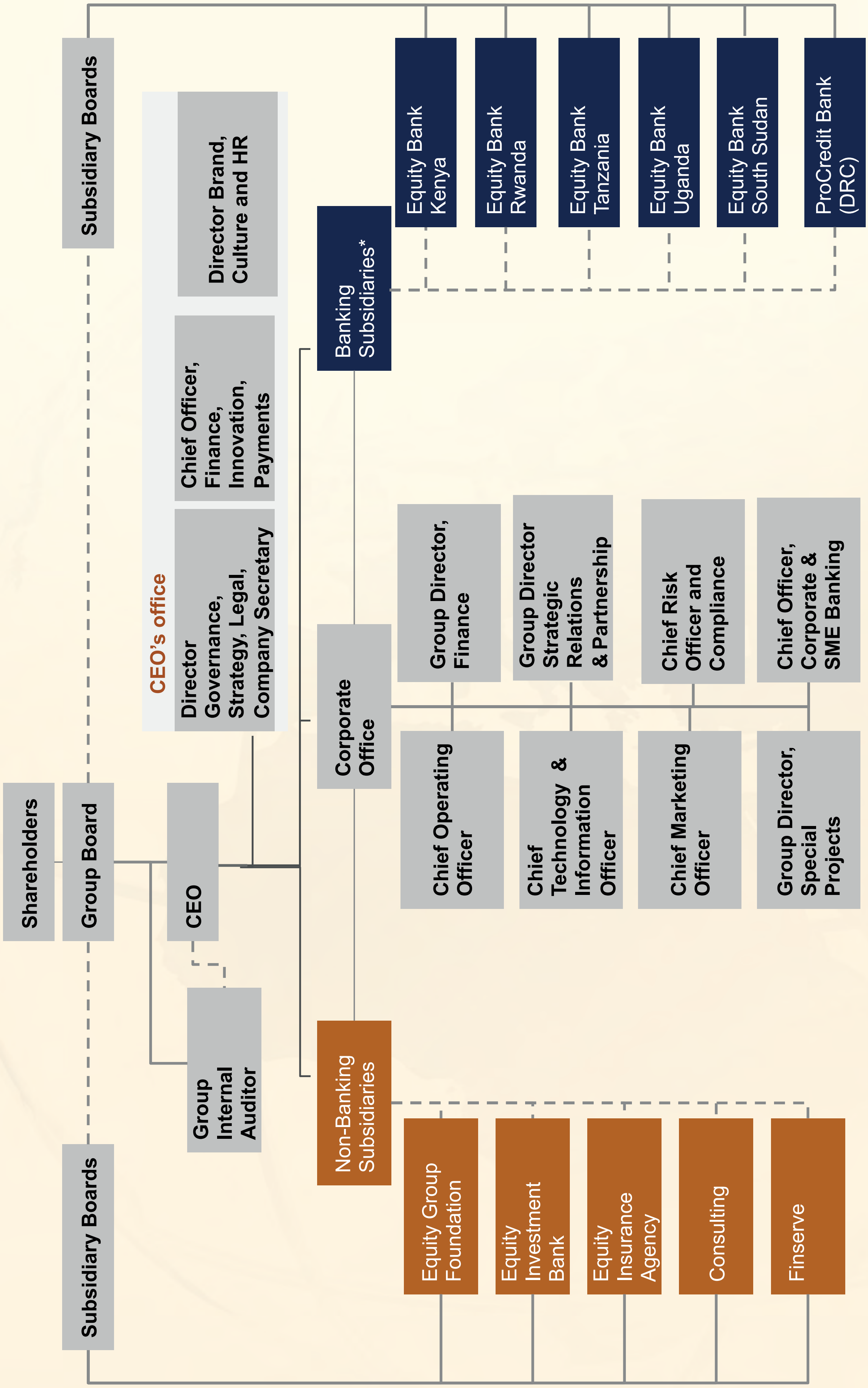
The Director's attendance for 2015 was as follows:

BOARD MEMBERS										
	Dr. James Mwangi	Mr. John Staley	Dr. Helen Gichohi	Mr. Peter Munga	Mr. David Ansell	Mr. Benson Wairegi	Mrs. Evelyn Rutagwenda	Mr. Adil Popat	Mr. Deepak Malik	Mr. Dennis Aluanga
Full Board	4 (5)	5 (5)	5 (5)	5 (5)	4 (5)	2 (2)	5 (5)	3 (5)	2 (2)	4 (5)
Audit Committee	-	-	-	-	2 (2)	-	4 (4)	3 (4)	-	3 (4)
Governance, Nominations & Compensation Committee	4 (4)	-	4 (4)	2 (4)	-	-	3 (4)	-	-	3 (4)
Strategy & Investments Committee	3 (3)	3 (3)	-	0 (3)	-	-	-	2 (3)	1 (1)	3 (3)

NB: Dr. Benson Wairegi retired from the Board on 31st March 2015 hence did not attend any meetings after April 2015.
Mr. Deepak Malik joined the Board in April 2015 hence only attended meetings held from July 2015.
Mr. David Ansell joined the audit committee in July 2015.

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

THE COMPANY STRUCTURE



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

BOARD COMMITTEES

The Board has established board committees in each of the subsidiaries governed by charters and aligned to the Group's delivery of its vision and mission. The secretary to each board committee is the head of the relevant function within the Group and Company. In addition, the Group board has constituted various committees to assist in discharge of various mandates.

Governance, Nominations and Compensation Committee

The general purpose of the Governance, Nomination and Compensation Committee

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

Audit Committee

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

a. Assisting the Group Board in carrying out their responsibilities relating to accounting policies, internal control and financial reporting functions.
b. Monitoring the effectiveness of Group Internal Audit activities.
c. Assisting on such other matters as may be referred to it by the Group Board.

Strategy & Investments Committee

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

The following is the composition of the board committees:

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

RISK MANAGEMENT FRAMEWORK

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

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

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

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

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

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

FINANCIAL REPORTING AND DISCLOSURES

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

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

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

DEVELOPMENT PARTNERS

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

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

1. Africa Development Bank (AFDB)
2. Action Africa Health International (AAHI) – Kakuma
3. African Management Institute
4. Alliance for a Green Revolution in Africa (AGRA)
5. American Express ®
6. Australian Aid – AusAid
7. Baraton University
8. Bill and Melinda Gates Foundation
9. China Development Bank
10. Consultative Group to Assist the Poor (CGAP)
11. Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ)
12. DFiD/UKAid
13. East Africa Market Development Partners
14. Embassy of the Kingdom of the Netherlands
15. European Investment Bank (EIB)
16. European Union – Funding of Kenya Cereal Enhancement Programmme
17. Financial Sector Deepening Trust (FSD)
18. Food and Agriculture Organization (FAO)
19. Food for the Hungry (FH)
20. Financial Sector Deepening Trust – FSDT
21. German Development Bank (KfW)
22. Government of Kenya
23. Higher Education Loans Board (HELB)
24. Hong Kong and Shanghai Banking Corporation Limited (HSBC) Africa
25. Hunger Safety Net Programme (HSNP)
26. International Finance Corporation (IFC)
27. International Fund for Agricultural Development (IFAD)
28. International Labour Organisation (ILO)
29. Japan Social Development Fund
30. Jomo Kenyatta University of Agriculture and Technology (JKUAT)
31. Kenya Forest Service (KFS)
32. Kenya National Examinations Council (KNEC)
33. Kenya Primary Schools Heads Association (KEPSHA)
34. Kenya Private Schools Association (KEPSA)
35. Kenya Secondary School Heads Association (KSSHA)
36. Kenya Tea Development Authority Foundation (KTDA)
37. Kenyatta University
38. Lundin Foundation
39. Marvel Five Investments Limited
40. Micro Energy Credits (MEC)
41. Micro Finance Sector Support Credit (Ministry of Finance)
42. Millennium Promise of Earth Institute
43. Ministry of Education, Science and Technology (MoEST)
44. Ministry of Gender, Children & Social Development
45. Ministry of Land, Housing and Urban Development
46. Ministry of Youth (MOYA)
47. Mozilla Foundation
48. Africa Nazarene University
49. Nourafchan Foundation
50. Office of the Deputy President, Social Investment Focused Agenda (SIFA) initiative
51. Oracle
52. PayPal
53. Permanent Working Group on Vocational, Technical and Industrial Training (PWG)
54. Population Council of Kenya
55. ResponsAbility group of funds and sub funds.
56. Rockefeller Foundation
57. Scope Insight
58. Soil Cares Research
59. Strengthening Healthcare through the Private Sector (SHOPS) project
60. Swedish Energy Agency
61. Swiss Foundation for Technical Co-operation (Swisscontact)
62. Technoserve
63. The MasterCard Foundation
64. The World Bank jointly with the Kenya Forest Service
65. U.S. President's Emergency Plan for Aids Relief (PEPFAR)
66. UK Agency for International Development (UKaid)
67. UN Women
68. United Nations Capital Development Fund (UNCDF)
69. United Nations High Commissioner for Refugees (UNHCR)
70. United Nations International Children's Emergency Fund (UNICEF) jointly with Red Cross
71. United Nations Office for coordination of Humanitarian Affairs (UNOCHA)
72. United States Agency for international Development (USAID)
73. University of Eldoret
74. University of Nairobi, Faculty of Agriculture
75. World Bank

76. World Food Programme (WFP)
77. World Vision International
78. Young African Leaders Initiative (YALI) East Africa Regional Leadership Center

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

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

PARTICULARS OF SHAREHOLDING

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

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

NORFININVEST AS

Norfininvest AS is a company incorporated in Norway with the sole purpose of owning the stakes in Equity Bank Holding Ltd. jointly owned by Norfund and NorFinance AS. Norfund – the Norwegian Investment Fund for Developing Countries – invests in the establishment and development of profitable and sustainable enterprises in developing countries. By contributing to the development of local businesses, jobs and economic growth, Norfund aims at reducing poverty. Norfund cooperates with partners that have the best potential for commercial success - Norwegian or international. The current investment portfolio of Norfund totals USD 1.7 billion invested in 129 different projects. NorFinance AS is a cooperation between Norfund and several private Norwegian investors to promote increased investment in Financial Services in Sub-Saharan Africa.

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

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

THE NATIONAL SOCIAL SECURITY FUND (NSSF, UGANDA)

The National Social Security Fund (NSSF) of Uganda is a National Saving Scheme mandated by the Government of Uganda through the National Social Security Fund Act, Cap 222 (Laws of Uganda) to provide social security services to employees in Uganda. It was established by an Act of Parliament (1985) to provide for its membership, payment of contributions to, and payment of benefits out of the Fund. It is a provident fund (pays out contributions in lump sum) that covers all employees in Uganda's private sector that are not covered by the government's pension scheme. NSSF Uganda is the largest investor on the Uganda Securities Exchange with total assets equivalent to 5.6% of Uganda's GDP (approximately USD 1.6 Billion). NSSF Uganda acquired a 2.44% shareholding in Equity Group Holdings Limited in June 2015.

EGHL Director Shareholding As At 31st Dec 2015

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

As at 31st December 2015, the following was the shareholding and distribution

NAME	NO. OF SHARES	%
NORFININVEST AS	452,581,275	12.223
BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED	239,501,330	6.35
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	143,729,900	3.81
JAMES NJUGUNA MWANGI	127,809,180	3.39
FORTRESS HIGHLANDS LIMITED	101,010,000	2.68
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9069	93,396,569	2.47
EQUITY NOMINEES LIMTED A/C 00104	93,171,804	2.47
CFC STANBIC NOMINEES LTD A/C NR3530153-1	90,516,255	2.40
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.39
ANDREW MWANGI KIMANI	87,426,800	2.32
OTHERS 28,990 SHAREHOLDERS	2,254,416,779	59.74
TOTAL SHARES	**3,773,674,802**	**100.00**

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

DISTRIBUTION OF SHARES

Shareholding	No. of Shareholders	No. of Shares	% Shares Held
1 to 500	10,019	2,586,918	0.07
501 - 5,000	13,259	24,918,267	0.66
5,001 - 10,000	2,096	16,210,164	0.43
10,001 - 100,000	2,751	79,032,760	2.09
100,001 - 1,000,000	586	190,122,715	5.04
1,000,001 and above	289	3,460,803,978	91.70
TOTAL	**29,000**	**3,773,674,802**	**100.00**

On January 16th, 2015 , Norfininvest AS (a joint venture investment company between Norfund and Norwegian private investors) announced that it had agreed terms with Helios Investment Partners ("Helios") to purchase from Helios an effective stake equivalent to 12.223% in Equity Group Holdings Ltd. ("Equity"), representing half of Helios' interest in Equity. Regulatory approval was given thereto. The remaining part of the stake was sold to various other investors in several on-market transactions. As a result of these various sales Helios EB exited from shareholding in Equity Group Holdings Limited in 2015. Consequently Mr Babatunde Soyoye, Mr Temitope Lawani and Mr Alykhan Nathoo resigned from the board in the course of the year. Mr Dennis Aluanga was retained by the board as an independent director.
Further details on Norfund can be found at: www.norfund.no

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

Director:______________________

Director:______________________

Secretary______________________

Date: 8th March 2016

REPORT OF THE INDEPENDENT AUDITORS

Building a better working world

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Equity Group Holdings Limited and subsidiaries, (the Group) which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages 78 to 152.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

REPORT ON OTHER LEGAL REQUIREMENTS

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

i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;

ii) in our opinion, proper books of account have been kept by the Company and the Group, so far as appears from our examination of those books; and

iii) the Group and the Company's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income are in agreement with the books of account.

