EQUITY
Group Holdings Plc

INTEGRATED REPORT AND FINANCIAL STATEMENTS

2017

ABOUT THIS REPORT

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

In line with our vision, this report reflects our commitment to sustainable development, given the region's socio-economic and environmental context, and determination to entrench global best practices in all operations. It also reflects maturing reporting processes and confidence in our ability to set and measure progress towards targets. In this report, we also disclose on our performance across the six sustainability capitals and demonstrate their utilization and subsequent outputs. Integrated reporting is a multi-year journey and we began this journey last year with an aim to continue making progress in enhancing our communication around value creation for our multiple stakeholder groups.

This report covers the financial year from 1st January to 31st December, 2017. The financial information presented is prepared in line with the International Financial Reporting Standards (IFRS) while non-financial information is presented in accordance with the guidelines on the International Integrated Reporting Council's (IIRC) Framwork.

How to Read this Report

Our Integrated Report provides information that enables Equity Group Holdings Plc ("Equity", "Equity Group" or "Group" or "Subsidiaries") stakeholders to make an informed assessment of our ability to create sustainable value. The aim of this Integrated Report is to clearly and concisely tell the story of Equity Group, who we are, what we do, and how we create value. This report documents our strategy, opportunities and risks, our business model and governance, and the performance against our strategic objectives in a way that gives stakeholders a holistic view of Equity Group and our future prospects.

Key Concepts

Defining Value

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

Materiality and Material Matters

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

The Capitals

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

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Who We Are

BUILDING A DIGITAL BANK: A BANK FOR THE FUTURE

From the onset, we have been driven by one purpose, which is to transform the lives and livelihoods of our people, socially and economically, by availing to them modern and inclusive financial services that maximize their opportunities. In doing this, we harness and invest in the potential of technology to make our communities better and enrich people's lives. We center our efforts on ensuring the development of better relationships and more meaningful linkages with our customers and partners.

Our history started with a small community of farmers but they had a big dream to transform their lives and those who depended on them. They were visionaries who had a commitment to their community, to Kenya and mostly, to the economic development of the region.

The team at Equity Group are always pushing to disrupt not only themselves, but the market as well. We push ourselves to think ahead and be the catalysts for positive change in people's lives and for this reason, we have placed our structure, our capitals, our capability and most of all, our pride to serve the citizens of this region. We have achieved in less than 4 decades what would ordinarily take over a century to achieve. Dedication to our purpose and our people continues to be our driving force.

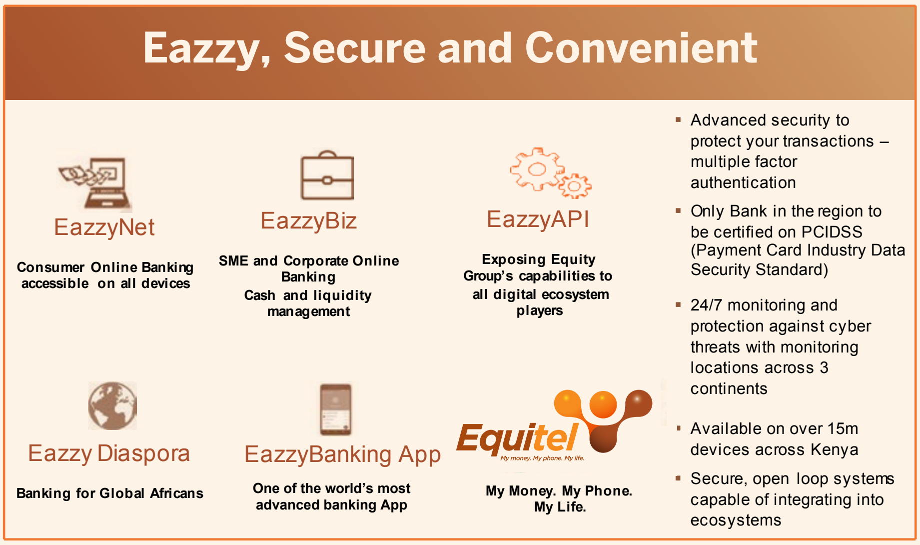
Currently, the Group has presence in 6 countries with KShs 524.5 Billion in total assets and the largest Kenyan-owned bank by market capitalization in the Eastern African region. Presently, more than 96% of our transactions are now carried out on digital platforms; of which 74% are on mobile phones, this is evidence of our becoming more global and digital. We will continue seeking new and innovative ways of bringing the entire suite of financial services closer to our customers and make them available as and when the customers want and need them.

We conducted a survey in 2014 where the overwhelming response from respondents was they would perfer to be anywhere else than queuing in a banking hall.

We are evolving how we offer financial services to our customers so that we ensure that they are where they want to be and doing what they love to do; be it spending time with family and friends, pursuing their passion, executing on a goal or undertaking a hobby.

We are transforming banking from somewhere you go, and have to set aside time for, to something you do and just another aspect of your normal daily life.

We believe that true progress is only possible if we are connected to people and, for this reason, placing our customers at the centre of everything we do is of the utmost importance. We take cognizance that this is going to be one of the main challenges for our sector in the coming years: the ability to build a digital bank that continues to be, in all aspects, personal and more intimately connected to the customer. We continue to be the listening and caring partner that we have always been. To understand the needs and dreams of our customers; to offer solutions that best suit them and help them achieve their goals.



Banking made Eazzy... Channels available to our customers

BUSINESS VALIDATION

GCR GLOBAL CREDIT RATING CO. Local Expertise • Global Presence

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

Think Business Banking Awards 2017

Best Bank in Kenya Overall (6th Year running)
Equity Bank (Kenya) Limited ("Equity Bank Kenya") was awarded 19 accolades across various categories, including 12 first places

Moody's

Equity Bank Credit Rating

National Rating:	Aa1-
Global Rating:	B1
Rating Outlook:	Stable

African Banker Awards 2017

Best Retail Bank in Africa, 2017
Best Digital Bank in Kenya, 2017
Best CSR Bank in East Africa, 2017
Banker of the Year in East Africa, 2017 (Dr. James Mwangi)

The Banker TOP 1000 WORLD BANKS 2017

Position 11 globally on Return on Assets
Position 37 globally on Soundness (Capital Assets Ratio)
Position 45 globally on Profits on Capital

GeoPoll

Geopoll Survey ranked Equity Bank (Equity Group banking subsidiaries) as the Most Preferred Lender in Kenya with the highest scale in Africa, followed by Capitec of South Africa and GT Bank of Nigeria.

Equity Group Managing Director and CEO, Dr. James Mwangi, receives the Superbrands East Africa Award from Superbrands East Africa Director, Jawad Jaffer during the Investor Briefing and Release of Equity Group 2016 Full Year Financial Results. Equity Bank Kenya has for the last 10 years been rated as the Top Banking Superbrand in Kenya. Superbrands East Africa identifies and pays tribute to exceptional brands by recognising, rewarding and reinforcing them.

GROUP STRUCTURE

Vision

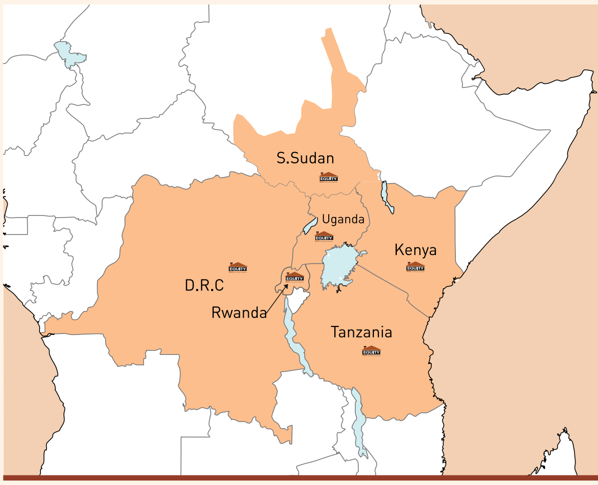
To be the champion of the socio-economic prosperity of the people of Africa.

Mission Statement

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

Our Core Values

P	I	C	T	U	R	E
Professionalism	Integrity	Creativity and Innovation	Teamwork	Unity of Purpose	Respect and Dignity for the Customer	Effective Corporate Governance

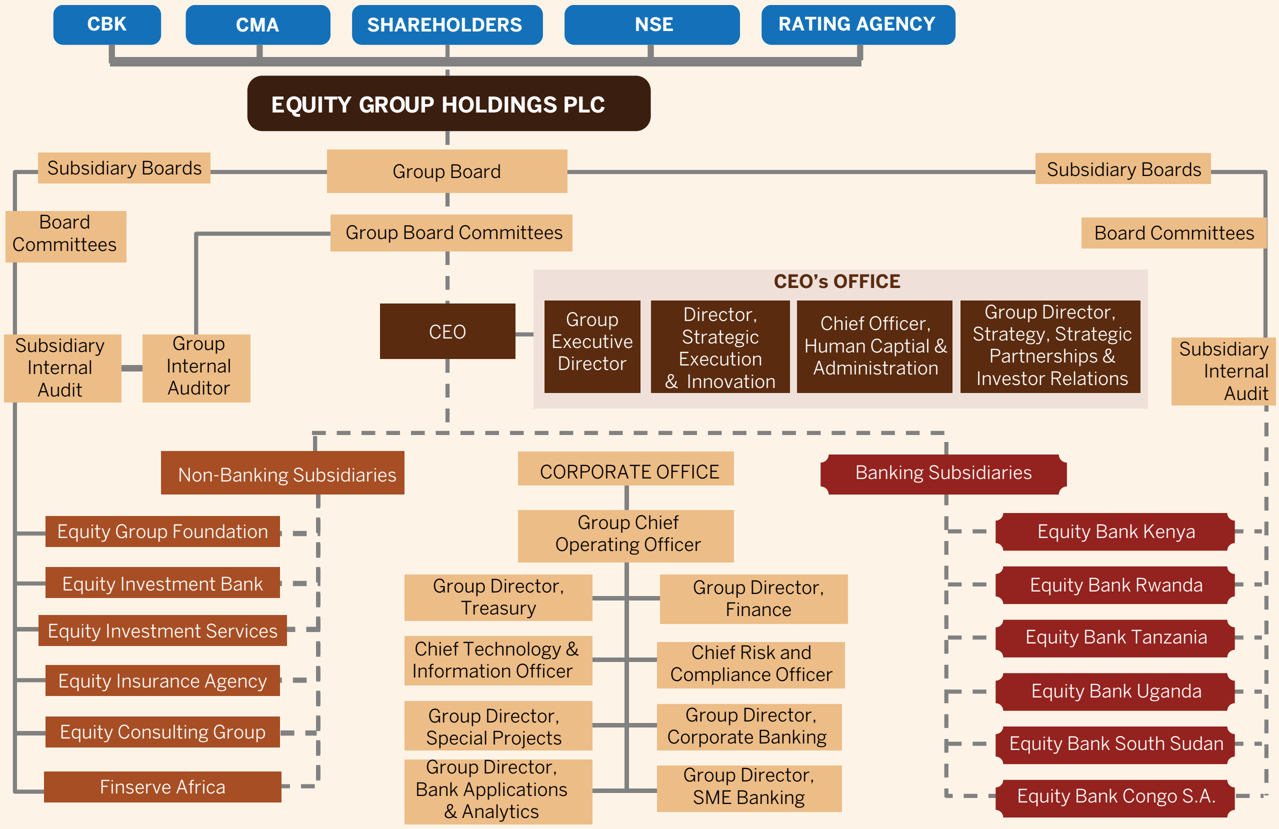


Using innovation to create a seamless integration and a consistent customer experiences across the region.

BRANCHES	**284**		
(a) Branches in Kenya	177	Nairobi	51
(b) Branches in Uganda	33	Kampala	15
(c) Branches in South Sudan	5	Juba	4
(d) Branches in Tanzania	15	Dar es Salaam	8
(e) Branches in Rwanda	13	Kigali	7
(f) Branches in DRC	41	Kinshasa	28

AGENT OUTLETS	**35,272**
POINT OF SALE TERMINALS (POS)	**22,243**
ATMs	**693**

Strong Governance and Leadership Structure



NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fourteenth Annual General Meeting (AGM) of Equity Group Holdings Plc will be held on **Thursday, 3rd May, 2018** at the **Kenyatta International Convention Centre (KICC) Nairobi, Kenya** at 10.00 a.m.

AGENDA

1. CONSTITUTION OF THE MEETING

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

2. ORDINARY BUSINESS

i. **Consideration of the Integrated Report and Audited Financial Statements for the financial year ended 31st December, 2017**

To receive, consider and if thought fit, adopt the Integrated Report, Audited Financial Statements and Directors' Remuneration Report for the year ended 31st December, 2017, together with the Chairman's, Directors' and Auditors' reports thereon.

ii. **Declaration of Dividend**

To declare a first and final dividend for the year ended **31st December, 2017,** of KShs 2.00, payable on or about **31st May, 2018,** net of withholding tax, to shareholders on the Register as of the close of business on **20th April, 2018.**

iii. **Remuneration of Directors**

To confirm the remuneration of the Directors for the year ended **31st December, 2017.**

iv. **Election of Directors**

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

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

c) Mrs. Mary Wamae, having been appointed by the Board as a director on 27th July, 2017 and being eligible, retires and offers herself for election as a director in accordance with section 132 of the Companies Act, No. 17 of 2015;

d) Mr. Vijay Gidoomal, having been appointed by the Board as a director on 28th April, 2017 and being eligible, retires and offers himself for appointment in accordance with section 132 of the Companies Act, No. 17 of 2015; and

e) Prof. Isaac Macharia, having been appointed by the Board as a director on 1st March, 2017 and being eligible, retires and offers himself for appointment in accordance with section 132 of the Companies Act, No. 17 of 2015.

v. **In accordance with the provisions of section 769 (1) of the Companies Act, No. 17 of 2015, the following Directors, being members of the Board Audit Committee, be appointed to continue to serve as members of the said Committee:**

a. Mrs. Evelyn Rutagwenda;
b. Mr. Dennis Aluanga;
c. Mr. David Ansell; and
d. Mr. Vijay Gidoomal.

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

3. SPECIAL BUSINESS

To consider and if found fit, to pass a special resolution approving the set up of the Employee Share Ownership Scheme structure for Equity Bank Congo through the issuance and allotment of 125,371 ordinary shares in Equity Bank Congo to the ESOP (ESOP shares) amounting to 5% of the issued share capital of Equity Bank Congo.

4. ANY OTHER BUSINESS

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

BY ORDER OF THE BOARD

Mary Wamae
Company Secretary
P.O. BOX 75104-00200
NAIROBI.
21st March, 2018

Notes

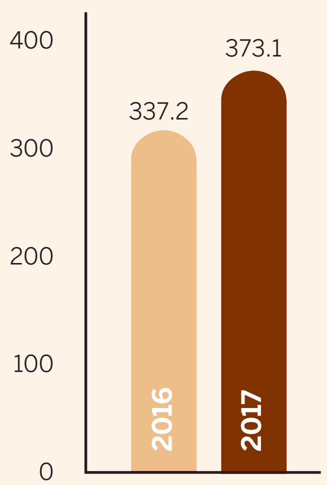
1) A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy, which is provided with the annual report and also available on the website www.equitygroupholdings.com, must be duly completed by the member and lodged with the Company Secretary at the Company's Head Office situated at EQUITY CENTRE, 9TH FLOOR, Hospital Road, Upper Hill, Nairobi, not later than 5.00 p.m. on **Monday, 30th April, 2018,** 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, 2017** of KShs 2.00 per share to be paid to shareholders on the register of members of the Company at the close of business on **20th April, 2018.** The dividend will be paid on or about **31st May, 2018.**

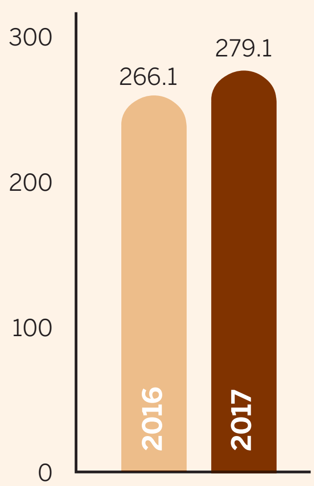
3) The full set of the audited financial statements for the year ended **31st December, 2017** is available at the Company's registered office at Equity Centre, 9th Floor, or can be downloaded from the website, www.equitybankgroup.com.

KEY GROUP HIGHLIGHTS

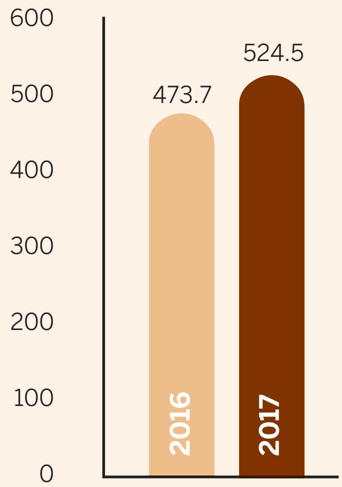
DEPOSITS
SHS. BILLION



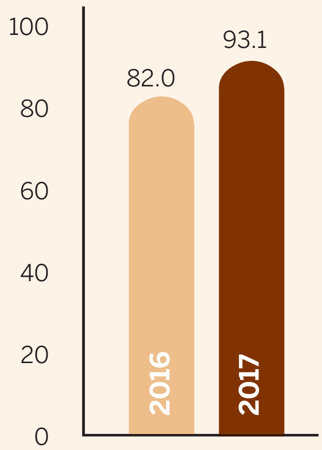
LOANS
SHS. BILLION



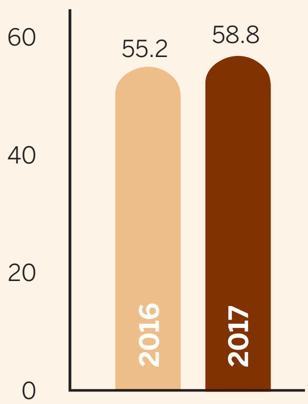
TOTAL ASSETS
SHS. BILLION



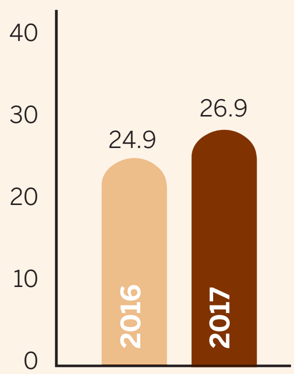
SHAREHOLDER FUNDS
SHS. BILLION



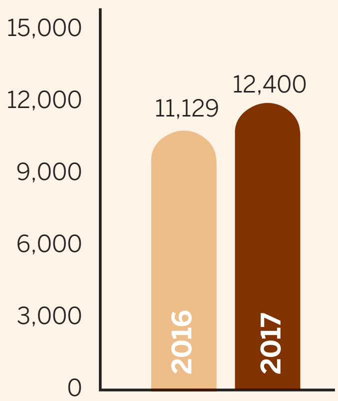
NET OPERATING INCOME
SHS. BILLION



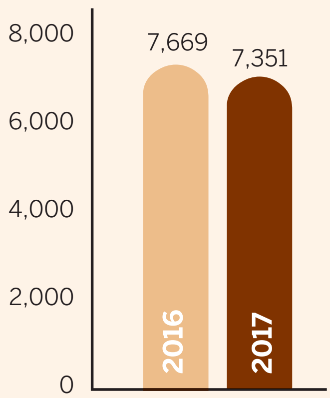
PROFIT BEFORE TAX
SHS. BILLION



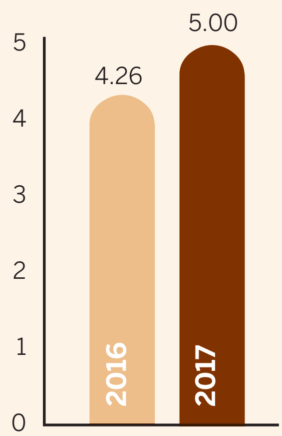
CUSTOMER NUMBERS
THOUSANDS



EMPLOYEE NUMBERS

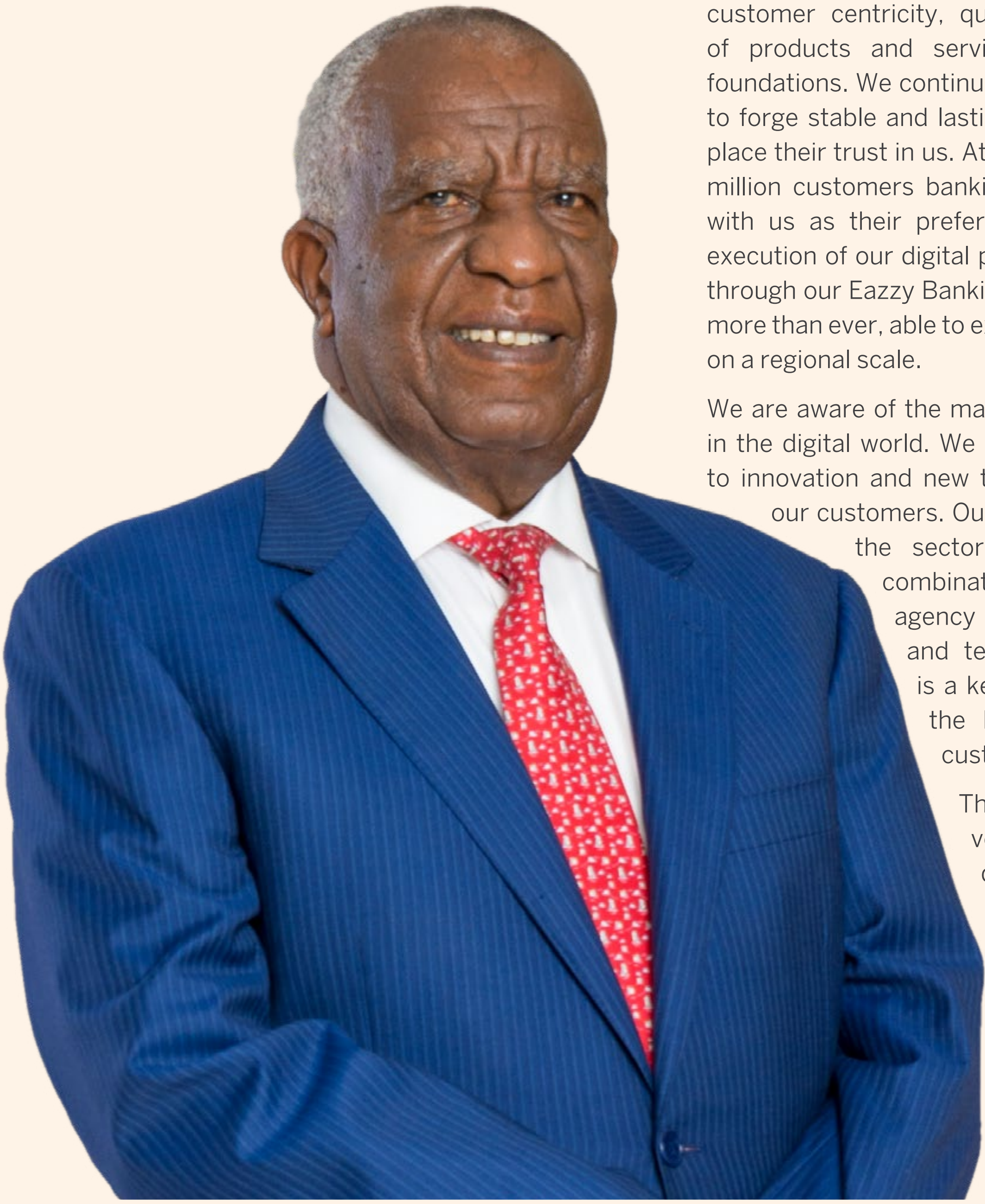


EARNINGS PER SHARE
SHS.



Chairman's Statement

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



In 2017, we entered into the 4th year under our 10 year strategic cycle dubbed Equity 3.0. It was also a year that reminded us of the importance of strong values and culture – and to explain why a strong and stable banking system is vital to our customers, to our shareholders, stakeholders and to the wider economy. Our strategy remains robust and we continue to execute well on it, so as to provide our customers with the freedom, choice and control over their financial lives. Today, we can proudly say that the Group is making great strides in its main areas for action under the current strategic cycle, and that we are very happy with our achievements to date.

Over the last year, we have extended our commercial leadership, through a banking model based on access, customer centricity, quality of service, a wide range of products and services and robust technological foundations. We continue to work – as we always have – to forge stable and lasting relationships with those who place their trust in us. At the end of 2017, we had over 12 million customers banking with us and also partnering with us as their preferred financial partner. With the execution of our digital penetration plans into the region through our Eazzy Banking suite of services, we are now, more than ever, able to extend our commercial leadership on a regional scale.

We are aware of the many challenges and opportunities in the digital world. We are continuing our commitment to innovation and new technology in our relations with our customers. Our ambition is to continue leading the sector's digital transformation. The combination of our extensive branch and agency network with our leading digital and technological offering on Equitel is a key strength, enabling us to offer the highest quality service to our customers.

This progress helped us generate very positive results in 2017, despite a challenging economic environment both locally and regionally. In parallel, we have continued to improve on balance sheet with Equity Bank Kenya growing its deposits from customers by 8% and investment securities by 24%. Double digit growth was also witnessed across subsidiaries

CHAIRMAN'S STATEMENT
continued

both in balance sheet and profitability. Contribution to Group deposits rose to 24% (2016: 21%), loans 23% (2016: 20%), and profit before tax (PBT) 14% (2016: 7%). We comfortably exceeded the minimum regulatory requirements for capital and liquidity.

> Over the last year, we have extended our commercial leadership, through a banking model based on access, customer centricity, quality of service, a wide range of products and services and robust technological foundations.
>
> **DR PETER MUNGA, CBS**
> **CHAIRMAN**

Equity Group's successful performance is founded on the way it carries out its business, founded on robust corporate values, including a clear commitment to society as a whole. We foster financial inclusion and our presence in most of Kenya's major towns with 177 branches and 31,280 agents. Through the Equity Group Foundation, we have demonstrated our special sensitivity in addressing the education difficulties faced by many disadvantaged families in Kenya through our flagship programme, *Wings to Fly*. We continue to work closely with partners in both the public and private sector to improve the welfare of our community through projects in financial literacy, entrepreneurship, agriculture, environment and energy, social payments, health and leadership. Through the funds received from Equity Group and other investees, the Equity Group Foundation projects have a budget of KShs 2.4 billion for 2018, which will be invested in improving the lives of Kenyans.

In 2015, as part of our strategically planned expansion strategy, we entered into a Share Purchase Agreement with ProCredit Bank Congo S.A., which resulted in Equity Group becoming the major shareholder of the Bank. Since then, we have been co-branding with ProCredit but in December 2017, ProCredit Bank Congo S.A. officially rebranded to Equity Bank Congo S.A.

Our successes cannot be explained without the contribution and fantastic performance of our people. We have a great workforce, which shares the Group's values. And we invest continually in their professional development. Their commitment makes us optimistic and it gives us the zeal that is needed to provide guidance as a Board so that we can continue leading the Bank and the Group of the future.

Management has spent valuable time meeting our customers to understand what they expect from us. They have also taken the opportunity to engage with our customer facing employees to see customers through their eyes, and make sure they understand what they experience on a day-to-day basis. Through regular reporting done by top management and our active engagement with them, we as a Board are able to ensure that the fulfilment of our customers' needs is reflected in the governance decisions we make for the business.

For more than 30 years, we have helped our customers realise their aspirations and supported investment, employment and growth in the economy. We are able to help improve the lives of our customers through our business activities including: investing in new businesses; supporting job creation and economic growth; assisting people on low incomes to access finance; helping people to buy a new home; financing contractors to build new roads, schools and hospitals; and supporting our business customers to manage and grow their businesses. I am proud to be the Chairman of a Group playing such an important role in society. We look forward to sharing a future of creating value with all of them.

As Chairman to the Board, I continue to stress the need for nurturing a genuinely customer-focused culture – a focus which is clearly also in the best interests of our shareholders. The Board stands firm in its commitment to execute on its responsibility to tackle conduct and governance issues head-on so as to successfully deliver for our customers, employees and shareholders. We also remain committed to ensuring the range of skills on the Board remains relevant and supports the execution of our strategy.

Future Outlook

With the effects of the prolonged electioneering period weathering out, there are very many exciting things happening in our markets that could have a positive effect in accelerating our growth. In Kenya, the United States government has lifted travel sanctions which will in turn spur tourist numbers and boost the tourism sector back into it previous levels. This is further buoyed by the approval of direct flights from the United States to Kenya which not

CHAIRMAN'S STATEMENT
continued

only means increased visitor numbers for Kenya but the entire East African region with Kenya being the gateway. The expected result is sustained growth in FX streams from Diaspora and growing tourism flows.

The ongoing IMF sponsored economic reforms are expected to continue as part of a Stand-By Arrangement facility and the reforms that are hoped for include a reduction in fiscal deficit and amendment of interest rate controls. There are no elections being held in 2018 in any of the East African countries and this will lead to conducive macroeconomic conditions

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>
> **DR PETER MUNGA, CBS**
> **CHAIRMAN**

due to minimal disruptions to businesses. In Kenya, there is already a reduced political risk after the resolve of the ruling party and the opposition to bring the country together.

We are also seeing an end of the prolonged 2 year drought that had crippled the agriculture sector as well as water and energy supplies. This is further amplified by the current government's economic growth agenda and renewed focus on the Big 4; that is agriculture, low income housing, affordable health and manufacturing.

Africa is also on the move and there lies great opportunity for the continent's transformation with the establishment of the Africa Continental Free Trade Area that allows for free movement of persons supported by Africa open sky space. African governments are working closely for the accelerated industrialization of Africa together with joint development of infrastructure (cross border roads, railways, energy pool strategy and communications). There is also a lot of work going into transformation and natural resources mining and processing so as to boost the continent's fortunes.

We remain optimistic that the worst is behind us and the future presents enormous opportunities as Africa and the World becomes increasingly integrated. We have invested heavily in our diversification strategy and these investments are bearing fruit. It is now time to accelerate on this investments and scale up on our operations to realise maximum returns to all of our stakeholders.

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

CEO's Statement

Dr. James Mwangi, CBS
Group Managing Director & CEO
Equity Group Holdings Plc

Equity Group is moving into 2018 ready for the future and motivated by the strong results of another record year. Net interest income stood at KShs 37.57 Billion while our earnings per share grew by 14% to KShs 5.00. The Group's Net Operating Income increased by 2%, driven by sustained growth in customer loans and deposits.

Expenses continued to be well managed, dropping by 2% as we balanced improved efficiency with investing for the future. Our strong capital position, with a core and total capital ratio of 19.7% and 20.4% respectively, gives us differentiated flexibility to continue growing the business. Our business model has proven that the group is not dependent on the loan book only in order to drive shareholder value. We are reaping the benefits of a strong social brand that focuses on enhancing our relationship with the community through a shared prosperity approach to business.

Every Equity business line has contributed to our growth and our strategic priorities continue to map out a clear and proven path to value creation. All key performance metrics point to a robust, sustainable performance across the Group and have advanced further in building competitive capabilities. This is all due to the fact that we are constantly listening – very closely – to the people who are best equipped to identify new opportunities for us to grow our business.