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

Nairobi, Kenya

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
In millions of Kenya Shillings	**Note**	**2015**	**2014**	**2015**	**2014**
Interest income	8	43,171	35,367	-	31,140
Interest expense	8	(9,249)	(6,192)	-	(4,980)
Net interest income		**33,922**	**29,175**	**-**	**26,160**
Net fee and commission income	9(a)	3,969	3,297	-	2,638
Net trading income	9(b)	3,116	2,391	-	1,251
Other operating income	10	15,048	12,786	8,519	11,118
Operating income before impairment losses		**56,055**	**47,649**	**8,519**	**41,167**
Net impairment loss on financial assets	11	(2,433)	(1,590)	-	(1,159)
Operating income after Impairment losses		**53,622**	**46,059**	**-**	**40,008**
Personnel expenses	12	(10,206)	(10,814)	-	(8,791)
Operating lease expenses	13	(1,639)	(1,592)	-	(1,088)
Depreciation and amortisation	14, 15	(4,128)	(3,185)	-	(2,568)
Other operating expenses	16	(13,691)	(9,168)	(697)	(7,449)
Total operating expenses		**(29,664)**	**(24,759)**	**(697)**	**(19,896)**
Profit before tax and equity accounted income		**23,958**	**21,300**	**7,822**	**20,112**
Share of profit from associate	17(a)	-	242	-	-
Gain on disposal of associate	17(a)	-	822	-	1,667
Profit before income tax		**23,958**	**22,364**	**7,822**	**21,779**
Income tax expense	18	(6,631)	(5,213)	(61)	(4,943)
Profit for the year		**17,327**	**17,151**	**7,761**	**16,836**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
In millions of Kenya Shillings	Note	2015	2014	2015	2014
Profit for the year		**17,327**	**17,151**	**7,761**	**16,836**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations		(5,752)	137	-	-
Transfer of available for sale reserve to profit and loss on sale of investments		200	98	-	98
(Loss) / gain on fair valuation	21	(1,308)	247	-	247
Current year portion of associate carrying amount		-	142	-	-
Other comprehensive income for the year		**(6,860)**	**624**	**-**	**345**
Total comprehensive income for the year net of tax		**10,467**	**17,775**	**7,761**	**17,181**
Profit attributable to:					
Equity holders of the parent		17,303	17,151	7,761	16,836
Non-controlling interest		24	-	-	-
		17,327	**17,151**	**7,761**	**16,836**
Total comprehensive income attributable to:-					
Equity holders of the parent		10,443	17,775	7,761	17,181
Non-controlling interest		24	-	-	-
		10,467	17,775	7,761	7,761
Earnings per share (basic and diluted)	29	**4.65**	**4.63**	**2.09**	**4.55**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		Group		Company	
In millions of Kenya Shillings	Note	2015	2014	2015	2014
Assets					
Cash balances and deposits in financial institutions	19	70,170	48,218	1,890	8,418
Loans and advances to customers	20(b)	269,893	214,170	-	-
Investment securities	21	42,775	48,369	-	-
Amounts due from related parties	22(f)	272	189	8,318	-
Other assets	23	19,322	15,983	35	-
Tax recoverable	18	839	123	-	-
Investments in subsidiary companies	17(b)	-	-	59,345	54,799
Property and equipment	14	14,056	10,528	-	-
Prepaid leases	15 (b)	28	106	-	-
Intangible assets	15(a)	4,585	3,425	-	-
Goodwill	17(d)	3,103	887	-	-
Deferred tax assets	24	3,019	2,574	-	-
Total assets		**428,062**	**344,572**	**69,588**	**63,217**
Liabilities					
Deposits from customers	25	303,206	245,582	-	-
Tax payable	18	270	463	138	461
Amounts due to related parties	22(g)	-	-	2,475	420
Other liabilities	26	9,496	4,507	11	23
Borrowed funds	27	42,895	30,242	-	-
Deferred tax liability	24	59	2	-	-
Total liabilities		**355,926**	**280,796**	**2,624**	**904**
Equity					
Share capital	28(a)	1,887	1,851	1,887	1,851
Share premium	28(b)	16,063	12,161	16,063	12,161
Retained earnings		52,216	43,055	41,467	41,253
Available for sale reserve	28(c)	(1,465)	(357)	-	(385)
Loan loss reserve	28(d)	1,615	1,020	-	768
Foreign currency translation reserve	28(f)	(6,258)	(506)	-	-
Other reserves	28(e)	(113)	(113)	-	-
Proposed dividends	28(g)	7,547	6,665	7,547	6,665
Non-controlling interests		644	-	-	-
Total equity		**72,136**	**63,776**	**66,964**	**62,313**
Total liabilities and equity		**428,062**	**344,572**	**69,588**	**63,217**

The financial statements were approved by the Board of Directors on 8th March 2016 and signed on its behalf by:-

Mr. Peter K. Munga, CBS

Director

Dr. James Mwangi, CBS

Director

Mary Wangari Wamae

Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group
In millions of Kenya Shillings

For the year ended 31 December 2015	Note	Share capital	Share premium	Retained Earnings	Loan loss reserve	Available-for-sale reserve	Foreign currency translation reserve	Revaluation reserve	Other reserves	Proposed dividend	Total equity	Non-controlling interests	Total equity
At 1 January 2015	**28**	**1,851**	**12,161**	**43,055**	**1,020**	**(357)**	**(506)**	**-**	**(113)**	**6,665**	**63,776**	**-**	**63,776**
Total comprehensive income:													
Profit for the year		-	-	17,303	-	-	-	-	-	-	17,303	24	17,327
Other comprehensive income		-	-	-	-	(1,108)	(5,752)	-	-	-	(6,860)	-	(6,860)
Loan reserve transfers	28	-	-	(595)	595	-	-	-	-	-	-	-	-
Issue of additional shares	28	36	3,134	-	-	-	-	-	-	-	3,170	-	3,170
Loan loss transfers		-	768	-	-	-	-	-	-	-	768	-	768
Non- controlling interests from business acquisition)	17 (c)	-	-	-	-	-	-	-	-	-	-	620	620
Dividends:													
Final dividend for 2014 paid	28									(6,665)	(6,665)	-	(6,665)
Proposed dividend for 2015	28	-	-	(7,547)	-	-	-	-	-	7,547	-	-	-
At 31 December 2015		**1,887**	**16,063**	**52,216**	**1,615**	**(1,465)**	**(6,258)**	**-**	**(113)**	**7,547**	**71,492**	**644**	**72,136**
For the year ended 31 December 2014													
At 1 January 2014	**28**	**1,851**	**12,161**	**32,662**	**753**	**(702)**	**(643)**	**32**	**(113)**	**5,554**	**51,555**	-	**51,555**
Total comprehensive income:		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the year		-	-	17,151	-	-	-	-	-	-	17,151	-	17,151
Other comprehensive income		-	-	142	-	345	137	-	-	-	624	-	624
Loan reserve transfers		-	-	(267)	267	-	-	-	-	-	-	-	-
Dividends:													
Reversal of Associate dividends		-	-	32	-	-	-	(32)	-	-	-	-	-
Final for 2013 paid	28	-	-	-	-	-	-	-	-	(5,554)	(5,554)	-	(5,554)
Proposed for 2014	28	-	-	(6,665)	-	-	-	-	-	6,665	-	-	-
At 31 December 2014		**1,851**	**12,161**	**43,055**	**1,020**	**(357)**	**(506)**	**-**	**(113)**	**6,665**	**63,776**		**63,776**

STATEMENT OF CHANGES IN EQUITY

Company
In millions of Kenya Shillings

For the year ended 31 December 2015	Share capital	Share premium	Retained	Loan loss reserve	Available for sale reserve	Proposed dividend	Total equity
As at January 2015	**1,851**	**12,161**	**41,253**	**768**	**(385)**	**6,665**	**62,313**
Total comprehensive income:							
Profit for the year	-	-	7,761	-	-	-	7,761
Other comprehensive income	-	-	-	-	-	-	-
Transfer to EBKL*	-	-			385	-	(385)
Loan reserve transfers		768		(768)			-
Issue of additional shares (Note 28)	36	3,134					3,170
Dividends (Note 28(g)):							
Final for 2014 paid	-	-	-	-	-	(6,665)	(6,665)
Proposed for 2015	-	-	(7,547)	-	-	7,547	-
At 31 December 2015	**1,887**	**16,063**	**41,467**	**-**	**-**	**7,547**	**66,964**
For the year ended 31 December 2014							
As at January 2014	**1,851**	**12,161**	**31,272**	**578**	**(730)**	**5,554**	**50,686**
Total comprehensive income:							
Profit for the year	-	-	16,836	-	-	-	16,836
Other comprehensive income	-	-	-	-	345	-	345
Loan reserve transfers	-	-	(190)	190	-	-	-
Dividends(Note 28(g)):							
Final for 2013 paid	-	-	-	-	-	(5,554)	(5,554)
Proposed for 2014	-	-	(6,665)	-	-	6,665	-
At 31 December 2014	**1,851**	**12,161**	**41,253**	**768**	**(385)**	**6,665**	**62,313**

*EBKL – Equity Bank (Kenya) Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

		Group		Company	
In millions of Kenya Shillings	Note	2015	2014	2015	2014
OPERATING ACTIVITIES					
Net profit before taxation		**23,958**	**22,364**	**7,822**	**21,779**
Adjustments for:					
Depreciation on property and equipment	14	3,297	2,563	-	2,049
Amortisation of intangible assets	15	686	622	-	519
Amortisation of prepaid Leases	15(b)	145	120	-	-
Unrealised exchange (gains) / losses		-	(28)	-	6
Loss/(Profit) on disposal of property and equipment		26	(37)	-	(26)
Loss/(Profit) on disposal of Intangible assets		102	-	-	-
Provision for non-performing loans	11	2,433	1,590	-	1,159
Share of profit of associate	17a	-	(242)	-	-
Gain on sale of Associate	17(a)	-	(822)	-	(1,667)
Dividends received from associate	17a	-	(100)	-	-
Net Interest expense on term borrowings	8	2,142	1,436	-	1,369
Operating profit before changes in operating assets & liabilities		**32,789**	**27,466**	**7,822**	**25,188**
Loans and advances		(42,382)	(44,398)	-	150,870
Other assets		(1,475)	(4,832)	(35)	9,166
Customer deposits		38,926	50,430	-	(158,745)
Related parties		(83)	(67)	(5,878)	1,483
Other liabilities		4,439	288	(12)	(3,127)
Prepaid Leases	15	(67)	(46)	-	4
Cash generated from operations		**32,147**	**28,841**	**1,897**	**24,839**
Income taxes paid	18	(7,926)	(6,022)	(384)	(5,580)
Net cash generated from operating activities		**24,221**	**22,819**	**1,513**	**19,259**
INVESTING ACTIVITIES					
Purchase of property, equipment & prepaid leases	14	(4,673)	(3,400)	-	6,942
Purchase of intangible assets	15	(2,258)	(1,978)	-	1,542
Proceeds from sale of property and equipment	14	2	142	-	41
Additional capital injected into subsidiaries		-	-	-	(44,514)
Dividend received from associate		-	100	-	-
Proceeds from sale of investment in associate	17(a)	-	2,780	-	2,780
Acquisition of a subsidiary, net of cash acquired	17(e)	3,211	-	(4,546)	-
Purchase of investment securities	21	(23,961)	(16,528)		32,949
Proceeds from sale of Investment Securities	21	28,247	13,076	-	-
Net cash from / (used in) investing activities		**568**	**(5,808)**	**(4,546)**	**(260)**
FINANCING ACTIVITIES					
Dividend paid	28(g)	(6,665)	(5,554)	(6,665)	(5,554)
Proceeds from long term borrowings	27	20,527	6,533	-	(25,582)
Repayment of long term borrowings	27	(10,517)	(3,027)	-	-
Interest paid on term borrowings	8	(2,142)	(1,436)	-	(1,369)
Proceeds from issue of shares	28(a, b)	3,170	-	3,170	-
Net cash from / (used in) financing activities		**4,373**	**(3,484)**	**(3,495)**	**(32,505)**
Net increase/ (decrease) in cash and cash equivalents		**29,162**	**13,527**	**(6,528)**	**(13,506)**
Effect of foreign exchange differences on cash and cash equivalents		547	163	-	(6)
Movement in restricted cash	19	(3,617)	307	-	-
Cash acquired	17 (c)	(7,757)	-	-	-
Cash and cash equivalents at the beginning of the year		47,039	33,042	8,418	21,930
Cash and cash equivalents at the end of the year	**19**	**65,374**	**47,039**	**1,890**	**8,418**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

The Company has subsidiaries in Kenya, Uganda, South Sudan, Rwanda, Tanzania and Democratic Republic of Congo. Its shares are listed on the Nairobi Securities Exchange, Uganda Securities Exchange and Rwanda Securities Exchange.

The consolidated financial statements for the year ended 31st December 2015 were authorised for issue according with the resolution of the directors on 8th March 2016.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the effect of the new and amended IFRS and IFRIC interpretations in note 2.3 below.

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available–for sale investments which have been measured at fair value.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the IASB and the requirements of the Kenyan Companies Act. For the purpose of reporting under the Kenyan Companies Act, the balance sheet in the financial statements is represented by the statement of financial position and the profit and or loss account is represented by the statement of profit or loss and other comprehensive income.

(b) Presentation of financial statements

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

(c) Functional and presentation currency

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

(d) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of Equity Group Holdings Limited (the Non-Operating Holding Company) and its subsidiaries as at 31 December 2015.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (Continued)

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

The accounting policies for the subsidiaries are consistent with the policies adopted by the Company.

2.2 Significant accounting estimates, judgments and assumptions

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

Estimates and assumptions

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

Judgments

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

Fair value of financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Significant accounting estimates, judgments and assumptions (Continued)

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance (See Note 5 (b)).

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

Impairment of available-for-sale investments

The Group and Company reviews their debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group and Company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost (Note 21).

Vehicles, equipment and intangible assets

Critical estimates are made by the directors in determining depreciation and amortisation rates for vehicles, equipment and intangible assets. In assessing the useful lives and residual values of property and equipment, the group considers past experience, macro-economic changes, technological obsolescence and maintenance programs (Note 14 and 15).

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group and Company have applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group and Company have not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Group and Company. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group and Company have applied these improvements for the first time in these financial statements.

They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the Group's and Company's financial statements or accounting policies since the group does not have share based payment.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This amendment did not impact on the Group financial statements since there were no contingent considerations in its acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Changes in accounting policies and disclosures (Continued)

New and amended standards and interpretations (Continued)

Annual Improvements 2010-2012 Cycle (Continued)

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

The Group has not applied the aggregation criteria in IFRS 8.12.

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

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the Group and Company since their assets are carried at cost.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group and Company as they do not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group and Company have applied these amendments for the first time in these consolidated financial statements.

They include:

IFRS 3 Business Combinations

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

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

None of the entities in the Group is a joint arrangement, and thus this amendment is not relevant for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Changes in accounting policies and disclosures (Continued)

New and amended standards and interpretations (Continued)

Annual Improvements 2011-2013 Cycle (Continued)

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group and Company do not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group and Company plan to adopt the new standard on the required effective date.

a) Classification and measurement

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Group and Company expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Bank will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Changes in accounting policies and disclosures (Continued)

Standards issued but not yet effective (Continued)

b) Impairment

IFRS 9 requires the Group and Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group and Company expect to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group and the Company does not expects a significant impact on its equity due to secured nature of its loans, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

c) Hedge accounting

The Group and Company do not have hedge relationships.

IFRS 14 Regulatory Deferral Accounts

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group and Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

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

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group and Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Changes in accounting policies and disclosures (Continued)

Standards issued but not yet effective (Continued)

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

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group and Company's financial statements.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively with early adoption permitted. In December 2015, the IASB postponed the effective date of these amendments indefinitely pending the outcome of research project on equity method of accounting. These amendments are not expected to have any impact on the Group and Company.

Amendments to IAS 1 Disclosure Initiative

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Changes in accounting policies and disclosures (Continued)

Standards issued but not yet effective (Continued)

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

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

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

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

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

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

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

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

IAS 19 Employee Benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Changes in accounting policies and disclosures (Continued)

Standards issued but not yet effective (Continued)

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Company.

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).

4. Significant accounting policies

- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

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

a) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred including acquisition cost, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.
When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

a) Business Combinations and Goodwill (Continued)

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

The goodwill recognised by the group relates to Equity Bank Uganda and ProCredit Bank DRC subsidiaries. It is the difference between consideration transferred and the fair value of the assets and liabilities assumed. After initial recognition the goodwill is assessed for impairment factoring in the financial performance of the subsidiary.

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

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

(b Foreign currency transactions

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

(i) Transactions and balances

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

(ii) Group companies

The assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their income statements are translated at average rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(b) Foreign currency transactions (Continued)

(iii) Hyperinflationary economies

The Group considers an economy to be hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100%. Balances from subsidiaries in hyperinflationary economies are consolidated after adjusting for effects of inflation on the balances and reported at current cost rather than historical cost. The comparative balances are also restated for the same effects. The gain or loss from the adjustment is passed through the profit or loss. In adjusting for the effects of inflation the bank uses the commodity price index as the basis for the adjustment. During the year, no subsidiary within the group operated in a hyper-inflationary economy.

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.
Interest income and expense are recognised in profit or loss on the accrual basis. Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

- Interest on financial assets and liabilities on the accrual basis taking into account the effective interest basis and interest on available-for-sale debt instruments on an effective interest basis.

- Interest on financial assets and liabilities are considered to be the Group's and Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

- Dividend income is recognised when the Company's right to receive that payment is established.

(d) Fee and commission

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

(e) Net trading income

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

(f) Leasing

(i). Determination

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(g) Taxes

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(h) Financial assets and liabilities

(i) Recognition

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

(ii) Initial measurement

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

(iii) Subsequent measurement

Held-to-maturity investments

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

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

Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity or (c) financial assets at fair value through profit and loss. These are those securities that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value, with unrealised gains/losses recognised as other comprehensive income and credited in the available for sale reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss.
Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

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

Fair value through profit or loss

Fair value through profit or loss investment securities are those that are classified as either held-for-trading or those which are specifically designated as such. During the year, only securities held for trading were accounted for at fair value through profit or loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(iv) Derecognition

Financial assets

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

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

Financial Liabilities

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

Subsequent measurement of financial liabilities is at amortised cost using effective interest rate method. Financial liabilities include deposits from banks or customers, trade payables in the brokerage and borrowings for which the fair value option is not applied.

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

(v) Offsetting Financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the group's trading activity.

(v) Amortised cost measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(vi) Fair value measurement

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

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

(vii) Identification and measurement of impairment

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

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

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

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

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

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss (only applicable for loans and receivables and held-to-maturity assets). The reversal is limited to the amount that the balance would have been if no impairment had initially been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(vii) Identification and measurement of impairment (Continued)

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

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

(viii) Renegotiated loans

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

(ix) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group and the Company acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(x) Loans and receivables

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

Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method less allowance for impairment, except when the group chooses to carry the loans and receivables at fair value through profit or loss. The losses arising from the impairment are recognised in profit or loss. There were no loans and receivables carried at fair value through profit or loss during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(h) Financial assets and liabilities (Continued)

(xi) Financial guarantees

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

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

(i) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and bank balances held with central banks 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 Bank of Kenya and money market placements.

(j) Borrowing costs

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

(k) Property and equipment

(i) Recognition and measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(k) Property and equipment (Continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Leasehold improvements are written off over their estimated useful 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.

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

(l) Intangible Assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(l) Intangible Assets (Continued)

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.

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

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

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

Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Significant accounting policies (Continued)

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus and leave if the group has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Earnings per share

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

(p) Dividends

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

(q) Sale and repurchase agreements

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

r) 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.

(s) Work In Progress

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

5. Financial risk management

(a) Introduction and overview

The group and company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. There were no changes in the risk and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

Risk management framework

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

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

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

(b) Credit risk

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees as stipulated in the Group's Credit Charter.

- Reviewing and assessing credit risk. The Group credit committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities).

- Developing and maintaining the group's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by group's credit risk department.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit department on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to branches to promote best practice throughout the group in the management of credit risk.

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

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

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2015 and 31 December 2014 is their carrying amount as illustrated in the table below:

Exposure to credit risk

i) Loans and advances to customers

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Individually impaired				
Grade 3: Substandard	2,233	1,657	-	-
Grade 4: Impaired (doubtful)	3,962	4,631	-	-
Grade 5: Impaired (loss)	3,111	3,260	-	-
Gross amount	**9,306**	**9,548**	**-**	**-**
Allowance for impairment	(5,804)	(6,613)	-	-
Past due but not impaired	**3,502**	**2,935**	**-**	**-**
Collectively impaired				
Grade 1: Normal	252,494	203,343	-	-
Grade 2: Watch	15,878	8,665	-	-
Gross amount	**268,372**	**212,008**	**-**	**-**
Allowance for impairment	(1,981)	(773)	-	-
Carrying amount	**266,391**	**211,235**	**-**	**-**
Total carrying amount (Note 20b)	**269,893**	**214,170**	**-**	**-**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

ii) Cash balances and deposits in financial institutions

In millions of Kenya Shillings	Group		Company	
	2015	2014	2015	2014
Cash and balances with banks	8,234	16,363	1,890	8,418
Unrestricted balances with Central Banks	40,315	16,708	-	-
Restricted balances with Central Banks	4,796	1,179	-	-
Money market placements	16,825	13,968	-	-
Total	**70,170**	**48,218**	**1,890**	**8,418**

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

In millions of Kenya Shillings	Group		Company	
	2015	2014	2015	2014
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:				
Cash and balances with banks	8,234	16,363	1,890	8,418
Unrestricted balances with Central Bank of Kenya	40,315	16,708	-	-
Money market placements	16,825	13,968	-	-
	65,374	**47,039**	**1,890**	**8,418**
Movement in restricted balances:				
At 1 January	1,179	1,486	-	-
Movement during the year	3,617	(307)	-	-
At 31 December	**4,796**	**1,179**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

(iii) Investment securities

In millions of Kenya Shillings	Group		Company	
Held to maturity- Government bonds	**2015**	**2014**	**2015**	**2014**
At 1 January	33,257	33,449	-	21,726
Purchase of Investment securities	1,046	5,959	-	1,313
Retirement of bonds due to maturity	(13,317)	(6,151)	-	(3,750)
Transfer to Equity Bank (Kenya) Limited	-	-	-	(19,289)
	20,986	**33,257**	**-**	**-**
Available for sale- Government bonds				
At 1 January	15,112	11,123	-	11,223
Purchase of investment securities	22,915	10,569	-	10,903
Sales of investment securities	(14,930)	(6,827)	-	(7,007)
(Loss)/profit on fair valuation	(1,308)	247	-	247
Transfer to Equity Bank (Kenya) Limited	-	-	-	(15,366)
At 31 December	**21,789**	**15,112**	**-**	**-**
Total	**42,775**	**48,369**	**-**	**-**

(iv) Related parties and other assets

Other assets:				
Accounts receivable (Note 23)	5,900	7,716	-	-
Funds in clearing (Note 23)	1,543	1,346	-	-
	7,443	**9,062**	**-**	**-**
Amounts due from related parties (Note 22 (f))	**272**	**189**	**8,318**	**-**

Impaired loans

Impaired loans are loans for which the group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded 3, 4 and 5 in the group's internal credit risk grading system.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the group.

Allowances for impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Write-off policy

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

Collateral on Loans and Advances

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

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below. The group has the obligation to return the securities to the customers upon settlement of the obligation. There are no other significant terms and conditions associated with the use of the collateral.