Our Employees

Our teams in every area of the Group have valid and concrete suggestions for further streamlining our processes, simplifying our structure and erasing traditional boundaries. We are already putting these ideas into action and thereby reducing complexity and costs. We have continued to make it easier to get work done by directing our energy towards creating even more compelling customer experiences, because in everything we do, it's customers who ultimately lead the way.

Thinking like a Customer

Our focus around our interactions with customers has been on creating end-to-end customer journeys, from first interaction to long-term loyalty. This has required us to establish two building blocks: the first is technology

CEO'S STATEMENT
continued

and how we seamlessly integrate human and digital interactions to get even closer to our customers. We understand how much people value convenience, speed and simplicity. The freedom that comes with banking on the move, confident that transactions are private and secure. We have ensured that when customers have questions, they can reach us quickly through whatever channel they want or is available to them. Our top class IT architecture supports all the ways we connect to our customers, today and tomorrow. Secondly, a rewarding customer journey also requires understanding – analysing the information people share with us to better appreciate their goals and challenges. We are developing our teams to think like our customers, guided by insights into what they prefer, and what works best from their perspective. After gaining that understanding, we then create more personalized products, services and experiences.

> "Equity Group is on the move; adapting, innovating, working hard to anticipate customer expectations and deliver value to shareholders. We are always speeding up, sharpening our focus and making decisions today that are driven by where our customers want to go next."
>
> **DR JAMES MWANGI, CBS GROUP MANAGING DIRECTOR & CEO**

Thinking like a customer is something we do in every area of our business and everywhere we do business. Whether our customers are pursuing cross-border growth or adapting to shifts in regional and global trade, we understand the kinds of changes they are managing – because we have had to manage them ourselves. We are uniquely positioned to support customers in the six countries as they adjust. Everyone at Equity Group, no matter what roles we play, is committed to fulfilling our customer promise: We're here to help.

Reinvesting for the Future

As part of our 3.0 journey, we have purposed to maintain our growth trajectory, As such, we are reinvesting a substantial part of our gains in service of our customers. That means building new digital, data and analytics capabilities, making core operational processes more responsive, adopting open-source technologies and shifting applications and processes to the cloud. Generally, we are enhancing our ability to work quickly and effectively, whether with digital augmentation or by fully automating routine tasks. Through agile innovation and strategic partnerships, there is constant switching on new capabilities from options such as EazzyBanking App and EazzyBiz, to digitally enabled investing and loan processing, to leveraging data analytics and artificial intelligence to protect against credit card fraud. Management is also keen on balancing decisions to improve operating efficiency with those aimed at enabling future growth, thereby ensuring a sustainable return to shareholders and investors.

Widening our Scope

Our business strategy is organized not by region or product offering, but by customer segment. However, we have structured all of our businesses with a regional perspective, while ensuring presence in the select global markets, through Diaspora banking, where our customers need us. This means we can better target our strategic investments across a large base while allowing us to deliver a superior customer experience, quickly and economically, across the border. At the same time, as we pursue continued growth across the region, we are strengthening the bridge between strategy and sustainability. Our sustainability agenda reinforces the broader responsibilities that underpin our strategic priorities. The result is greater value for all stakeholders.

Dr. James Mwangi, CBS
Group Managing Director & CEO

GROUP BOARD OF DIRECTORS

EVELYN RUTAGWENDA
NON-EXECUTIVE DIRECTOR

VIJAY GIDOOMAL
NON-EXECUTIVE DIRECTOR

ISAAC MACHARIA
NON-EXECUTIVE DIRECTOR

JAMES MWANGI
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

DENNIS ALUANGA
NON-EXECUTIVE DIRECTOR

MARY WAMAE
EXECUTIVE DIRECTOR

HELEN GICHOHI
NON-EXECUTIVE DIRECTOR

PETER MUNGA
NON-EXECUTIVE CHAIRMAN

DEEPAK MALIK
NON-EXECUTIVE DIRECTOR

DAVID ANSELL
NON-EXECUTIVE VICE-CHAIRMAN

Profiles of the Board of Directors are available on pages 183-185

GROUP EXECUTIVE MANAGEMENT

James Mwangi, CBS
Group Managing Director &
Chief Executive Officer

Bhartesh Shah
Chief Operations Officer

Mary Wamae
Group Executive Director

Reuben Mbindu
Chief Officer, Human
Capital and Administration

James Mutuku
Group Director Treasury

Brent Malahay
Group Director Strategy,
Strategic Partnerships and
Investor Relations

Anthony Ogbechie
Group Finance Director

Bildard Fwamba
Chief Internal Auditor

Gerald Warui
Director, Operations
and Customer Experience

Elizabeth Gathai
Director Credit

Allan Waititu
Director,
Special Projects

Festus Njuki
Director, Enterprise
Infrastructure and ICT Services

GROUP EXECUTIVE MANAGEMENT
continued

John Wamai
Director, ICT–Enterprise Business Systems and Services

Samuel Kirubi
Managing Director, Equity Bank Uganda

Anthony Kituuka
Executive Director, Equity Bank Uganda

Addis Ababa Othow
Managing Director
Equity Bank South Sudan

Hannington Namara
Managing Director, Equity Bank Rwanda

Joseph Iha
Managing Director, Equity Bank Tanzania

Célestin Muntuabu
Managing Director, Equity Bank Congo

Philip Sigwart
Executive Director, Equity Bank Congo

Jack Ngare
Managing Director, Finserve Africa

Eric Karobia
Executive Director, Finserve Africa

Profiles of Group Executive Management members are available on pages 204-208

Our Business

Our Strategy

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

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

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

- We have developed numerous 3rd party infrastructure to foster growth and scale up our operations without increasing our cost structure.
- The agency network that has more than 35,272 agents with a 19% growth in the number of transactions
- Our investment in Equitel, which is now the 2nd largest money transfer system in Kenya and handled KShs 480 Billion in 2017.
- Our merchant network which now has 22,243 POS merchants and 33,259 EazzyPay merchants on board.

- Execution of digital banking through an enhanced offering on our different digital platforms such as EazzyNet, Eazzy API, EazzyBiz, EazzyBanking App, EazzyChama, EazzyPay, EazzyLoan, Diaspora Banking and Equitel. We have in place best in class security capabilities that will ensure protection of customer transactions and information in this age of cybercrime.

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

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

3 Focus areas for 2017
In light of the changing business environment, we realigned our focus and business model into 7 facets, as follows:

01 Non-funded income growth;
02 Treasury operations
03 Regional and business diversification
04 Strengthening liquidity and balance sheet agility
05 Asset quality
06 Innovation and digitization
07 Efficiencies and cost optimization

OUR BUSINESS (continued)

How We Create Shared Value

Our vision is to be a leading bank in sustainable performance and customer satisfaction and our commitment leads us to serve as an agent of transformation of society. We work for great causes, such as financial inclusion and literacy, economic development, enterprise development, education, health, energy and agriculture. We continuously seek the common good, contributing to the development of the regions we operate in.

1 Capitals

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

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

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

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

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

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

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

OUR BUSINESS (continued)

2 Business Management

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

3 Products and Services

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

Deposit Products

- Deposits accounts
- Remittance accounts
- Super Junior accounts
- Jijenge accounts
- Business savings
- Current account
- Fixed deposits
- Call accounts

Loan Products

- Medical loans
- School fees loan
- Salary advance
- Crop advance
- Farm input loans
- Commercial term loans
- Micro loans
- Business loans
- Asset financing
- Working capital loans
- Insurance premium finance

Services and Transactions

- Money transfer
- Cheque clearing
- Remittance processing
- Bankers cheques
- Local and international payment services
- Western Union and MoneyGram Transfers
- Currency conversion
- Commercial Guarantees
- Trade Finance-letters of credit
- Bank guarantees
- Bid and performance bonds
- Foreign exchange
- Internet and mobile banking
- Custodial services
- Investment banking
- Bancassurance

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

OUR BUSINESS (continued)

Our Stakeholders

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

Shareholders and Investors

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

Key concerns

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

Value we create

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

Customers

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

Key concerns

They desire banking to become simpler, more intuitive and time-efficient.

Providing excellent customer service, getting it right for customers first time and security for their money and information.

Value we create

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

Employees

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

Key concerns

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

Value we create

Employing citizens in the jurisdictions in which we operate.

- Rewarding staff for the value they add.

OUR BUSINESS (continued)

- Creating job opportunities as we grow.
- Developing our staff to further their careers and improve our services and products.
- Transforming to an inclusive society through employment equity and gender equality.
- Motivating and energising our workforce.

Society

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

Key concerns

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

Value we create

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

Regulators and Policy Makers

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

Key concerns

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

Value we create

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

OUR BUSINESS (continued)

Material Issues

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

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

OUR BUSINESS (continued)

	The risks and their impact	How we are responding
People capability	Our people are critical to the success of our strategy and ensuring we are able to continuously find better ways to operate and meet customer needs. A shortage of key skills, a failure to help our people continuously update their capabilities, the emergence of new technologies, and/or a fall in our attractiveness relative to other leading employers, could impact our ability to deliver on our strategy and vision.	• We are investing in our value proposition as an employer, through new ways of working, competitive benefits and a focus on culture and diversity. • We focus on developing and retaining our people, including senior management, through targeted training programs and skill upgrading. • We are creating flexible and innovative workspaces to enable stronger collaboration and foster an innovative culture. • We are building partnerships with leading universities to develop top talent and are investing in community awareness of potential future skills shortages. • We are assessing how new technologies will impact the future workforce for the regional economies and our businesses.
Regulatory and policy environment	Regulatory compliance and involvement in evolving policy discussions are critical to how we continue to run our business, and interact with customers. The banking industry remains subject to ongoing regulatory and policy changes. If we are unable to foresee, advocate for, plan for, and adapt to regulatory change, this could negatively impact our ability to serve customers, and/or our earnings.	• We allocate a material proportion of our investment budget to regulatory compliance and risk prevention initiatives, and engage with policy makers and communities to advocate for appropriate regulatory reform. • We maintain constructive and proactive relationships with key regulators.
Data and information management	As one of the region's largest financial institutions, we manage a significant volume of sensitive customer data and value the trusted relationship we have with our customers. As technology continues to evolve, the threat of cyber-attacks is becoming more sophisticated and greater numbers of third-parties seek to access our customers' data and remove it from the safety of our systems and firewalls. A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.	• We have, and continue to invest significantly in our data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches. • We actively engage with regulators to ensure that there is appropriate governance in place and that evolution in regulation appropriately balances the value of giving customers control of their data, with our duty to protect customers' privacy and security. • We continuously invest in IT system security and identity and access management controls to secure the confidentiality, integrity and availability of our data. • Our people undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.

OUR BUSINESS (continued)

	The risks and their impact	How we are responding
Reputation	Our reputation is of critical importance to us and is directly related to how we run our businesses, make decisions and communicate with customers and the communities in which we operate. A negative shift in any stakeholder's perception of the Group may materially undermine our ability to advocate for positive outcomes that align to our vision and values, and our ability to drive long-term performance. It may also affect the cost and availability of funding necessary for the sustainable management of our business.	• We actively focus on improving the transparency of our business decisions and engage with our customers, employees and the communities in which we operate to understand their concerns and balance their needs. • We have embedded our organizational culture which communicates what we expect of our people in applying our vision and values as a guide for business management and decision-making. • We continue to drive deeper engagement with customers, government and industry groups to ensure we deliver better and consistently fair outcomes, and remediate issues when we are made aware of them. • We engage with external rating agencies to assist them in forming an opinion on our general creditworthiness, with mechanisms to adjust business settings as appropriate.
Social and Environ-mental foot-print	We actively consider the social and environmental impacts of our activities and are committed to operating sustainably and making a positive contribution beyond our core businesses. We consider social and environment issues to be significant long term drivers of both financial and non-financial value. We appreciate the potential impact they have on our relationships with different stakeholders.	• Under the Equity Group Foundation programs and initiatives, we take a long term view to ensure that we do business in a sustainable and efficient way, and appropriately use our influence to enhance social and environmental outcomes. • We have implemented frameworks for considering Environmental, Social and Governance (ESG) issues in assessing our relationships with customers and suppliers.

Operating Environment

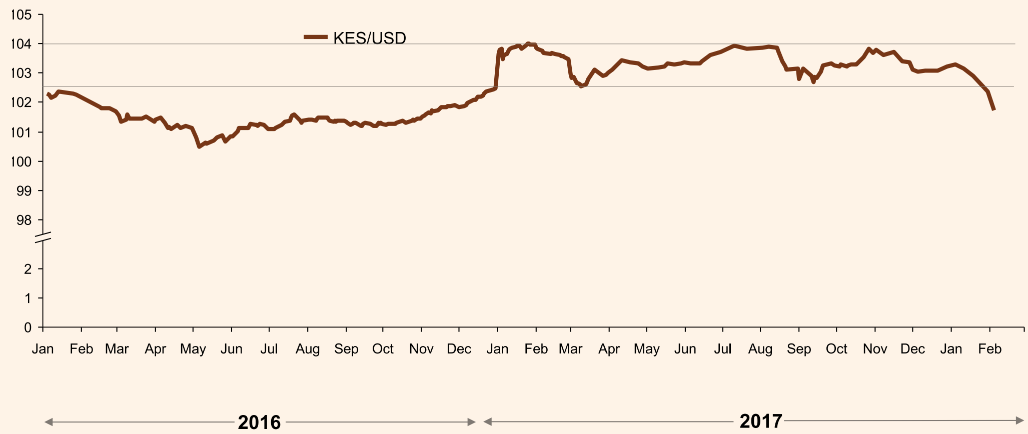
OPERATING ENVIRONMENT

KENYA

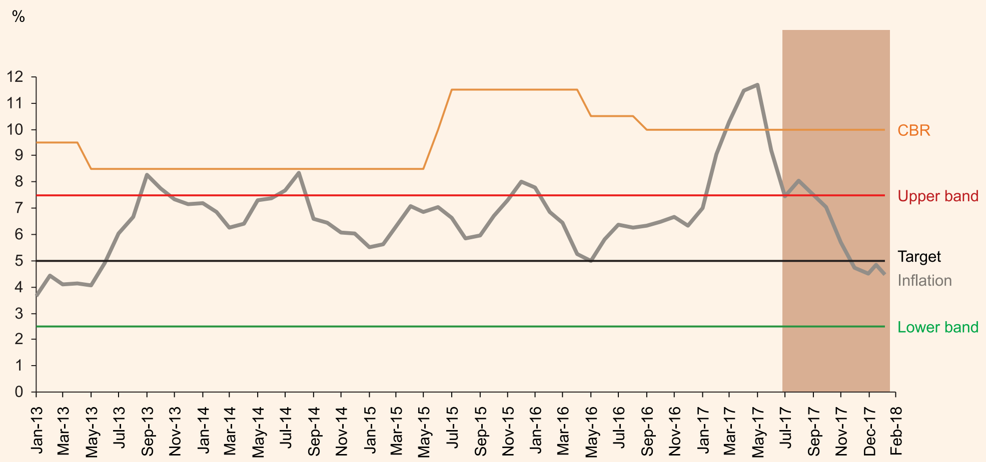
2017 presented a tough operating environment for the banking industry as a whole. Despite stable and low interest rates, a stable exchange rate, high forex reserves. The Kenyan GDP contracted as compared to 2016 performance. This was driven by other headwinds that negatively impacted the performance of the economy. They included:

- Prolonged electioneering which resulted in political uncertainty that forced most businesses to hold off major investment decisions or scale down operations.
- Prolonged drought due to lower than expected rainfall that resulted in higher costs of food and electricity that is mainly hydroelectric.
- Low credit growth in the private sector due to interest rate capping.
- Turbulence impacting the banking sector as demonstrated by low asset quality, liquidity challenges, solvency and sustainability challenges, business model challenges and contracting cash circulation.

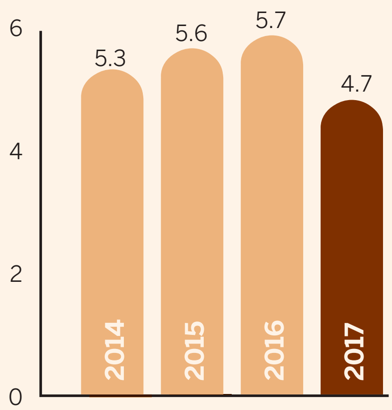
EXCHANGE RATE

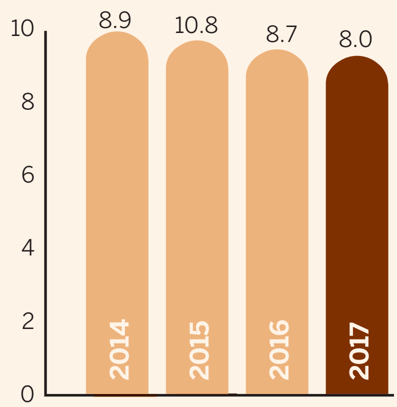


INFLATION



GDP IN %





91 DAY T-BILL IN %

OPERATING ENVIRONMENT (continued)

UGANDA

The economy registered improved performance due to improved weather conditions after the recent prolonged drought that swept through much of the region. Exchange rates against major foreign currencies remained stables throughout the year and inflation was on the decline throughout the year. There has however been poor credit extension to the private sector in the country.

TANZANIA

Tanzania's economic performance was marked by mixed macroeconomic performance. Although GDP data point to continued strong growth, other high frequency data indicate a weakening of economic activity. Tax revenue collections are lower than expected and credit growth has stagnated reflecting in part banks' rising non-performing loans (NPLs). Inflation remained moderate and international reserves increased substantially.

RWANDA

The Rwandan economy continued to grow on the back of good performance of the agriculture sector and rising international commodity prices for a country that earns most of its exchequer through exports. The RWF gained against the US dollar for the better part of the year due to good performance of the external sector. Poor infrastructure and a lack of access to electricity are some of the major constraints to private investment which still relies heavily on foreign aid. However, there has been a lot of focus on economic transformation, rural development, productivity and youth employment, and accountable governance to drive economic growth.

SOUTH SUDAN

Year on year, headline inflation fell to 101.9% in September 2017 from 549.4% in September 2016. Most of the pressure on inflation emanated from the services sector and was further impacted by food prices, volatility in the exchange rate, and a large dependency on imports. The South Sudan Pound remained under some strain as the current account deficit rebalancing may take some time due to the persistent rise in domestic import demand.

DRC

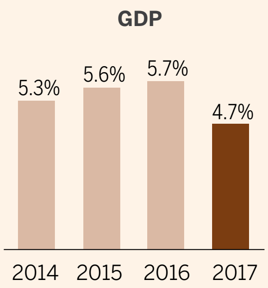
Growth in 2017 was estimated at 3.3% and supported by good performance of the extractive and manufacturing industries, construction and public works, and trade. The economic slowdown hurt public finances. A drop in Government revenues resulted in a decline in public expenditure. Currency reserves fell from USD 852.1 million in 2016 to USD 668 million in September 2017. The Congolese franc depreciated against the U.S. Dollar ("USD") by 22.5% in late September 2017, which raised inflation to 42.9% in 2017.

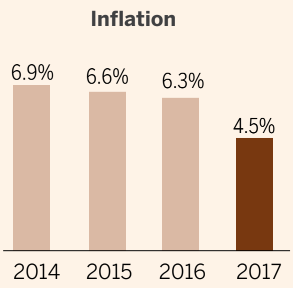
OPERATING ENVIRONMENT (continued)

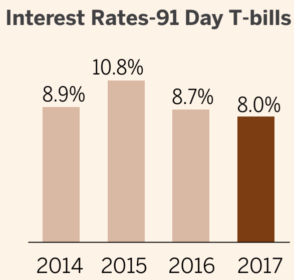
SUBSIDIARY PERFORMANCE

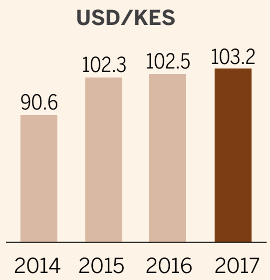
Equity Bank (Kenya) Limited

Key Highlights









Performance 2017

Performance	KShs million
Total revenue	47,727
Customer deposits	298,703
Total assets	406,402
PBT	23,086
Statistics	**In absolute**
Customer numbers	10,141,831
Employee numbers	5,348
ATM's	502
Branches	177
Agents	31,280

Board of Directors

Isaac Macharia
Non-Executive Chairman

James Mwangi, CBS
Managing Director & Chief Executive Officer

Bhartesh Shah
Chief Operations Officer

David Ansell
Non-Executive Director

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

Shem Migot-Adholla
Non-Executive Director

Julius Muia, EBS
Non-Executive Director

Mary Wamae
Executive Director

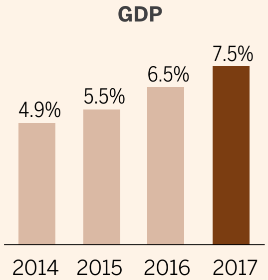
Profiles of the Equity Bank (Kenya) Limited ("Equity Bank Kenya ") Board of Directors are available on pages 186-188.

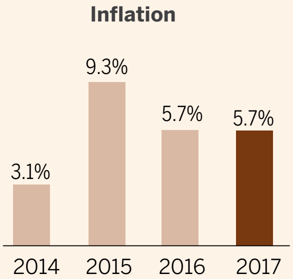
OPERATING ENVIRONMENT (continued)

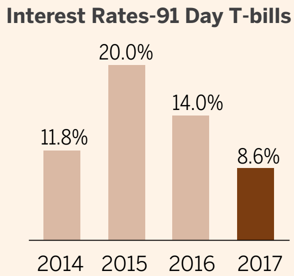
SUBSIDIARY PERFORMANCE

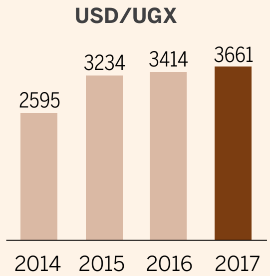
Equity Bank Uganda Limited

Key Highlights









Performance 2017

Performance	KShs million
Total revenue	3,361
Customer deposits	20,724
Total assets	29,265
PBT	1,184
Statistics	**In absolute**
Customer numbers	506,580
Employee numbers	677
ATM's	35
Branches	33
Agents	405

Board of Directors

Apollo Makubuya
Non-Executive Chairman

Samuel Kirubi
Managing Director

Anthony Kituuka
Executive Director

Peter Kimbowa
Non-Executive Director

Evelyn Rutagwenda
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

Geoffrey Rugazoora
Non-Executive Director

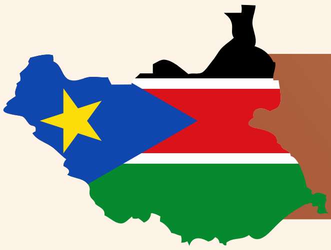
David Ansell
Non-Executive Director

Mary Wamae
Non-Executive Director

Mark Ocitti
Non-Executive Director

Profiles of the Equity Bank Uganda Limited ("Equity Bank Uganda ") Board of Directors are available on pages 188-190.

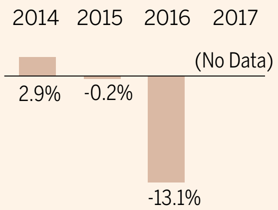
OPERATING ENVIRONMENT (continued)



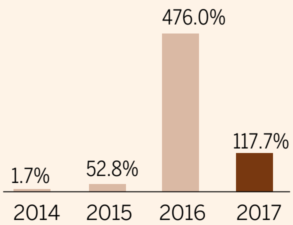
Equity Bank South Sudan Limited

Key Highlights

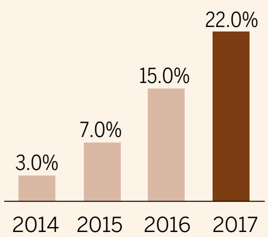
GDP



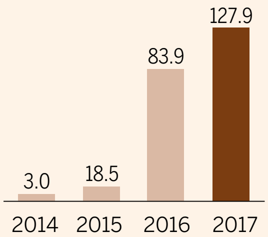
Inflation



Interest Rates-91 Day T-bills



USD/SSP



Performance 2017

Performance	KShs million
Total revenue	2,331
Customer deposits	4900
Total assets	8298
PBT	35
Statistics	**In absolute**
Customer numbers	163,187
Employee numbers	82
ATM's	14
Branches	5
Agents	-

Board of Directors

Shem Migot-Adholla
Non-Executive Chairman

Addis Ababa Othow
Managing Director

Mary James Ajith
Non-Executive Director

Kenyi Spencer
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

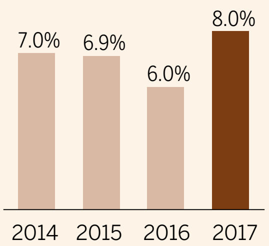
Profiles of the Equity Bank South Sudan Limited ("Equity Bank South Sudan ") Board of Directors are available on pages 191-192.

OPERATING ENVIRONMENT (continued)

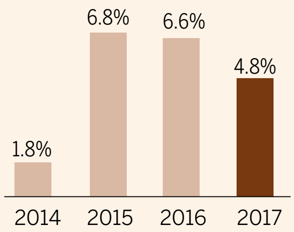
Equity Bank Rwanda Limited

Key Highlights

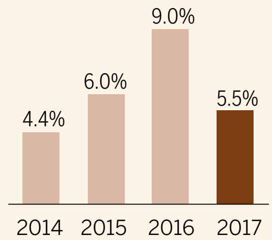
GDP



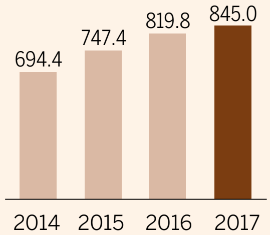
Inflation



Interest Rates-91 Day T-bills



USD/RWF



Performance 2017

Performance	KShs million
Total revenue	2,085
Customer deposits	15,057
Total assets	21,397
PBT	697
Statistics	**In absolute**
Customer numbers	457,903
Employee numbers	333
ATM's	18
Branches	13
Agents	839

Board of Directors

Eveyln Rutagwenda
Non-Executive Chairperson

Hannington Namara
Managing Director

Prof. Herman Musahara
Non-Executive Director

Joanna Bichsel
Non-Executive Director

Robert Bafakulera
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

James Mutuku
Non-Executive Director
Alternate to James Mwangi)

Dr. Patrick Uwizeye
Non-Executive Director

Julius Kayoboke
Non-Executive Director

Emmanuel Butare
Non-Executive Director

Mary Wamae
Non-Executive Director

Profiles of the Equity Bank Rwanda Limited ("Equity Bank South Sudan") Board of Directors are available on pages 193-195.

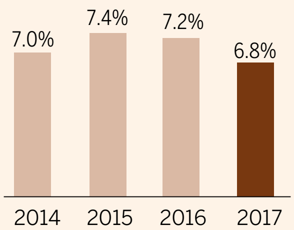
OPERATING ENVIRONMENT (continued)

SUBSIDIARY PERFORMANCE

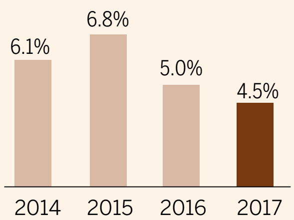
Equity Bank (Tanzania) Limited

Key Highlights

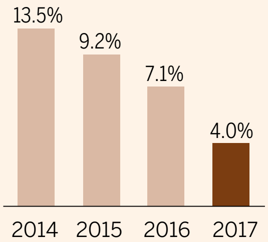
GDP



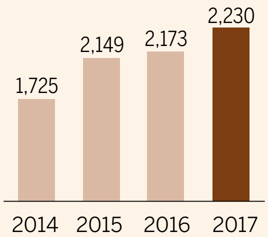
Inflation



Interest Rates-91 Day T-bills



USD/TSH



Performance 2017

Performance	KShs million
Total revenue	2,348
Customer deposits	19,113
Total assets	25,962
PBT	352
Statistics	**In absolute**
Customer numbers	417,525
Employee numbers	344
ATM's	17
Branches	15
Agents	1,568

Board of Directors

David Ansell
Non-Executive Chairman

Joseph Iha
Managing Director

Raymond Mbilinyi
Non-Executive Director

Ahmed Ame
Non-Executive Director

Godfrey Simbeye
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

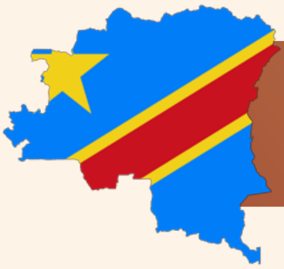
Reuben Mbindu
Non-Executive Director
(Alternate to James Mwangi)

Mary Wamae
Non-Executive Director

Profiles of the Equity Bank (Tanzania) Limited ("Equity Bank Tanzania") Board of Directors are available on pages 196-198.

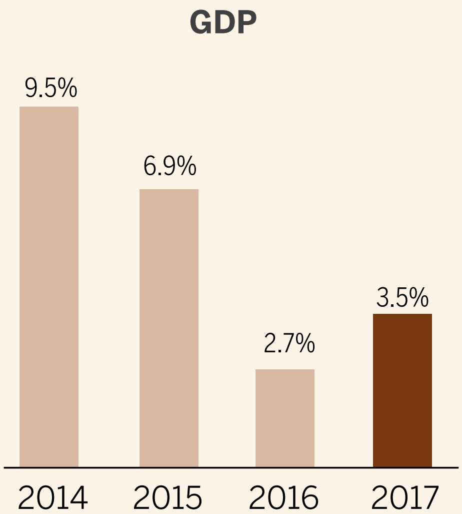
OPERATING ENVIRONMENT (continued)

SUBSIDIARY PERFORMANCE



Equity Bank Congo S.A.

Key Highlights



Performance 2017

Performance	KShs million
Total revenue	5,489
Customer deposits	32,331
Total assets	41,863
PBT	776
Statistics	**In absolute**
Customer numbers	428,529
Employee numbers	567
ATM's	107
Branches	41
Agents	1,180

Board of Directors

David Ansell
Non-Executive Chairman

Célestin Muntuabu
Managing Director

Philip Sigwart
Executive Director

Wolfgang Bertelmeier
Non-Executive Director

Jean-Claude Tshipana
Non-Executive Director

Bhartesh Shah
Non-Executive Director

Dr. Mark Schwiete
Non-Executive Director

James Mwangi, CBS
Non-Executive Director

James Mutuku
Non-Executive Director

Mary Wamae
Non-Executive Director

Profiles of the Equity Bank Congo S.A. ("Equity Bank Congo" – formerly ProCredit Bank Congo S.A.) Board of Directors are available on pages 198-200.

OPERATING ENVIRONMENT (continued)

Performance Against our Focus Areas

1. Grow Non-Funded Income

We laid out and executed on our plans to grow non-funded income, which are derived from bank charges, transaction fees, monthly account charges, mobile banking, among others, to drive earnings quality. Currently, alternative channels such as agency and mobile banking have seen branch and ATM activities slow down and now over 90% of transactions happen outside our branches. This trend supports our strategy as it enables us to not only provide convenience and ease of access to customers but also, the fees and commissions chargeable are a sustainable source of revenue for the Group. Non-funded income for the year was KShs 27.6 billion representing a 24% growth year on year and a contribution of 42% to total income compared to 35% in 2016.