Loans and advances to customers

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Against individually impaired				
Property	4,073	5,250	-	-
Equities	-	-	-	-
Other	1,135	808	-	-
Against collectively impaired				
Property	44,543	4,108	-	-
Equities	2	1	-	-
Other	7,030	2,011	-	-
Against past due but not impaired				
Property	146,980	146,781	-	-
Equities	3,433	3,434	-	-
Other*	98,577	56,955	-	-
Total	**305,773**	**219,348**	**-**	**-**

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

Loans and advances to customers

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(b) Credit risk (Continued)

Loans and advances to customers

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Concentration by sector				
Consumer	52,932	51,026	-	-
Micro Enterprises	17,545	16,072	-	-
Agriculture	7,051	6,364	-	-
Small Enterprises	122,847	94,772	-	-
Medium Enterprises	77,303	53,322	-	-
	277,678	**221,556**	**-**	**-**

(c) Liquidity risks

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

Management of liquidity risk

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

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

Exposure to liquidity risk

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

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

At 31 December 2015	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Democratic Republic of Congo
At 31 December	**29.6%**	**60%**	**94%**	**35%**	**28%**	**147%**
Average for the year	29%	52%	88%	30%	25%	117%
Maximum for the year	33%	62%	97%	38%	31%	147%
Minimum for the year	25%	46%	82%	26%	26%	96%
Minimum statutory requirement	**20%**	**20%**	**20%**	**20%**	**20%**	**100%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(c) Liquidity risks (Continued)

At 31 December 2014	Kenya	Uganda	South Sudan	Rwanda	Tanzania
At 31 December	30%	42%	82%	49%	43%
Average for the year	32%	38%	77%	44%	46%
Maximum for the year	34%	55%	83%	65%	58%
Minimum for the year	27%	25%	73%	23%	35%
Minimum statutory requirement	**20%**	**20%**	**20%**	**20%**	**20%**

The following tables show by contractual maturity, the undiscounted cash flows payable up to the periods indicated:
Group - 2015

In millions of Kenya Shillings	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Totals
Financial assets						
Cash balances and deposits in financial institutions	70,170	-	-	-	-	70,170
Loans and advances to customers	26,093	7,504	22,803	146,376	109,666	312,442
Investment securities	2,627	1,553	4,756	12,420	28,491	49,847
Due from related parties	272	-	-	-	-	272
Accounts receivable	5,900	-	-	-	-	5,900
Funds in clearing	1,543	-	-	-	-	1,543
Total financial assets	**106,605**	**9.057**	**27,559**	**158,796**	**138,157**	**440,174**
Financial liabilities						
Deposits from customers	134,172	10,152	22,829	177,601	20	344,774
Borrowed funds	11,920	350	4,453	24,488	7,376	48,587
Other liabilities	42	-	-	525	-	567
Total financial liabilities	**146,134**	**10,502**	**27,282**	**202,614**	**7,396**	**393,928**
Liquidity Gap at 31 December 2015	**(39,529)**	**(1,445)**	**277**	**(43,818)**	**130,761**	**46,246**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(c) Liquidity risks (Continued)

Group - 2014

In millions of Kenya Shillings	Less than 3 months	3-6 months	6-12 months	1-5 Years	More than 5 years	Totals
Financial assets						
Cash balances and deposits in financial institutions	46,603	-	1,517	-		48,120
Loans and advances to customers	18,144	6,690	25,913	108,229	82,976	241,952
Investment securities	2,147	3,421	9,626	8,446	27,384	51,024
Amounts due from related parties	189	-	-	-	-	189
Accounts receivable	7,716	-	-	-	-	7,716
Funds in clearing	1,345	-	-	-	-	1,345
Total financial assets	**76,144**	**10,111**	**37,056**	**116,675**	**110,360**	**350,346**
Financial liabilities						
Deposits from customers	77,853	8,428	15,394	147,018	198	248,891
Borrowed funds	4,727	1,184	7,089	18,024	-	31,024
Total financial liabilities	**82,580**	**9,612**	**22,483**	**165,042**	**198**	**279,915**
Liquidity Gap at 31 December 2014	**(6,436)**	**499**	**14,573**	**(48,367)**	**110,162**	**70,431**

Company – 2015

In millions of Kenya Shillings	Less than 3 months	3-6 months	6-12 months	1-5 Years	More than 5 years	Totals
Financial assets						
Cash balances and deposits in financial institutions	1,890	-	-	-	-	1,890
Amounts due from related party	8,318	-	-	-	-	8,318
Total Financial assets	**10,208**	**-**	**-**	**-**	**-**	**10,208**
Financial liabilities						
Amounts due to related parties	2,475	-	-	-	-	2,475
Other liabilities	11	-	-	-	-	11
Total Financial liabilities	**2,486**	**-**	**-**	**-**	**-**	**2,486**
Liquidity Gap at 31 December 2015	**7,722**	**-**	**-**	**-**	**-**	**7,722**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(c) Liquidity risks (Continued)

Company - 2014

In millions of Kenya Shillings	Less than 3 months	3-6 months	6-12 months	1-5 Years	More than 5 years	Totals
Financial assets						
Cash balances and deposits in financial institutions	8,418	-	-	-	-	8,418
Total Financial assets	**8,418**	**-**	**-**	**-**	**-**	**8,418**
Financial liabilities						
Amounts due to related parties	420	-	-	-	-	420
Total Financial liabilities	**420**	**-**	**-**	**-**	**-**	**420**
Liquidity Gap at 31 December 2014	**7,998**	**-**	**-**	**-**	**-**	**7.998**

(d) Market risks

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

Management of market risks

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

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

Exposure to market risks – trading portfolios

Currently, the group does not hold a significant trading portfolio and is, therefore, not largely exposed to market risks associated with such portfolios The concentration of foreign exchange risk is disclosed in note 33.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(d) Market risks

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.

In millions of Kenya Shillings	Carrying amount	Non-interest bearing	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
31 December 2015							
Assets							
Cash balances and deposits in financial institutions	70,170	32,209	37,961	-	-	-	-
Loans and advances to customers	269,893	-	25,715	7,460	22,732	120,010	93,976
Investment securities	42,775	-	2,628	1,726	4,662	9,796	23,963
	382,838	**32,209**	**66,304**	**9,186**	**27,394**	**129,806**	**117,939**
Liabilities							
Deposits from customers	303,206	98,346	77,446	9,486	23,603	94,325	-
Borrowed funds	42,895	-	11,921	350	4,454	19,966	6,204
	346,101	**98,346**	**89,367**	**9,836**	**28,057**	**114,291**	**6,204**
Interest rate sensitivity gap at 31 December 2015	**36,737**	**(66,137)**	**(23,063)**	**(650)**	**(663)**	**15,515**	**111,735**
31 December 2014							
Assets							
Cash balances and deposits in financial institutions	48,218	30,887	17,331	-	-	-	-
Loans and advances to customers	214,170	-	18,144	6,690	25,913	92,503	70,920
Investment securities	48,369	-	2,147	3,420	9,626	7,820	25,356
	310,757	**30,887**	**37,622**	**10,110**	**35,539**	**100,323**	**96,276**
Liabilities							
Deposits from customers	245,582	79,461	62,727	7,683	19,117	76,399	195
Borrowed funds	30,242	-	4,427	1,184	7,089	17,542	-
	275,824	**79,461**	**67,154**	**8,867**	**26,206**	**93,941**	**195**
Interest rate sensitivity gap at 31 December 2014	**34,933**	**(48,574)**	**(29,532)**	**1,243**	**9,333**	**6,382**	**96,081**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(d) Market risks

Company Interest Rate Risk

In millions of Kenya Shillings	Carrying amount	Less than 3 months	3-6 months
31 December 2015			
Assets			
Cash and cash equivalents	1,890	-	1,890
	1,890	**-**	**1,890**
Interest rate sensitivity gap at 31 December 2015	**1,890**		**1,890**
31 December 2014			
Assets			
Cash and cash equivalents	8,418	8,418	-
	8,418	**8,418**	**-**
Interest rate sensitivity gap at 31 December 2014	**8,418**	**8,418**	**-**

During the year, an 8% increase/decrease (2014 – 5%) of the annual interest rate would have the following effect on the profit or loss and equity

	Sensitivity	Group Profit or loss	Company Profit or loss	Group Impact on equity	Company Impact on equity
2015	+/-8%	+/-2,845	+/-2	+/- 1,992	+/-1
2014	+/-5%	+/-345	+/-1-	+/-242	+/-1-

Exposure to other market risks – non-trading portfolios

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

(e) Capital management (Continued)

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

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

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

The group's and the Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial risk management (Continued)

(d) Market risks

confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the group and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

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

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Tier 1 capital				
Ordinary share capital (Note 28)	1,887	1,851	1,887	1,851
Share premium (Note 28)	16,063	12,161	16,063	12,161
Retained earnings	52,216	43,055	41,467	41,253
Goodwill	(3,103)	(887)	-	-
Total	**67,063**	**56,180**	**59,417**	**55,265**
Tier 2 capital				
Collective allowances for impairment (Note 28d)	1,615	1,020	-	-
Qualifying subordinated liabilities	5,228	6,049	-	-
Total	**6,843**	**7,069**	**-**	**-**
Total regulatory capital	**73,907**	**63,249**	**59,417**	**55,265**
Total Risk-weighted assets	**375,685**	**300,567**	**8,730**	**-**
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	**20%**	**21%**	**103%**	**17%**
Total tier 1 capital expressed as a percentage of risk-weighted assets	**19%**	**19%**	**103%**	**15%**

6. Use of estimates and judgments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets and liabilities

Group

Accounting classifications and fair values *In millions of Kenya Shillings*	**Held to maturity**	**Loans and receivables**	**Available for sale**	**Other amortised cost**	**Total carrying amount**	**Fair value**
31 December 2015						
Assets						
Cash and cash equivalents	-	70,170	-	-	70,170	70,170
Loans and advances	-	269,893	-	-	269,893	312,442
Investment securities	20,986	-	21,789	-	42,775	49,897
Amounts due from related parties	-	272	-	-	272	272
Funds in clearing	-	1,543	-	-	1,543	1,543
Accounts receivable	-	5,900	-	-	5,900	5,900
	20,986	**347,778**	**21,789**	**-**	**390,553**	**440,224**
Liabilities						
Deposits from customers	-	-	-	(303,205)	(303,205)	(344,774)
Borrowed funds	-	-	-	(42,894)	(42,894)	(48,587)
Other liabilities	-	-	-	(567)	(567)	(567)
	-	**-**	**-**	**(346,666)**	**(346,666)**	**(393,928)**
31 December 2014						
Assets						
Cash and cash equivalents	-	48,218	-	-	48,218	48,120
Loans and advances	-	214,170		-	214,170	241,952
Investment securities	33,257	-	15,112	-	48,369	51,024
Amounts due from related parties	-	189	-	-	189	189
Funds in clearing	-	1,346	-	-	1,346	1,346
Accounts receivable	-	3,770	-	-	3,770	3,770
	33,257	**267,693**	**15,112**	**-**	**316,062**	**346,401**
Liabilities						
Deposits from customers	-	-	-	(245,582)	(245,582)	(248,892)
Borrowed funds -	-	-	-	(30,242)	(30,242)	(30,724)
-	**-**	**-**	**-**	**(275,824)**	**(275,824)**	**(279,616)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets and liabilities (Continued)

(d) Market risks

Company

In millions of Kenya Shillings	Available for sale	Loans and receivables	Total carrying amount	Fair Value
31 December 2015*				
Assets				
Cash and cash equivalents	-	1,890	1,890	1,890
	-	**1,890**	**1,890**	**1,890**
Liabilities				
Deposits from customers	-	-	-	-
Borrowed funds	-	-	-	-
*Refer to Note 34 (iii) on comparatives.				
31 December 2014				
Assets				
Cash and cash equivalents	-	8,418	8,418	8,418
	-	**8,418**	**8,418**	**8,418**
Liabilities				
Deposits from customers	-	-	-	-
Borrowed funds	-	-	-	-
	-	**8,418**	**8,418**	**8,418**

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

Valuation methods and assumptions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets and liabilities (Continued)

There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2015.

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

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

	Valuation technique	Significant observable input	Range (Weighted average)
Level 1			
Investment securities - Available for Sale (Treasury bonds)	Fair value at closing rate	Quoted prices in active market	7%-21%
Investment securities - Held to Maturity (Treasury bonds)	Fair value at closing rate	Quoted prices in active market	9.5%-10.5%
Level 2			
Cash and cash equivalents	Discounted cashflow		
Loans and advances to customers	Discounted cash flow	Constant prepayment Rate	8%-20%
Financial liabilities			
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	7%
Borrowed funds	Discounted cash flow	2.5%+ Libor rate	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Financial assets and liabilities (Continued)

Fair value measurement hierarchy

In millions of Kenya Shillings

Group

At 31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets fair value disclosures				
Cash and cash equivalents	-	70,170	-	70,170
Loans and advances	-	312,442	-	312,442
Investment securities-Available for sale	20,986	-	-	20,986
Investment securities-Held to maturity	28,911	-	-	28,911
Amounts due from related parties	-	272	-	272
Funds in clearing	-	1,543	-	1,543
Accounts receivable	-	5,900	-	5,900
Total financial assets at fair value	**49,897**	**390,327**	**-**	**440,224**
Financial liabilities fair value disclosures				
Deposits from customers	-	344,774	-	344,774
Borrowed funds	-	48,587	-	48,587
Other liabilities	-	567	-	567
Total liabilities at fair value	**-**	**393,928**	**-**	**393,928**
At 31 December 2014				
Financial assets fair value disclosures				
Cash and cash equivalents	-	48,120	-	48,120
Loans and advances	-	241,952	-	241,952
Investment securities-Available for sale	33,257	-	-	33,257
Investment securities-Held to maturity	17,767	-	-	17,767
Amounts due from related parties	-	189	-	189
Funds in clearing	-	1,346	-	1,346
Accounts receivable	-	3,770	-	3,770
Total financial assets at fair value	**51,024**	**295,377**	**-**	**346,401**
Financial liabilities fair value disclosures				
Deposits from customers	-	248,892	-	248,892
Borrowed funds	-	30,724	-	30,724
Total liabilities at fair value	**-**	**279,616**	**-**	**279,616**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Interest income

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Interest income				
Cash and cash equivalents	781	365	-	267
Loans and advances to customers	37,962	31,107	-	27,592
Investment securities	4,428	3,895	-	3,281
Total interest income	**43,171**	**35,367**	**-**	**31,140**
Interest expense				
Deposits from banks	(278)	(64)	-	(35)
Deposits from customers	(6,829)	(4,692)	-	(3,576)
Borrowings	(2,142)	(1,436)	-	(1,369)
Total interest expense	**(9,249)**	**(6,192)**	**-**	**(4,980)**
Net interest income	**33,922**	**29,175**	**-**	**26,160**

9. Fee, commission and trading income

(a) Net fee and commission income

In millions of Kenya Shillings	Group		Company	
	2015	**2014**	**2015**	**2014**
Retail banking credit related fees	2,043	1,761	-	1,584
Corporate banking credit related fees	1,727	1,336	-	1,039
Other	199	200	-	15
Total fee and commission income	**3,969**	**3,297**	**-**	**2,638**

(b) Net trading income

In millions of Kenya Shillings				
Bonds trading income	53	46	-	46
Foreign exchange gain	3,063	2,345	-	1,205
	3,116	**2,391**	**-**	**1,251**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Other operating income

In millions of Kenya Shillings	2015	2014	2015	2014
Temporary overdrafts / un-cleared effects	2,099	2,341	-	2,281
ATM-application & withdrawal fees	1,663	1,820	-	1,561
Salary remittance commission	1,256	1,332	-	1,139
Counter withdrawal charges	1,079	1,046	-	622
Other*	8,951	6,247	8,519	5,515
	15,048	**12,786**	**8,519**	**11,118**

* Other income for Group relates to charges on the various products and services offered by the Group to the customers, while at Company level relates to dividend income from subsidiaries and interest on term deposits

11. Allowances for impairment

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
At 1 January	7,386	6,000	-	5,301
Acquisation	425	-	-	-
Specific provisions for the year	1,525	1,420	-	920
General provisions for the year	1,503	437	-	429
Interest suspended during the year*	609	534	-	399
Write-offs during the year	(3,068)	(738)	-	(624)
**IAS 39 adjustment	(595)	(267)	-	(190)
At 31 December	**7,785**	**7,386**	**-**	**6,235**

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

	Group		Company	
Impairment loss for the year is arrived at as follows:				
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Charge for the year: General provisions	1,503	437	-	429
Specific provisions	1,525	1,420	-	920
	3,028	**1,857**	**-**	**1,349**
**IAS 39 adjustment -write back of over provisions	(595)	(267)	-	(190)
Net impairment loss on financial assets	**2,433**	**1,590**	**-**	**1,159**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Allowances for impairment

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Impairment charge as per IAS 39 requirements	2,433	1,590	-	1,159
Impairment charge as per Central Banks' prudential guidelines	(3,028)	(1,857)	-	(1,349)
IAS 39 adjustment	**(595)**	**(267)**	**-**	**(190)**

12. Personnel expenses

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Salaries and other staff costs	9,852	10,510	-	8,501
Contributions to defined contribution plans	354	304	-	290
	10,206	**10,814**	**-**	**8,791**

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

13. Operating lease expenses

Non-cancellable operating lease rentals paid are as follows:

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Lease rentals	**1,639**	**1,592**	**-**	**1,088**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Property and equipment (Group)

In millions of Kenya Shillings

	Freehold land & buildings	Leasehold improve-ments	Motor vehicles	Equipment, furniture & fittings	Comput-ers	Village cell banking vans	Work-in-pro-gress	Total
COST								
At 1 January 2014	**189**	**7,542**	**232**	**3,470**	**6,622**	**103**	**1,284**	**19,442**
Additions	110	1,030	33	502	1,287	-	438	3,400
Transfers	-	152	-	107	431	-	(690)	-
Disposals	(16)	(109)	(20)	(36)	(86)	-	-	(267)
At 31 December 2014	**283**	**8,615**	**245**	**4,043**	**8,254**	**103**	**1,032**	**22,575**
Acquisitions	898	345	68	366	98	-	162	1,937
Additions	12	727	2	1,151	2,071	-	710	4,673
Transfers	-	657	-	71	603	-	(1,331)	-
Transfer from / (to) Intangible assets (Note 15a)	-	-	-	-	414	-	(17)	397
Disposals	-	(35)	-	(29)	(25)	-	-	(89)
At 31 December 2015	**1,193**	**10,309**	**315**	**5,602**	**11,415**	**103**	**556**	**29,493**
DEPRECIATION								-
At 1 January 2014	**23**	**3,094**	**137**	**1,680**	**4,673**	**39**	**-**	**9,646**
Charge for the year-2014	3	944	16	433	1,142	25	-	2,563
Transfers		-	-	44	(44)	-	-	-
Disposals	(16)	(32)	(20)	(24)	(70)	-	-	(162)
At 31 December 2014	**10**	**4,006**	**133**	**2,133**	**5,701**	**64**	**-**	**12,047**
Charge for the year-2015	7	1,079	15	529	1,642	25	-	3,297
Transfers from intangible assets (Note 15a)	-	-	-	-	75	-	-	75
Elimination of revaluation	79	-	-	-	-	-	-	79
Disposals	-	(11)	-	(23)	(27)	-	-	(61)
At 31 December 2015	**96**	**5,074**	**148**	**2,639**	**7,391**	**89**	**-**	**15,437**
NET CARRYING AMOUNT								**-**
At 31 December 2014	**273**	**4,609**	**112**	**1,910**	**2,553**	**39**	**1,032**	**10,528**
At 31 December 2015	**1,097**	**5,235**	**167**	**2,963**	**4,024**	**14**	**556**	**14,056**

Accumulated depreciation on buildings disposed in 2014 is not reflected in this table since the amount was Kshs 415.367

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Property and equipment (Company)

In millions of Kenya Shillings	Freehold land & buildings	Leasehold improve-ments	Motor vehicles	Office equipment, furniture & fittings	Computers	Work-in-progress	Total
COST							
At 1 January 2014	**40**	**5,503**	**133**	**2,558**	**6,048**	**1,017**	**15,299**
Additions	-	729	31	255	1,261	231	2,507
Transfers	-	54	-	3	471	(528)	-
Disposals	-	(30)	(19)	(1)	-	-	(50)
At 31 December 2014	**40**	**6,256**	**145**	**2,815**	**7,780**	**720**	**17,756**
DEPRECIATION							
At 1 January 2014	**9**	**2,549**	**107**	**1,416**	**4,276**	**-**	**8,357**
Charge for the year	-	682	18	294	1,055	-	2,049
Transfers	-	-	-	-	-		-
Disposals	-	(16)	(19)	(1)	-	-	(36)
At 31December 2014	**9**	**3,215**	**106**	**1,709**	**5,331**	**-**	**10,370**
NET CARRYING AMOUNT							
At 31 December 2014	31	3,041	39	1,106	2,449	720	7,386
Transferred to EBKL	(31)	(3,041)	(39)	(1,106)	(2,449)	(720)	(7,386)
At 31 December 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 a. Intangible assets

Group

In millions of Kenya Shillings	**Software**	**Work- in-progress**	**Total**
COST			
At 1 January 2014	**2,663**	**752**	**3,415**
Additions	1,666	312	1,978
Transfers	638	(638)	-
Disposals	(83)	-	(83)
At 31 December 2014	**4,884**	**426**	**5,310**
Acquisition	12	-	12
Additions	1,159	1,099	2,258
Transfers	466	(466)	-
Transfer (to) / from property and equipment (Note 14)	(414)	17	(397)
Disposals	(103)	-	(103)
At 31 December 2015	6,004	1,076	7,080
AMORTISATION AND IMPAIRMENT			
At 1 January 2014	**1,346**	**-**	**1,346**
Charge for the year	622	-	622
Disposals	(83)	-	(83)
At 31 December 2014	**1,885**	**-**	**1,885**
Charge for the year	686	-	686
Transfer to property and equipment (Note 15)	(75)		(75)
Release on disposal	(1)	-	(1)
At 31 December 2015	**2,495**	**-**	**2,495**
NET CARRYING AMOUNT At 31 December 2014	**2,999**	**426**	**3,425**
At 31 December 2015	**3,509**	**1,076**	**4,585**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 (a). Intangible assets (Continued)

Company

In millions of Kenya Shillings	Software	Work- in-progress	Total
COST			
At 1 January 2014	**2,193**	**578**	**2,771**
Additions	1,446	306	1,752
Transfers	638	(638)	-
At 31 December 2014	**4,277**	**246**	**4,523**
DEPRECIATION			
At 1 January 2014	**1,229**	**-**	**1,229**
Charge for the year	519	-	519
At 31 December 2014	**1748**	**-**	**1,748**
NET CARRYING AMOUNT			
At 31 December 2014	2,529	246	2,775
Transferred to EBKL	(2,529)	(246)	(2,775)
At 31 December 2014	**-**	**-**	**-**

AMORTISATION AND IMPAIRMENT

The Group's and Company's intangible assets include the value of computer software. The Work in Progress is composed of software in development.

15 (b). Prepaid operating lease rentals

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

In millions of Kenya Shillings

	Group		Company	
Cost	**2015**	**2014**	**2015**	**2014**
At 01 January	708	662	-	-
Acquisitions	67	46	-	-
At 31 December	**775**	**708**	**-**	**-**
Amortisation and impairment				
At 1 January	602	482	-	-
Amortisation for the year	145	120	-	-
At 31 December	**747**	**602**	**-**	**-**
Net carrying amount				
At 31 December	**28**	**106**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Other expenses

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Software licensing and related expenses	2,122	1,430	-	1,360
Auditors' remuneration	35	27	1	11
Other*	11,534	7,711	696	6,078
	13,691	**9,168**	**697**	**7,449**

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

17. (a) Investment in associates

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
COST				
At 1 January	-	1,574	-	1,113
Share of profit	-	242	-	-
Dividends received	-	(100)	-	-
At 31 December	-	1,716	-	1,113
Proceeds from sale	-	2,780	-	2,780
Gain on disposal	-	1,064	-	1,667
Attributable from;				
Share of profit	-	242	-	-
Ultimate gain on disposal	-	822	-	1,667
	-	**1,064**	**-**	**1,667**

On 31 December 2014, the company disposed all its interest in the associate company, Housing Finance Company Limited, and subsequently derecognised the investment from its books at the close of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 (b) Investment in subsidiary companies

In millions of Kenya Shillings	Principal activity	Percentage shareholding	Company 2015	2014
Equity Bank Uganda Ltd	Banking	100%	3,965	3,965
Equity Consulting Group Ltd	Consultancy	100%	0.5	0.5
Equity Insurance Agency Ltd	Insurance brokerage	100%	100	100
Equity Nominees Ltd	Custodial services	100%	0.1	0.1
Equity Investment services Ltd	Investment banking	100%	420	420
Finserve Africa Ltd	Telecommunication	100%	1,001	1,001
Equity Bank (South Sudan) Ltd	Banking	100%	2,537	2,537
Equity Bank (Rwanda) Ltd	Banking	100%	2,807	2,807
Equity Bank Tanzania Ltd	Banking	100%	2,815	2,815
Equity Investment Bank Ltd	Investment banking	100%	420	420
Equity Bank (Kenya) Ltd	Banking	100%	40,733	40,733
ProCredit Bank Limited, DRC	Banking	79%	4,546	-
Total			**59,345**	**54,799**

During the year 2015, the Company acquired 79% of net assets in ProCredit Bank Limited, DRC operating in Democratic Republic of Congo. More details are in note 17(c)
The Company had eleven wholly owned subsidiary companies as at 31 December 2015 and one partially owned at 79%. The wholly owned subsidiaries are Equity Bank (Kenya) Limited, Equity Bank Uganda Limited, Equity Bank South Sudan Limited, Equity Bank Rwanda Limited, Equity Bank Tanzania Limited, Equity Investment Services Limited, Equity Nominees Limited, Equity Consulting Group Limited, Finserve Africa Limited, Equity Insurance Agency Limited and Equity Investment Bank, while it owns 79% in ProCredit Bank DRC. Equity Nominees Limited, Equity Consulting Group Limited and Equity Investment Services Limited were dormant as at the end of the year.

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

During the year, Francis Thuo and Partners Limited, a subsidiary of Equity Investment Bank Limited was disposed off.

17. (c) Acquisition of a subsidiary (ProCredit Bank DRC)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 (c) Acquisition of a subsidiary (ProCredit Bank DRC) (Continued)

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

From the date of acquisition, ProCredit Bank DRC has contributed Kshs 964 million of operating income and Kshs 194 million to profit before tax, to the continuing operations of the Group. If the combination had taken place at the beginning of the year, operating income from continuing operations would have been Kshs 3,577 million and profit before tax from continuing operations of the company would have been 636 Million.

17 (d) Goodwill

In millions of Kenya Shillings	**2015**	**2014**
Equity Bank Uganda Limited	887	887
ProCredit Bank DRC	2,216	-
Total	**3,103**	**887**

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

In millions of Kenya Shillings	**2015**	**2014**
Purchase price for 100% stake	1,666	1,666
Add: Acquisition costs	34	34
Total acquisition cost	1,700	1,700
Less: Carrying amount of tangible and separable identifiable intangible assets	(554)	(554)
Less: Fair value adjustments of tangible assets and separable identifiable intangible assets	(259)	(259)
Goodwill	**887**	**887**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 (d) Goodwill (Continued)

The goodwill of KShs 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.