Mobile banking commissions lead the pack as a driver for this revenue stream with a growth of 64% year on year and making up 4% of non-funded income revenue stream. Mobile banking commissions have grown on the back of various payments that can be made through the mobile phone as we continue to integrate with partners and service providers to ensure that any payment can now be made via mobile. From school fees to utility bills, from parking fees to hospital bills, from online purchases to salaries. Each transaction is chargeable and the more transactions we enable the bigger the opportunity for us to grow the revenue we are generating from mobile commissions. Equitel market share in 2017 grew to 19.6% of the value of mobile banking transactions in Kenya.

Trade finance grew by 16% to KShs 1.04 billion from KShs 893 million. We continued to facilitate trade of goods and services, locally and internationally, and financing against trade documents. Our key advantage is that we bring the whole globe to our customers by availing trade finance products and instruments that facilitate movement of goods/services from one point to another both locally and internationally. We have seen growth in sectors such as real estate, logistics, export/import and regional trade which continued to perform despite the diminished economic performance.

Our merchant and card business continues to grow and this is line with our strategy of becoming a one stop shop for financial services, and giving our customers the freedom of modern banking in today's fast-paced world. We are currently the leading issuer and acquirer in the market. Merchant commissions rose by 16% to KShs 1.3 billion from KShs 1.1 billion as a result of a 17% growth in volume of transactions at a total value of KShs. 55.7 billion processed in the year. AMEX commissions also grew by 54% year on year to KShs 274 million.

Agency also performed strongly in the year driven by both the expansion of our network and the number and volume of transactions now being processed through this channel. Agency revenue went up by 15% to KShs 828 million compared to KShs 717 million in the same period last year.

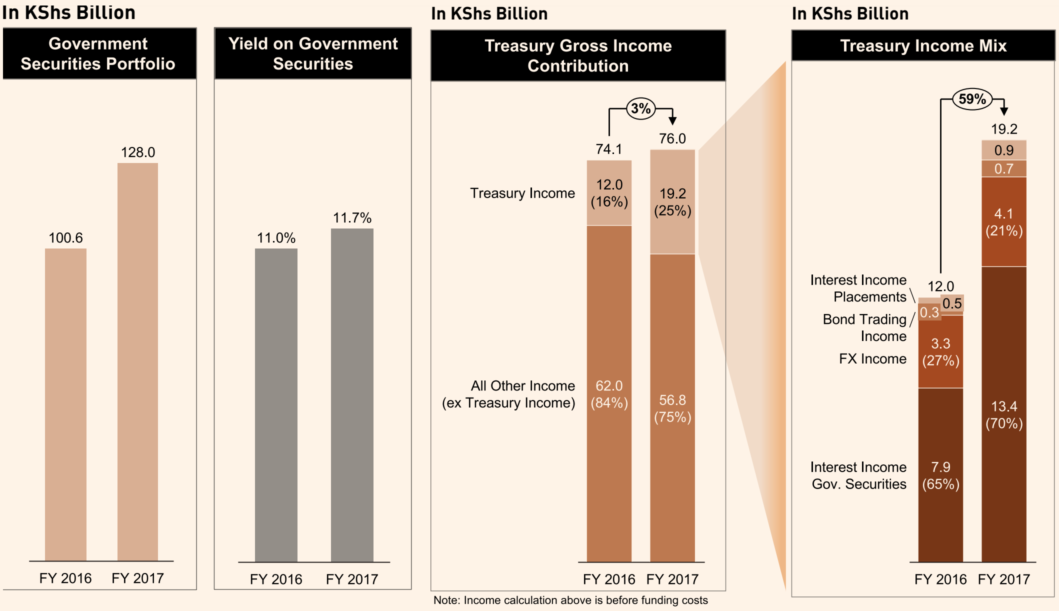
Foreign exchange income also grew due to the increased demand for major foreign currencies from traders importing both raw and finished goods for the regional markets. FX income grew by 15% to KShs 2.2 billion in the year.

Another area of strong growth was Diaspora banking through which we offer financial solutions to the citizens working and living abroad. This is an area where we have heavily leveraged on technology to bring closer our local offerings and expertise to a global setting. Through EazzyNet online banking, Equity Direct, EazzyBanking App, Eazzy API, EazzyChama and several partnerships with global remittance service providers we have grown the number of accounts opened and increased our portfolio of services offered from simple banking and remittances. We now offer investment solutions, insurance and credit facilities. Diaspora remittances have increased from KShs 13.0 billion in 2016 to KShs 30.2 billion in 2017 representing a 132% growth.

OPERATING ENVIRONMENT (continued)

2. Treasury operations

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



Note: Income calculation above is before funding costs

3. Regional and Business Diversification

Considering that other regional countries are not affected by the capping of interest rates, the Group focused on scaling up our operations in the region and non-banking businesses while leveraging on the investments already made and digital capabilities. The benefit of this move bore fruit as the regional banking subsidiaries' and local non-banking subsidiaries' contribution to the Group's pre-tax profit increased from 7% in 2016 to 14% in 2017. We also registered double digit growth in profitability across subsidiaries. The Equity Investment Bank Limited ("Equity Investment Bank") and Finserve Africa Limited ("Finserve") performed well due to the increased focus driving growth in non-funded income. This strong performance is a testament that our investment regionally and in our businesses are now bearing returns for the Group and we are keen on scaling this up even further.

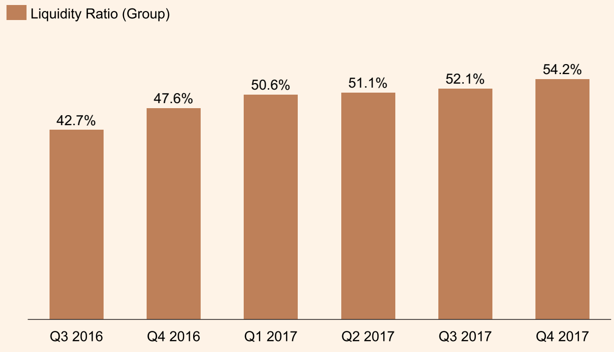
In KES Billion

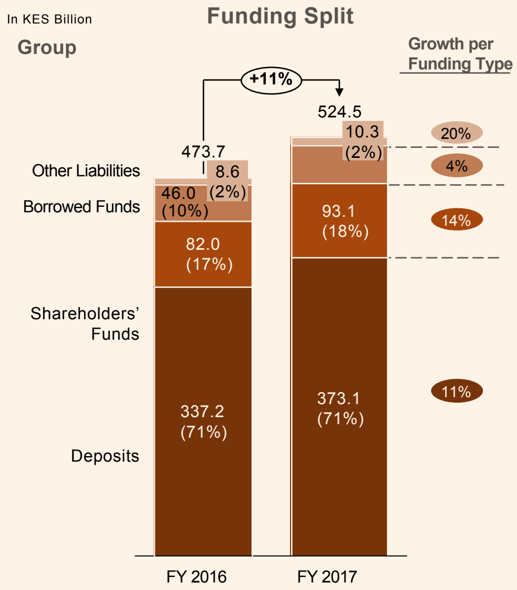
	Uganda	DRC	Rwanda	Tanzania	S. Sudan	EIA	Finserve	EIB	Total	EBKL	"Contribution FY 2017"	"Contribution FY 2016"
Deposit	20.7	32.3	15.1	19.1	4.9	-	-	-	92.1	298.7	24%	21%
Growth	*52%*	*39%*	*20%*	*25%*	*-33%*				*28%*	*8%*		
Loan	14.0	21.8	11.5	17.3	0.1	-	-	-	64.6	214.5	23%	20%
Growth	*56%*	*28%*	*14%*	*7%*	*-19%*				*24%*	*0%*		
Assets	29.3	42.9	21.4	26.0	8.3	0.4	2.0	1.2	131.4	406.4	24%	22%
Growth	*60%*	*32%*	*36%*	*9%*	*-25%*	*-50%*	*11%*	*39%*	*25%*	*7%*		
PAT (Kes)	0.9	0.3	0.5	0.2	0.11	0.3	0.2	0.1	2.6	16.3	14%	7%
Growth (Kes)	*81%*	*63%*	*80%*	*17%*	*121%*	*0%*	*21%*	*94%*	*126%*	*7%*		
PAT (LCY)	30.6	0.003	3.9	4.8	0.13	0.3	0.2	0.1		16.3		
Growth (LCY)	*87%*	*60%*	*87%*	*18%*	*131%*	*0%*	*21%*	*94%*		*7%*		

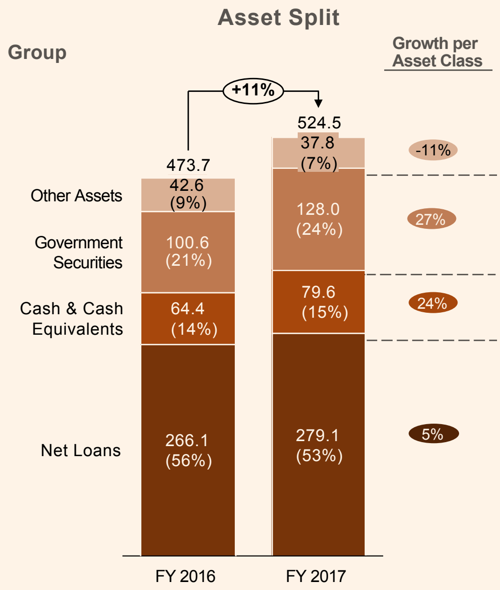
OPERATING ENVIRONMENT (continued)

4. Strengthening Liquidity and Balance Sheet Agility

This was a key deliverable for us in order to sail the Group through the economic downturn experienced in 2017. A strong liquidity position and agile balance sheet will also benefit us by allowing us to thrive once the operating environment changes for the better. In the year, we restructured our balance sheet to support the Group's business goals and maximise financial performance. Government securities which are more liquid, now account for 24% of the total balance sheet. We have been successful under this agenda and our business is further bolstered through intelligent working capital, positive cash flow, a balanced capital structure and income generating assets.

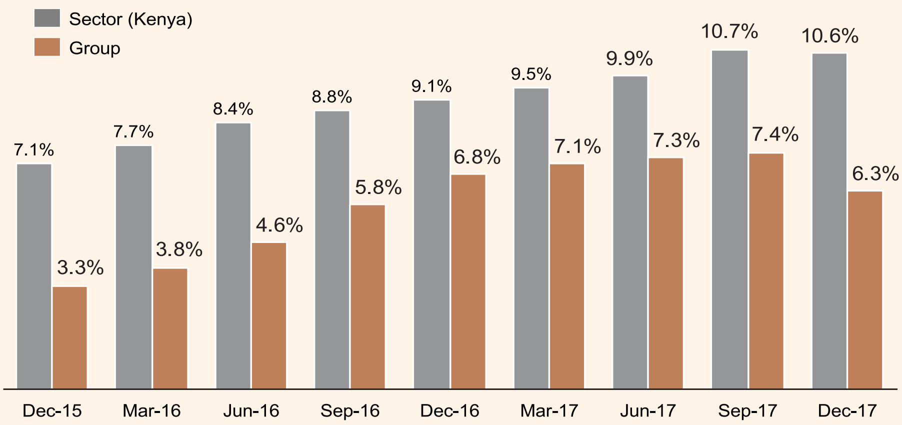






5. Asset Quality

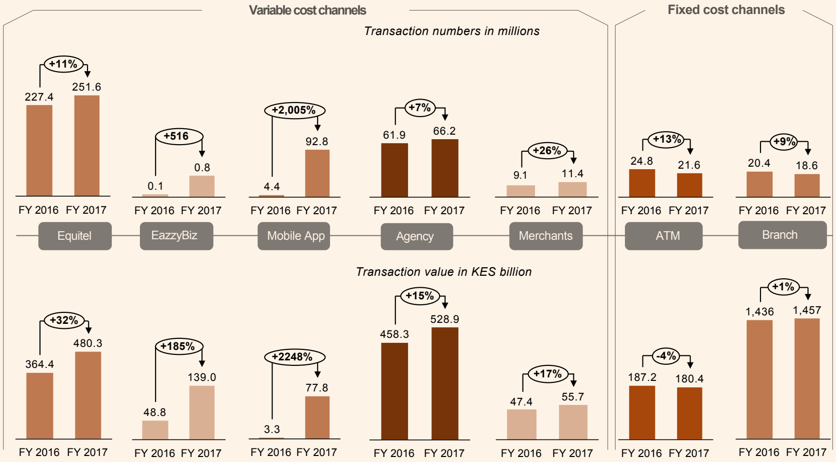
The Group continued to concentrate on asset quality that saw the Group having NPLs ratio of 6.3% against an industry average of 10.6%. This has been achieved through better credit risk management and exceptional relationship management of our customers which ensures we have intimate knowledge of their activities and operations. We also increased our provisions in the year and closed the year at a NPL coverage of 96.1%.

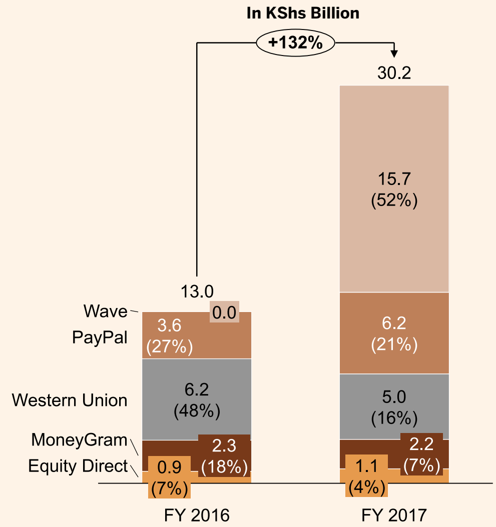


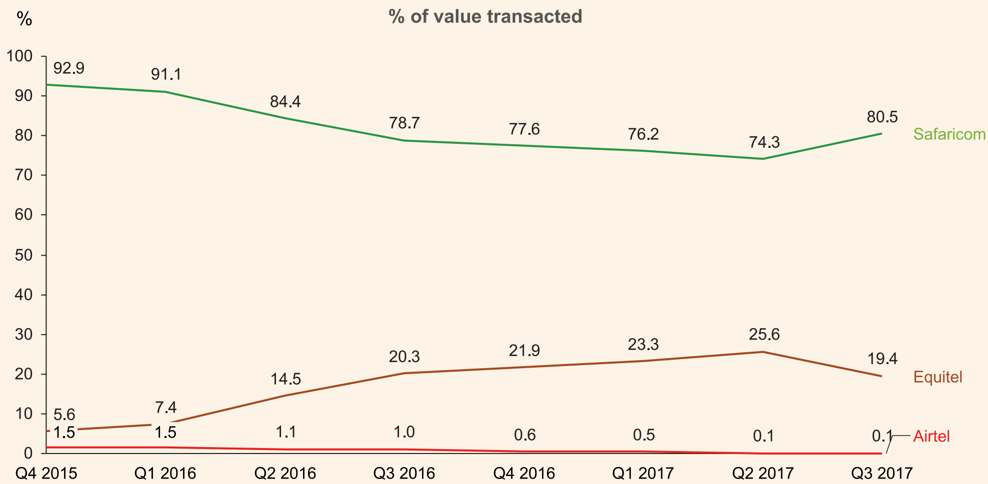
OPERATING ENVIRONMENT (continued)

6. Innovation and Digitization

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







7. Efficiencies and Cost Optimization

Through cost optimization, the Group continued to transform its cost structure. One area of focus has been on the delivery channels from fixed to variable cost channels, with the bulk of transactions being processed via mobile, agency and merchants' outlets. We also rationalized on our investment in new branches and the ATM network with an aim of reducing the operating cost of these fixed channels. Staff costs have also been on the decline mainly due to natural attrition and prudent recruitment based on current and future business needs. Automation of processes and operations has also resulted in the decline of our operating costs. All these efforts have led to a cost-to-income ratio of 46.7% for the Kenya banking subsidiary while Group's total costs reduced to KShs 38.3 billion down from KShs 39.1 billion in 2016.

Our Capitals

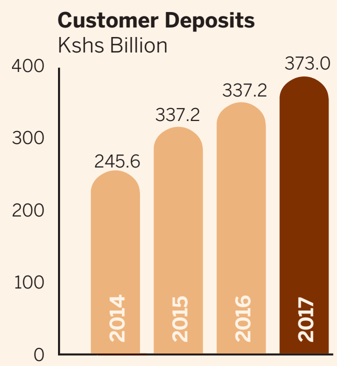
1. Financial Capital

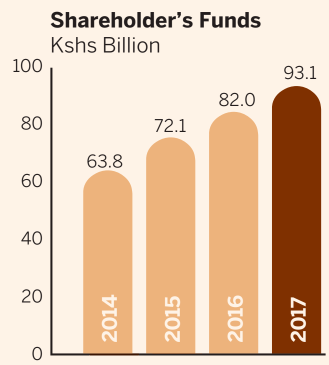
The financial capital we source from our equity and debt investors and our retained earnings are key in running and growing our businesses and making strategic investments. We seek to efficiently leverage our financial strength, raise the necessary capital and funding at the best possible rates, and produce a sustainable return on equity, to create value for our shareholders. This in turn enables a good working environment for staff members who provide innovative and competitive banking solutions for customers and ensures that we are well within or above regulatory capital and funding requirements.

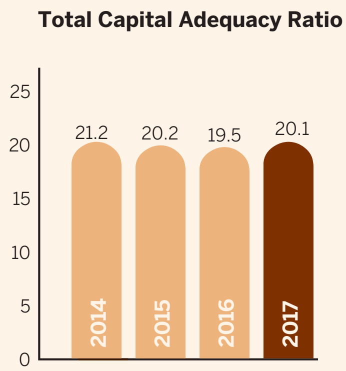
The Group continues to have a liquid and well capitalized balance sheet and as a result of this good gearing we have continue to generate returns for our shareholders. Customer deposits grew by KShs 11% in 2017 contributing to 71% of total funding sources. Current and savings deposits, which are favourable for the liquidity coverage ratio, were the main drivers of growth. This growth was driven by the investments we have made in service delivery through the expansion of our alternative delivery channels and great improvement in customer experiences across these channels. With capital well above regulatory requirements, we are in a strong position to serve existing and new customers. We also have greater flexibility for capital and liquidity planning.

We have maintained a prudent approach in the management of our loan book and increased our provisions as a proactive measure in the challenging operating environment which has negatively impacted the quality of our asset portfolio. Our Group Non-Performing Loans for the year stood at 6.3% compared to the Kenya banking industry average of 10.6% in the same period. We continue to outperform the industry and this is attributable to our robust credit and credit underwriting policies as well as intimate customer knowledge and relationship management.

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







OUR CAPITALS (continued)

2. Human Capital

Human Capital remains at the core of the Group's competitive advantage in its role and ability as a key differentiating factor. Talent attraction, retention, motivation and development continues to drive the transformative agenda including but not limited to product innovation that seeks to provide a fulfilling customer experience.

The people agenda remains paramount as people remain the critical factor in catalysing positive results from all other capitals.

The Group's ability to attract talent from the market is premised on our reputable brand, anchored on superior performance and the ability to be innovative and roll out cutting edge solutions to our customers. Such attributes have an overarching appeal to individuals seeking to make a difference. This ability has allowed the Group to create a diverse team that is able to respond swiftly to our operating environment.

Employee Development

The future of the industry is anchored on an organisation's agility to adequately respond to the ever changing demands and its ability to proactively identify the needs of its current and future clients. These expectations can only be fulfilled by continuous investment in the people asset. In order to achieve this, the Human Resources function continues to leverage on blended learning to reach out to all its staff. In addition, we continuously tap onto in-house expertise and general practitioners to train and develop our employees on industry relevant courses.

Equity Bank Kenya ladies' basketball team, the Hawks and the Kenya Ports Authority (KPA) ladies' basketball team battle it out during the second match in the finals series. The Hawks won the second match of the Kenya Basketball Federation Premier League finals series beating the Kenya Ports Authority (KPA) team 56:55 in their home turf at the Makande Gymnasium in Mombasa in July.

This is coupled with a coaching and mentoring system which allows for a very effective mechanism for transferring learning, relevant real-time skills and providing continuous developmental support to the staff.

Leadership

Great leaders are critical to build a sustainable culture throughout the business. We develop our leaders at all levels, with a particular focus on building the capabilities of our newly appointed leaders. Our people strategy introduces a series of leadership initiatives including a defined leadership framework and targeted development for our leaders transitioning to the next level. This year we took 250 people leaders through a Harvard online program to build their skills and propel them to continue creating an empowering working environment for their team members.

Nurturing Talent

Ensuring that a pool of talent is ready and available to be deployed at any time is critical in meeting customer requirements and business. Experience is an important element in broadening our people's skill-sets across businesses and geographies. To enable our people to take on expanded and enriched roles as they grow with us, we advocate internal mobility, job rotations, cross-functional projects and other experiential learning opportunities across the Group. We continue to tap into the internal pool of talent as a priority in supporting vacancies partly complemented by external candidates when necessary.

As part of our people strategy, we take a broader and deeper approach to talent management to identify and benefit a greater number of our people as key talent across all levels of the business. This is achieved through:

- Accelerating 'key talent' through tailored learning and on-the-job career development.
- Hiring the best talent through a robust employee value proposition and targeted recruitment strategies.

OUR CAPITALS (continued)

Performance-Driven Workforce

A strong performance culture is critical for the Group, in order to achieve our ambitions and deliver on our promise of sustained performance. Employees are required to take personal responsibility for becoming the very best they can be. We recognize and differentiate employees in accordance with their relative performance. In order to do this, we foster honest and transparent feedback, offer development opportunities adequate for the needs of each employee and continuously encourage employees to seek the best opportunities for them to excel within our organization. In the year, we assess the performance of our employees and at the end of the process, our employees receive feedback aiming at presenting strengths and opportunities for improvement. In 2017, 100% of employees took part in a formal performance management process. We are also working to improve performance management by empowering employees and making them more personally accountable for their own performance, pay and career growth.

Employee Well-being

A healthy mind in a health body remains paramount for us and the entire well-being of our staff remains a key commitment of the Group. Our well-being framework has a range of initiatives to help support our employees' physical, emotional, social and financial health. To support our people in their efforts to live healthy and active lives, we have adopted various initiatives that include but not limited to:

- Health insurances
- Health talks and medical camp
- Special leave
- Discounted loans
- Mothers' rooms
- Sports

Equity Bank Kenya staff and their families during a family fun day event at the Starehe Boys' Centre. Staff and their families were treated to fun entertainment and sporting activities.

An Equity Bank Kenya staff member is attended to by a medical staff from Equity Afia Rongai, during a staff wellness camp held at Equity Centre, Upperhill. The camp was part of the Bank's continuous effort to enhance the overall wellness and well-being of staff and included lifestyle and nutrition talks and health checks.

OUR CAPITALS (continued)

3. Intellectual Capital

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

A Super Brand

Our brand aims to promote positive changes in the lives of people and in society, and reflect our ongoing efforts to provide the best experience for all our audiences. We believe that our brand is very strong and widely recognized, and it is associated with the quality and reliability of our portfolio of products, which help us keep a low turnover of customers. In 2017, we reinforced our positioning as a digital bank by combining innovative technology with our vision of making people's daily lives easier through increasingly simpler financial transactions. Equity Bank was also awarded Super Brand status in 2017 for the 10th year in a row by Super Brands East Africa. This affirms the Bank's commitment to offering customer focused products and services to its diversified customer base. We continue to be known as the bank that comes up with financial solutions that are more relevant to the customer. We are truly customer centric. We give customers the products and services they want wherever they are.

Diversified Line of Products and Services

We are a multi-service bank, offering a diversified line of products and services designed to serve our different types of customers, such as corporate, small and medium businesses, retail customers, high-income individuals, private banking customers, non-account holders and credit card users. We believe that our business model creates opportunities to improve our customer relations and thereby increases our market share.

Technology and Innovation

By improving and streamlining our customers' experiences, applying technology to new business models and working with agility, start-ups have challenged traditional industries to rethink their way of working. Technology companies have also started to offer financial services, therefore impacting the banking sector. We recognise the changing customer behaviours, rising smart devices and social media usage as well as the encroachment into the payments space by non-bank players.

To reinvent ourselves and lead this transformation, we have invested over KShs 3.2 billion in the last 4 years to better harness digital technologies and an additional KShs 1.8 billion that has been invested in strategic technology initiatives.

As our customers navigate busy lives, they count on us to be right there with them; making banking simple, quick and convenient, helping them manage their money and make smart decisions on the move. That's why we've transformed our technology platforms and capabilities so as to:

- Nimbly develop the products and services that our customers are looking for;
- Make both self-service and guided transactions easier – for our customers, and for us, too; and

Equity Bank Social Media Channels

Social Platform	Kenya	Uganda	Tanzania	Rwanda	Total Group Followers
Facebook Likes	641,556	39,557	94,079	17,655	792,847
Twitter Followers	151,000	659	n/a	558	152,217
Instagram Followers	8,477	n/a	397	n/a	8,874
LinkedIn Followers	35,590	n/a	n/a	n/a	35,590
Equity Bank YouTube Page	1,248,531 views, 1,048 subscribers	n/a	n/a	n/a	1,248,531 views, 1,048 subscribers
Africa Success Equity Bank YouTube Page	1,004,624 views, 3,459 subscribers	n/a	n/a	n/a	1,004,624 views, 3,459 subscribers

OUR CAPITALS (continued)

Key Innovations rolled out in 2017

	Key Innovation	Description
1	Eazzy Banking Suite- Multi-Country Roll out: EazzyBanking App, EazzyPay, EazzyLoan, EazzyBiz, EazzyClub	Rollout of the Eazzy Banking suite of products currently rolled out in Kenya to the rest of the subsidiaries.
2	Oracle Virtual Banking Program: • Customer experience suite • Customer data hub • Web centre content • Business intelligence • Identity & access management • OFSAA	Program aims to ensure a growth strategy and operating model that will: • Grow clients from 9 million to 100 million clients; • Deepen our position in existing markets, using a scalable operating model; • Extend our footprint tactically across the continent; and • Promote the use of mobile and alternative channels to drive towards a cash-lite operating environment.
3	Cyber Security Defense & Control Programs: • MSS & SOC • PCIDSS • 3D security & E-commerce security	Program aims at addressing Cyber Security Risks: • **Cyber defense:** 365x24x7 Security monitoring of internal and external threats; • **Brand protection:** Full time security protection of Equity Bank digital footprint including all sites, mobile apps and other digital eco-systems; and • **Vulnerability management:** End-to-end infrastructure and systems security assessment and controls implementation including penetration testing, systems configurations review, architecture design and review.
4	Finacle Core & Treasury Upgrade Program:	This project seeks to: • Upgrade the current Finacle infrastructure from an IBM Platform to Oracle Platform; • Upgrade Finacle from version 10.2.13 to 10.2.18; • Upgrade Treasury version from 10.8.6 to 11.2; • Deploy in Country Finacle DR for Uganda, Tanzania & Rwanda; and • Upgrade Oracle Database version from 11g to 12c.
5	International Money Transfer Projects: (Wave, HomeSend, Western Union, Simbapay, Transfast, Instant Cash, Xoom, FunTech, Hello Paisa)	The projects seeks to enable integration to different International Money Remittance Partners for Money transfer through Equity Bank to Equity accounts, third party banks accounts and mobile wallets within the region: Kenya, Uganda, Tanzania, Rwanda Democratic Republic of Congo ("DRC").

Certificates

Equity Bank was ranked the 7th most socially devoted Bank worldwide and the 1st most socially devoted Bank in Africa and Kenya with a 99.5% response rate

OUR CAPITALS (continued)

- Change the way we work – across the Group and in strategic partnerships – so we can quickly and efficiently take innovations to scale.

We have a lot of data on the 12.1 million customers across our channels, their banking behaviour and habits, where they are in terms of life journey, whether individuals or businesses. We're using advanced analytics to personalize customers' experiences while keeping their information secure. When they have questions or have a need, we can look together at how they're spending, saving, borrowing and investing and then collaborate on a plan to achieve their goals.

We work closely with our research team and customer groups to come up with new and exciting products. We segment our customers to capture their varied needs and create solutions that are best suited for each customer segment. On average, we clock 3 months to get a product out and ready for market consumption.

To support all this, we have built a very strong technology foundation starting with our core banking system that is futuristic, as well as a robust digital data centre that can host all our digital platforms and applications. These ensures that all out products and services are offered reliably and securely.

Cyber Security

The prevalent threat of cyber-attacks on financial institutions remains one of our top concerns. Data protection and governance are cornerstones for customers' trust in the banking sector, and are also critical enabling factors for innovation in a digital economy. We have in place a well-defined cyber security strategy that is well executed, gives confidence to customers and can differentiate us. We are Payment Card Industry Data Security Standard 3.1 (PCIDSS 3.1) certified and was the first Kenyan bank to obtain this certification. This certification affirms our adherence to international security standards related to the protection of customer information as required by major card associations such as Visa, Mastercard and American Express. In line with our strategy to offer secure services to our customers, we partnered with Managed Security Services, so as to ensure 24/7 security monitoring and incidence response, enterprise vulnerability and security assessment and online and mobile brand monitoring. We are also licensed by OpenWay, the provider of Card Switches solution, for 3D secure licenses designed to make online card transactions safer by authenticating a card holder's identity at the time of purchase.

Due to the increased global focus on cyber security, CBK issued a Guidance Note to set the minimum standards that institutions should adopt in order to develop effective cyber security governance and risk management frameworks. The Bank submitted its Cyber Security Policy and Risk Management Framework to CBK as required by the Guidance Note on cyber security. Further, the Group has constituted an IT Security Advisory Committee, whose primary objectives are as follows:

- Reviewing the Bank's cybersecurity guidelines;
- Monitoring cybersecurity issues across the region; and
- Supporting all the Group's Subsidiary Banks within the region as a technical advisory committee.

It remains our belief that it is important to supply information which facilitates prosecutions of criminal activity. We will remain steadfast in putting more focus on controls to detect or prevent loss of data, as well as improving our policy framework around data management.