During the year management carried out an impairment assessment in respect of goodwill. Since the goodwill arose on purchase of Equity Bank Uganda Limited and ProCredit Bank Limited, DRC, as subsidiaries, the whole amount is allocated to the subsidiary to which the Group considers as a cash generating unit (CGU). The value in use of the CGU as at 31 December 2015 for Equity Bank Uganda Limited is KShs 2.056 billion (2014: KShs 1.895 billion) and for ProCredit Bank Limited, DRC is KShs 3.014. Using past experience, management projected future cash flows of the CGUs over a two year period, considering return on assets (ROA), growth in profit margins and growth in non-interest income as key variables to which CGU's recoverable amounts are dependent on. Management projects that over the two years, 2016 and 2017, ROA will grow by 19% and 20% respectively for Equity Bank Uganda Limited and 21 % and 25% respectively for ProCredit Bank Limited, DRC, profit margins will grow by 20% for Equity Bank Uganda Limited and 25% for ProCredit Bank Limited, DRC during both periods while non-interest income will grow by 40% and 41% for the respective periods for Equity Bank Uganda Limited and 43% and 48% for the respective periods for ProCredit Bank Limited, DRC. Management discounted the future cash flows to present values using the Equity Bank Uganda Limited and ProCredit Bank Limited, DRC weighted average cost of capital which is 11.45% and 12.65% respectively. Management does not expect any significant changes in the assumptions considered in the foreseeable future.

17 (e) Cash flows on Acquisition

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Income tax

Recognised in profit or loss

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Current tax expense				
Current year	7,017	6,848	61	6,511
Deferred tax expense (Note 24)	(386)	(1,635)	-	(1,568)
Total income tax expense	**6,631**	**5,213**	**61**	**4,943**
Reconciliation of effective tax rate				
In millions of Kenya Shillings				
Profit before tax	**23,958**	**21,300**	**7,822**	**20,111**
Income tax using the enacted corporation tax rate	7,187	6,390	2,347	6,034
The effect of differential tax rate in South Sudan (20%)	(38)	(60)	-	-
The effect of differential tax rate in Democratic Republic of Congo (35%)	10	-	-	-
Non-deductible expenses	(528)	(1,117)	(2,286)	(1,091)
Total income tax expense in profit or loss	**6,631**	**5,213**	**61**	**4,943**
Income tax recognised in the statement of financial position				
At 1 January	340	(486)	461	(470)
Charge for the year	7,017	6,848	61	6,511
Paid during the year	(7,926)	(6,022)	(384)	(5,580)
At 31 December	**(569)**	**340**	**138**	**461**
Made up of:				
Tax payable	270	463	138	461
Tax recoverable	(839)	(123)	-	-
	(569)	**340**	**138**	**461**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Income tax (Continued)

Tax rates are as follows:

2015	Group	EGHL	EBKL	EBUL	EBSSL	EIAL	EBRL	EBTL	PCBL	Others*
		30%	30%	30%	20%	30%	30%	30%	35%	30%
Profit before tax	23,958	7,822	22,388	258	382	525	292	401	194	(3)
Income tax using the enacted corporation tax rate	7,187	2,347	6,716	77	76	158	88	120	68	44
2014										
Profit before tax	21,300	-	20,112	109	607	396	166	186	-	(276)
Income tax using the enacted corporation tax rate	6,414	-	6,034	33	121	119	51	56	-	-

EGHL – Equity Group Holdings Limited, EBKL – Equity Bank (Kenya) Limited, EBUL – Equity Bank Uganda Limited, EBSSL – Equity Bank South Sudan Limited, EBRL – Equity Bank Rwanda Limited, EIA – Equity Insurance Agency Limited, EBTL – Equity Bank Tanzania Limited and PCBL – ProCredit Bank Limited, DRC
*Others relate to Equity Investment Bank Limited, Finserve Africa Limited, Equity Nominees Limited, Equity Investment Services Limited and Equity Consulting Group Limited.

19. Cash balances and deposits in financial institutions

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Cash and bank balances with banks	8,234	16,363	1,890	8,418
Unrestricted balances with Central Banks	40,315	16,708	-	-
Restricted balances with Central Banks	4,796	1,179		
Money market placements	16,825	13,968	-	-
Total	**70,170**	**48,218**	**1,890**	**8,418**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Cash balances and deposits in financial institutions (Continued)

	Group		Company	
In millions of Kenya Shillings	2015	2014	2015	2014
For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:				
Cash and balances with banks	8,234	16,363	1,753	8,418
Unrestricted balances with Central Bank of Kenya	40,315	16,708	-	-
Money market placements	16,825	13,968	-	-
	65,374	**47,039**	**1,753**	**8,418**
Movement in restricted balances:				
At 1 January	1,179	1,486	-	-
Movement during the year	3,617	(307)	-	-
At 31 December	**4,796**	**1,179**	**-**	**-**

20. Loans and advances to customers

(a) Loans and advances to customers at amortised cost

	Group		Company	
In millions of Kenya Shillings	2015	2014	2015	2014
Retail loans				
Consumer	51,687	51,026	-	-
Micro Enterprises	17,459	16,072	-	-
Agriculture	7,155	6,364	-	-
Small and Medium Enterprises	126,920	94,772	-	-
Large Enterprises	74,457	53,322	-	-
Gross amount	**277,678**	**221,556**	**-**	**-**
Current (to be settled no more than 12 months)	51,191	40,845	-	-
Non-current portion (to be settled more than 12 months after reporting period)	226,487	180,711	-	-
Gross amount	**277,678**	**221,556**	**-**	**-**

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

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

Corporate Loans - Consist of Small and Medium Enterprises and Large Enterprises - These are loans to small and medium customers and they are all interest bearing. Collateral is a requirement for all facilities. The tenor is 6 months to 10 years. These loans are charged processing fees, insurance and legal fees. Overdrafts - These are short term facilities to customers with urgent need of cash. Collateral is required for all these facilities and the tenor is 6 to 12 months. The only charge on these facilities is the Overdraft arrangement fee and legal fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Loans and advances to customers (Continued)

(b) Allowance for impairment

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
At 1st January	7,386	6,000	-	-
Charge for the year	2,433	1,590	-	-
Suspended interest	609	534	-	-
Acquisition	425	-	-	-
Write offs	(3,068)	(738)	-	-
Total impairment	**7,785**	**7,386**	**-**	**-**
Net loans and advances	**269,893**	**214,170**	**-**	**-**
Current	59,485	47,117	-	-
Non-current	210,408	167,053	-	-
Total	**269,893**	**214,170**	**-**	**-**

21. Investment securities – (Government bonds)

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Held to maturity				
At 1 January	33,257	33,449	-	21,726
Purchase of investment securities	1,046	5,959	-	1,313
Proceeds from retirement of bonds	(13,317)	(6,151)	-	(3,750)
Transfer to Equity Bank (Kenya) Limited	-	-	-	(19,289)
Total Held to Maturity	**20,986**	**33,257**	**-**	**-**
Available for sale				
At 1 January	15,112	11,123	-	11,223
Purchase of investment securities	22,915	10,569	-	10,903
Sale of investment securities	(14,930)	(6,827)	-	(7,007)
(Loss) /profit on fair valuation	(1,308)	247	-	247
Transfer to Equity Bank (Kenya) Limited	-	-	-	(15,366)
Total Available for sale	**21,789**	**15,112**	**-**	**-**
Total	**42,775**	**48,369**	**-**	**-**
Current	18,345	15,112	-	-
Non –current	24,430	33,257	-	-
Total	**42,775**	**48,369**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Related parties

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business.

(a) Loans to key management personnel

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
At 1 January	1,027	874	-	-
Interest charged	98	73	-	-
Loans disbursed	289	329	-	-
Repayments	(267)	(249)	-	-
At 31 December	**1,147**	**1,027**	**-**	**-**
Current	311	205	-	-
Noncurrent	836	822	-	-
Total	**1,147**	**1,027**	**-**	**-**

(b) Loans to employees

In millions of Kenya Shillings				
At 1 January	5,742	3,978	-	-
Interest charged	473	361	-	-
Loans disbursed	3,795	3,400	-	-
Repayments	(2,543)	(1,987)	-	-
At 31 December	**7,467**	**5,742**	**-**	**-**
Current	562	385	-	-
Noncurrent	6,905	5,367	-	-
Total	**7,467**	**5,752**	**-**	**-**

The loans are secured by property mortgage and are repayable in a period of less than 30 years at an average interest rate of 8%. No impairment losses have been recorded against balances outstanding during the year and no allowance has been made for impairment losses on balances at the year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Related parties (Continued)

(c) Loans to related parties

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
At 1 January	1,103	1,263	-	-
Interest charged	92	84	-	-
Loans disbursed	870	1,041	-	-
Repayments	(997)	(1,285)	-	-
At 31 December	**1,068**	**1,103**	**-**	**-**
Current	487	485	-	-
Noncurrent	581	618	-	-
Total	**1,068**	**1,103**	**-**	**-**

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. These loans are subject to the bank's standard terms and conditions. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the period in respect of bad or doubtful debts due from related parties.

(d) Key management personnel compensation

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Remuneration to executive Directors	574	440	-	-
Remuneration to key Management	1,959	2,360	-	-
	2,533	**2,800**	**-**	**-**
Remuneration to key Management:				
Salaries and short term benefits	1,887	2,296	-	-
Pensions and other post-employment benefits	72	64	-	-
	1,959	**2,360**	**-**	**-**
Remuneration to executive Directors				
Pension	21	12	-	-
Earnings	553	428	-	-
Total	**574**	**440**	**-**	**-**

In addition to their salaries, the Group also contributes to a post-employment defined contribution plan, and the the National Social Security Fund (NSSF) for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Related parties (Continued)

(e) Directors' emoluments

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
As non-executive	38	29	-	-
As executives	574	440	-	-
	612	**469**	**-**	**-**

(f) Amounts due from related parties

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Equity Group Foundation	272	189	-	-
Equity Bank (Kenya) Limited	-	-	8,000	-
Equity Insurance Agency	-	-	300	-
ProCredit Bank DRC	-	-	18	-
	272	**189**	**8,318**	**-**

(g) Amounts due to related parties

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Equity Bank (Kenya) Limited	-	-	2,049	-
Equity Investment Bank			6	
Equity Investment Services Limited	-	-	420	420
	-	**-**	**2,475**	**420**

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 receivables or payables. For the year ended 31st December 2015, the group has not recorded any impairment of receivables relating to the amounts owed by related parties (2014- nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

23. Other assets

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Accounts receivable and prepayments	7,980	7,716	-	-
Accrued income	3,899	3,151	-	-
Funds in clearing	1,543	1,346	-	-
Other*	5,900	3,770	35	-
	19,322	**15,983**	**35**	**-**

Other assets are settled no more than 12 months after reporting date. All the balances are non-interest bearing.
Other* includes stationery, stock of ATM cards, Telco agent floats for Airtel and Safaricom among others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Plant, equipment and software	693	356	-	-
Allowance for loan losses	1,843	1,892	-	-
Allowance for accrued Leave	41	45	-	-
Unrealised exchange losses	124	6	-	-
Unrealised exchange gains	(3)	(27)	-	-
Tax Losses	262	300	-	-
Net tax asset	**2,960**	**2,572**	**-**	**-**

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

	2015			2014		
In millions of Kenya Shillings	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, equipment and software	749	(56)	693	528	(172)	356
Allowances for loan losses	1,843	-	1,843	1,892	-	1,892
Allowance for accrued Leave	41	-	41	45	-	45
Unrealised exchange losses	124		124	-	6	6
Unrealised exchange gains	-	(3)	(3)	-	(25)	(25)
Tax losses	262	-	262	300	-	300
	3,019	**(59)**	**2,960**	**2,765**	**(191)**	**2,574**
Deferred tax liability						
Unrealized exchange gains	**-**	**-**	**-**	**-**	**(2)**	**(2)**

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

In millions of Kenya Shillings	**At 1 January**	**Recognised in profit or loss**	**Recognised in OCI**	**At 31 December**
2015				
Property, equipment and software	356	337	-	693
Allowances for loan losses	1,892	(49)	-	1,843
Provision for accrued leave	45	(4)	-	41
Unrealised exchange losses	6	118	-	124
Unrealised exchange gains	(25)	22	-	(3)
Tax losses	300	(38)	-	262
	2,574	**386**	**-**	**2,960**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Deferred tax assets and liabilities (Continued)

In millions of Kenya Shillings	At 1 January	Recognised in profit or loss	Recognised in OCI	At 31 December
2014				
Property, equipment and software	417	(61)		356
Allowances for loan losses	489	1,403		1,892
Provision for accrued leave	5	40		45
Unrealised exchange losses	10	(2)		8
Unrealised exchange gains	(164)	137		(27)
Tax losses	182	118	-	300
	939	**1,635**		**2,574**

Company 2014	**At 1 January**	**Recognised in profit or loss**	**Transfer to EBKL**	**At 31 December**
Property, equipment and software	486	41	(527)	-
Allowances for loan losses	356	1,350	(1,706)	-
Provision for accrued leave	-	43	(43)	-
Unrealised exchange losses	8	(15)	7	-
Unrealised exchange gains	(149)	(149)	-	-
	701	**1,568**	**(2,269)**	**-**

25. Deposits from customers

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Retail customers				
Term deposits	23,786	16,254	-	-
Current deposits	31,955	20,152	-	-
Savings deposits	119,079	105,874	-	-
	174,820	**142,280**	**-**	**-**
Corporate customers				
Term deposits	35,207	22,901	-	-
Current deposits	76,214	80,143	-	-
Savings	16,965	258	-	-
	128,386	**103,302**	**-**	**-**
	303,206	**245,582**	**-**	**-**
Current	145,130	133,078	-	-
Non-current	158,076	112,504	-	-
Total	**303,206**	**245,582**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Deposits from customers (Continued)

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

a) Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified term periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

b) Current accounts – These are non-interest bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.

c) Savings accounts - This is a deposit account designed for the average income earner that enables one to save some money and earn interest. The more one saves, the higher the interest. Interest on minimum monthly balances is paid into the account bi-annually.

26. Other liabilities

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Short term employee benefits	26	615	-	-
Creditors	4,396	405	-	-
Other*	5,074	3,487	11	23
	9,496	**4,507**	**11**	**23**
Current	9,003	4,459	-	-
Non-current	493	48	-	-
	9,496	**4,507**	**11**	**23**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Borrowed funds

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
China Development Bank Corporation	6,731	9,524	-	-
ResponsAbility	4,090	2,268	-	-
African Development Bank	10,225	-	-	-
KFW	2,313	1,984	-	-
International Finance Corporation(IFC)	7,953	9,070	-	-
European Investment Bank	1,988	-	-	-
KFW(Ministry of Finance)-SIPMK	222	239	-	-
Micro Finance Sector Support Credit (Ministry of Finance)	66	130	-	-
Bank of Kigali Rwanda	511	-	-	-
Co-operative Bank of Kenya	4,499	-	-	-
Kenya Commercial Bank	1,535	-	-	-
Standard Chartered Bank Kenya	511	500	-	-
Bank of Africa	1,023	-	-	-
Commercial Bank of Africa	500	-	-	-
I&M Bank Rwanda	204	-	-	-
FPM	307	-	-	-
REFFA Fund	217	-	-	-
Ontwikelinslanden N.V (FMO)	-	3,221	-	-
Ministry of Youth Affairs	-	35	-	-
Family Bank LTD	-	27	-	-
Citi Bank Kenya	-	2,268	-	-
EXIM TZ	-	18	-	-
Eco Bank Uganda	-	33	-	-
Centenary Bank Uganda	-	33	-	-
Orient Bank Uganda Limited	-	259	-	-
Post Bank Uganda Limited	-	106	-	-
Bank of Africa Kenya	-	481	-	-
Craine Bank Rwanda Limited	-	46	-	-
	42,895	**30,242**	**-**	**-**
Current (to be settled no more than 12 months)	19,109	12,669	-	-
Noncurrent portion (to be settled more than 12 months after reporting period)	23,786	17,573	-	-
	42,895	**30,242**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Borrowed funds (Continued)

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

i) Two medium term loans of US$ 65.8M (KShs 6.73B) from China Development Bank, a company incorporated in China. The loan is secured by directors' guarantee; US$ 53.3 M accrues interest at the rate of LIBOR +2.6% margin plus interest tax as applicable, matures on 20th September 2017. US$ 12.5M accrues interest at the rate of LIBOR +2.2% margin plus interest tax as applicable, matures on 20th September 2016. A finance cost of KShs 284.43 M (2014: KShs 293.98M) has been included in profit or loss for the year.

ii) Loan of US$ 40M (KShs 4.09B) from ResponsAbility an unincorporated mutual fund organised under Luxembourg law. The loan is secured by directors' guarantee. Out of the loan, US$ 10M matures on 11th August 2016 and US$ 15M matures on 23rd September 2019, both loans accrues interest at a rate of LIBOR +3.07% margin plus interest tax as applicable. US$ 15M accrues interest at the rate of LIBOR +2.95% margin plus interest tax and matures on 17th Nov 2020. A finance cost of KShs 108.10 M (2014 - KShs 59.63M) has been included in profit or loss for the year.

iii) Long Term Loan of US$100M (Kshs.10.23B) from African Development Bank, an International Financial Institution and Multilateral Development bank with Headquarters at Abidjan, Cote d' Ivoire. The loan is secured by directors' guarantee, accrues interest at a rate of LIBOR +2.85% margin and matures on 1st February 2023. A finance cost of KShs 114.35 M has been included in profit or loss for the year.

iv) Long term loan of US$ 22.6M (KShs 2.31B) from KFW, a public law institution registered in Germany with its headquarters in Frankfurt. The subordinated loan which is secured by directors' guarantees accrues interest at a rate of LIBOR +3.3% margin and will mature on 13th December 2018. A finance cost of KShs 73.10 M (2014: 62.99M) has been included in profit or loss for the year.

v) Medium term loan of US$ 7.78M (KShs 7.95 B) from International Finance Corporation, an organisation established by Articles of Agreement among its member countries including the Republic of Kenya. The loan which is secured by directors' guarantee accrues interest at the rate of LIBOR + 2.75% margin plus interest tax as applicable and will mature on 15th March 2019. A finance cost of KShs 276.15 M (2014: KShs 277.08 M) has been included in profit or loss for the year.

vi) Two Medium term Loans of KShs. 1.99 B from European Investment Bank, a global facility made available by the bank under the Partnership Agreement signed in Cotonou on 23rd June 2000 revised subsequently as the Cotonou Agreement. The loan is secured by directors' guarantee; KShs.1.03B accrues interest at the fixed rate of 6.85%, matures on 17th June 2019 while KShs. 0.96 B accrues interest at the fixed rate of 7.04% and matures on 17th June 2019. A finance cost of KShs 60.04 M has been included in profit or loss for the year.

vii) Medium term loans totalling KShs 221.68M from Ministry of Finance (KFW-Irrigation). The loans, which are secured by directors' guarantees, accrue interest at the fixed rate of 4% p.a. and matures on 30th June 2017. A finance cost of Kshs 8.59 M (2014: Kshs 7.55M) been included in profit or loss.

viii) Medium term loans totalling KShs 66.22 M from Ministry of Finance (Microfinance Sector Support Credit). The loan, which is secured by directors' guarantee, accrues interest at the reducing balance rate of 4% p.a. and matures on 27th June 2016. A finance cost of Kshs 3.49 M (2014: Kshs 6.59 M) been included in profit or loss.

ix) On 17th Dec-2015, Equity Bank (K) Ltd borrowed US$ 5M (KShs 511.25M) maturing on 04-January-2016 from Bank of Kigali Rwanda through the inter-bank money market at a rate of 3.2% for 18 days.

x) On 9th December 2015, Equity Bank (K) Ltd borrowed US$ 44M (KShs 4.50B) maturing on 11th Jan-2016 from Cooperative Bank through the inter-bank money market at a rate of 2.75% for 20 days.

xi) On 31st December 2015, Equity Bank (K) Ltd borrowed US$ 15M (KShs 1.53B) maturing on 07-Jan-2016 from Kenya Commercial Bank through the inter-bank money market at a rate of 2.0% for 19 days.

xii) On 18th December 2015, Equity Bank (K) Ltd borrowed US$ 5M (KShs 511.25 M) maturing on 15th Jan 2016 from Standard Chartered Bank of Kenya through the inter-bank money market at a rate of 2.0% for 21 days.

xiii) On 30th November 2015, Equity Bank (K) Ltd borrowed US$ 10M (KShs 1.02 B) maturing on 4th Jan 2016 from Bank of Africa through the inter-bank money market at a rate of 3.0% for 34 days

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Borrowed funds (Continued)

i) On 31st Dec 2015, Equity Bank (K) Ltd borrowed KShs 500 M maturing on 04-Jan-2016 from Commercial Bank of Africa through the inter-bank money market at a rate of 6.20% for 4 days.

ii) A short term borrowing from I&M Bank Rwanda Ltd USD 2 Million was part of the borrowing amount of Frw1, 641 million as at 31-Dec-2015. The borrowing started on 31-Dec-2015 and matures at 07-Jan-2016. The rate of interest that the bank has agreed with the lending party is USD 2M +2.5% .The finance cost of USD 972.22 and has been included in profit or loss for the year.

iii) Medium term loans of US$ 3 million from FPM. The FPM is an institution created in 2010 under the initiative of UNDP, UNCDF, KFW, World Bank, the German Cooperation and the Swedish Cooperation. The loan, which is secured by directors' guarantee, accrues interest at the rate of 6.5%. A finance cost of US$ 6.500 has been included in profit or loss for the year.

iv) Medium term loans of US$ 2 million from REFFA. The Fund was initiated by KfW Development Bank in order to facilitate the demand-driven and sustainable provision of education finance services in African countries. The loan which is secured by directors' guarantee accrues interest at the rate of 6.5%. A finance cost of US$ 126.388 has been included in profit or loss for the year.

28. Share capital and reserves

	Group		Company	
	2015	**2014**	**2015**	**2014**
(a) Share capital –				
Authorised, issued and fully paid 3,773,674,802 (2014:3,702,777,020)				
ordinary shares of KShs 0.5	**1,887**	**1,851**	**1,887**	**1,851**

Movement in ordinary shares

	Group		Company	
In millions	**2015**	**2014**	**2015**	**2014**
On issue at 1 January (3,702,777,020)	3,703	3,703	3,703	3,703
Issued during the year (70,897,782)	71	-	71	-
On issue at 31 December (3,773,674,802)	**3,774**	**3,703**	**3,774**	**3,703**
In monetary terms:				
At 1 January	1,851	1,851	1,851	1,851
Issued during the year	36	-	36	-
At 31 December	**1,887**	**1,851**	**1,887**	**1,851**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Share capital and reserves (Continued)

The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The top ten largest shareholders as at 31 December 2015 were:

Name	No. of Shares	%
NORFININVEST AS	452,581,275	11.99
BRITISH-AMERICAN INVESTMENTS COMPANY (KENYA) LIMITED	239,501,330	6.35
EQUITY BANK EMPLOYEE SHARE OWNERSHIP PLAN	143,729,900	3.81
JAMES NJUGUNA MWANGI	127,809,180	3.39
FORTRESS HIGHLANDS LIMITED	101,010,000	2.68
STANDARD CHARTERED NOMINEES NON-RESD. A/C 9069	93,396,569	2.47
EQUITY NOMINEES LIMITED A/C 00104	93,171,804	2.47
CFC STANBIC NOMINEES LTD A/C NR3530153-1	90,516,255	2.40
AIB NOMINEE A/C SOLIDUS HOLDINGS LTD	90,114,910	2.39
ANDREW MWANGI KIMANI	87,426,800	2.32
OTHER 28,889 SHAREHOLDERS	2,254,416,779	59.74
TOTAL SHARES	**3,773,674,802**	**100%**

(b) Share premium

Share premium arose from the issue of shares at a price higher than the par value of the shares. During the year ended 31 December 2015, the company issued 70,897,782 shares at a premium of KShs 44.71 per share.

(c) Available for sale reserve

The available for sale (AFS) reserve is attributable to marking to market of investment securities classified under the available-for-sale category. All unrealised gains and losses are recognised in other comprehensive income and credited to AFS reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss.

(d) Loan loss reserve

The loan loss reserve represents excess loan loss provision determined in accordance with the prudential guidelines issued by the Central Banks of the countries in which the group operates compared with the requirements of International Accounting Standard (IAS) 39. This amount is not available for distribution.

(e) Other reserves

The other reserves represent pre-acquisition reserves from Equity Bank Uganda Limited and Pro Credit Bank DRC.

(f) Foreign currency translation reserve

The foreign exchange translation reserve represents translation of Uganda Shillings, South Sudan Pounds, Tanzania Shillings, Rwanda Francs and Democratic Republic of Congo's US Dollars to Kenya Shillings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Share capital and reserves (Continued)

(g) Dividends

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

Cash dividends on ordinary shares declared and paid:

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Final dividend declared and paid for 2014 KShs 1.80 per share (2013– KShs1.50)	6,665	5,554	6,665	5,554
	6,665	5,554	6,665	5,554

Proposed dividends on ordinary shares

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Final dividend for 2015 KShs 2.00 per share (2014– KShs1.80)	7,547	6,665	7,547	6,665

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

There is no income tax consequences arising from the retention or distribution of the retained earnings during the year (2014: Nil).

29. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the group as at 31 December 2015 is based on the profit attributable to ordinary shareholders of KShs 17,303 million (2014: KShs 17,151 million) and the weighted average number of ordinary shares outstanding of 3,721million.

The calculation of basic earnings per share for Company as at 31 December 2015 is based on the profit attributable to ordinary shareholders of KShs 7,761 million (2014: KShs 16,836 million) and the weighted average number of ordinary shares outstanding of 3,721 million.