4. Manufactured/Infrastructural Capital

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

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

The bank is no longer a place where you go to, but rather something you do. The volume of banking transactions carried out through internet and mobile

OUR CAPITALS (continued)

phone continued to grow significantly in 2017. We present below the evolution of transactions in our main digital channels:

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

Number of branches across the region:	**284**
Number of ATMs across the region:	**693**
Number of Online banking users:	**49,049**
Number of Agents:	**35,272**
Number of Equitel customers:	**2,780,304**
Number of active users on EazzyBanking App:	**199,683**
Number of EazzyBanking App downloads:	**464,387**

Digitization

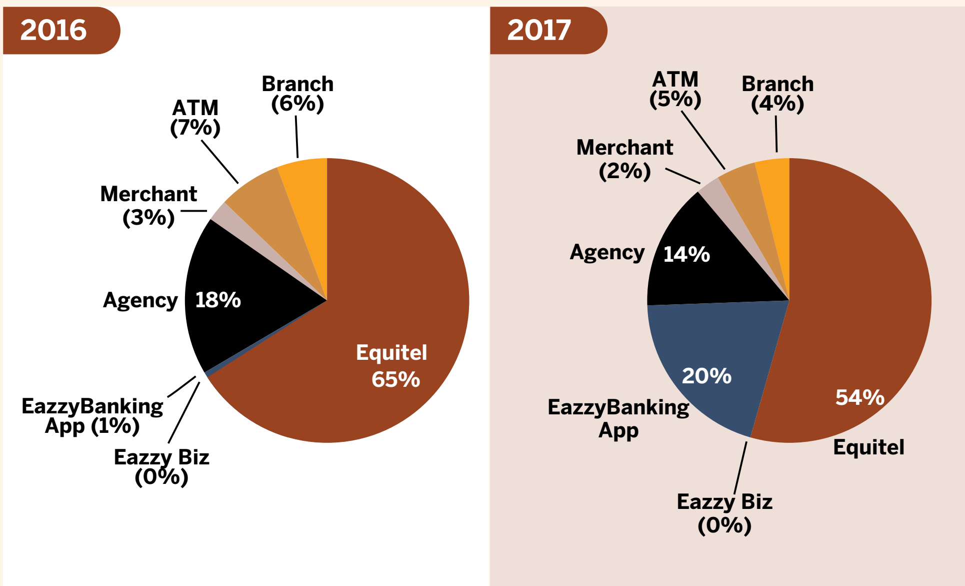
Equity democratized banking by giving banking products and services to people where they are and when they want. Our digitization strategy is all based on customer centricity. We started off with the variable channels, like agency banking then we went into mobile banking. We chose to go the Equitel way because if you want to do mobile banking in a safe and secure manner, the only secure element on a feature phone is the SIM card and most of our customers own feature phones. Equitel offers voice and data but for us, it also forms a channel for customers to access banking services, so much so that 92% of our loans are processed on the mobile phone without any human intervention. The mobile dignifies the borrower by allowing them to borrow even small amounts, anytime anywhere without the human interface.

These new self-service channels that enable customers to do banking on their own devices has revolutionized money transfer and payments with customers having greater control and freedom to manage their bank accounts. This also confirms that customers want a banking service that is integrated into their everyday lives.

Eazzy Banking products continued demonstrating phenomenal uptake. EazzyBiz hit KShs 11.6 billion per month in value of transactions, EazzyPay moved KShs 293.5 million per month while EazzyBanking App's transactional value stood at KShs 6.5 billion per month in 2017. EazzyBanking App is the number one banking App in Kenya leading in both App Store and Play Store. EazzyNet which targets the retail market has over 170 functionalities including unique features such as buying stocks online.

We not only innovate internally, but we also have open APIs which allow third party developers to leverage off our banking license and banking tools to

96% of our transactions outside the Branch



OUR CAPITALS (continued)

reach their target markets. We also afford them the ability to innovate on to our platform so that we crowd-in ideas and benefit from the innovation as well. At Equity, there is free flow of ideas in terms of innovation and other ecosystems including customers interacting on our platforms.

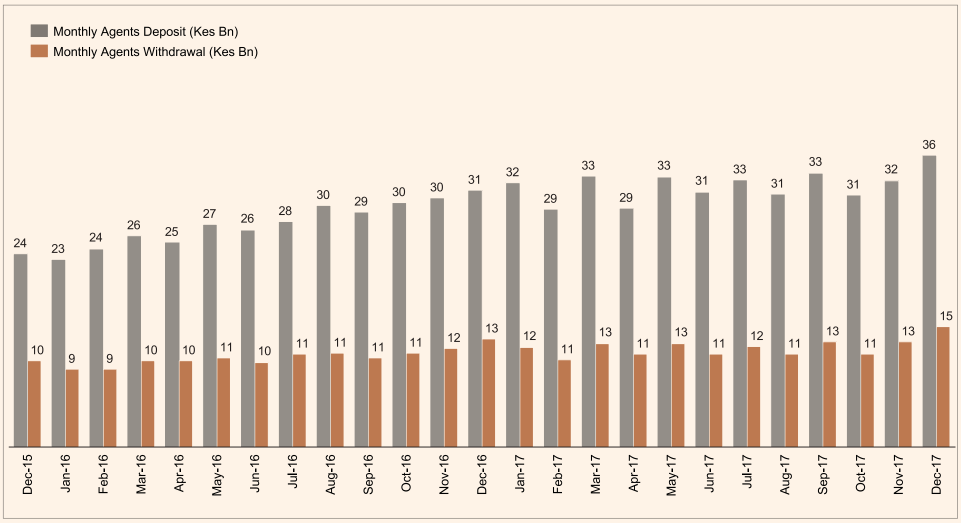
Agency Banking

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

Card and Merchant Solutions

The Group's integrated multi-channel network operates in synergy with the Bank's products and services. We have a widely recognized range of card-based payment products, including debit cards, credit cards and the pre-paid cards, as cash-free payment solutions. Our debit and credit cards can also be used for online e-commerce transactions. As an integrated feature of our savings product, the debit card can be used on various channels, including the branch, ATM and POS networks. We have partnered with key payment companies to ensure our customers are open to choice that fits their lifestyle. The range of products and services that are linked to debit cards and various facilities are regularly reviewed and enhanced in accordance with advances. Through credit cards, we offer a variety of products with attractive programs suited to different customers' lifestyles and consumption needs. In 2017, we had over 15,000 credit cards in issue with a transaction value of KShs 5.3 billion representing a market share of 41%. While promoting credit card growth, we consistently and carefully manages credit card loan quality with the credit card NPL ratio maintained at low levels.

	Dec 2016	Dec 2017	Growth
Number of agents	29,561	35,272	19%
Monthly transactions (Millions)	5.2	5.5	6%
Monthly value of transactions (KShs Billions)	38.2	44.1	15%
Monthly agent commissions (KShs Millions)	59.7	69.0	15%



OUR CAPITALS (continued)

Currently, we have 12,975 POS merchants and 33,259 EazzyPay merchants. We offer:

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

During the year under review, Merchant turnovers totalled KShs 55.7 billion, a 17% growth from previous year's KShs 47.6 billion. Merchant Commissions totals KShs 1.3 billion up by 16% from KShs 1.1 billion the previous year. Number of merchant transactions 11.5 million a growth of 26% from 9.2 million transactions recorded in 2016. Our acquiring market share stands at 35% as at end of 2017. The total transaction value for debit and prepaid cards totalled to KShs 16 billion, being both inbound and outbound transaction while Issuing Interchange income reached a high of KShs 6.9 million with ATM transaction commissions at KShs 48.1 million.

Diaspora Banking

We developed this service upon realisation that there are millions of people from the regions we operate who live and work abroad in search for a better life for themselves and their families. They usually remit a substantial part of their earnings to support their immediate and extended families back at home. These funds are usually used for basic expenses such as food, rent, education and healthcare. They also send money back home to invest in their home countries for themselves or to support their dependents back home.

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

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

We have partnered with globally recognized remittance partners and we seek to partner with even more, as technology evolves and new service providers emerge and take the fore front in money transfer. We leverage heavily on online and mobile banking using world class solutions such as EazzyNet and EazzyBanking App, that allow customers to access their accounts from anywhere in the world as long as they have internet connection.

One of the things we are especially proud of, is our role in helping customers who live abroad to play a part in the development of their home countries. So far, we have helped many in the diaspora to own homes, buy parcels of land in Kenya and invest in treasury bills and bonds. Furthermore, we are making it easier and simpler for our customers to support their dependents in socially and economically relevant agendas such as education, healthcare and economic enterprise.

5. Social and Relationship Capital

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

Customer Experience

To be truly successful, we must understand our customers, respond to their needs and requirements and ultimately create exceptional customer

OUR CAPITALS (continued)

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

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

We are differentiating ourselves by delivering innovative market-leading customer experiences by investing in digital channels, streamlining our processes and strengthening our culture of service delivery and innovation. We will continue to accelerate digital implementation in the years ahead, with exciting market-leading innovations planned for the future. This will enable us to develop greater agility with a view to innovating quicker and responding to disruptive threats faster, optimally addressing new-customer requirements, providing world class customer experiences and creating an enterprise capability with the customer at the centre of all we do. In addition, we aim to organise ourselves, our data and data analytics and information technology to enable differentiation in our customers' universe, respond more effectively to regulatory change and improve our ability to execute our strategy more effectively. Being operationally excellent in all we do embraces simplifying, rationalising and continuously improving our processes and operations to allow us to save costs and invest in our franchise to unlock new growth opportunities. Unlocking efficiencies is imperative in a tougher and more competitive environment, but operational excellence also provides benefits to customers as customer experiences are enhanced through simplification and optimisation. Providing our customers with access to the best financial services network in the region and globally ensures that we are well positioned to participate in the longer-term growth prospects of financial services on the continent. We have invested directly in 6 countries so far and we are driving our capabilities in these markets for the benefit of our customers.

In 2017, we launched our Customer Relationship Management (CRM) module which will go a long way in helping us connect with our customers, build lasting relationships and set us apart from the competition. The CRM enables us to deliver an outstanding customer experience, while improving operational efficiency. We can efficiently follow up on complaints within agreed timelines and customers can keep track of the resolution of their complaints and requests. The system also helps us to manage customer requests by following pre-defined processes to manage the complete customer journey – from the initial request for information to continued account maintenance and servicing. We are now able to maximize cross-selling and up-selling, evaluate customer satisfaction and manage every stage of customer interactions quickly and effectively.

Combating Financial Crime

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

Fair Dealing

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

OUR CAPITALS (continued)

we avail various channels to customers through which they can provide valuable feedback.

Responsible Financing

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

Sustainable Sourcing

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

Regulatory Compliance

As we continue to expand the scope and complexity of our activities, we face an ever changing and increasingly complex regulatory environment. Furthermore, due to the consumer credit crisis, several high profile compliance breakdowns, and increased emphasis on consumer protection, regulatory agencies, investors, legislators and the general public are focused on our customer practices and regulatory compliance performance like never before. A compliance failure can result in litigation, financial penalties, regulatory constraints and reputational damage that can strategically affect our operations. Our compliance culture is anchored on transparency, responsiveness and an emphasis on respecting both the letter and spirit of the law and regulations in the countries we operate in. Frequent interaction with regulators facilitates effective information exchange, allowing us to relay prudential concerns while keeping regulators updated on our strategies and priorities.

Ensuring Financial Stability

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

Credible Industry Leadership

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

Established in 2008 as a corporate foundation for the Equity Group, the Equity Group Foundation ("EGF", "Foundation") vision is to be the champion of the social economic transformation for the people of Africa. EGF's mission is to champion the transformation of lives and livelihoods through the development in implementation of innovative programs that leverage exisiting infrastructure and link partners to the bottom of the pyramid. EGF has provided the Group

OUR CAPITALS (continued)

with an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility. While the Foundation champions the social economic transformation of the people of Africa and seeks partnership along five cluster thematic areas, Equity Bank provides the infrastructure of delivery hence reducing the operational cost of the Foundation and increasing the rate of return on any social investment. Since 2010, in addition to in-kind contribution from the Group, EGF has raised almost USD 230 million to implement programs in the five key social thematic areas are namely:

- Education and Leadership Development;
- Entrepreneurship and Financial Education;
- Agriculture;
- Health; and
- Energy and Environment.

Social and Business Value Created in 2017

It is against these five key social thematic areas that this report presents the Foundation's achievements for 2017.

Education and Leadership Development

EGF increases access to secondary and tertiary level education and provides leadership and career

*Director of Secondary and Tertiary Education at Ministry of Education, Mr. Robert Masese takes a photo with the **Wings to Fly** Scholars. Equity Group Foundation hosted its 8th Annual Education and Leadership Congress for **Wings to Fly** scholars in April 2017. The year's theme was 'From a Class Reader to a World Leader', which focused on practical ways of making the scholars embrace servant leadership and have a global view. The scholars were mentored by various leaders derived from both private and public sectors.*

development in order to break the cycle of poverty and develop the next generation of leaders. With the introduction of free primary education in Kenya that saw Grade 1 enrolment rise from 0.969 million in 2002 to 1.312 million in 2003, an increase of 35%, coupled with high costs, children from vulnerable backgrounds could not access secondary education. Thus, EGF established the Equity Leaders Program (ELP) with a two pronged approach to increasing access to education.

Prong 1: *Wings to Fly* which primarily supports secondary education for top performing children from financially challenged backgrounds in all counties across Kenya thus availing access to leadership training to previously marginalized children. The program offers comprehensive support for the scholars through provision of tuition fees, accommodation, books, uniform, shopping, pocket money and transport to and from school during their 4 years of secondary education.

Prong 2: An internship leadership development program that develops the leadership skills and mindsets of our scholars by providing them with meaningful professional opportunities and networks.

At the end of 2017, the number of ELP scholars rose to 19,260. Out of these, 12,236 have already completed their secondary education with 5,431 of them meriting to join Equity Bank's paid internship program. Further, of the ELP scholars who have completed secondary education, 10,760 have qualified for university entry with 443 securing admissions to global universities and the rest joining universities in Kenya. Eighty-four (84) of the 443 scholars obtained their admission in 2017 becoming the largest single cohort to secure admission in global universities. In addition to joining universities, 3,316 ELP scholars have to date had an opportunity to join technical and vocational education and training (TVET) institutions. The ELP scholars continue to evolve both academically and as active citizens by taking leadership roles both at school, the university and community.

Entrepreneurship and Financial Education

On one hand, Small and Micro Enterprises (SMEs) play a significant role in the economy, particularly in developing countries. EGF stimulates job creation and economic growth by providing micro and small entrepreneurs (MSMEs) with advice,

OUR CAPITALS (continued)

mentorship and entrepreneurship training. Under the Entrepreneurship pillar, 36,166 micro, small and medium size enterprises have been trained using the International Labour Organisations' Start improve and Grow Your Business entrepreneurship training curriculum. At the end of 2017, MSMEs had accessed USD 50 million in loans from Equity Bank.

On the other hand, financial services, particularly in the form of savings and loans, are key tools toward wealth creation and economic development. Yet worldwide, 2.5 billion adults are unbanked, including an estimated 77% of all adults in Africa (World Bank). EGF improves financial capability and individual and household financial security by connecting people at the bottom of the pyramid to expert financial education training as well as expanding access to financial services and products. At the close of 2017, EGF had trained 1,455,759 Kenyan women and youth in financial education.

These women and youth have subsequently been able to access USD 650 million in credit and mobilized USD 24 million in savings. Additionally, 532,000 households have been financially included.

European Investment Bank Vice President Mr. Pim van Ballekom, with Equity Group Managing Director and CEO Dr. James Mwangi after the signing of a KShs 8.25 billion credit facility with Equity Bank. The facility will go towards supporting local entrepreneurs to enable them compete regionally. The European Investment Bank (EIB) signed two new credit lines for East-Africa for a total of KShs 10.45 billion to be made available through Equity Bank and HFC Limited to support smaller local projects in Kenya, Tanzania, DRC and Uganda. The on-lending will be available in USD or local currencies with the objective of contributing to job creation and poverty reduction.

Agriculture

Agricultural growth in Kenya has the potential to ensure food security for its fast-growing population, reduce the cost and reliance on food imports and lower food prices. Medium sized farms are essential to Kenya's pursuit of food security and can have an unlocking effect on the sector. While small in number, medium-size farms cover a large proportion of underutilized farmland and possess enormous potential to rapidly increase food production.

Medium size farms face a combination of production, operational and market challenges that currently restrict the sub-sector from producing at expected yields.

To combat systemic challenges in the agriculture system, EGF designed and launched an Agriculture Growth Accelerator in 2014. The Accelerator works with agribusinesses to increase incomes and investment into the sector, create jobs and increase the supply of food for the market.

Funded by the Embassy of the Kingdom of Netherlands in Nairobi and Equity Bank, the Accelerator works directly with agribusinesses and supports development of the agricultural sector. By the end of 2017, 500,000 small-scale farmers had

Former Agriculture Cabinet Secretary, Hon. Willy Bett (L) and Equity Bank Managing Director and CEO, Dr James Mwangi showcasing the signed agreement between the Ministry and Equity Bank Kenya. The partnership between the Ministry and the Bank known as Kilimo Biashara will help accelerate efficient and effective service delivery to low income beneficiaries in the agricultural sector.

OUR CAPITALS (continued)

been transformed to agribusiness entrepreneurs with 2,616 of them being medium-sized farmers who have also accessed USD 2 million in loans.

Health

Despite its national economic mobility, Kenya has an overwhelmingly young, poor, and rural population, which faces various disparities in demographic determinants of health. Kenya ranks 147 out of 187 countries on the UN's Human Development Indicators' Health Index, placing it in the lowest category of human development (2013), with the government spending just 2.1% of GDP on health.

Levels of public expenditure are insufficient to link the general population of over 44 million people (World Bank, 2013) to quality preventive and curative care and to counter Kenya's disease burden, including HIV/AIDS. EGF aims to increase access to comprehensive health financing and private sector-led, affordable, high quality and standardized health services for poor and middle-income families. As part of its agenda, EGF has opened five Equity Afia health clinics.

Energy and Environment

In many African countries, including Kenya, the majority of people depend on natural resources and ecosystem services for basic survival. The local, natural environment provides food, fresh water, energy, medicine, construction materials, cultural services, pollination control, among other vital services. EGF continued to promote the conservation and smart use of natural resources by promoting the use of renewable energy and energy-efficient technologies. By December 2017, 40,000 households with an estimated 200,000 individuals have benefited from clean energy products such as solar and clean cook stoves. Other programmes include promotion of solar irrigation pumps, biogas and water purifiers. Innovations on crop and index linked livestock insurance have reached thousands, and one million trees planted to save the Mau Forest

Equity Afia Ltd. is a health initiative of the Equity Group Foundation and is run by qualified and experienced doctors who come together as a network of medical entrepreneurs with the aim of providing high quality, affordable and accessible healthcare to the majority of Kenyans through a franchise model. The doctors are drawn from Equity Leaders Program medical graduates.

Equity Group Foundation promotes the conservation and smart use of natural resources by promoting use of renewable energy and energy-efficient technologies to its customers. To date over 16,000 households have been helped to access energy saving products. Equity Bank Kenya has also introduced the Eco-Moto Loan, a specific loan product for acquisition of clean energy products by customers.

OUR CAPITALS (continued)

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

Strategic Focus for Improved Impact

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

(i) **Strengthened Community Resilience:** Adaptive capacity and ability to reduce (manage) risks increased;

(ii) **Enhanced Prosperity:** Financial literacy and inclusion improved;

(iii) **Improved Equity and Inclusion:** Enhanced access to educational and professional opportunities;

(iv) **Tested and Scaled-up Models:** Spurring utilization and adoption of innovation that supports inclusive socio-economic gains;

(v) **Enabled policies and institutions:** Systemic capacity for effective execution and delivery of programs strengthened; and

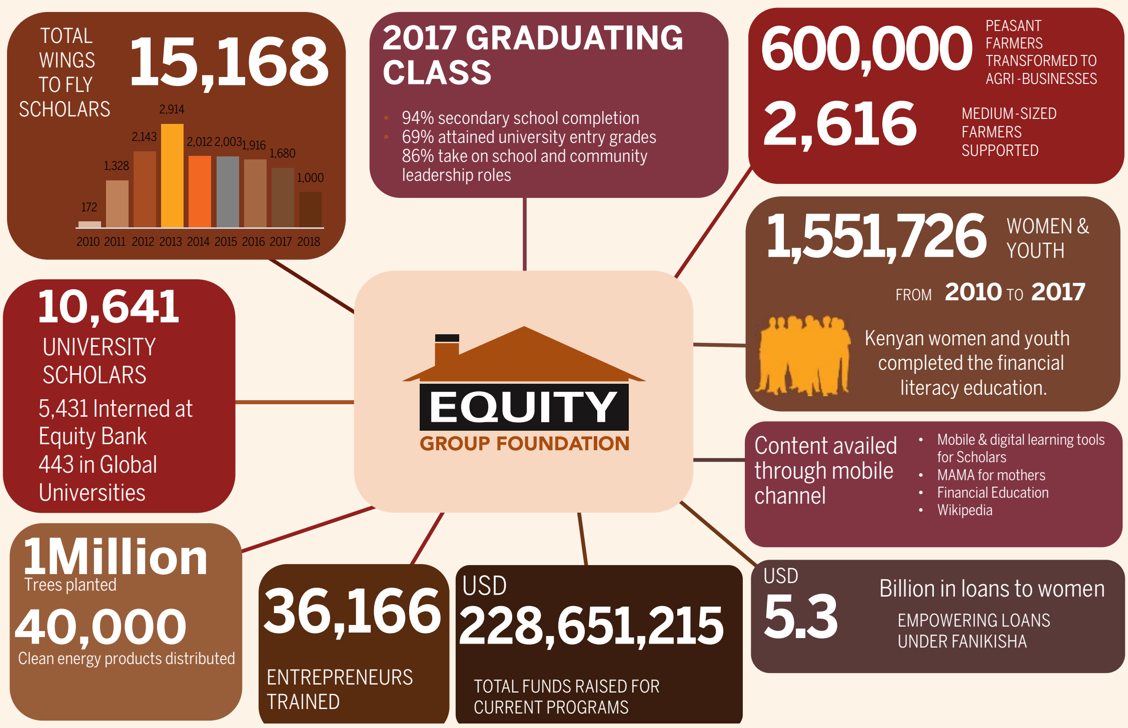
(vi) **Increased Partnerships for Impact:** Inclusive, diverse and balanced engagement of partners for collective action strengthened.

To achieve these outcomes, EGF will continue:

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

Specifically, efforts to improve and create bigger impact are articulated EGF's Creating Shared Value Strategy: 2017-2022 which primarily articulates how

Shared Prosperity Model & Business Impact



OUR CAPITALS (continued)

the Foundation can play an integral part in the long-term business success for Equity Group Holdings PLC while creating value for society.

6. Natural Capital

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

Our main sources of electricity and water consumption, for example, come from cooling systems and the use of electronic equipment.

We continuously strive to improve our energy efficiency through best market practices, ambitious goals and a management increasingly more attentive to the consumption of natural resources. Our management is segregated by administrative units, branches and technology centres, and all areas work together with the sustainability team. Our reduction targets and improvement actions to achieve these goals are managed jointly, seeking the highest efficiency in the use of resources and a smaller environmental impact.

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

Equity Group Foundation General Manager of Education and Leadership Development, Dr. Beth Waweru (R) explains the goals and impact of the Foundation to the Norfund delegation at Equity Centre. Equity Bank through the Foundation's Entrepreneurship Education Program is partnering with Norfund to train 15,000 Small Medium Entrepreneurs for the year 2017 across Kenya.

Control Environment

CONTROL ENVIRONMENT (continued)

Risk Management Statement

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

Risk Governance Structure

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

Group Integrated Risk Management policy

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

The Group has developed a risk intelligent culture, so as to achieve the following strategic risk management objectives:

a) Limiting potential losses;

b) Improving profitability;

c) Supporting growth;

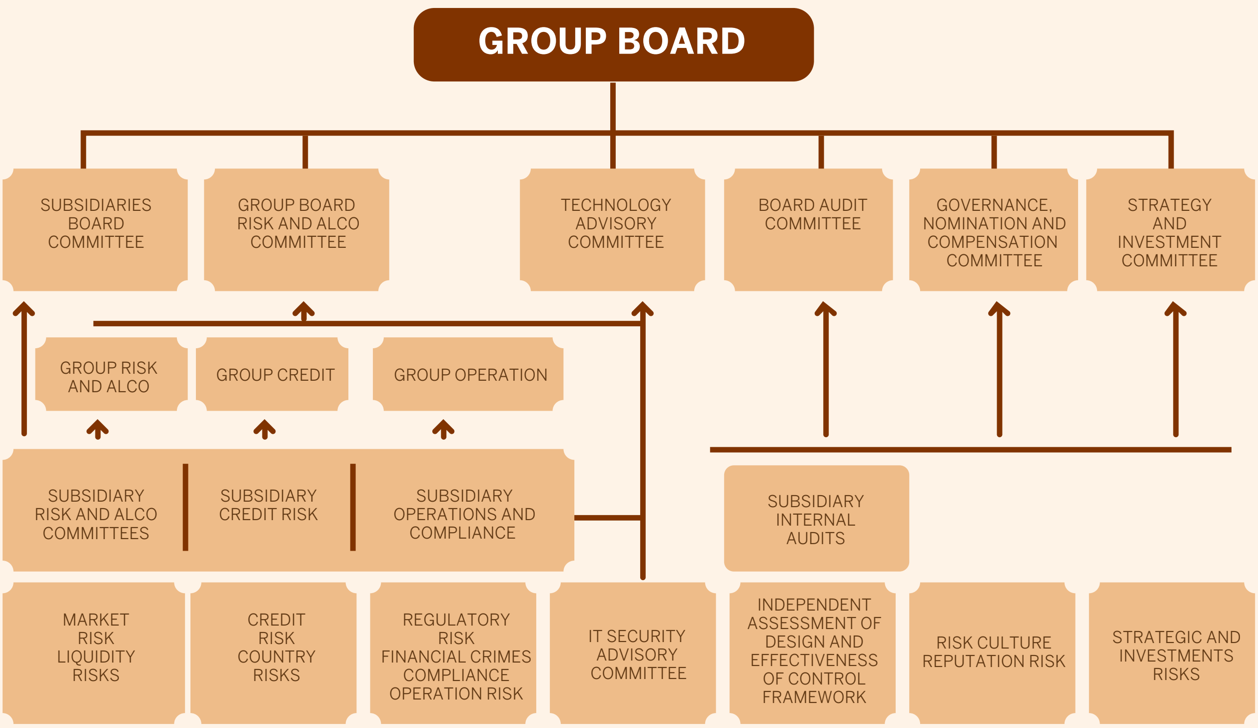
d) Increasing quality of strategic and operational decisions; and

e) Improving stakeholder management.

Assurance is guaranteed via risk department, internal audit, compliance and enforcement teams, external audits by PwC, Central Bank Audit, Capital Markets Authority and Nairobi Securities Exchange reviews, and Cross Border Supervisory College and credit rating agencies.

Risk Review

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



CONTROL ENVIRONMENT (continued)

experience and convergence of financial products and services.

Having made significant achievements in digital disruption in 2015 and receiving recognition as the most innovative Bank, as well as the first bank in Kenya to receive PCI-DSS certification, the Group focused on open financial services through API based Fintech Enabler in 2017. We became the first bank in Kenya to expose full set of APIs to 3rd parties and developer community in 2017.

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

Regulatory Landscape

i. IT Risk and Information Security

As the Group strategic initiatives under Equity 3.0 strategy are undertaken, the IT risk and information security landscape has been changing. Focus on technology by the industry players has altered existing information supply chains, created data types and data models and expanded IT infrastructure risk and security perimeter. Emerging IT risks around IT programme & change execution and IT operational resilience have joined cybercrime, data security, and third party management as being the most pressing IT risks identified in 2017 and into 2018. In 2017, CBK responded by introducing a guidance note on cyber risk management. The guidance note requires banks to formulate and implement cyber risk strategies, policy, procedures, guidelines and set minimum standards.

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

ii. Impairment of Financial Instruments

International Financial Reporting Standard (IFRS) 9 took effect on 1st January, 2018 and it impacts on how financial instruments are acquired and accounted for in the banking industry. The standard replaced International Accounting Standard (IAS) 39 that was based on Incurred Credit Loss (ICL) model. IFRS 9 requires banks to recognize the incurred credit losses as well as expected credit losses under Expected Credit Loss (ECL) model. Impairment provisions for financial instruments is expected to increase upon adoption of the standard and will impact on the banks' profitability and capital adequacy. CBK issued a draft guidance on implementation of the standard that allows a 5 year window for which incremental provision under ECL would be used for assessment of capital adequacy for regulatory reporting. In 2017, the Group engaged KPMG to help the Group prepare for compliance with the standard starting January 2018. KPMG will continue assisting the Group through 2018 to create necessary capacity for continued compliance.

iii. AML/CTF Program

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

Though AML/CTF falls under the umbrella of Compliance function, the AML/CTF program is given special focus due to considerable reputational risk that this component holds. The program is divided into three distinct components: Customer acceptance and identification program, robust automated information technology solutions as well as reporting and record keeping. In addition, the program is supported by four pillars to enable proper execution and compliance: An independent reporting officer, risk awareness programs, independent assurance and internal policies and procedures. The Board has the oversight responsibility in ensuring that AML/CTF programs are carried in strict adherence to applicable laws, regulations, statutes and internal controls.

CONTROL ENVIRONMENT (continued)

There is an approved Anti-Money Laundering Policy for the Group and subsidiaries. The policies are reviewed annually. There exists a structured AML training program which is done to all staff upon induction. Subsequent trainings to agents and staff are done ad-hoc. The responsibility to manage AML/CTF risks rests upon all staff from both our business and support units so as to protect the Group's assets, the interests of our customers and shareholders.

iv. Internal Capital Adequacy Assessment Process (ICAAP)

Internal Capital Adequacy Assessment Process (ICAAP) is a process to estimate capital requirements through an enterprise-wide quasi-quantitative methodology as part of a detailed risk based business and capital planning process. It is a formal process through which a bank identifies, measures, aggregates and monitors material risks to ultimately build a risk profile that becomes a basis for capital allocation. ICAAP documents are reviewed by CBK through Supervisory Review Process (SREP) to ensure that banks maintain adequate risk management frameworks and techniques whose results are tied to capital adequacy.

The Group Board has approved ICAAP Policy in line with the ICAAP Guidance Note issued in 2016 by CBK. In 2017, ICAAP document for the Group and the Bank was prepared and submitted to the regulator before April as per the guidance note. The Group continues to enhance pillar II risks to optimize on capital planning.

Self-Regulation Standards

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

Introduction of a Code of Ethics for Business in Kenya by Kenya Association of Manufacturers and Global Compact Network Kenya and sustainable banking initiatives by Kenya Bankers Association sought to emphasize on this. As a key market leader, the Group reviewed its policies to align them to the social and environmental priorities of the host countries, as well as the global standards. To inculcate a risk culture, the Group developed a Speak Up Policy intended to encourage staff to provide both positive and negative feedback without fear of retaliation.

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

Business Environment

i. Liquidity Risk

The Group constantly reviews the business environment against its strategic objectives. Liquidity management remained a key focus in 2017. The Group subsidiaries, particularly the banking ones, had to constantly monitor their liquidity profile on a regular basis. This also involved relooking at the adequacy of their liquidity contingency plan. Given the decline in the private credit in Kenya, the Group maintained huge liquidity buffers. This notwithstanding, the Group regularly monitored the results of 3-day liquidity stress tests to assess resilience in case of a run on deposits.

ii. Credit Risk

The banking industry performance remained subdued in 2017, with the industry reporting double digit ratios of non-performing assets. The low growth in credit portfolio and high non-performing assets was occasioned by interest rate capping that denied banks the opportunity to measure credit risks in Kenya. The segments perceived to be high risk and those without quality collaterals were most hurt. Nevertheless, the Group continued to advance credit based on customized and detailed credit risk assessments as a foundation of sustainable asset growth. A comprehensive early warning framework was established to support the Group's SME strategy under Equity 3.0. For the large credit exposures and those with strategic implications, the Group's Corporate, Strategic and Advisory Committee (COSAC) is involved to provide guidance. As a result, the Group was able to maintain a relatively low PaR compared to the industry.

Risk Appetite

The Group has a risk appetite for various type of businesses and various forms of risks. It's the policy of the Group, however, to set more conservative

CONTROL ENVIRONMENT (continued)

appetite where a regulatory ratio or given best practice is given. Examples:

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

Stress Testing

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

The stress testing activity goes through the following process:

a) Identification of stress components involving the different types of material risks and stress factors;

b) Identification of methodology for application of stress;

c) Estimation of the impact of stressed conditions on the profitability, asset quality and capital adequacy;

d) Identification of remedial plans/ actions; and

e) Reporting of the stress test results and identified remedial plans to the Board and regulators.

Performance Overview of Principal Risks

Credit Risk

The Group credit management framework is defined by the Group's Integrated Risk Management Policy and customized in Credit Risk Policies by each pf the Banking Subsidiaries. Credit risk is generally evaluated in terms of portfolio at risk (PaR) and concentration. The year 2017 was characterised by rising PaR for the industry. To closely monitor the associated risks;

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

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

Expected Credit Loss model has been developed to ensure compliance with IFRS 9. As the Group seeks to deliver on its financial inclusion objective, investment in solutions and systems to enhance data quality and breadth will continue. This is expected to improve prediction of probability of default, loss given default and recovery rates for both the existing and potential customers.

Market Risk

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

CONTROL ENVIRONMENT (continued)

- *Return on assets* – this reflects how well assets are managed. The Group's return on assets has remained largely within target. However, interest rate control in Kenya has led to a decrease in return on asset.
- *Liquidity* – The Group ensures compliance with liquidity ratios from the regulator and regularly compares its liquidity position against international standards as provided by Basel III.
- *Efficiency* – this is evaluated in a number of ratios, key one being interest rate spread. Interest rate spread decomposition is intended to indicate how stable the spread is, based on the components.
- *Stop loss limits* – ensure that trade does not proceeds if losses being realised exceed the set limits.
- *Trader limits* – ensure that the Group traders do not take excessive risks that would expose the Group.
- *Forex net-open position* – the Group maintains a net open position within regulatory limits and constantly manages the size of the position in the light of expected forex volatility.

Government Securities Risk

- Trading book carries many risks and price volatility would reflect on the consolidated income statement. As such, the trading book is not supposed to exceed 10% of the entire Government security portfolio.
- *PV01* – is used to evaluate risk for the trading book. The Group has set a value for PV01 that must not be exceeded.
- *Value at Risk (VaR)* – The Group has set an appetite for VaR. This ensures that the maximum possible loss in a given unit of time is monitored continuously.
- *Maximum period in trading book* – the Group acknowledges that items in the trading book should be continuously traded and thus sets a time limit beyond which investment security should not be held.
- *Mark to Market* – for the government securities that are available for sale, the Group monitors mark to market losses to ensure optimal portfolio management. To achieve this, the market risk team continuously monitors the yield curves.
- *Durations* – Market Risk policies define the appetites for investment securities' duration. This is monitored by both the Treasury Middle Office and Market Risk Unit in the enterprise risk department unit.

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

Price volatility is expected to continue in 2018 following the strengthening of US dollar.

Operational & Compliance Risks

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

The operational risk & compliance departments have built capacity to carry out their mandate covering: Compliance, agency, fraud, systems and products, business process management, AML/CTF and business continuity planning.

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

Key Risk Indicators

- Risk Controls Self Assessments tools and frameworks;
- Risk library;
- Scenario analysis covering: external research, trends of internal losses or subjective scenario analysis;
- Stress Testing;
- Business Process Mapping;
- Capital Computation Framework;

CONTROL ENVIRONMENT (continued)

- Linkage of tools to decision making and controls;
- Robust and reliable MIS; and
- Comprehensive compliance toolkits.

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

The Group also maintains Business Continuity Planning and Data Recovery (BCP-DR) Policies. These policies incorporate**:**

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

The BCP-DR policy and processes involve identification of:

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

Risk Culture

Whereas there is the tangible appreciation of tools to help in the identification, assessment, setting of appetites, mitigation and monitoring (the 'what' of risk management), we recognize that "the how" of risk management contributes towards success or otherwise of risk management initiatives.

The Group's risk culture, "the set of individual and corporate values, attitudes, competencies and behaviours that determine our commitment to and style of risk management" provides reference against which our conduct is evaluated.

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

Transparency

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

Acknowledgement

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

Respect

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

Response

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

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

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

CONTROL ENVIRONMENT (continued)

- Communication; deliberate sharing of lessons learnt to shape values and behaviours.

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

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

Future Risk Priorities

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

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

The cross border operations have been on the rise occasioned by the Group's regional operations and globalization that has led to seamless financial interactions across the globe. While the commodity prices are expected to be on a recovery path in 2018, geopolitics, terrorism and civil wars continue to suppress the-would-be rosy outlook in global trade. Enhancing sovereign risk management will remain a top agenda under Equity 3.0.

While the regional inflation expectations are largely within the regulators target ranges, the Group acknowledges susceptibility of regional prices to external events. Top on the list is currency depreciation as Federal Reserve continues raising the base interest rate. The rising cost of crude oil is likely to impact on the regional countries' balance of trade, hence exchange rate volatility. The Group will continue to enhance market risk management tools and frameworks to guarantee balance sheet agility.

Corporate Governance

CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the epitome of any organization's performance and growth of shareholder value. Equity Group Holdings Plc ("the Group") has inculcated the principles of corporate governance in its core business as its efficiency and accountability is a matter of both private and public interest.

It is vastly stated that good governance can deliver sustainable and good business performance. Through corporate governance, the Group has the capacity to maintain high-quality services that boost capital formation and maximization of shareholders value as well as protection of investors' rights.

It is a fact that the objectives pursued by shareholders and corporate managers tend to be differing and contradictory with regards to their own interests. Consequently, this has nurtured the conception of a wide spectrum of approaches and processes ensuring that conflicting interest' spill-over are minimized. One of the compromises that have been given birth to address this divergence is corporate governance.

"Corporate Governance has become an issue of worldwide importance. The corporation has a vital role to play in promoting economic development and social progress. It is the engine of growth internationally, and increasingly responsible for providing employment, public and private services, goods and infrastructure. The efficiency and accountability of the corporation is now a matter of both private and public interest, and governance has, thereby, come to the head of the international agenda."

THE GLOBAL CORPORATE GOVERNANCE FORUM NOTES IN ITS MISSION STATEMENT

The Group's corporate governance standards have been developed considering the work which has been undertaken extensively by several jurisdictions through many task forces and committees including but not limited to the United Kingdom, Malaysia, South Africa, Organization for Economic Cooperation and Development (OECD) and the Commonwealth Association for Corporate Governance. Furthermore, the Group has taken into consideration in the development of its code of corporate governance, the Capital Markets Authority (the Authority) code of best practice for corporate governance in Kenya issued by the Private Sector Corporate Governance Trust, Kenya, whose efforts have also been useful in the development of the code of governance guidelines.

The objective of the Group code of governance is to strengthen corporate governance practices, it being a public listed company in Kenya, Uganda and Rwanda, and promote the standards of self-regulation to bring the level of governance in line with international standards. The Group has nurtured its corporate governance practices and encouraged it to evolve to ensure it meets the best practices worldwide.

The Group's Board has identified the following four ethical values, which underpin good corporate governance:

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

Principles on Corporate Governance

A. Principle on Appointment, Composition, Size and Qualifications of Board Members

The Group has appointed a Governance, Nominations and Compensation Committee, which proposes new members for Board appointment, as well as spearheading Board evaluation. In proposing appointments to the Board, the Committee ensures the achievement of diversity in its composition, as well as ensuring that at least three-fifths of the Directors are Non-executive and at least one third of the total number of Directors are Independent. The Board's composition is not biased towards representation of a substantial shareholder of the Group, but instead, it reflects the Group's broad shareholding structure.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board's composition provides a mechanism for representation of any minority shareholders without undermining the collective responsibility of the Directors.

B. Principle on Structure of the Board

To ensure effectiveness and value addition, the Group at all times, has a minimum of at least 7 Directors and a maximum of 12 Directors. The Directors are highly qualified in varied fields, which is essential in enabling them to:

1) have proper understanding of, and competence to deal with, the current and emerging issues of the business;
2) exercise independent judgment;
3) encourage enhanced performance of the Group;
4) fairly reflect the Group's shareholding structure; and
5) effectively review and challenge the performance of Management.

C. Principle on the Functions of the Board

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

1) It has distinguished the roles reserved for the Board and those delegated to Management;
2) The functions of the Chairperson and the Chief Executive Officer are not exercised by the same individual;
3) The Chairperson of the Board is a non-executive director;
4) It is assisted by a qualified and competent company secretary of good standing with the Institute of Certified Public Secretaries of Kenya (ICPSK);
5) The Group's strategies are sustainable; and
6) It has clearly identified the Directors' fiduciary duties.

D. Principle on Board Independence

Independent Directors provide the necessary checks and balances on the Board, so as to ensure that the interests of minority shareholders and the stakeholders are given due consideration in the Group's decision-making process. The Group's Code of Corporate Governance states that an Independent Director means a Director who:

1) has not been employed by the Group in an executive capacity within the last 5 years;
2) is not associated to an adviser or consultant to the Group or a member of the Group's Senior Management or a major customer of the Group or with a non-profit entity that receives more than 50% of its contributions from the Group; or within the last 5 years, has not had any business relationship with the Group (other than service as a Director) for which the Group has been required to make disclosure;
3) has no personal service contracts with the Group, or a member of the Group's Senior Management;
4) does not have a material or pecuniary relationship with the Group;
5) is not employed by a public listed company at which an executive officer of the Group serves as a director;
6) is not a member of the family of any person described above;
7) has not had any relationships described above with any affiliate of the Group;
8) does not have a direct or indirect interest in the Group which exceeds 5% of its equity interest or that of its related companies;
9) does not hold cross-directorships or significant links with other directors through involvement in other companies or bodies;
10) has not served for more than 9 years since they were first elected;
11) is free from any business or other relationship which could be seen to interfere materially with the individual's capacity to act in an independent manner; and
12) is not a direct or indirect representative of a significant Shareholder who has the ability to control or significantly influence management or the Board. (Indirect representation includes a nominee or an associate of a Shareholder of the Group).

The tenure of an Independent Board member does not exceed a cumulative term of 9 years. Upon completion of the 9 years, an Independent Director

CORPORATE GOVERNANCE STATEMENT (continued)

may continue to serve on the Board subject to re-designation as a Non-Independent member.

E. Principle on Age Limit for Board Members

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

F. Principle on Board Tools

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

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

G. Principle on Governance and Legal Audit

The Board has mandated the Group to conduct an annual governance audit, in order to assess the level of compliance with sound governance practices. Additionally, a compliance and legal audit is conducted to identify the level of compliance with applicable laws, regulations and standards.

The 2018 governance and legal audit is expected to kick off in the second quarter of the year.

H. Principle on Insider Dealings/ Trading

In line with the Group's continuing listing obligations, the Group prohibits insider trading, as it enables persons who have access to non-public information to potentially profit or avoid loss unfairly. The Group has developed and enforced an insider trading and market abuse policy.

Division of the Role of Chairperson and Chief Executive Officer

The Chairperson

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

The Chairperson also ensures:

a) the smooth functioning of the Board, the governance structure and instils a positive culture in the Board;
b) guidelines and procedures are in place to govern the Board's operation and conduct;
c) all relevant issues are on the agenda for Board meetings and all Directors are able to participate fully in the Board's activities;
d) the Board debates strategic and critical issues; and
e) the Board receives the necessary information on a timely basis from management.

The Chief Executive Officer

The Chief Executive Officer is wholly responsible to the Board for the day to day running of the Group. The collective responsibility of the Group's management is vested in the Chief Executive Officer and bears ultimate responsibility for all management functions.

The Chief Executive Officer undertakes the following key responsibilities:

a) ensures that the policies spelt out by the Board in the Group's overall corporate strategy of the institution are implemented;
b) identifies and recommends to the Board competent officers to manage the operations of the Group;
c) establishes and maintains efficient and adequate internal control systems; and
d) ensures that the Board is frequently and adequately appraised about the operations of the Group.

CORPORATE GOVERNANCE STATEMENT (continued)

Compliance with Laws and Regulations

Equity Group is licenced non-operating holding company listed on the Main Investment Market Segment of the Nairobi Securities Exchange (the Exchange) and as such, is bound by and complies with:

a) The Capital Markets Act Cap. 485 and all subsidiary legislation made thereunder;

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

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

d) The Kenya Companies Act, No. 17 of 2015 and its amendments thereto; and

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

Environmental, Social and Governance Policies

The Group has developed the following environmental, social and governance policies:

1. Speak Up Policy (Whistle Blowing)

The Policy fosters a culture of information sharing (positive or negative), without the fear of retaliation. Reportable misconducts include:

a) All forms of financial malpractices, criminal activity and unethical behaviour;

b) Actions detrimental to Health and Safety or the Environment;

c) Failure to comply with statutes and regulatory directives;

d) Corporate governance breaches, non-adherence to Bank's policies and procedures and non-disclosure of conflict of interest; and

e) Sexual or physical abuse of any staff, customer, applicant, service providers and other relevant stakeholders.

The Policy also encourages feedback towards improving the Bank's procedures, in line with market developments, the organisation's strategies and business process optimisation. The policy encourages stakeholders to speak up on efficiency on service delivery, brand perception and positioning, quality of services and products and proposals on new market segments.

2. Social and Environmental Risk Management Policy

As a leading provider of key services to various markets, the Group recognizes that its decisions have the potential to impact employees, customers, surrounding communities and the environment. The Group believes that balancing environmental and human rights issues with financial priorities is key to sound risk management and corporate responsibility.

In addition to the various local and international, social and environmental standards that the Group observes, the Group formulated the Social and Environmental Management System for Credit Exposures, to set forth the standards for managing the impact of the Group's lending operations on the environment, society, health and safety.

3. Policy on IT

The Group has developed IT Policies which focus on the various facets of business, such as business partnership procedures, database procedures, incident management, quality assurance, security procedures and software design, development and testing procedures.

The Group has also developed a cybersecurity risk framework to mitigate cyber risk, as well as upscale the identification and protection of critical information infrastructure.

CORPORATE GOVERNANCE STATEMENT (continued)

Directors' Remuneration Report

The Board reviews and recommends the remuneration structure of Directors annually, subject to Shareholder's approval. Directors' remuneration is linked to performance but is competitively structured to attract and retain the best talent to effectively develop the Group's business. Detailed disclosures on remuneration for the Board can be found on pages 85-87 of this report.

Executive Directors

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

Non-Executive Directors

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

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

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

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

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

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

Insurance

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

Share Options

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

Board Committees

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

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

1. The Group Audit Committee

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

a) The integrity of the financial statements of the Group;

b) The effectiveness of the Group's financial reporting, accounting policies and internal control system;

c) The effectiveness of the Group internal audit function; and

d) The external auditor's qualifications, independence and performance.

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

1. Mrs. Evelyn Rutagwenda - Chairperson (4/4)
2. Mr. Dennis Aluanga - Member (3/4)

CORPORATE GOVERNANCE STATEMENT (continued)

3. Mr. David Ansell - Member (3/4)
4. Mr. Vijay Gidoomal - Member (1/4)

NB: Mr. Vijay Gidoomal became a member in October 2017.

2. Governance, Nominations and Compensation Committee

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

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

b) recommend general staff remuneration and human resource related practices;

c) periodically review the completeness and effectiveness of the Group's corporate governance initiatives and policies; and

d) Regularly reviewing the required mix of skills and experience, so as to determine the effectiveness of the Board and making recommendations to the Board for new appointments.

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

1. Mr. Dennis Aluanga - Chairman (4/4)
2. Mrs. Evelyn Rutagwenda - Member (4/4)
3. Dr. James Mwangi - Member (3/4)
4. Mr. David Ansell - Member (1/4)
5. Prof. Isaac Macharia - Member (1/4)
6. Mr. Deepak Malik - Member (4/4)

NB: Mr. David Ansell and Prof. Isaac Macharia became members in October 2017.

3. Strategy & Investment Committee

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

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

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

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

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

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

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

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

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

1. Mr. Deepak Malik - Chairperson (4/4)
2. Dr. James Mwangi - Member (3/4)
3. Dr. Helen Gichohi - Member (3/4)
4. Mr. Vijay Gidoomal - Member (1/4)
5. Prof. Isaac Macharia - Member (1/4)

NB: Mr. Vijay Gidoomal and Prof. Isaac Macharia became members in October 2017.

CORPORATE GOVERNANCE STATEMENT (continued)

4. Risk & Assets and Liabilities Management Committee

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

a) Reviewing and assessing the quality, reliability and integrity of risk management;

b) Ensuring that the Group risk policies and strategies are effectively managed;

c) Ensuring the optimisation of the Group's assets and liabilities; and

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

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

Board Meetings Attendance

Name	Expertise	Executive/ Non-Executive	Independent/ Non-Independent	Gender	Meeting Attendance
Dr. Peter Munga	Accounting and financial management experience	Non-Executive Chairman	Independent	Male	4/4
Dr. James Mwangi	Banking and financial experience, leadership and management of financial institutions	Executive Director	Non-independent	Male	3/4
Mr. Deepak Malik	Accounting, banking, financial investment experience, leadership and management of financial institution	Non-Executive Director	Non-Independent	Male	4/4
Mrs. Evelyn Rutagwenda	Accounting, auditing, leadership and management	Non-Executive Director	Independent	Female	4/4
Dr. Helen Gichohi	Leadership and international management of social impact and transformational programs	Non-Executive Director	Non-Independent	Female	3/4
Mr. Dennis Aluanga	Finance, operations, strategic planning and project management	Non-Executive Director	Independent	Male	4/4
Mr. David Ansell	Management of financial institutions, strategic planning and business development	Non-Executive Director	Independent	Male	3/4
Prof. Isaac Macharia	Medical, strategic planning, leadership and business development	Non-Executive Director	Independent	Male	1/4
Mr. Vijay Gidoomal	Finance, operations, strategic planning and business development	Non-Executive Director	Independent	Male	1/4
Mrs. Mary Wamae	Legal, company secretarial, strategic planning, leadership and business development	Executive Director	Non-Independent	Female	N/A

** Mr. Adil Popat retired from the Group Board on 23rd May, 2017, while Prof. Isaac Macharia was appointed to the Group Board on 1st March, 2017; Mr. Vijay Gidoomal was appointed on 28th April, 2017, while Mrs. Mary Wamae was appointed Executive Director on 27th July, 2017.*

CORPORATE GOVERNANCE STATEMENT (continued)

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

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

Management Committees

The Group has established various Management Committees, such as the Management Risk & Alco Committee, Compliance and Risk Committee and the Executive Committee.

Management Risk & ALCO Committee

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

a) To recommend the risk philosophy, strategy and policies to the Board;
b) To monitor and ensure optimal composition of assets and liabilities within the Group;
c) To monitor the liquidity positions for the banking and non-banking subsidiaries against regulatory requirements, as well as conduct stress tests;
d) To ensure effective management of a high quality loan portfolio;
e) To review and ensure that the Group's capital adequacy is within the regulatory requirements.

Compliance & Operational Risk Committee

The responsibilities of the Compliance & Operational Risk Committee are as follows:

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

Management Credit Risk Committee

The responsibilities of the Management Credit Risk Committee are as follows:

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

Company Secretary

Mandate and Role

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

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

a. Providing dedicated support for the Board and is a point of reference and support for all Directors;
b. Regularly reviewing, along with the Chairperson, the Board and the Group's governance processes, with a view to ensuring that they are fit for purpose and recommending or developing initiatives to strengthen the governance of the Group;
c. Monitoring and putting in place procedures which allow for compliance with the Constitution, all the applicable regulatory and legal requirements, national and international standards, as well as the Memorandum and Articles of Association of the Company and all internal policies;
d. Maintaining and updating all statutory registers, ensuring that any filing with the Registrar of Companies is done on time and coordinating the publication and distribution of the Group's Annual Report and accounts as well as interim statements;
e. Handling all matters affecting shareholding, queries and requests from shareholders, as well as capital issues and restructuring;

CORPORATE GOVERNANCE STATEMENT (continued)

f. Roles relating to conduct of Board and annual general meetings; and
g. Ensuring compliance with continuous listing obligations including disclosures transparency and managing relations with investors and regulators.

Board Changes

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

Appointments to the Board:

1. Mrs. Mary Wamae was appointed as an Executive Director in Equity Group and Equity Bank Kenya Limited and a Non-Executive Director in Equity Bank Uganda Limited, Equity Bank (Tanzania) Limited, Equity Bank Rwanda Limited, Equity Bank Congo, Equity Group Foundation, Finserve Africa Limited and Equity Investment Bank Limited.
2. Prof. Isaac Macharia and Mr. Vijay Gidoomal were appointed as Non-Executive Directors of Equity Group Holdings Plc;
3. Mr. Julius Kayoboke, Mr. Robert Bafakulera and Mr. Emmanuel Butare were appointed as Non-Executive Directors of Equity Bank Rwanda Limited;
4. Mr. Reuben Mbindu was appointed as an Executive Director of Equity Group Foundation and an Alternate Director to Dr. James Mwangi in Equity Bank (Tanzania) Limited;
5. Mr. James Mutuku was appointed as a Non-Executive Director of Equity Bank Congo and an Alternate Director to Dr. James Mwangi in Equity Bank Rwanda Limited;
6. Mr. Brent Malahay and Mrs. Josephine Wapakabulo were appointed as Non-Executive Directors of Finserve Africa Limited; and
7. Dr. Addis Ababa Othow was appointed as the Managing Director of Equity Bank South Sudan Limited.
8. Mr. Mark Ocitti was appointed as a Non-Executive Director of Equity Bank Uganda Limited.

Appointment of Company Secretary

Subject to regulatory approval, the Board has appointed Mrs. Christine Browne as the Group's Company Secretary, a role previously held by Mrs. Mary Wamae who has taken up the role of Group Executive Director.

Retirements:

1. Mr. John Staley and Mr. Adil Popat retired from the Board of Equity Group Holdings Plc;
2. Mr. Dennis Aluanga from the Board of Equity Bank Kenya Limited;
3. Mr. Rohan Patel and Mr. Duncan Wales from the Board of Equity Investment Bank Limited; and
4. Mr. Rohit Kumar Singh from the Board of Equity Insurance Agency Limited.

Board Evaluation

Board evaluation is performed on an annual basis for each of the banking subsidiaries in the Group, as required by the Central Bank of Kenya, regional regulators and the Capital Markets Authority. For the financial year 2017, Board evaluation was conducted by an independent consultant, whereby evaluation was performed on the Chairman of the Board, Board members, including the CEO, Board Committees and Company Secretary by means of one on one interviews, as well as questionnaires. The Board evaluation questionnaire focused on the following key areas:

a. Board Structure;
b. Board Composition;
c. Board Role and Responsibilities;
d. Key Board Functions and Processes;
e. Board Information;
f. Board Meetings;
g. Board Relationships;
h. Board Development; and
i. Overall Performance and Contribution.

The resultant reports were filed with the regulators as required.

CORPORATE GOVERNANCE STATEMENT (continued)

Training

Training of Directors is undertaken to ensure that Directors keep abreast with modern management trends, as well as familiarise themselves with changes in legislation. Some of the training programs provided to Directors in 2017 were as follows:

a. Strathmore Business School: The Effective Director Program;
b. Strathmore Business School: Effective Director Masterclass; and
c. New Directors underwent extensive induction.

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

The induction process is intended to achieve the following:

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

Independence of Chairman

The independence of the Chairman is paramount to the successful implementation of good corporate governance practices at the Board level. The Chairperson of the Board is the individual charged with providing the Board with leadership, and to harness the talents and energy contributed by each of the individual Directors. The independent Chairperson can act as the main point of contact for shareholders and may assist to ensure objective Board decisions, i.e. to ensure the Board establishes a balance between the interests of management and the Company's stakeholders (including shareholders). The Chairperson may not act as the chairperson of more than 2 public listed companies at any one time in order to ensure effective participation in the Board.

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

Membership Associations

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

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

Representation of Retail Shareholders

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

CORPORATE GOVERNANCE STATEMENT (continued)

Particulars of Shareholding

The Group and the Bank comply 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:

The top ten largest shareholders as at 31st December, 2017 were:

Name	No. Of Shares	%
Arise B.V.	452,581,275	11.99
James Mwangi	127,809,180	3.39
British American Investments Company Kenya Limited	127,541,110	3.38
Standard Chartered Nominees	121,007,023	3.21
Equity Bank Employee Share Ownership Plan	117,651,500	3.12
Standard Chartered Kenya Nominees Limited A/C Ke002825	107,110,100	2.83
Fortress Highlands Limited	101,010,000	2.68
Equity Nominees Limited A/C 00104	93,171,804	2.47
Stanbic Nominees Limited A/C Nr3530153-1	90,516,255	2.40
Aib Nominee A/C Solidus Holdings Limited	90,114,910	2.39
Other 27,558 Shareholders	2,345,161,645	62.14
Total Shares	**3,773,674,802**	**100%**

The following is the shareholding structure as at 31st December 2017:

Shareholding	No. of Shareholders	No. of Shares	%
1 to 500	10,004	2,515,853	0.06
501 - 5,000	12,268	22,876,025	0.60
5,001 - 10,000	1,912	14,740,876	0.39
10,001 - 100,000	2,512	73,038,093	1.93
100,001 - 1,000,000	570	190,976,697	5.06
1,000,001 and above	302	3,469,527,258	91.94
Total	**27,568**	**3,773,674,802**	**100.00**

EGH Plc Director Shareholding as at 31st December, 2017

DIRECTOR	NO. OF SHARES	%
Dr. Peter Munga	15,417,690	0.409%
Mr. David Ansell	Nil	Nil
Dr. James Mwangi	127,809,180	3.387%
Prof. Isaac Macharia	Nil	Nil
Dr. Helen Gichohi	116,600	0.003%
Mr. Dennis Aluanga	Nil	Nil
Mrs. Evelyn Rutagwenda	Nil	Nil
Mr. Vijay Gidoomal	Nil	Nil
Mr. Deepak Malik	Nil	Nil
Mrs. Mary Wamae	1,110,000	0.029%

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

CORPORATE GOVERNANCE STATEMENT (continued)

ARISE B.V.

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

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

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

Rabobank

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

Norfund

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

FMO

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

Britam Holdings Limited

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

Financial Review

FINANCIAL REVIEW

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GROUP AND COMPANY INFORMATION

REGISTERED OFFICE

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LAWYERS

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Junction of Ring Road
Parklands & Jalaram Road
Westlands
P.O. Box 200 - 00606
Nairobi, Kenya

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

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, Kenya

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

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

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

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

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

Bank of Uganda
P.O Box 7120
Kampala, Uganda

AUDITOR

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

COMPANY SECRETARY

Mary Wamae
9th Floor, Equity Centre
P.O. Box 75104 - 00200,
Nairobi, Kenya

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of Equity Group Holdings Plc (the "Company") and its Subsidiaries (together, the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activities of Equity Group Holdings Plc are:

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

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

DIVIDEND

Profit for the year of Shs 18,918 million (2016: Shs 16,603 million) has been added to retained earnings. The directors recommend the approval of a dividend of Shs 2.00 per share amounting to Shs 7,547 million (2016: Shs 2.00 per share amounting to Shs 7,547 million).

DIRECTORS

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

Dr. Peter Munga	(Chairman)
Dr. James Mwangi*	(Chief Executive Officer & Managing Director)
David Ansell**	(Vice Chairman)
Helen Gichohi	
Dennis Aluanga	
Evelyn Rutagwenda***	
John Staley*	(Resigned on 1 June 2017)
Adil Popat	(Resigned on 23 May 2017)
Deepak Malik****	
Prof. Isaac Macharia	(Appointed 1 March 2017)
Vijay Gidoomal	(Appointed 28 April 2017)
Mary Wamae*	(Appointed 27 July 2017)

*Executive Director

**American

*** Rwandese

****Indian

DIRECTORS' REPORT (CONTINUED)

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

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

DISCLOSURES TO THE AUDITOR

The directors confirm that with respect to each director at the time of approval of the report;

(a) there was, as far as each director is aware, no relevant audit information of which the Group's auditor is unaware; and

(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers were appointed in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

SECRETARY

21 March 2018

DIRECTORS' REMUNERATION REPORT

Information not subject to audit

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

Executive Directors

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

Non-Executive Directors

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

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

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

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

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

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

Insurance

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

Share Options

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Information subject to audit

The following table shows a single figure remuneration for the Chairman, Non-Executive Directors (NEDs) and Executive Directors in respect of qualifying services for the year ended 31 December 2017 together with the comparative figures for 2016. The aggregate Directors' emoluments are shown on Note 28 (e).

	Salary	Fees	Pension	Bonus	Other allowances	Total
Year ended 31 December 2017	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**	**Shs' 000**
Dr. James Mwangi*	56,734	-	-		3,744	60,478
John Alan Staley*	18,633	-	932	-	-	19,565
Mary Wamae*	12,000	-	600	2,400	-	15,000
Dr. Peter Munga	-	7,637	-	-	-	7,637
Mr. Deepak Malik	-	1,965	-	-	-	1,965
Mr. David Ansell	-	3,932	-	-	-	3,932
Mrs. Evelyn Rutagwenda	-	9,511	-	-	-	9,511
Mr. Vijay Gidoomal	-	932	-	-	-	932
Prof. Isaac Macharia	-	2,897	-	-	-	2,897
Mr. Dennis Aluanga	-	2,993	-	-	-	2,993
Adil Popat	-	514	-	-	-	514
Helen Gichohi	3,283	2,067	-	-	-	5,350
	87,367	**32,448**	**1,532**	**2,400**	**3,744**	**130,774**

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

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Information subject to audit (continued)

Year ended 31 December 2016	Salary Shs' 000	Fees Shs' 000	Pension Shs' 000	Bonus Shs' 000	Other allowances Shs' 000	Total Shs' 000
Dr. James Mwangi*	56,734	-	-	-	3,744	60,478
John Alan Staley*	42,288	-	2,116	1,841	-	46,245
Dr. Peter Munga	-	8,235	-	-	-	8,235
Mr. Deepak Malik	-	2,225	-	-	-	2,225
Mr. David Ansell	-	5,060	-	-	-	5,060
Mrs. Evelyn Rutagwenda	-	9,438	-	-	-	9,438
Mr. Dennis Aluanga	-	5,161	-	-	-	5,161
Adil Popat	-	2,127	-	-	-	2,127
Helen Gichohi	23,281	-	1,136	600	-	25,017
	122,303	**32,246**	**3,252**	**2,441**	**3,744**	**163,986**

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

On behalf of the Board

Signature
Dr. James Mwangi
Director

Signature
Mary Wamae
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of their profit or loss for that year. The directors are responsible for ensuring that the Group and Company keep proper accounting records that are sufficient to show and explain the transactions of the Group and of the Company; disclose with reasonable accuracy at any time the financial position of the Group and of the Company; and that enables them to prepare financial statements of the Group and of the Company that comply with prescribed financial reporting standards and the requirements of the Kenyan Companies Act, 2015. They are also responsible for safeguarding the assets of the Group and of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then applying them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances

In preparing the financial statements, the directors have assessed the Group and Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Group and Company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Board of directors on 21 March 2018 and signed on its behalf by:

Signature	Signature
Dr. James Mwangi	Mary Wamae
Director	Director

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY GROUP HOLDINGS PLC
Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Equity Group Holdings Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 94 to 181, which comprise the consolidated statement of financial position at 31 December 2017 and the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, together with the separate statement of financial position of the Company at 31 December 2017 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company at 31 December 2017 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Credit risk and provision for impairment loss on loans and advances to customers Loans and advances to customers account for a significant portion of the Group's total assets at 31 December 2017. The carrying value of these balances may be materially misstated if the impairment provision is not appropriately estimated.	We assessed and tested the design and operating effectiveness of the controls over the identification of loans and advances that were impaired, including the system configuration to accurately compute the number of days past due on loans.