	Group		Company	
(In millions of Kenya Shillings)	**2015**	**2014**	**2015**	**2014**
Profit for the year attributable to equity shareholders	17,303	17,151	7,761	16,836
Number of shares: (in millions)				
Issued ordinary shares at 1 January (3,702,777,020)	3,703	3,703	3,703	3,703
Issue of additional shares (70,897,782)	71	-	71	-
Issued ordinary shares at 31 December(3,773,674,802)	**3,774**	**3,703**	**3,774**	**3,703**
Weighted average number of ordinary shares at 31 December	3,721	3,703	3,721	3,703
Basic earnings per share (in Kenya Shillings)	**4.65**	**4.63**	**2.09**	**4.55**
Diluted earnings per share (in Kenya Shillings)	**4.65**	**4.63**	**2.09**	**4.55**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Guarantees and standby letters of credit	18,340	20,430	-	-
Letters of credit, acceptances and other documentary credits	4,276	3,287	-	-
	22,616	**23,717**	**-**	**-**

Nature of contingent liabilities

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

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

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

Commitments

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

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
Capital commitments	78	95	-	-
Loans approved but not disbursed	11,450	12,000	-	-
	11,528	**12,095**	**-**	**-**

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.

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

	Group	
In millions of Kenya Shillings	**2015**	**2014**
Within one year	545	521
After one year but not more than five years	3,956	2,958
More than five years	5,501	6,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Retirement Benefit Obligations

The Group contributes to statutory defined contribution pension schemes the National Social Security Fund (NSSF), for Kenya, Tanzania, Uganda and Democratic Republic of Congo employees. The Group also contributes to the Rwanda Social Security Fund for Rwanda employees and to a private pension fund for employees in South Sudan.

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

	Group		Company	
In millions of Kenya Shillings	**2015**	**2014**	**2015**	**2014**
National Social Security Fund	15	16	-	-
Pension Scheme	312	287	-	-
	327	**303**	**-**	**-**

32. Foreign currency exposure – group

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The board of directors has set limits on foreign currency positions. The foreign currency positions are monitored on daily basis and hedging strategies used to ensure that positions are maintained within the established limits. The amounts below summarize the foreign currency exposure position as at 31st December.

	US$	GBP	Euro	ZAR	JPY	Others	Total
As at 31 December 2015:							
In millions of Kenya Shillings							
Cash and cash equivalents	10,180	1,181	1,155	7	56	682	13,261
Loans and advances to customers	66,583	5	-	-	-	-	66,588
Other assets	1,044	95	24	7	-	66	1,236
Total assets	**77,807**	**1,281**	**1,179**	**14**	**56**	**748**	**81,085**
Customer deposits	35,906	244	1,136	1	-	441	37,728
Borrowed funds	39,666	-	6	-	-	127	39,799
Total liabilities	**75,572**	**244**	**1,142**	**1**	**-**	**568**	**77,527**
Net financial position	**2,235**	**1,037**	**37**	**13**	**56**	**180**	**3,558**
As at 31 December 2014							
In millions of Kenya Shillings							
Cash and cash equivalents	8,344	968	947	6	46	559	10,870
Loans and advances to customers	54,576	4	-	-	-	-	54,580
Other assets	856	78	20	6	-	54	1,014
Total assets	**63,776**	**1,050**	**967**	**12**	**46**	**613**	**66,464**
Customer deposits	29,431	200	931	1	-	378	30,941
Borrowed funds	26,537	-	5	-	-	104	26,646
Total liabilities	**55,968**	**200**	**936**	**1**	**0**	**482**	**57,587**
Net financial position	**7,808**	**850**	**31**	**11**	**46**	**131**	**8,877**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Foreign currency exposure – group (Continued)

	Changes in EUR	Effect on profit before tax
2015	±3%	±38
2014	±2%	±23
	Changes in USD	**Effect on profit before tax**
2015	±4%	±1,981
2014	±5%	±93
	Changes in GBP	**Effect on profit before tax**
2015	±3%	±112
2014	±2%	±66

33. Operating Segment

A segment is a distinguishable component of the group and the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

i) Business segments

The group provides financial services to individuals and small and medium sized enterprises in each of the entities. For management purposes the results of each business unit (entity) is reviewed separately for the purpose of making decisions. There are therefore no distinct significant business segments within each entity to necessitate detailed disclosures.

II) Operating segments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Operating Segment (Continued)

In millions of Kenya Shillings	Kenya	Uganda	South Sudan	Rwanda	Tanzania	Pro Credit	Total
At 31 December 2015							
Total asset	328,866	18,846	19,474	12,691	20,772	27,414	428,063
Total liabilities	267,866	16,959	18,600	9,985	18,116	24,400	355,926
Net Interest Income	29,687	1,246	799	959	937	495	34,123
Total operating income	42,599	2,515	3,219	1,733	1,892	4,097	56,055
Depreciation and amortization	3,465	138	224	128	108	64	4,127
Additions to property and equipment	4,147	70	8	119	317	12	4,673
Additions to intangible assets	2,213	13	-	6	17	9	2,258
Total expenses including impairment of financial assets	14,425	1,824	2,360	11,617	1,137	734	32,097
Profit before tax	22,431	258	382	292	401	194	23,958
At 31 December 2014							
Total asset	276,115	13,535	30,447	11,520	15,191	-	344,572
Total liabilities	220,963	11,633	26,711	9,090	12,399	-	280,796
Net Interest Income	26,159	1,074	814	814	599	-	29,175
Total Operating Income	41,167	1,758	2,555	1,120	1,073	-	47,649
Depreciation and amortization	2,648	148	202	102	85	-	3,185
Additions to property and equipment	2,603	63	253	247	234	-	3,400
Additions to intangible assets	1,931	24	19	4	-	-	1,978
Share of profit from associate	242	-	-	-	-	-	242
Total expenses including impairment of financial assets	20,909	1,649	1,948	954	889	-	26,349
Profit before tax	21,779	109	603	166	166	-	22,364

It is not practicable to segregate revenues from external customers for each product and service as the information is not available and the cost to develop it would be excessive.

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

No revenue from transactions with a single external customer or counter party amounted to 10% or more of the bank's total revenue in 2015 or 2014.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Operating Segment (Continued)

The three customer facing lines of businesses include:

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

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

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

The products the group offers its customers include:

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Significant events during the Year

i) Issue of Shares

The company issued 70,897,782 additional ordinary shares to finance the acquisition of ProCredit Bank DRC, a subsidiary operating in the Democratic Republic of Congo. The value of the shares was calculated with reference to the quoted price of the shares of the company at the date of acquisition, which was KShs 44.71 per share.

ii) Acquisition of ProCredit Bank DRC

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

iii) Ownership structure

On 30 December 2014, the Group completed the execution of the recently approved shareholders ownership structure. The group in effect instituted a holding company (Equity Group Holdings Limited) which is a non-operational investment company that now holds shares in all the operational banking and non-banking subsidiaries. The Kenyan banking business is now under a Kenyan banking subsidiary, Equity Bank (Kenya) Limited, similar to the situation in Uganda, South Sudan, Rwanda and Tanzania and Democratic republic of Congo. The Group used the shareholders' approval under Section 5 and 9 of the Banking Act to obtain approval from Central Bank of Kenya, Capital Markets Authority (CMA), and Treasury to create and transfer all banking business in Kenya to the new Equity Bank (Kenya) Limited. Under Section 9 of the Banking Act, all assets and liabilities of banking were effectively moved to the new subsidiary.

35. Events after the reporting period

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

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ANNUAL GENERAL MEETING 31ST MARCH 2016

PROXY FORM

I/We ____

____

CDS A/C No ____

of (address) ____

being a member(s) of Equity Group Holdings Limited hereby, appoint

____

of (address) ____

or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting of the Company to be held on the **31st day of March 2016** at **10.00 a.m.** or at any adjournment.

As witness to my/our hands this __________ day of ______________________ 2016

Signature(s) ____

This Form is to be used *in favour of /*against of the resolution (*Strike out whichever is not desired)

Unless otherwise instructed, the proxy will vote as he thinks fit.

Notes:

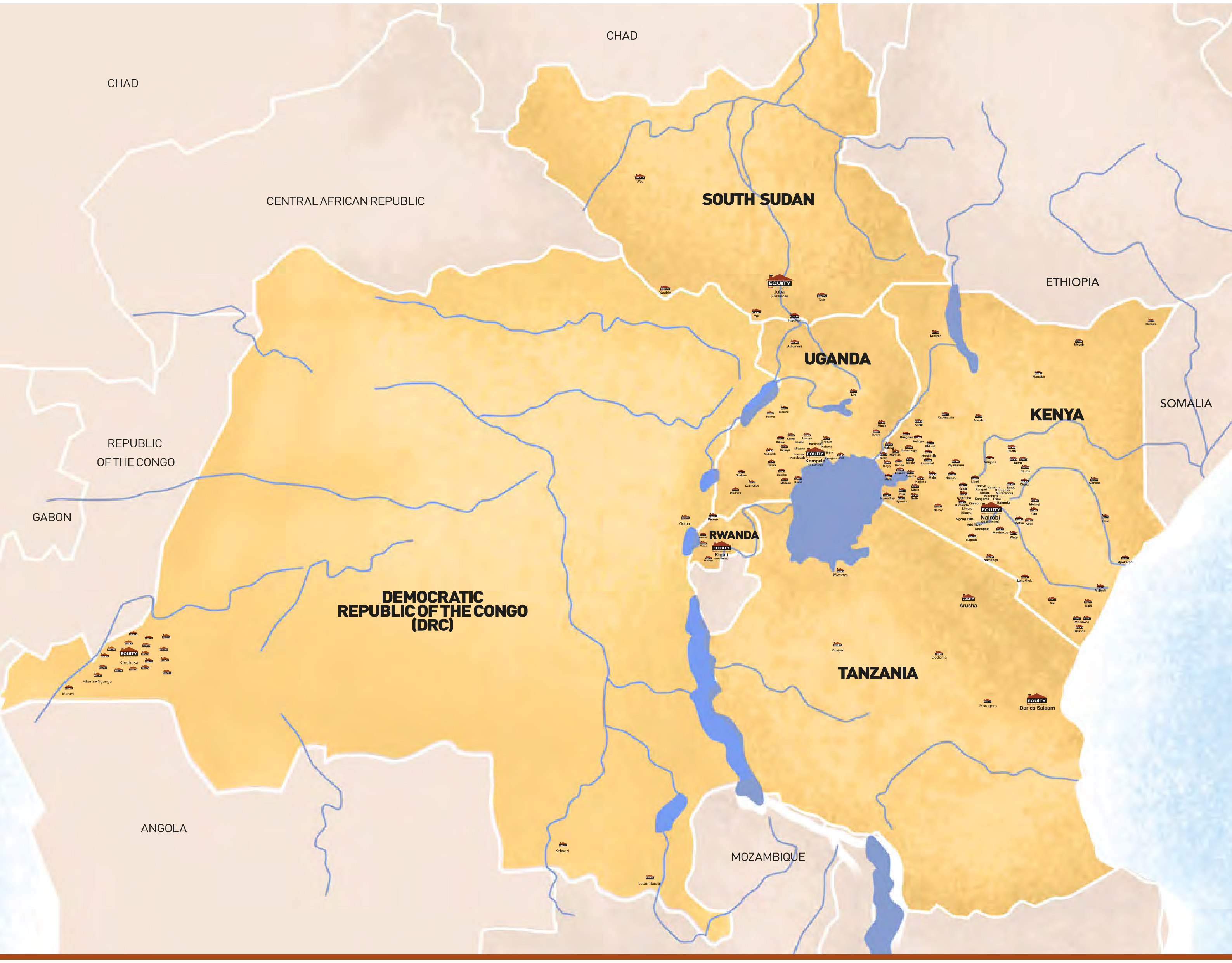
1. This proxy form is to be delivered to the Company Secretary at the Company's Head Office situated at EQUITY CENTRE, 9TH FLOOR, Hospital Road, Upper Hill, P.O. Box 75104 - 00200, Nairobi, Kenya not later than 10:00am on the 29th day of March 2016, failing which it will be invalid.
2. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

-- CUT ALONG DOTTED LINE --

ADMISSION CARD

PLEASE ADMIT ____________________ ____________________ ______________________ to the Annual General Meeting of Equity Group Holdings Limited which will be held at the Kenyatta International Conference Centre ("KICC"), Nairobi, Kenya on 31st day of March 2016 at 10.00 a.m. This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting Company Secretary	**Number of ordinary shares held** Name of Shareholder Address of Shareholder CDS Account Number:

REGIONAL FOOTPRINT



Transforming lives in Africa, one branch at a time

BRANCHES				**263**
(a) Branches in Kenya	173,	Nairobi	48	
(b) Branches in Uganda	31,	Kampala	4	
(c) Branches in South Sudan	11,	Juba	6	
(d) Branches in Tanzania	14,	Dar es Salaam	8	
(e) Branches in Rwanda	11,	Kigali	5	
(f) Branches in DRC	23,	Kinshasa	17	

Agent Outlets	**23,991**
Point of Sale Terminals (POS)	**11,560**
ATMs	**672**

EQUITY Bank • Your Listening, Caring Partner

OUR INSPIRATION

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

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