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Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Credit risk and provision for impairment loss on loans and advances to customers (continued) As explained in notes 2 (i) (iv) and 4 (b) of the financial statements, the directors make complex judgements over both the timing of recognition, and the estimation of the magnitude of impairment of loans and advances to customers. For non-performing loans and advances, the impairment provision is calculated as the difference between carrying amount and the present value of estimated future cashflows discounted at the effective interest rate of the loan. Where the facility is secured against collateral, the key judgment applied is the realisation period. Where no collateral is held, the key input is the collection trends for loans and advances with similar credit risk characteristics. Where no objective evidence of impairment exists for an individually assessed loan or advance, the loan or advance is classified as performing and collectively assessed for impairment using a separate impairment model whose key inputs are the historical loss rate and the estimated emergence period for loans and advances with similar credit risk characteristics. We focussed our audit on the following areas: - the completeness and accuracy of the classification of loans and advances; and - the main assumptions applied in the impairment calculations.	We examined a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgment as to whether that was appropriate including using external evidence in respect of the relevant counterparties. We tested a sample of non-performing loans and advances to ascertain whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner including, where relevant, how forbearance had been considered. Where the impaired loan or advance was secured against collateral, we tested whether the collateral included in the impairment computation was charged to the Group and challenged the assumption on the recoverable amount being discounted. Where no collateral was held, we assessed the reasonableness of the collection trends for loans and advances with similar credit risk characteristics. For performing loans, we validated the historical data used in computing the historical loss rate and refreshed the computation inputs to take into account current credit information. We also assessed the reasonableness of the estimated emergence period based on our knowledge of the products and the Group's monitoring activities. For the impairment computation models, our audit procedures included testing the operation of those models including, in some cases, performing an independent recomputation and comparing results.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition and information technology (IT) systems and controls over financial reporting Revenue recognition is an inherently complex area due to the wide range of products offered by the Group and the way it is captured by the various IT systems in the Group. This being an initial audit engagement required additional consideration of aspects relating to gaining an understanding of the revenue cycle, related IT environment and the Group's revenue recognition principles. Our audit of revenue focused on the following: • the relevant information systems and applications. These included testing logical access and security including segregation of duties, controls over changes to programs and system developments, and automated application controls; and • the consistency of the application of the Group's revenue recognition principles and assessment of compliance with IFRS.	We understood and tested the design and operating effectiveness of the controls over the continued integrity of the IT systems that are relevant to the revenue cycle and financial accounting and reporting, including compensating controls where required. We tested the Information Technology General Controls (ITGCs) and application controls for the Group's core banking systems, including those relating to computation of interest income and fees and commission to ensure that applications are working accurately and as designed. In addition to the work done on the systems, we performed appropriate analytical reviews and other tests of details on interest income and fees and commissions, as well as testing manual journals posted to the revenue lines. We assessed the Group's application of the effective interest rate principles in the recognition of revenue. We also reviewed the disclosures in the financial statements related to revenue.
Valuation of loan notes measured at fair value As described in Note 3 (b) of the financial statements, the Group holds loan notes which are measured at fair value. To determine the fair value of the instrument, the directors use various sources of external and internal data. In addition, complex modelling techniques are applied in the valuation process. The selection of an appropriate valuation method and key reliable inputs is a matter of significant judgment and estimation. In particular, various assumptions applied in the valuation process yielded a range of values and the directors applied their judgment in selecting the most appropriate valuation. Due to the magnitude of the financial asset measured at fair value, changes in the underlying assumptions and the inputs in the valuation models could result in material variations in the carrying value of the asset at year end.	We obtained an understanding of the salient features of the loan measured at fair value and assessed the reasonableness of the accounting approach adopted for compliance with IFRS 13 – *Fair value measurement*. In conjunction with our valuation experts, we assessed the appropriateness of the modelling techniques used by the directors. Further, we independently sourced and verified the key valuation inputs, and assessed the key assumptions used in estimating the instrument's valuation range. We also tested the mathematical accuracy of the valuation computation. We challenged the directors as to appropriateness of the fair value selected from the range of values determined through different assumptions. We specifically considered the disclosure of the key valuation assumptions in terms of International Financial Reporting Standards.

Other information

The directors are responsible for the other information. The other information comprises the Group and Company Information, the Directors' Report, the Directors' Remuneration Report and the Statement of Directors' Responsibilities, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and other sections of the full Integrated Report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY GROUP HOLDINGS PLC (continued)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report of the directors

In our opinion the information given in the directors' report on pages 83 to 84 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on pages 85 to 87 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Richard Njoroge – Practising Certificate No. 1244.

Certified Public Accountants — 29 March, 2018

Nairobi

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2017 Shs' millions	2016 Shs' millions
Interest income	6	48,410	54,951
Interest expense	6	(10,841)	(10,027)
Net interest income		**37,569**	**44,924**
Provision for impairment losses on loans and advances	11	(2,716)	(6,102)
Net interest income after loan impairment charges		**34,853**	**38,822**
Fee and commission income	7(a)	19,280	14,228
Fee and commission expense	7(b)	(2,938)	(2,196)
Net fee and commission income		**16,342**	**12,032**
Net foreign exchange income	8	6,053	3,382
Other operating income	9	1,543	955
		7,596	4,337
Net operating income		**58,791**	**55,191**
Personnel expenses	12	(11,545)	(11,694)
Operating lease expenses	13	(2,171)	(2,040)
Depreciation and amortisation	10	(4,822)	(4,739)
Other operating expenses	16	(11,925)	(11,662)
Loss on net monetary position	35	(1,446)	(129)
Operating expenses		**(31,909)**	**(30,264)**
Profit before income tax		**26,882**	**24,927**
Income tax expense	18	(7,964)	(8,324)
Profit for the year		**18,918**	**16,603**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Notes	2017 Shs' millions	2016 Shs' millions
Profit for the year		**18,918**	**16,603**
Other comprehensive income:			
Items that will be reclassified to profit or loss:			
Available-for-sale investment securities			
Fair value gain on available-for-sale assets	21	1,486	686
Deferred income tax	23	(189)	-
		1,297	686
Exchange differences on translation of foreign operations		(1,502)	98
Other comprehensive income for the year		**(205)**	**784**
Total comprehensive income for the year, net of tax		**18,713**	**17,387**
Profit attributable to:			
Owners of the parent		18,869	16,546
Non-controlling interest		49	57
		18,918	**16,603**
Total comprehensive income attributable to:			
Owners of the parent		18,664	17,330
Non-controlling interest		49	57
		18,713	**17,387**
Earnings per share (basic and diluted) (Shs)	**29**	**5.00**	**4.26**

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2017 Shs' millions	2016 Shs' millions
Interest income	6	229	69
Dividend income	28 (h)	8,300	11,300
Other operating income	9	29	97
Operating income		**8,558**	**11,466**
Personnel expenses	12	(29)	(13)
Other operating expenses	16	(329)	(76)
Operating expenses		**(358)**	**(89)**
Profit before income tax		**8,200**	**11,377**
Income tax (expense) / credit	18	(77)	93
Profit for the year		**8,123**	**11,470**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		**8,123**	**11,470**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	2017 Shs' millions	2016 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19	79,621	64,446
Derivative financial asset	33	253	79
Investment securities:			
Available-for-sale Investment securities	21	107,470	77,180
Held-to-maturity Investment securities	21	20,532	23,409
Due from related parties	28(f)	449	383
Current income tax	18	2,193	150
Loans and advances to customers	20	279,092	266,068
Other assets	22	10,631	15,359
Property and equipment	14 (a)	10,865	13,754
Intangible assets	15 (a)	6,996	6,407
Deferred income tax	23	2,706	3,260
Prepaid leases	14 (b)	554	115
Goodwill	15 (b)	3,103	3,103
Total assets		**524,465**	**473,713**
Liabilities			
Deposits from customers	24	373,143	337,204
Borrowed funds	26	47,873	45,969
Other liabilities	25	9,832	7,879
Current income tax	18	411	507
Deferred income tax	23	64	178
Total liabilities		**431,323**	**391,737**
Equity			
Share capital	27(a)	1,887	1,887
Share premium	27(b)	16,063	16,063
Retained earnings		79,082	68,097
Available-for-sale reserve	27(c)	518	(779)
Loan loss reserve	27(d)	2,617	2,280
Foreign currency translation reserve	27(f)	(7,662)	(6,160)
Other reserves	27(e)	(113)	(113)
Equity attributable to owners of the Company		92,392	81,275
Non-controlling interests		750	701
Total equity		**93,142**	**81,976**
Total equity and liabilities		**524,465**	**473,713**

The financial statements on pages 94 to 181 were approved for issue by the Board of directors on 21 March 2018 and signed on its behalf by:

Signature
Dr. James Mwangi
Director

Mary Wamae
Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December	Notes	2017 Shs' millions	2016 Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	19	8,318	8,012
Due from related parties	28(f)	313	704
Other assets		-	1
Current income tax	18	-	8
Investments in subsidiary companies	17(a)	65,761	64,721
Total assets		**74,392**	**73,446**
Liabilities			
Due to related parties	28(g)	2,667	2,558
Other liabilities	25	259	1
Current income tax	18	3	-
Total liabilities		**2,929**	**2,559**
Equity			
Share capital	27(a)	1,887	1,887
Share premium		16,063	16,063
Retained earnings		53,513	52,937
Total equity		**71,463**	**70,887**
Total equity and liabilities		**74,392**	**73,446**

The financial statements on pages 94 to 181 were approved for issue by the Board of directors on 21 March 2018 and signed on its behalf by:

Signature

Dr. James Mwangi

Director

Signature

Mary Wamae

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In Shs' millions	Notes	Attributable to owners of the parent									
		Share Capital	Share premium	Retained earnings	Loan loss reserve	Available for-sale reserve	Foreign currency translation	Other reserves	Total	Non-controlling interests	Total equity
Year ended 31 December 2017											
At start of year		1,887	16,063	68,097	2,280	(779)	(6,160)	(113)	81,275	701	81,976
Total comprehensive income:											
Profit for the year		-	-	18,869	-	-	-	-	18,869	49	18,918
Other comprehensive income		-	-	-	-	1,297	(1,502)	-	(205)	-	(205)
		-	**-**	**18,869**	**-**	**1,297**	**(1,502)**	**-**	**18,664**	**49**	**18,713**
Loan reserve transfers		-	-	(337)	337	-	-	-	-	-	-
Final 2016 dividend declared and paid	27 (g)	-	-	(7,547)	-	-	-	-	(7,547)	-	(7,547)
At end of year		**1,887**	**16,063**	**79,082**	**2,617**	**518**	**(7,662)**	**(113)**	**92,392**	**750**	**93,142**
Year ended 31 December 2016											
At start of year		1,887	16,063	59,763	1,615	(1,465)	(6,258)	(113)	71,492	644	72,136
Total comprehensive income:											
Profit for the year		-	-	16,546	-	-	-	-	16,546	57	16,603
Other comprehensive income		-	-	-	-	686	98	-	784	-	784
		-	**-**	**16,546**	**-**	**686**	**98**	**-**	**17,330**	**57**	**17,387**
Loan reserve transfers		-	-	(665)	665	-	-	-	-	-	-
Final 2015 dividend declared and paid	27 (g)	-	-	(7,547)	-	-	-	-	(7,547)	-	(7,547)
At end of year		**1,887**	**16,063**	**68,097**	**2,280**	**(779)**	**(6,160)**	**(113)**	**81,275**	**701**	**81,976**

The notes on pages 103 to 181 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Total equity
Year ended 31 December 2017	**Shs' millions**	**Shs' millions**	**Shs' millions**	**Shs' millions**
At start of year	1,887	16,063	52,937	70,887
Total comprehensive income:				
Profit for the year	-	-	8,123	8,123
Dividends (Note 27(g)):				
Final 2016 dividend declared and paid	-	-	(7,547)	(7,547)
At end of year	**1,887**	**16,063**	**53,513**	**71,463**
Year ended 31 December 2016				
At start of year	1,887	16,063	49,014	66,964
Total comprehensive income:				
Profit for the year	-	-	11,470	11,470
Dividends (Note 27(g)):				
Final 2015 dividend declared and paid	-	-	(7,547)	(7,547)
At end of year	**1,887**	**16,063**	**52,937**	**70,887**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2017 Shs' millions	2016 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		26,882	24,927
Adjustments for:			
Depreciation on property and equipment	14	3,541	3,764
Amortisation of intangible assets	15(a)	960	825
Amortisation of prepaid leases	14(b)	321	150
Loss / (gain) on disposal of property and equipment		10	(63)
Loss on disposal of intangible assets		-	57
Provision for impairment on loans and advances	11	2,716	6,102
Interest expense on term borrowings	6	2,419	1,890
Prepaid leases	14(b)	(266)	(237)
Effect of foreign exchange differences		(447)	(2)
Operating profit before changes in operating assets and liabilities		**36,136**	**37,413**
Loans and advances		(15,740)	(2,277)
Other assets		4,728	3,884
Deposits from customers		35,939	33,998
Related party balances		(66)	(111)
Other liabilities		1,953	(1,617)
Movement in restricted cash balances		(2,126)	(4,117)
Cash generated from operations		**60,824**	**67,173**
Income taxes paid	18	(9,852)	(7,420)
Net cash generated from operating activities		**50,972**	**59,753**
INVESTING ACTIVITIES			
Purchase of property and equipment	14	(2,336)	(2,736)
Purchase of intangible assets	15(a)	(1,672)	(2,664)
Proceeds from sale of property and equipment		65	85
Hyper inflation adjustment	35	-	(788)
Purchase of investment securities	21	(121,172)	(101,337)
Receipts from sale/maturity of investment securities	21	95,245	44,209
Net cash used in investing activities		**(29,870)**	**(63,231)**
FINANCING ACTIVITIES			
Dividend paid	27(g)	(7,547)	(7,547)
Proceeds from long term borrowings		8,046	16,016
Repayment of long term borrowings		(6,133)	(12,942)
Interest paid on term borrowings	6	(2,419)	(1,890)
Net cash used in financing activities		**(8,053)**	**(6,363)**
Net increase / (decrease) in cash and cash equivalents		13,049	(9,841)
At start of year		55,533	65,374
At end of year	**19**	**68,582**	**55,533**

COMPANY STATEMENT OF CASH FLOWS

	Notes	2017 Shs' millions	2016 Shs' millions
OPERATING ACTIVITIES			
Profit before income tax		8,200	11,377
Adjustments for:			
Dividend received		(8,600)	(19,600)
Operating loss before changes in operating assets and liabilities		**(400)**	**(8,223)**
Other assets		1	34
Related party balances		500	7,697
Other liabilities		258	(10)
Cash generated from / (used in) operations		**359**	**(502)**
Income taxes paid	18	(66)	(53)
Net cash generated from / (used in) operating activities		**293**	**(555)**
INVESTING ACTIVITIES			
Dividend received		8,600	19,600
Net cash from investing activities		**8,600**	**19,600**
FINANCING ACTIVITIES			
Dividend paid	27(g)	(7,547)	(7,547)
Additional capital injected into subsidiaries		(1,040)	(5,376)
Net cash used in financing activities		**(8,587)**	**(12,923)**
Net increase in cash and cash equivalents		**306**	**6,122**
Movement in cash and cash equivalents			
At start of year		8,012	1,890
At end of year	**19**	**8,318**	**8,012**

NOTES

1. Corporate information

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

2. Significant accounting policies

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

(a) Basis of preparation

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

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 January 2017:

Amendment to IAS 7 – Statement of cash flows on disclosure initiative. In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

Amendment to IAS 12 – Income taxes 'Recognition of deferred tax assets for unrealised losses'. The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018 with early adoption permitted, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company. We have set out below those expected to have a significant effect on the financial statements of the Group:

NOTES (continued)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IFRS 9 - Financial Instruments

On 29 July 2014, the IASB issued the final IFRS 9 Financial Instruments standard, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application permitted if, and only if, it is possible without the use of hindsight. The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018. The new classification and measurement and impairment requirements will be applied by adjusting the statement of financial position on 1 January 2018, the date of initial application, with no restatement of comparative period financial information.

Based on current estimates, the adoption of IFRS 9 is expected reduce the Group's consolidated core capital ratio from 19.5% to 17.8% against a minimum of 10.5%. The impact is primarily attributable to increases in the allowance for credit losses under the new impairment requirements.

Classification and measurement

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the nature of the cash flows of the assets and an entity's business model.

These categories replace the existing IAS 39 classifications of FVTPL, available-for-sale (AFS), loans and receivables, and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9 other than the provisions relating to the recognition of changes in own credit risk for financial liabilities designated at fair value through profit or loss, as permitted by IFRS 9.

The combined application of the contractual cash flow characteristics and business model tests as at 1 January 2018 is expected to have no significant impact when compared to the Group's classification under IAS 39.

NOTES (continued)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IFRS 9 - Financial Instruments (continued)

Impairment

Comparison of the new impairment model and the current model

IFRS 9 introduces a new, single impairment model for financial assets that requires the recognition of expected credit losses (ECL) rather than incurred losses as applied under the current standard. Currently, impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the asset and that loss event has a detrimental impact on the estimated future cash flows of the asset that can be reliably estimated. If there is no objective evidence of impairment for an individual financial asset, that financial asset is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not yet identified. Under IFRS 9, ECLs will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model.

Under the current standard, incurred losses are measured by incorporating reasonable and supportable information about past events and current conditions. Under IFRS 9, the ECL model, which is forward-looking, in addition requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, inflation rates, interest rates, exchange rates, domestic borrowing, credit to private sector and gross domestic product will be incorporated into the risk parameters. Estimating forward-looking information will require significant judgment and must be consistent with the forward-looking information used by the Group for other purposes, such as forecasting and budgeting.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The above-mentioned reclassifications into or out of these categories under IFRS 9 and items that previously fell under the IAS 37 framework were considered in determining the scope of our application of the new expected credit loss impairment model.

NOTES (continued)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IFRS 9 - Financial Instruments (continued)

Measurement of Expected Credit Losses

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs will be based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- **Stage 1** - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- **Stage 2** - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses based on the Group's policy on curing of loans, taking into account regulatory requirements.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

  Interest income is calculated on the gross carrying amount of the financial assets in Stages 1 and 2 and on the net carrying amount of the financial assets in Stage 3.

Assessment of significant increase in credit risk

The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instrument's credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. The Group has included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to Stage 2.

Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Group will consider a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due. The Group's write-off policy under IAS 39 is not expected to be materially different under IFRS 9.

NOTES (continued)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IFRS 9 - Financial Instruments (continued)

Hedge Accounting

IFRS 9 introduces a new general hedge accounting model that better aligns hedge accounting with risk management activities. However, the current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. The IFRS 9 hedge accounting requirements will not have any significant impact on the Group as the Group do not apply hedge accounting.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group and Company are assessing the impact of IFRS 15.

IFRS 16, "Leases". After ten years of joint drafting by the IASB and FASB they decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. Lessor accounting has not substantially changed in the new standard. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment.

This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

One of the implications of the new standard is that there will be a change to key financial ratios derived from a lessee's assets and liabilities (for example, leverage and performance ratios).

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The Group is assessing the impact of IFRS 16.

IFRIC 22, 'Foreign currency transactions and advance consideration'. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

NOTES (continued)

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IFRIC 23 'Uncertainty over income tax treatments' provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the interpretation and consider the impact on income tax accounting.

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

(b) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred including acquisition cost, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in operating expenses.

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

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

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

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

(c) Foreign currency translation

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

NOTES (continued)

2. Significant accounting policies (continued)

(c) Foreign currency translation (continued)

(i) Transactions and balances

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

(ii) Group companies

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

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

(iii) Hyperinflationary economies

The Group considers an economy to be hyperinflationary if the cumulative inflation rate over three years is approaching, or exceeds, 100%. The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated from historical cost into the measuring unit current at the end of the reporting period by applying a general price index. The corresponding figures for the previous period and any information in respect of earlier periods is also stated in terms of the measuring unit current at the end of the reporting period. The restatement is based on conversion factors derived from Consumer Price Indices (CPI) (refer to note 35).

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

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

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

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

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

NOTES (continued)

2. Significant accounting policies (continued)

(e) Fee and commission income and expense

Fees and commissions charged for services provided or received by the Group are recognised as the services are provided or received, for example on completion of an underlying transaction.

(f) Net foreign exchange income

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

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

(g) Leases

(i) Determination

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

(ii) Group as a lessee

Leases which do not transfer to the Group substantially all the risk and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rent payable is recognised as an expense in the period in which it is incurred. Prepaid operating leases are accounted for as an asset using the straight-line method of amortisation over the period of the lease.

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

(h) Income tax

(i) Current income tax

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

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

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

NOTES (continued)

2. Significant accounting policies (continued)

(h) Income tax (continued)

(ii) Deferred income tax (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

(i) Financial assets and liabilities

(i) Recognition

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

(ii) Classification and subsequent measurement

Financial assets

The Group classifies its financial assets into the following categories:

- At fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale investments.

Management determines the appropriate classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those that are classified as either held-for-trading or those which are specifically designated as such. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial instruments included in this category are recognised initially at fair value, transactions costs are taken directly to profit or loss. Gains and losses arising from changes in fair value are included directly in profit or loss.

Financial assets at 'fair value through profit or loss' are subsequently carried at fair value. Gains and losses arising from changes in the fair value in those assets are recognised in profit or loss.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(ii) Classification and subsequent measurement (continued)

(b) 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. They are measured initially at fair value plus transaction costs. Subsequently, loans and receivables are measured at their amortised cost using the effective interest method less allowance for impairment. The losses arising from the impairment are recognised in profit or loss.

(c) Held-to-maturity investments

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

Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale.

Held-to-maturity investments are measured initially at fair value plus transaction costs. They are subsequently measured at their amortised cost using the effective interest method less allowance for impairment.

(d) Available-for-sale (AFS) investments

AFS instruments are non-derivative assets that are either designated as AFS or are not classified as loans and receivables or financial assets at fair value through profit or loss. They are measured initially at fair value plus transaction costs. AFS financial assets include both debt and equity instruments and are stated at fair value at the end of each reporting period.

Subsequent changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available for sale reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. The Group has not designated any loans or receivables as available-for-sale.

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, net of 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 borrowed funds for which the fair value option is not applied.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(iii) Fair value measurement

The Group measures financial instruments such as derivatives, loan notes at FVTPL and AFS investment securities at fair value at each reporting date. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

Gains or losses on valuation of available-for–sale financial assets are recognised in other comprehensive income.

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

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

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(iii) Fair value measurement (continued)

<table>
<tr><th colspan="2">Category
(as defined by IAS 39)</th><th colspan="2">Class
(as determined by the Bank)</th><th>Subclasses</th></tr>
<tr><td rowspan="16">Financial assets</td><td rowspan="2">Financial assets at fair value through profit or loss (FVTPL)</td><td>Financial assets held for trading</td><td colspan="2">Derivative financial assets</td></tr>
<tr><td>Financial assets designated at fair value through profit or loss</td><td colspan="2">Loan notes at FVTPL</td></tr>
<tr><td rowspan="12">Loans and receivables</td><td colspan="3">Deposits and balances due from financial institutions</td></tr>
<tr><td colspan="3">Due from group companies</td></tr>
<tr><td rowspan="7">Loans and advances to customers except loan notes at FVTPL</td><td rowspan="4">Loans to individuals
(Agriculture and
Consumer)</td><td>Term loans</td></tr>
<tr><td>Mobile loans</td></tr>
<tr><td>Credit cards</td></tr>
<tr><td>Mortgages</td></tr>
<tr><td rowspan="3">Loans to micro, SME and large enterprises</td><td>Term loans</td></tr>
<tr><td>Overdrafts</td></tr>
<tr><td>Others</td></tr>
<tr><td colspan="3">Settlement and clearing accounts</td></tr>
<tr><td colspan="3">Cash balances with central banks</td></tr>
<tr><td colspan="3">Other assets</td></tr>
<tr><td>Held-to-maturity</td><td colspan="3">Investment securities</td></tr>
<tr><td>Available-for-sale investments</td><td colspan="3">Investment securities</td></tr>
<tr><td rowspan="5">Financial liabilities</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="3">Deposits due to other financial institutions</td></tr>
<tr><td colspan="3">Deposits from customers</td></tr>
<tr><td colspan="3">Other liabilities</td></tr>
<tr><td colspan="3">Borrowed funds</td></tr>
<tr><td colspan="3">Due to group companies</td></tr>
<tr><td rowspan="2">Off-balance sheet financial instruments</td><td colspan="4">Loan commitments</td></tr>
<tr><td colspan="4">Guarantees, acceptances and other financial liabilities</td></tr>
</table>

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 5 to the financial statements.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(iv) Identification and measurement of impairment

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

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

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

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

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

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

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

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

(v) Derecognition

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

- The rights to receive cash flows from the asset have expired; and
- 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.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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.

Renegotiated loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

NOTES (continued)

2. Significant accounting policies (continued)

(i) Financial assets and liabilities (continued)

Renegotiated loans (continued)

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(j) Cash and cash equivalents

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

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

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

(k) Property and equipment

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

NOTES (continued)

2. Significant accounting policies (continued)

(k) Property and equipment (continued)

(iii) Depreciation

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

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

Buildings 2.5%

Motor vehicles and Village cell banking vans 25%

Office equipment, furniture and fittings 12.5%

Computer hardware 33.3%

ATM machines, core banking hardware 20%

Leasehold improvements are written off over their estimated useful lives or the lease period, whichever is shorter.

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

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

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

(l) Intangible assets

The Group's intangible assets include the value of computer software. Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

NOTES (continued)

2. 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. The intangible assets have a maximum useful life of ten years.

(m) Impairment of non-financial assets

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

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

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

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

NOTES (continued)

2. Significant accounting policies (continued)

(o) Employee benefits

(i) Defined contribution plans

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the schemes are held in a separate trustee administered funds, which are funded by contributions from both the Group and employees.

The Group contributions to both the defined contribution schemes are charged to the statement of comprehensive income in the year to which they relate.

(ii) Short-term benefits

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

(p) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Group Strategy and Investment Committee that makes strategic decisions.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

(q) Earnings per share

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

(r) Dividends

Dividends are recognised as a liability and deducted from equity in the year in which they are declared when they are approved by the Company's Shareholders. Proposed dividends are disclosed as part of Note 27 (g).

(s) 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.

NOTES (continued)

2. Significant accounting policies (continued)

(t) Work in progress

Work-in-progress includes assets paid for but are not yet ready for the intended use and include software, computers and equipment. These are not depreciated and are capitalized when they get in the location and condition necessary for them to be capable of operating in the manner intended by management.

(u) Fiduciary assets

The Group entities provide trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the Group (note 34).

(v) Derivative financial assets and liabilities

The Group enters into derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration.

The Group may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Group's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The Group uses the following derivative instruments:

Currency forwards

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

Currency swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency.

Currency spots

Spot contracts are contractual agreements between two parties to exchange streams with immediate settlement (payment and delivery) on the spot date, which is normally two business days after the trade date.

(w) Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. In particular, mobile money float accounts of Shs 1,864 million included in other assets in 2016 have been reclassified to cash, deposits and balances due from financial institutions to conform to current year presentation.

NOTES (continued)

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) 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.

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

b) Valuation of loan notes held at fair value

As per IFRS 13, where the Group measures a financial instrument at fair value, the fair value should represent the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market-based measurement, which uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

The Group holds loan notes that contain an embedded derivative and have therefore been measured at fair value through profit or loss. For these, fair value is composed of two key cashflow components, being the interest receivable on the mandatorily convertible component of the loan notes and valuation of the shares upon whose sale the principal debt amount will be realised. Any shortfall from the above cashflow streams is covered, albeit partially, by a government guarantee.

To determine the value of the shares, the Group utilises complex valuation models that incorporate unobservable inputs that drive the projected cash flows of the borrower company which include year 1 cashflows and the growth rate assumption which factor in passenger numbers, available seat kilometre and costs, including operating lease and fuel expenses. These cashflows are then subjected to adjustments which include, but are not limited to actual performance in year 1 and the projected growth rate of the borrower company and any deviation of actual performance from the projected performance. The selection and application of these models and the related inputs is judgmental.

NOTES (continued)

4. Financial risk management

(a) Introduction and overview

The Group and Company have exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks

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

Risk management framework

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

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

(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.

NOTES (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

Management of credit risk (continued)

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

NOTES (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk for the components of the statement of financial position at 31 December is their carrying amount as illustrated in the tables below:

Group

	Note	2017 Shs' millions	%	2016 Shs' millions	%
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions*	19	68,582	14%	52,612	12%
Derivative financial assets	33	253	0%	79	0%
Investment securities	21	128,002	26%	100,589	23%
Due from related parties	28 (f)	449	0%	383	0%
Loans and advances to customers	20	279,092	58%	266,068	62%
Other assets**	22	7,742	2%	12,016	3%
		484,120		**431,747**	
Off-balance sheet items					
Guarantees and standby letters of credit	30	25,357		19,578	
Letters of credit, acceptances and other credits	30	13,943		16,098	
		41,300		**35,676**	
		525,420		**467,423**	

	Note	2017 Shs' millions	%	2016 Shs' millions	%
Company					
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions	19	8,318	96%	8,012	92%
Due from related parties	28 (f)	313	4%	704	8%
Other assets	22	-		1	0%
		8,631		**8,717**	

*Balances and deposits due from financial institutions excludes cash at hand as disclosed under Note 19 (a) as this does not pose a credit risk.

The credit risk on balances and deposits due from financial institutions, investment securities and derivative financial assets is limited as the counterparties are all recognised financial institutions with good reputation.

**Other assets are made up of settlement and clearing accounts, refundable deposits and other receivable balances. The balances are settled no more than 12 months after the reporting date. All the balances are non-interest bearing and no impairment has been recognised against them at 31 December 2017.

NOTES (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

None of the other assets and balances due from related parties are past due or impaired. Management has established a related entity risk management framework including mandatory credit checks with counter parties.

Letters of credit, acceptances, guarantees and performance bonds are issued by the Group, on behalf of customers, to guarantee performance by customers to third parties. The Group will only be required to meet these obligations in the event of default by the customers.

Exposure to credit risk

	2017 Shs' millions	2016 Shs' millions
Amortised cost		
Individually and collectively impaired		
Grade 3: Substandard	4,504	6,158
Grade 4: Doubtful	8,082	9,373
Grade 5: Loss	2,856	1,186
Gross amount	**15,442**	**16,717**
Provision for impairment losses	(5,216)	(6,140)
Carrying amount	**10,226**	**10,577**
Collectively impaired		
Grade 1: Normal	241,316	236,805
Grade 2: Watch	24,613	20,673
Gross amount	**265,929**	**257,478**
Provision for impairment losses	(2,233)	(1,987)
Carrying amount	**263,696**	**255,491**
Total carrying amount	**273,922**	**266,068**
Fair value		
Loans notes	5,170	-
Total carrying amount	**279,092**	**266,068**

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 (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

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.

Write-off policy

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

Collateral on loans and advances

The Group routinely obtains collateral and security to mitigate credit risk. The Group ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

Before attaching value to collateral, business holding approved collateral must ensure that they are legally perfected devoid of any encumbracnces. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

The principal collateral types held by the Group for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Valuation of collateral taken will be within agreed parameters and will be conservative in value. The valuation is performed only on origination or in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation.

The Group will consider all relevant factors, including local market conditions and practices, before any collateral is realized.

NOTES (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

	Group	
	2017 Shs' millions	2016 Shs' millions
Against individually impaired:		
Property	18,970	4,034
Other	2,766	1,124
Against collectively impaired:		
Property	85,967	44,113
Equities	628	2
Other	3,032	6,962
Against past due but not impaired:		
Property	300,907	145,561
Equities	2,150	3,400
Other*	33,027	97,626
Total	**447,447**	**302,822**

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

The Group monitors concentration of credit risk by sector. The credit risk concentrations are controlled wherever they are identified in particular, to individual counterparties and groups of borrowers, countries, and to industry segments. An analysis of concentrations of credit risk at the reporting date is shown below:

	Group	
	2017 Shs' millions	2016 Shs' millions
Concentration by sector		
Consumer	57,637	57,078
Micro enterprises	9,580	13,169
Agriculture	6,261	6,372
Small and medium enterprises	184,231	166,193
Large enterprises	28,832	31,383
	286,541	**274,195**

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NOTES (continued)

4. Financial risk management (continued)

(c) Liquidity risk

The definition of liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs. This risk is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events which can result in: – an inability to support normal business activity; and – a failure to meet liquidity regulatory requirements.

During periods of market dislocation, the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Group. In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The efficient management of liquidity is essential to the Group in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:

- Maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk framework as expressed by the Board;
- maintain market confidence in the Group's names;
- set limits to control liquidity risk within and across lines of business;
- accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- maintain a contingency funding plan ("CFP") that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

Management of liquidity risk

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

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk.

This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

NOTES (continued)

4. Financial risk management (continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

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

Exposure to liquidity risk

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

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

	Kenya	Uganda	South Sudan	Rwanda	Tanzania	DRC
At 31 December 2017						
At 31 December	54%	40%	139%	54%	36%	104%
Average for the year	54%	45%	142%	55%	37%	121%
Maximum for the year	58%	62%	147%	62%	42%	128%
Minimum for the year	49%	30%	138%	39%	31%	113%
Minimum statutory requirement	20%	20%	20%	54%	20%	104%
At 31 December 2016						
At 31 December	48%	58%	94%	41%	39%	113%
Average for the year	37%	52%	88%	41%	29%	120%
Maximum for the year	48%	58%	97%	42%	40%	134%
Minimum for the year	25%	46%	82%	32%	26%	100%
Minimum statutory requirement	20%	20%	20%	20%	20%	100%

NOTES (continued)

4. Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

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

Group 2017	Less than 3 months Shs' millions	3-6 Months Shs' millions	6-12 Months Shs' millions	1-5 Years Shs' millions	More than 5 years Shs' millions	Totals Shs' millions
Financial assets						
Balances and deposits due from financial institutions	78,927	-	-	-	-	78,927
Loans and advances to customers	50,270	8,078	22,787	132,965	143,588	357,688
Investment securities	26,675	9,952	14,335	46,875	64,423	162,260
Amounts due from related parties	449	-	-	-	-	449
Derivative financial assets	253	-	-	-	-	253
Other assets	7,742	-	-	-	-	7,742
Total financial assets	**164,316**	**18,030**	**37,122**	**179,840**	**208,011**	**607,319**
Financial liabilities						
Deposits from customers	114,671	32,468	34,451	185,833	5,726	373,149
Borrowed funds	3,494	787	10,955	31,211	6,498	52,945
Other liabilities	9,832	-	-	-	-	9,832
Total financial liabilities	**127,997**	**33,255**	**45,406**	**217,044**	**12,224**	**435,926**
Liquidity gap at 31 December 2017	**36,319**	**(15,225)**	**(8,284)**	**(37,204)**	**195,787**	**171,393**

	0 - 3 months Shs' millions	3 - 6 months Shs' millions	6 - 12 months Shs' millions	1 - 5 Years Shs' millions	Total Shs' millions
Off-balance sheet items					
Guarantees and standby letters of credit	5,615	3,599	6,257	11,887	27,358
Letters of credit, acceptances and other documentary credits	7,593	2,913	2,505	932	13,943
Capital commitments	31	-	-	-	31
Loans approved but not disbursed	6,646	-	-	-	6,646
Total commitments and guarantees	**19,885**	**6,512**	**8,762**	**12,819**	**47,978**

NOTES (continued)

4. Financial risk management (continued)

(c) Liquidity risk (continued)

Group 2016	Less than 3 months Shs' millions	3-6 Months Shs' millions	6-12 Months Shs' millions	1-5 Years Shs' millions	More than 5 years Shs' millions	Totals Shs' millions
Financial assets						
Balances and deposits due from financial institutions	64,446	-	-	-	-	64,446
Loans and advances to customers	42,076	15,196	18,771	125,651	93,000	294,694
Investment securities	34,902	2,042	3,271	29,403	41,679	111,297
Other assets	12,016	-	-	-	-	12,016
Derivative financial assets	79	-	-	-	-	79
Total financial assets	**153,519**	**17,238**	**22,042**	**155,054**	**134,679**	**482,532**
Financial liabilities						
Deposits from customers	111,031	24,259	21,719	196,211	7	353,227
Borrowed funds	4,750	592	3,077	50,229	5,299	63,947
Other liabilities	7,879	-	-	-	-	7,879
Total financial liabilities	**123,660**	**24,851**	**24,796**	**246,440**	**5,306**	**425,053**
Liquidity gap at 31 December 2016	**29,859**	**(7,613)**	**(2,754)**	**(91,386)**	**129,373**	**57,479**

Group - 2016	0 - 3 Shs' millions	3 - 6 Shs' millions	6 - 12 Shs' millions	1 - 5 Shs' millions	Total Shs' millions
Off-balance sheet items					
Guarantees and standby letters of credit	5,333	4,842	4,421	4,982	19,578
Letters of credit, acceptances and other documentary credits	8,722	6,497	108	771	16,098
Capital commitments	104	-	-	-	104
Loans approved but not disbursed	8,601	-	-	-	8,601
Total commitments and guarantees	**22,760**	**11,339**	**4,529**	**5,753**	**44,381**

NOTES (continued)

4. Financial risk management (continued)

(c) Liquidity risk (continued)

The Group has developed internal control processes and contingency plans for managing liquidity risk including maturity gaps that incorporates an assessment of expected cash flows. The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. In accordance with the Group's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group.

Company 2017	Less than 3 Months Shs' millions	Totals Shs' millions
Financial assets		
Balances and deposits due from financial institutions	8,318	8,318
Amounts due from related party	313	313
Total financial assets	**8,631**	**8,631**
Financial liabilities		
Amounts due to related parties	2,667	2,667
Other liabilities	259	259
Total financial liabilities	**2,926**	**2,926**
Liquidity gap at 31 December 2017	**5,705**	**5,705**
Company 2016		
Financial assets		
Balances and deposits due from financial institutions	8,012	8,012
Amounts due from related party	704	704
Total Financial Assets	**8,716**	**8,716**
Financial liabilities		
Amounts due to related parties	2,558	2,558
Other liabilities	1	1
Total financial liabilities	**2,559**	**2,559**
Liquidity gap at 31 December 2016	**6,157**	**6,157**

NOTES (continued)

4. Financial risk management (continued)

(d) Market risk

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

Market risk comprises non-traded market risk which is the risk of the Group being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates. Non-trading portfolios also consist of foreign exchange and price risks arising from the Group's held-to-maturity and available-for-sale financial assets.

Management of market risks

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Group's Treasury is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

Furthermore it includes the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

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

Overall authority for market risk management is vested in the Board Risk Management Committee. The Finance and Treasury Departments in collaboration with the Risk Management Department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation. The Group does not bear any interest rate risk on off balance sheet items.

Market risk measurement techniques

(i) Value at risk

The Group applies a 'value at risk' (VAR) methodology to its FX trading to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Group, which are monitored on a daily basis by Group treasury.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 1-day periods in the past. The Group's assessment of past movements is based on data for the past five years. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitutes an integral part of the Group's market risk control regime. VAR limits are established by the Board annually for all trading portfolio operations and allocated to business units. Actual exposure against limits is reviewed daily by Group treasury.

NOTES (continued)

4. Financial risk management (continued)

(d) Market risk (continued)

Market risk measurement techniques (continued)

(ii) Stress tests

The Group applies a 'stress test' methodology to its non-trading book. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The results of the stress tests are reviewed by heads of business unit and by the Board. The stress testing is tailored to the business and typically uses scenario analysis.

Exposure to market risks – trading portfolios

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

Exposure to interest rate risk – non-trading portfolios

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

Group Interest Rate Risk – Financial assets and liabilities subject to interest rate fluctuations. Included in the table are assets and liabilities at carrying amount categorised by earlier of contractual reprising or maturity date.

31 December 2017	Carrying amount Shs' millions	Non-interest bearing Shs' millions	Less than 3 Months Shs' millions	3-6 Months Shs' millions	6-12 Months Shs' millions	1-5 Years Shs' millions	More than 5 years Shs' millions
Assets							
Balances and deposits due from financial institutions	79,621	46,345	33,276	-	-	-	-
Loans and advances to customers	279,092	-	46,163	5,791	21,317	109,708	96,113
Investment securities	128,002	-	26,384	9,537	13,456	37,367	41,258
	486,715	**46,345**	**105,823**	**15,328**	**34,773**	**147,075**	**137,371**
Liabilities							
Deposits from customers	373,143	250,816	36,502	23,829	36,670	25,318	8
Borrowed funds	47,873	-	2,632	773	4,479	34,176	5,813
	421,016	**250,816**	**39,134**	**24,602**	**41,149**	**59,494**	**5,821**
Interest rate sensitivity gap	**65,699**	**(204,471)**	**66,689**	**(9,274)**	**(6,376)**	**87,581**	**131,550**

NOTES (continued)

4. Financial risk management (continued)

(d) Market risks (continued)

31 December 2016	Carrying amount Shs' millions	Non-interest bearing Shs' millions	Less than 3 Months Shs' millions	3-6 Months Shs' millions	6-12 Months Shs' millions	1-5 Years Shs' millions	More than 5 years Shs' millions
Assets							
Balances and deposits due from financial institutions	64,446	48,673	15,773	-	-	-	-
Loans and advances to customers	266,068	-	42,076	15,196	18,771	107,612	82,413
Investment securities	100,589	-	34,902	2,042	3,271	24,269	36,105
	431,103	**48,673**	**92,751**	**17,238**	**22,042**	**131,881**	**118,518**
Liabilities							
Deposits from customers	337,204	225,234	42,287	18,979	31,616	19,081	7
Borrowed funds	45,969	-	4,750	592	3,077	32,959	4,591
	383,173	**225,234**	**47,037**	**19,571**	**34,693**	**52,040**	**4,598**
Interest rate sensitivity gap	**47,930**	**(176,561)**	**45,714**	**(2,333)**	**(12,651)**	**79,841**	**113,920**

The Group closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee (ALCO) monitors compliance with the set interest rate gaps.

Exposure to other market risks – non-trading portfolios

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

NOTES (continued)

4 Financial risk management (continued)

(d) Market risks (continued)

Company interest rate risk

	Carrying amount Shs' millions	Less than 3 Months Shs' millions
31 December 2017		
Assets		
Cash and cash equivalents	8,318	8,318
Interest rate sensitivity gap at 31 December 2017	**8,318**	**8,318**
31 December 2016		
Assets		
Cash and cash equivalents	8,012	8,012
Interest rate sensitivity gap at 31 December 2016	**8,012**	**8,012**

During the year, an 8% increase / decrease (2016: 8%) of the annual interest rate would have the following effect on the profit or loss and equity:

	Sensitivity	Group impact on profit or loss Shs' millions	Company impact on profit or loss Shs' millions	Group impact on equity Shs' millions	Company impact on equity Shs' millions
2017	**+/-2%**	**+/-1,230**	**+/-2**	**+/-898**	**+/-1**
2016	**+/-8%**	**+/-3,326**	**+/-5**	**+/-2,238**	**+/-2**

Exposure to other market risks – non-trading portfolios

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

NOTES (continued)

4. Financial risk management (continued)

Foreign currency exposure – Group

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

31 December 2017	USD Shs' millions	GBP Shs' millions	Euro Shs' millions	ZAR Shs' millions	JPY Shs' millions	Others Shs' millions	Total Shs' millions
Cash and cash equivalents	35,808	645	1,548	10	-	303	38,314
Loans and advances to customers	86,687	46	289	-	-	-	87,022
Investment securities	-	-	-	-	-	6,654	6,654
Other assets	3,074	4	35	-	-	357	3,470
Total assets	**125,569**	**695**	**1,872**	**10**	**-**	**7,314**	**135,460**
Customer deposits	81,234	355	2,296	1	-	95	83,981
Borrowed funds	43,046	-	-	-	-	-	43,046
Other liabilities	8,271	6	76	-	-	302	8,655
Total liabilities	**132,551**	**361**	**2,372**	**1**	**-**	**397**	**135,682**
Net financial position	**(6,982)**	**334**	**(500)**	**9**	**-**	**6,917**	**(222)**
31 December 2016							
Cash and cash equivalents	30,759	731	1,712	74	85	424	33,785
Loans and advances to customers	86,456	45	317	-	-	-	86,818
Other assets	2,152	256	90	-	-	1	2,499
Total assets	**119,367**	**1,032**	**2,119**	**74**	**85**	**425**	**123,102**
Customer deposits	66,932	279	2,777	2	-	22	70,012
Borrowed funds	45,167	-	-	-	-	-	45,167
Total liabilities	**112,099**	**279**	**2,777**	**2**	**-**	**22**	**115,179**
Net financial position	**7,268**	**753**	**(658)**	**72**	**85**	**403**	**7,923**

NOTES (continued)

4. Financial risk management (continued)

Foreign currency exposure – Group (continued)

	Changes in EUR	Effect on profit before tax	Effect on equity
		Shs' millions	Shs' millions
2017	+/-11%	+/-81	+/-59
2016	+/-3%	+/-42	+/-29
	Changes in USD		
2017	+/-3%	+/-1,845	+/-1,347
2016	+/-4%	+/-2,105	+/-2,105
	Changes in GBP		
2017	+/-15%	+/-118	+/-86
2016	+/-3%	+/-123	+/-123

The analysis calculates the effect of a reasonably possible movement of the currency rate against other currencies profit or loss and equity. A negative amount in the table reflects a potential net reduction in profit or equity, while a positive amount reflects a net potential increase.

(e) Capital management

Capital risk is the risk that the Group is unable to maintain adequate levels of capital which could lead to an inability to support business activity or to meet regulatory requirements. Changes to credit ratings, could result in increased costs or reduced capacity to raise funding.

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. This is done by the Board of Directors. The Group Board manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group Board may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. Primary objectives and core practices are:

- Provide a viable and sustainable business offering by maintaining adequate capital to cover the Group's current and forecast business needs and associated risks;
- Meet minimum regulatory requirements;
- Ensure the Group maintains adequate capital to withstand the impact of the risks that may arise under the stressed conditions;
- Perform internal and regulatory stress tests;
- Maintain capital buffers over regulatory minimum;
- Develop contingency plans for severe (stress management actions) to support the Group's and Company's growth and strategic options; and
- Maintain a capital plan on a short-term and medium term basis aligned with strategic objectives.

We adopt a forward-looking, risk based approach to Capital Risk Management. Capital demand and supply is actively managed taking into account the regulatory, economic and commercial environment in which Group operates.

NOTES (continued)

4. Financial risk management (continued)

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

The Group has complied with all externally imposed capital requirements throughout the year. The regulatory capital position at 31 December was as follows:

	Group	
	2017	**2016**
	Shs' millions	**Shs' millions**
Tier 1 capital		
Ordinary share capital	1,887	1,887
Share premium	16,063	16,063
Retained earnings	79,082	68,097
Dividends	(7,547)	(7,547)
Goodwill	(3,103)	(3,103)
Total	**86,382**	**75,397**
Tier 2 capital		
Collective allowances for impairment	2,618	2,281
Qualifying subordinated liabilities	437	1,968
Total	**3,055**	**4,249**
Total regulatory capital	**89,437**	**79,646**
Total risk-weighted assets	444,103	420,891
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	20.1%	18.9%
Minimum statutory requirement	**14.5%**	**14.5%**
Total tier 1 capital expressed as a percentage of risk-weighted assets	19.5%	17.9%
Minimum statutory requirement	**10.5%**	**10.5%**

NOTES (continued)

5. Financial assets and liabilities

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

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair values of loans and advances, borrowings and other financial liabilities, are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The fair values of remaining available-for-sale financial assets are derived from quoted market prices in active markets. There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2017 (2016: Nil).

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

	Valuation technique	Significant observable input	Range (Weighted average)
Level 2			
Investment securities – Available-for-sale - Treasury bonds	Fair value at closing rate	Quoted yields	7%-13.5%
Investment securities- held to maturity-Treasury bonds	Fair value at closing rate	Quoted yields	9.5%-12.5%
	Valuation technique	**Significant unobservable inputs**	**Range (Weighted average)**
Level 3			
Currency swaps and forwards	Forward pricing model	Interest curve	2%-4%
Loans notes	Discounted cash flows	Growth rate assumption	0 - 4%
Financial liabilities			
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time period	7%-9%
Borrowed funds	Discounted cash flow	Expected cashflows	4%-6%

NOTES (continued)

5. Financial assets and liabilities (continued)

Valuation methods and assumptions (continued)

Group **31 December 2017**	**Level 1** **Shs' millions**	**Level 2** **Shs' millions**	**Level 3** **Shs' millions**	**Total** **Shs' millions**
Financial assets fair value disclosures:				
Investment securities – Available-for-sale	-	107,470	-	107,470
Derivative financial assets	-	-	253	253
Loan notes at FVTPL	-	-	5,170	5,170
Total financial assets at fair value	**-**	**107,470**	**5,423**	**112,893**
At 31 December 2016				
Financial assets fair value disclosures				
Investment securities – Available-for-sale	-	80,347	-	80,347
Derivative financial assets	-	-	79	79
Total financial assets at fair value	**-**	**80,347**	**79**	**80,426**

NOTES (continued)

5. Financial assets and liabilities (continued)

Fair value measurement hierarchy (continued)

The following summarises the carrying amount of those assets and liabilities not held at fair value. Except for held-to-maturity investment securities, the carrying amount of assets and liabilities held at amortised cost is considered to approximate their fair value where they have short tenor or, for long term facilities, earn/accrue interest at market rate.

Group	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	Shs' millions	**Shs' millions**	**Shs' millions**	**Shs' million**	**Shs' millions**
At 31 December 2017					
Cash balances and deposits in financial institutions	79,621	79,621	-	-	79,621
Investment securities-Held to Maturity	20,532	20,200	-	-	20,200
Loans and advances	273,922	273,922	-	-	273,922
Due from related parties	449	449	-	-	449
Other assets	7,742	7,742	-	-	7,742
Total financial assets	**382,266**	**381,934**	**-**		**381,934**
Deposits from customers	373,143	373,143	-	-	373,143
Borrowed funds	47,873	47,873	-	-	47,873
Other liabilities	9,832	9,832		-	9,832
Total liabilities	**430,848**	**430,848**	**-**	**-**	**430,848**

Group	**Carrying amount Shs' millions**	**Fair value Shs' millions**	**Level 1 Shs' millions**	**Level 2 Shs' millions**	**Level 3 Shs' millions**
At 31 December 2016					
Cash balances and deposits in financial institutions	64,446	64,446	-	-	64,446
Investment securities-Held to Maturity	20,242	21,168	-	-	21,168
Loans and advances	266,068	266,068	-	-	266,068
Due from related parties	383	383	-	-	383
Other assets	15,359	15,359	-	-	15,359
Total financial assets	**366,498**	**367,424**	**-**	**-**	**367,424**
Deposits from customers	337,204	337,204	-	-	337,204
Borrowed funds	45,969	45,969	-	-	45,969
Other liabilities	7,879	7,879	-	-	7,879
Total liabilities	**391,052**	**391,052**	**-**	**-**	**391,052**

NOTES (continued)

5. Financial assets and liabilities (continued)

Fair value measurement hierarchy (continued)

Company	Carrying amount Shs' millions	Fair value Shs' millions	Level 1 Shs' millions	Level 2 Shs' million	Level 3 Shs' millions
At 31 December 2017					
Cash balances and deposits in financial institutions	8,318	8,318	-	-	8,318
Due from related parties	313	313	-	-	313
Total financial assets	**8,631**	**8,631**	**-**	**-**	**8,631**
Due to related parties	2,667	2,667	-	-	2,667
Other liabilities	259	259	-	--	259
Total liabilities	**2,926**	**2,926**	**-**	**-**	**2,926**
At 31 December 2016					
Cash balances and deposits in financial institutions	8,012	8,012	-	-	8,012
Due from related parties	704	704	-	-	704
Total financial assets	**8,716**	**8,716**	**-**	**-**	**8,716**
Due to related parties	2,558	2,558	-	-	2,558
Other liabilities	1	1	-	-	1
Total liabilities	**2,559**	**2,559**	**-**	**-**	**2,559**

NOTES (continued)

6. Interest income

	Group		Company	
	2017	2016	2017	2016
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Interest income				
Loans and advances to customers	33,779	45,948	-	-
Cash and cash equivalents	1,237	1,051	229	69
Held-to-maturity investment securities	2,101	2,879	-	-
Available-for-sale investment securities	11,293	5,073	-	-
	48,410	**54,951**	**229**	**69**
Interest expense				
Deposits from banks	(346)	(254)	-	-
Deposits from customers	(8,076)	(7,883)	-	-
Borrowed funds	(2,419)	(1,890)	-	-
	(10,841)	**(10,027)**	**-**	**-**
Net interest income	**37,569**	**44,924**	**229**	**69**

7. Net fee and commission income

(a) Fee and commission income

	Group	
	2017	2016
	Shs' millions	Shs' millions
Service fees and commission	13,136	12,821
Credit related fees	6,008	1,274
Custodial fee income	136	133
	19,280	**14,228**
(b) Fee and commission expense		
Fee and commission expense	(2,938)	(2,196)
Net fee and commission income	**16,342**	**12,032**

8. Net foreign exchange income

	Group	
	2017	2016
	Shs' millions	Shs' millions
Bonds trading income	736	309
Net foreign exchange gain	5,317	3,073
	6,053	**3,382**

NOTES (continued)

9. Other operating income

	Group 2017 Shs' millions	Group 2016 Shs' millions	Company 2017 Shs' millions	Company 2016 Shs' millions
Profit on disposal of property and equipment	17	63	-	-
Rental income	4	-	-	-
Other income	1,522	892	29	97
	1,543	**955**	**29**	**97**

10. Depreciation and Amortisation

	Group 2017 Shs' millions	Group 2016 Shs' millions
Depreciation on property and equipment (Note 14)	3,541	3,764
Amortisation of intangible assets (Note 15 (a))	960	825
Amortisation of prepaid operating lease rentals (Note 15 (b))	321	150
	4,822	**4,739**

11. Impairment losses on loans and advances

Increase in identified impairment	3,709	6,589
Decrease in unidentified impairment	(278)	57
Net increase in impairment provision	**3,431**	**6,646**
Loan recoveries	(715)	(544)
Statement of comprehensive income charge	**2,716**	**6,102**

NOTES (continued)

12. Personnel expenses

	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Salaries and other staff costs	11,070	11,295	29	13
Contributions to defined contribution plans	475	399	-	-
	11,545	**11,694**	**29**	**13**

The average number of staff in the Group for the year was 6,710 (2016: 7,229).

13. Operating lease expenses

	Group	
	2017 Shs' millions	2016 Shs' millions
Operating lease rentals	**2,171**	**2,040**

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 (continued)

14. (a) Property and equipment - Group

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings		Village cell banking vans	Work-in-progress	
	Shs'millions	Shs' millions	Shs'millions	Shs' millions	Shs'millions	Shs'millions	Shs' millions	Shs'millions
31 December 2017								
Cost								
At start of year	1,193	12,117	444	6,970	12,384	103	328	33,539
Translation differences	-	(1,954)	(4)	(34)	49	-	-	(1,943)
Additions	121	514	52	396	1,052	-	201	2,336
Transfers	53	181	-	5	11	-	(250)	-
Disposals	-	(126)	(23)	(172)	(414)	-	-	(735)
At end of year	**1,367**	**10,732**	**469**	**7,165**	**13,082**	**103**	**279**	**33,197**
Accumulated depreciation								
At start of year	105	6,511	225	3,571	9,270	103	-	19,785
Translation differences	-	(486)	(3)	90	65	-	-	(334)
Charge for the year	24	969	62	782	1,704	-	-	3,541
Disposals	(14)	(49)	(17)	(165)	(415)	-	-	(660)
At end of year	**115**	**6,945**	**267**	**4,278**	**10,624**	**103**	**-**	**22,332**
Net book value at end of year	**1,252**	**3,787**	**202**	**2,887**	**2,458**	**-**	**279**	**10,865**

NOTES (continued)

14. (a) Property and equipment - Group (continued)

31 December 2016	Freehold land & buildings Shs' millions	Leasehold improvements Shs' millions	Motor vehicles Shs' millions	Equipment, furniture & fittings Shs' millions	Computers Shs' millions	Village cell banking vans Shs' millions	Work-in-progress Shs' millions	Total Shs' millions
Cost								
At start of year	1,193	10,309	315	5,602	11,415	103	556	29,493
Additions	-	602	92	970	637	-	435	2,736
Transfers	-	364	-	120	226	-	(710)	-
Transfer to intangible assets (Note 15)	-	-	-	-	(29)	-	(13)	(42)
Disposals	-	(65)	(32)	(30)	(3)	-	-	(130)
Hyper inflation adjustment	-	907	69	308	138	-	60	1,482
At end of year	**1,193**	**12,117**	**444**	**6,970**	**12,384**	**103**	**328**	**33,539**
Accumulated depreciation								
At start of year	96	5,074	148	2,639	7,391	89	-	15,437
Charge for the year	9	1,090	45	818	1,788	14	-	3,764
Transfers to intangible	-	-	-	-	(12)	-	-	(12)
Hyper inflation adjustment	-	398	65	136	105	-	-	704
Disposals	-	(51)	(33)	(22)	(2)	-	-	(108)
At end of year	**105**	**6,511**	**225**	**3,571**	**9,270**	**103**	**-**	**19,785**
Net book value at end of year	**1,088**	**5,606**	**219**	**3,399**	**3,114**	**-**	**328**	**13,754**

NOTES (continued)

14. (b) Prepaid operating lease rentals

	Group	
	2017	2016
	Shs' millions	Shs' millions
Cost		
At start of year	1,012	775
Additions	266	237
At end of year	**1,278**	**1,012**
Amortisation		
At start of year	897	747
Translation differences	(494)	-
Amortisation	321	150
At end of year	**724**	**897**
Net carrying amount at end of year	**554**	**115**

15. Intangible assets

GROUP	Software	Work in progress	Total
31 December 2017	Shs' millions	Shs' millions	Shs' millions
Cost			
At start of year	7,067	2,684	9,751
Translation differences	(155)	-	(155)
Additions	244	1,428	1,672
Transfers	1,868	(1,868)	-
At end of year	**9,024**	**2,244**	**11,268**
Amortisation			
At start of year	3,344	-	3,344
Translation differences	(32)	-	(32)
Amortisation	960	-	960
At end of year	**4,272**	**-**	**4,272**
Net book value at end of year	**4,752**	**2,244**	**6,996**

NOTES (continued)

15 (a) Intangible assets (continued)

31 December 2016	Software Shs' millions	Work in progress Shs' millions	Total Shs' millions
Cost			
At start of year	6,004	1,076	7,080
Additions	110	2,554	2,664
Transfers	946	(946)	-
Transfer from property and equipment (Note 14)	42	-	42
Hyper inflation adjustment	22	-	22
Disposals	(57)	-	(57)
At end of year	**7,067**	**2,684**	**9,751**
Amortisation			
At start of year	2,495	-	2,495
Charge for the year	825	-	825
Transfer from property and equipment (Note 14)	12	-	12
Hyper inflation adjustment	12	-	12
At end of year	**3,344**	**-**	**3,344**
Net book value at end of year	**3,723**	**2,684**	**6,407**

The Group's intangible assets include the value of computer software.

The work-in-progress is composed of software in development. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the costs can be measured reliably. The transfers relate to projects completed in the course of the year.

15 (b) Goodwill

	Group 2017 Shs' millions	Group 2016 Shs' millions
Equity Bank Uganda Limited	887	887
ProCredit Bank Limited	2,216	2,216
	3,103	**3,103**

The goodwill of Shs 887 million arose from the acquisition of Equity Bank Uganda Limited (formerly Uganda Microfinance Limited) in April 2008, which was determined in accordance with IFRS 3. It represents the difference between the total purchase consideration (including acquisition costs) paid to acquire 100% stake in Equity Bank Uganda Limited and the fair value of the net tangible assets and the separable identifiable intangible assets.

NOTES (continued)

15. (b) Goodwill (continued)

On 30 September 2015, Equity Group Holdings Plc acquired 79% of the net assets of ProCredit Bank Limited, an unlisted company based in the Democratic Republic of Congo, and obtained control of Pro-Credit Bank Limited. The stake was increase to 86% in 2016 following the acquisition of an additional 14%. The acquisition was in line with the Group's growth strategy focusing on deepening banking services and enhancing financial inclusion in Africa.

The goodwill arising from acquisition consists largely of the synergies and economies of scale expected from combining the operations of Equity Group Holdings Plc and ProCredit Bank Limited, as well as Equity Uganda (Kenya) Limited.

During the year, management carried out an impairment assessment in respect of goodwill. Since the goodwill arose on purchase of Equity Bank Uganda Limited and ProCredit Bank Limited as subsidiaries, the whole amount is allocated to the subsidiaries to which the Group considers as a cash generating unit (CGU). The table below shows the various variables used in management' impairment assessment:

	Equity Bank Uganda Limited		ProCredit Bank Limited	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Value in use	26,702	13,134	6,734	7,491
Projected Return on Assets (ROA) - 2017	7%	21%	12%	16%
Projected Return on Assets (ROA) - 2018	12%	18%	12%	11%
Projected growth in profit margins - 2017	23%	20%	8%	10%
Projected growth in profit margins - 2018	39%	23%	15%	8%
Projected growth in non-interest income - 2017	42%	40%	30%	30%
Projected growth in non-interest income - 2018	60%	42%	23%	30%
Weighted average cost of capital	14.46%	15.60%	14.46%	15.60%

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

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

Sensitivity analysis

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

NOTES (continued)

16. Other operating expenses

	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Software licencing and other IT related costs	3,036	2,652	-	-
Electricity, water and repairs and maintenance	1,284	1,391	-	-
Travel and accommodation	853	1,097	-	-
Marketing, advertising and sponsorship	814	758	-	-
Consultancy, legal and professional fees	734	947	-	-
Publications, stationery and communications	551	738	-	-
Auditors' remuneration	57	44	2	1
Other expenses	4,596	4,035	327	75
	11,925	**11,662**	**329**	**76**

17. (a) Investment In subsidiary companies

Company	Country of incorporation	Shareholding	2017 Shs' millions	2016 Shs' millions
Banking				
Equity Bank (Kenya) Limited	Kenya	100%	40,733	40,733
ProCredit Bank Limited	DRC	86%	6,748	6,748
Equity Bank South Sudan Limited	South Sudan	100%	5,712	5,712
Equity Bank Uganda Limited	Uganda	100%	5,005	3,965
Equity Bank (Tanzania) Limited	Tanzania	100%	2,814	2,814
Equity Bank Rwanda Limited	Rwanda	100%	2,807	2,807
Telecommunication				
Finserve Africa Limited	Kenya	100%	1,001	1,001
Investment banking				
Equity Investment Bank Limited	Kenya	100%	420	420
Insurance brokerage				
Equity Insurance Agency Limited	Kenya	100%	100	100
Consultancy				
Equity Consulting Group Limited	Kenya	100%	0.5	0.5
Equity Investment Services Limited	Kenya	100%	420	420
Custodial services				
Equity Nominees Limited	Kenya	100%	0.1	0.1
Total			**65,761**	**64,721**

NOTES (continued)

17. (a) Investment In subsidiary companies (continued)

On 7 July 2017, Equity Group Holdings Plc issued additional share capital of USD 10 million (Shs 1.040 billion) to Equity Bank Uganda Limited. There were no additional shares received against the additional capital but the par value of the issued and paid up share capital increased from UShs 100,000 to UShs 238,992 per share.

17. (b) Non-controlling interests (NCI)

Set out below is the summarised financial information of ProCredit Bank which has non-controlling interest that is Material to the group.

	Group	
	2017 Shs' millions	2016 Shs' millions
Summarised statement of financial position		
Total assets	42,863	32,571
Total liabilities	37,074	27,114
Equity	5,789	5,457
Accumulated NCI	750	701
Summarised statement of comprehensive income		
Operating income	4,945	4,673
Profit for the period	349	241
Other comprehensive income	-	-
Total comprehensive income	349	241
Profit allocated to NCI	49	57
Summarised statement of cash flows		
Cash flows from operating activities	7,244	1,265
Cash flows to investing activities	(384)	(1,006)
Cash flows (to) / from financing activities	(799)	219
Net increase in cash and cash equivalents	**6,061**	**478**

17 (c) Interests in unconsolidated structured entity

Equity Group Holdings Plc does not consolidate the results of Equity Group Foundation (the "Foundation") which was incorporated on 12 February 2008 under the Companies Act (Cap 486) as a company limited by guarantee. It is a charitable organization set up to provide a platform to development partners, government, the private sector as well as local and international organizations for the implementation of high impact development programs which include *Wings to Fly* Scholarship Program.

NOTES (continued)

17 (c) Interests in unconsolidated structured entity (continued)

The programs of the Foundation are primarily funded by third party donors under donor agreements. The Group's contributions to the Foundation are in monetary terms but mainly in-kind in the form of utilising the Group's extensive branch network and staff in driving the achievement of the goals/activities of the Foundation in communities. On the basis that the donors provide majority of the funding and direct the activities of the Foundation through the donor agreements, the Group does not control the Foundation. The table below summarises EGF's source of funding:

	2017 Shs' millions	2016 Shs' millions
Donors	1,445	1,571
Equity Group Holdings Plc	47	27
Total donations income	**1,492**	**1,598**

At 31 December 2017, Equity Group Holding Plc had an intercompany receivable balance of Shs 449 million (2016 Shs 383 million) from the Foundation (Note 28 (f)).

The Group does not earn income and is not exposed to loss arising from its involvement with the Foundation.

Consistent with previous years, the Group will continue providing support to EGF primarily as regards the use of the Group's branch network to carry out its program activities.

18. Income tax

Recognised in profit or loss	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Current income tax:				
Current year	7,713	8,588	77	49
Prior year overstatement	-	(142)	-	(142)
Deferred income tax expense (Note 23):				
Current year	251	(122)	-	-
Income tax expense / (credit)	**7,964**	**8,324**	**77**	**(93)**

NOTES (continued)

18. Income tax (continued)

Reconciliation of effective tax rate:

The tax on the Group's and Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Profit before tax	26,882	24,927	8,200	11,377
Income tax using the enacted corporation tax rate	8,065	7,478	2,460	3,413
The effect of differential tax rate in South Sudan (25% (2016 - 25%))	(2)	26	-	-
The effect of differential tax rate in Democratic Republic of Congo (35% (2016 35%))	39	25	-	-
Income not subject to tax	(880)	(448)	(2,490)	(3,364)
Prior year overstatement	-	(142)	-	(142)
Tax effect of non-deductible expenses	742	1,385	107	-
	7,964	**8,324**	**77**	**(93)**

Recognised in the statement of financial position:

	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
At start of year	357	(669)	(8)	138
Charge for the year	7,713	8,588	77	49
Prior year's overstatement	-	(142)	-	(142)
Paid during the year	(9,852)	(7,420)	(66)	(53)
At end of year	**(1,782)**	**357**	**3**	**(8)**
Made up of:				
Tax payable	411	507	3	-
Tax recoverable	(2,193)	(150)	-	(8)
	(1,782)	**357**	**3**	**(8)**

NOTES (continued)

18. Income tax (continued)

Tax rates are as follows:

2017	Group Shs' millions	EGH Plc Shs' millions	EBKL Shs' millions	EBUL Shs' millions	EBRL Shs' millions	PCBL Shs' millions	EIAL Shs' millions	EBTL Shs' millions	EBSSL Shs' millions	Others* Shs' millions
Profit before tax	26,882	8,200	23,086	1,184	697	776	458	352	35	394
Enacted tax rate		30%	30%	30%	30%	35%	30%	30%	25%	30%
Income tax using the enacted corporation tax rate	8,065	2,460	6,926	355	209	272	137	106	9	118
2016										
Profit before tax	24,927	11,377	22,778	628	396	501	454	356	(528)	264
Income tax using the enacted corporation tax rate	7,478	3,413	6,833	188	119	175	136	107	(132)	79

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

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

NOTES (continued)

19. (a) Cash, deposits and balances due from financial institutions

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	Group		Company	
	2017	2016	2017	2016
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Cash in hand	11,039	11,834	8,318	8,012
Cash balances with banks	10,215	15,299	-	-
Unrestricted balances with central banks	17,836	2,624	-	-
Money market placements	29,492	25,776	-	-
Included in cash and cash equivalents	68,582	55,533	8,318	8,012
Restricted balances with central banks	11,039	8,913	-	-
	79,621	**64,446**	**8,318**	**8,012**
Movement in restricted balances:				
At start of year	8,913	4,796	-	-
Movement during the year	2,126	4,117	-	-
At end of year	**11,039**	**8,913**	**-**	**-**

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

NOTES (continued)

19 (b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Group 2017 Shs' millions	Group 2016 Shs' millions
Cash and cash equivalents	68,582	55,533
Liquid investments:		
Available-for-sale investment securities	107,470	77,180
Borrowed funds - repayable within one year	(7,884)	(8,420)
Borrowed funds - repayable after one year	(39,989)	(37,549)
Net debt	**128,179**	**86,744**
Cash and liquid investments	176,052	132,713
Gross debt - fixed interest rates	(7,605)	(3,890)
Gross debt -variable interest rates	(40,268)	(42,079)
	128,179	**86,744**

	Liquid assets: Cash and cash equivalents Shs' millions	Liquid assets: Available-for-sale Investment securities Shs' millions	Borrowed funds: Due within 1 year Shs' millions	Borrowed funds: Due after 1 year Shs' millions	Total Shs' millions
Year ended 31 December 2017					
Net debt as at start of year	55,533	77,180	(8,420)	(37,549)	86,744
Cash flows	13,049	28,804	527	(2,440)	39,940
Non cash items	-	1,486	9	-	1,495
Net debt at end of year	**68,582**	**107,470**	**(7,884)**	**(39,989)**	**128,179**
Year ended 31 December 2016					
Net debt as at start of year	65,374	21,789	(16,723)	(26,172)	44,268
Cash flows	(9,841)	54,705	8,303	(11,377)	41,790
Non cash items	-	686	-	-	686
Net debt at end of year	**55,533**	**77,180**	**(8,420)**	**(37,549)**	**86,744**

NOTES (continued)

20 Loans and advances to customers

	Group	
	2017	2016
	Shs' millions	Shs' millions
Classified as follows:		
Loans and receivables (amortised cost)	273,922	266,068
Financial assets at fair value through profit or loss	5,170	-
	279,092	**266,068**
(a) Loans and advances at amortised cost		
Consumer	57,637	57,078
Micro enterprises	9,580	13,169
Agriculture	6,261	6,372
Small and medium enterprises	184,231	166,193
Large enterprises	23,662	31,383
Gross amount	**281,371**	**274,195**
Current	79,863	78,371
Non-current portion	201,508	195,824
Gross amount	**281,371**	**274,195**

(b) Impairment on financial assets

At start of year	8,127	5,468
Charge for the year (Note 11)	3,431	6,646
Write offs	(4,109)	(3,987)
At end of year	**7,449**	**8,127**
Net loans and advances	**273,922**	**266,068**
Current	73,271	76,043
Non-current	200,651	190,025
Net loans and advances	**273,922**	**266,068**

NOTES (continued)

20 Loans and advances to customers (continued)

(b) Impairment on financial assets (continued)

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

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

Corporate loans - Consist of small and medium enterprises and large enterprises - These are loans to small medium and large customers and they are all interest bearing. Collateral is a requirement for all facilities. The contractual tenor is between 6 months and 10 years. These loans are charged processing fees.

Overdrafts - These are short-term facilities to customers with urgent need of cash. Collateral is required for all these facilities and the tenor is 6 to 12 months. The only charge on these facilities is the overdraft arrangement fee.

(c) Financial asset at fair value through profit or loss

	Group	
	2017 Shs' millions	2016 Shs' millions
Loans notes	5,170	-
Non-current	5,170	-

The financial asset at fair value through profit or loss relates to long term notes issued to the Group in 2017 following a restructure of facilities to a customer in the airline industry (original borrower company). The loan notes earn a coupon rate of interest, are partly guaranteed by the Government of Kenya and are secured by shares held by the issuer in the original borrower company.

The ultimate amount recoverable on the loan notes will depend on the value realised when the underlying shares are disposed of (including any upswing) and any guarantee called in the event of loss. The instrument is considered a loan instrument with an embedded derivative and has therefore been classified as an asset at fair value through profit or loss.

The Group has used a discounted cash flow model to compute the fair value of the instrument. The major unobservable inputs that drive the projected cash flows of the original borrower company are year 1 cashflows and the growth rate assumption which factor in passenger numbers, available seat kilometre and costs including operating lease and fuel expenses.

Changes in assumptions about these factors could affect the reported fair value of loan notes. The fair value of the loan notes at 31 December 2017 assumes achievement of the year 1 projected cashflows and 0% growth rate from year 5. At 31 December 2017, the fair value of the loan notes would have been estimated at:

	2017 basis Shs' millions	Year 1 projected cashflows -23% Growth rate from year 5: +0.25% Shs' millions	Year 1 projected cashflows -23% Growth rate from year 5:0% Shs' millions
Fair value	5,170	5,831	5,407

NOTES (continued)

21. Investment securities

	Group	
	2017 Shs' millions	2016 Shs' millions
Held-to-maturity (HTM)		
At start of year	23,409	20,986
Purchase of investment securities	4,484	9,242
Maturity of securities	(7,361)	(6,819)
At end of year	**20,532**	**23,409**
Available-for- sale (AFS)		
At start of year	77,180	21,789
Purchase of investment securities	116,688	92,095
Sale/maturity of investment securities	(87,884)	(37,390)
Net gain on fair valuation	1,486	686
At end of year	**107,470**	**77,180**
Total	**128,002**	**100,589**
Current	49,377	40,215
Non-current	78,625	60,374
Total	**128,002**	**100,589**

The weighted average effective interest rate on investment securities at 31 December 2017 was 10.58% (2016: 10.20%)

22 Other assets

	Group	
	2017 Shs' millions	2016 Shs' millions
Settlement and clearing accounts	2,927	1,258
Prepaid expenses	2,889	3,343
Refundable deposits	534	-
Other assets	4,281	10,758
	10,631	**15,359**

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

NOTES (continued)

23 Deferred income tax

The net deferred income tax movement computed at the enacted tax rates, is attributable to the following items:

Movements in temporary differences during the year – Group

	At start of year	Recognised in profit or loss	Recognised in OCI	At end of year
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
For the year ended 31 December 2017				
Property, equipment and software	847	(49)	-	798
Loan impairment provision	1,878	(208)	-	1,670
Provision for accrued leave	52	37	-	89
Unrealised exchange losses	179	(109)	-	70
Unrealised exchange gains	(1)	1	-	-
Tax losses	127	77	-	204
Available-for-sale reserves	-	-	(189)	(189)
	3,082	**(251)**	**(189)**	**2,642**
For the year ended 31 December 2016				
Property, equipment and software	693	154	-	847
Loan impairment provision	1,845	33	-	1,878
Provision for accrued leave	41	11	-	52
Unrealised exchange losses	124	55	-	179
Unrealised exchange gains	(5)	4	-	(1)
Tax losses	262	(135)	-	127
	2,960	**122**	**-**	**3,082**

The deferred tax asset and deferred tax liability at group level in the statement of financial position have been separated as required by IAS 12, since they relate to different tax jurisdictions.

The balance at 31 December is made up of

	Group	
	2017	2016
	Shs' millions	Shs' millions
Deferred income tax asset	2,706	3,260
Deferred income tax liability	(64)	(178)
	2,642	**3,082**

The Group has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group is expected to continue generating taxable income.

NOTES (continued)

24. Deposits from customers

	Group	
	2017	2016
	Shs' millions	Shs' millions
Retail customers		
Term deposits	38,011	23,052
Current deposits	25,145	36,909
Transactional deposits	121,798	109,840
Savings deposits	23,843	17,493
	208,797	**187,294**
Corporate customers		
Term deposits	54,294	59,007
Current deposits	94,637	74,897
Transactional deposits	13,613	14,791
Savings deposits	925	1,215
Margin on guarantees	877	-
	164,346	**149,910**
	373,143	**337,204**
Current	178,217	136,531
Non-current	194,926	200,673
Total	**373,143**	**337,204**

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2017 was 6.55% (2016: 6.22%). The carrying value of customer deposits approximates their fair value.

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

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

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

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

(d) **Transaction deposits** - These are non-interest bearing accounts that can be used directly as cash without withdrawal limits or restrictions.

NOTES (continued)

25 Other liabilities

	Group		Company	
	2017	2016	2017	2016
	Shs' millions	Shs' millions	Shs' millions	Shs' millions
Short term employee benefits	361	74	-	-
Settlement and clearing accounts	3,412	2,187	-	-
Accounts payable and sundry creditors	1,886	2,640	-	-
Accrued expenses	2,030	1,857	259	-
Other	2,143	1,121	-	1
	9,832	**7,879**	**259**	**1**
Current	**9,832**	**7,879**	**259**	**1**

26. Borrowed funds

	Group	
	2017	2016
	Shs' millions	Shs' millions
Equity Bank (Kenya) Limited		
African Development Bank	15,581	15,185
International Finance Corporation (IFC)	13,971	15,960
ResponsAbility	4,182	4,104
European Investment Bank	3,080	3,133
KFW	2,520	2,404
Micro Finance Sector Support Credit (Ministry of Finance)	160	205
China Development Bank Corporation	-	2,736
Inter-bank money market borrowings:		
Equity Bank Rwanda	2,700	-
Equity Bank (Tanzania)	851	1407
Equity Bank Uganda	463	283
Equity Bank Uganda Limited		
European Investment Bank	2,292	-
ProCredit Bank, DRC		
European Investment Bank	1,485	-
FPM, Democratic Republic of Congo (DRC)	519	416
REFFA Fund, Democratic Republic of Congo (DRC)	69	136
	47,873	**45,969**
Current	7,884	8,420
Non-current portion	39,989	37,549
	47,873	**45,969**

NOTES (continued)

26. Borrowed funds (continued)

31 December 2017 - Group

Lender	Type of loan	Loan balance Shs' millions	Security		Interest rate	Maturity date	Finance cost recog-nised in the Shs' millions
African Development Bank	Long term loan	15,581	Directors' guarantee	USD	LIBOR +2.85%	1 February 2023	650
International Finance Corporation	Medium term loan	10,524	Directors' guarantee	USD	LIBOR +3.15%	15 March 2023	479
International Finance Corporation	Medium term loan	3,447	Directors' guarantee	USD	LIBOR +2.75%	15 March 2019	190
ResponsAbility	Medium term loan	4,182	Directors' guarantee	USD	LIBOR +3.07% LIBOR +2.95%	23 September2019 17 November 2020	208
European Investment Bank	Medium term loan	3,784	Directors' guarantee	USD	2.86%	16 December 2019	44
European Investment Bank	Medium term loan	1,922	Directors' guarantee	USD	6.85% 7.04%	17 June 2019	158
European Investment Bank	Medium term loan	1,151	Directors' guarantee	USD	2.86% 2.95%	16 December 2019 16 December 2019	44
KFW	Long term loan	2,520	Directors' guarantee	USD	LIBOR +3.3%	13 December 2018	100
Inter-bank money market borrowings by Equity Bank Rwanda	Short term loans	2,700	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	162
Inter-bank money market borrowings by Equity Bank Tanzania	Short term loans	851	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	107
FPM, Democratic Republic of Congo (DRC)	Medium term loan	519	Directors' guarantee	USD	6.5%	16 January 2019	88
Inter-bank money market borrowings by Equity Bank Uganda	Short term loans	463	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	73
KFW (Ministry of Finance)-SIPMK	Medium term loan	160	Directors' guarantee	KES	4.0%	30 December 2024	46
REFFA Fund, (DRC)	Medium term loan	69	Directors' guarantee	USD	6.5%	13 January 2019	9
China Development Bank	Medium term loan	-	Directors' guarantee	USD	LIBOR +2.6%	20 September 2017	61
		47,873					**2,419**

NOTES (continued)

26. Borrowed funds (continued)

31 December 2016 - Group

Lender	Type of loan	Loan balance	Security	Currency	Interest rate	Maturity date	Finance cost recognised in the year
		Shs' millions					Shs' millions
African Development Bank	Long term loan	15,185	Directors' guarantee	USD	LIBOR +2.85%	1 February 2023	514
International Finance Corporation	Medium term loan	10,260	Directors' guarantee	USD	LIBOR +3.15%	15 March 2023	120
International Finance Corporation	Medium term loan	5,700	Directors' guarantee	USD	LIBOR +2.75%	15 March 2019	251
					LIBOR +3.07%	23 September 2019	
					LIBOR +2.95%	17 November 2020	
ResponsAbility	Medium term loans	4,104	Directors' guarantee	USD	LIBOR +2.95%	31 March 2021	200
China Development Bank	Medium term loan	2,736	Directors' guarantee	USD	LIBOR +2.6%	20 September 2017	187
KFW	Long term loan	2,404	Directors' guarantee	USD	LIBOR +3.3%	13 December 2018	83
European Investment Bank	Medium term loans	1,713	Directors' guarantee	USD	2.86%	16 December 2019	49
European Investment Bank	Medium term loans	1,420	Directors' guarantee	USD	6.85%	17 June 2019	135
KFW (Ministry of Finance)-SIPMK	Medium term loans	205	Directors' guarantee	KES	4.0%	30 December 2024	10
FPM, Democratic Republic of Congo (DRC)	Medium term loan	416	Directors' guarantee	USD	6.5%	16 January 2019	63
REFFA Fund, (DRC)	Medium term loan	136	Directors' guarantee	USD	6.5%	13 January 2019	21
Inter-bank money market borrowings by Equity Bank Uganda Ltd	Short term loans	283	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	43
Inter-bank money market borrowings by Equity Bank Tanzania Ltd	Short term loans	1,407	Directors' guarantee	USD	Between 3.5% to 7%	Less than 3 months	214
		45,969					**1,890**

NOTES (continued)

27. Share capital and reserves

(a) Share capital	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Authorised, issued and fully paid 3,773,674,802 (2016: 3,773,674,802) ordinary shares of Shs 0.5 each	1,887	1,887	1,887	1,887
Movement in ordinary shares				
At start and end of year (3,773,674,802)	3,774	3,774	3,774	3,774
In monetary terms:				
At start and end of year	1,887	1,887	1,887	1,887

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

(b) Share premium

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

(c) 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 of the loans and advances impairment provision determined in accordance with the central banks' of Kenya and Uganda prudential guidelines compared with the requirements of IAS 39 - Financial instruments: Recognition and measurement. This amount is not available for distribution.

(e) Other reserves

The other reserves represent pre-acquisition reserves from Equity Bank Uganda Limited. This amount is not available for distribution.

(f) Foreign currency translation reserve

The foreign exchange translation reserve represents translation of the financial statements of the subsidiaries from Uganda Shillings, South Sudan Pounds, Tanzania Shillings, Rwanda Francs and US Dollars for ProCredit Limited to Kenya Shillings. This amount is not available for distribution.

NOTES (continued)

27. 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	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Final dividend declared and paid for 2016 Shs 2:00 per share (2015: Shs 2.00)	7,547	7,547	7,547	7,547

Proposed dividends on ordinary shares:

	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Final dividend for 2017 (Shs 2.00 per share (2016: Shs 2.00))	7,547	7,547	7,547	7,547

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

There is no income tax consequence arising from the retention or distribution of the retained earnings during the year (2016: Nil).

28. Related parties and related party transactions

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group (including subsidiaries) and its employees. The Group considers the Board of Directors, executive and non-executive Directors, to be key management personnel for the purposes of IAS 24 - related party disclosures.

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

NOTES (continued)

28. Related parties and related party transactions (continued)

(a) Loans to key management personnel

	Group	
	2017 Shs' millions	2016 Shs' millions
At start of year	1,229	1,147
Interest charged	72	83
Loans disbursed	356	418
Repayments	(450)	(419)
At end of year	**1,207**	**1,229**
Current	357	355
Non - current	850	874
Total	**1,207**	**1,229**
(b) Loans to employees		
At start of year	7,717	7,467
Interest charged	335	500
Loans disbursed	1,796	2,420
Repayments	(2,355)	(2,670)
At end of year	**7,493**	**7,717**
Current	687	695
Non - current	6,806	7,022
Total	**7,493**	**7,717**

The loans are secured by property mortgage and are repayable in a period of up to 20 years at an average interest rate of 8% per annum.

(c) Loans to associates of key management personnel

	Group	
	2017 Shs' millions	2016 Shs' millions
At start of year	1,078	1,068
Interest charged	324	103
Loans disbursed	1,014	941
Repayments	(867)	(1,034)
At end of year	**1,549**	**1,078**

NOTES (continued)

28. Related parties and related party transactions (continued)

(c) Loans to associates of key management personnel

	Group	
	2017	2016
	Shs'millions	Shs'millions
Current	787	492
Noncurrent	762	586
Total	**1,549**	**1,078**

These are loans to associates of executive and non-executive directors. The total amount of loans and advances granted was in ordinary course of business. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.

(d) Directors remuneration

	Group	
	2017	2016
	Shs' millions	Shs' millions
Remuneration to directors:		
Directors of Equity Group Holdings Plc*	131	164
Directors of subsidiaries**	459	448
	590	**612**

* Remuneration to directors of the parent Company, Equity Group Holdings Plc as per the Directors Remuneration Report.

** Remuneration to directors of the subsidiary companies in the Group, who are not directors of the parent company.

(e) Key management personnel compensation

	Group	
Remuneration to key management:	2017	2016
	Shs' millions	Shs' millions
Salaries and short term benefits	2,390	1,957
Pension	135	81
	2,525	**2,038**

NOTES (continued)

28. Related parties and related party transactions (continued)

(f) Amounts due from related parties

	Group		Company	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Equity Group Foundation	449	383	-	-
Equity Insurance Agency Limited	-	-	-	300
ProCredit Bank Limited	-	-	30	115
Equity Investment Bank Limited	-	-	283	289
	449	**383**	**313**	**704**

(g) Amounts due to related parties

	Company	
	2017 Shs' millions	2016 Shs' millions
Equity Bank (Kenya) Limited	2,247	2,132
Equity Investment Bank Limited	-	6
Equity Investment Services Limited	420	420
	2,667	**2,558**

(h) Dividends received from subsidiaries

Equity Bank (Kenya) Limited	8,000	11,000
Equity Insurance Agency Limited	300	300
	8,300	**11,300**

Related parties are only the subsidiary companies in addition to Equity Group Foundation, which is a related party by virtue of common directorship. Transactions with related parties are carried out in the normal course of business. The outstanding balances as at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. For the year ended 31 December 2017 the group has not recorded any impairment loss on receivables relating to the amounts owed by related parties (2016: 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.

NOTES (continued)

29. Earnings per share

The calculation of basic earnings per share for the Group at 31 December 2017 is based on the profit attributable to ordinary shareholders of Shs 18,918 million (2016: Shs 16,603 million) and the weighted average number of ordinary shares outstanding of 3,774 million (2016: 3,774 million).

	Group	
	2017 Shs' millions	2016 Shs' millions
Profit for the year attributable to equity shareholders	18,918	16,063
Number of shares: (in millions)		
Issued and weighted average number of ordinary shares at start and end of year (3,773,674,802 (2016: 3,773,674,802)	3,774	3,774
Basic and diluted earnings per share (in Kenya Shillings)	**5.00**	**4.26**

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	
	2017 Shs' millions	2016 Shs' millions	2017 Shs' millions	2016 Shs' millions
Guarantees and standby letters of credit	27,357	19,578	661	931
Letters of credit, acceptances and other documentary credits	13,943	16,098	-	-
	41,300	**35,676**	**661**	**931**

Commitments contracted for at the reporting date but not recognised in the financial statements are as follows:

	Group	
	2017 Shs' millions	2016 Shs' millions
Capital commitments	31	104
Loans approved but not disbursed	6,646	8,601
	6,677	**8,705**

NOTES (continued)

30. Off-balance sheet contingencies and commitments (continued)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

Group - 31 December 2017	0-3 Months Shs' millions	3-6 Months Shs' millions	6-12 Months Shs' millions	1-5 Years Shs' millions	Totals Shs' millions
Guarantees and standby letters of credit	5,615	3,599	6,257	11,887	27,357
Letters of credit, acceptances and other documentary credits	7,593	2,913	2,505	932	13,943
Capital commitments	31	-	-	-	31
Loans approved but not disbursed	6,646	-	-	-	6,646
Total commitments and guarantees	**19,885**	**6,512**	**8,762**	**12,819**	**47,977**
Group - 31 December 2016					
Guarantees and standby letters of credit	5,333	4,842	4,421	4,982	19,578
Letters of credit, acceptances and other documentary credits	8,722	6,497	108	771	16,098
Capital commitments	104	-	-	-	104
Loans approved but not disbursed	8,601	-	-	-	8,601
Total commitments and guarantees	**22,760**	**11,339**	**4,529**	**5,753**	**44,381**

Group leases

The Group has entered into commercial property leases on a number of branches and office premises under operating leases. These non-cancellable leases have remaining terms of between one and 10 years. All leases include a clause that enables upward revision of the rental charges on an agreed basis according to prevailing market conditions. Some of the leases have extension options. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2017 Shs' millions	**2016 Shs' millions**
Within one year	2,187	2,345
After one year but not more than five years	4,369	4,153
More than five years	707	945
	7,263	**7,443**

NOTES (continued)

30. Off-balance sheet contingencies and commitments (continued)

Litigation

Litigation is a common occurrence in the banking industry in which the major subsidiaries of the Group operate due to the nature of the business. The Group and its subsidiary companies have established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes provisions to account for any adverse effects which the claim may have on its financial standing.

Contingent tax liabilities

The Group has unresolved tax disputes with the Kenya Revenue Authority currently pending at the Tax Appeals Tribunal. Based on professional advice received, the directors are of the opinion that no significant loss will arise from these matters.

31. Retirement Benefit Obligations

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

	Group	
	2017	**2016**
	Shs' millions	**Shs' millions**
National Social Security Fund	86	48
Pension Scheme	389	351
	475	**399**

32. Segment information

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

(i) Business segments

The Group provides financial services to individuals and small and medium sized enterprises in each of the banking subsidiaries. For management purposes, the results of each business unit (entity) is reviewed separately for the purpose of making decisions. Distinct significant business segments are only considered for loans and advances as presented below:

Group

Gross Loans and advances	Consumer Shs' millions	Micro enterprises Shs' millions	Agriculture Shs' millions	Small and medium enterprises Shs' millions	Large enterprises Shs' millions	Total Shs' millions
31 December 2017	58,148	9,665	6,316	185,866	29,088	289,083
31 December 2016	57,502	13,267	6,419	167,428	31,616	276,232

NOTES (continued)

32. Segment information (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:

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

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

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

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

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

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

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

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

Business loan - credit facilities granted to business customers for working capital needs. Biashara Imara - working capital facility provided to micro clients with no conventional collateral.

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

There are no other distinct significant business segments within each entity to necessitate detailed disclosures.

NOTES (continued)

32. Segment information (continued)

(ii) Operating segments

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

Group	Kenya Shs' millions	Uganda Shs' millions	South Sudan Shs' millions	Rwanda Shs' millions	Tanzania Shs' millions	DRC Shs' millions	Total Shs' millions
At 31 December 2017							
Total assets	396,680	29,265	8,298	21,397	25,962	42,863	524,465
Total liabilities	323,226	25,120	4,941	18,195	22,766	37,074	431,322
Net interest income	29,609	2,114	81	1,342	1,481	2,943	37,570
Total operating income	44,058	3,284	2,331	1,984	2,190	4,945	58,792
Depreciation & amortization	3,767	167	101	142	194	450	4,821
Total expenses including impairment of financial assets	22,93 4	2,100	2,296	1,286	1,838	4,169	34,623
Profit before income tax	23,839	1,184	35	697	352	776	26,883
Additions to property and equipment	1,289	434	30	58	80	445	2,336
Additions to intangible assets	1,590	40	-	31	7	4	1,672

NOTES (continued)

32. Segment information (continued)

Group	Kenya	Uganda	South Sudan	Rwanda	Tanzania	DRC	Total
	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions	Shs' millions
At 31 December 2016							
Total assets	372,315	18,243	11,070	15,676	23,838	32,571	473,713
Total liabilities	307,345	16,010	7,503	12,888	20,877	27,114	391,737
Net interest income	35,165	1,887	(55)	1,066	1,168	2,583	41,814
Total operating income	51,988	2,847	895	1,659	1,971	4,673	64,033
Depreciation and amortization	3,909	137	68	144	168	313	4,739
Total expenses including impairment of financial assets	28,414	2,218	1,423	1,263	1,616	4,172	39,106
Profit before income tax	23,574	628	(528)	396	356	501	24,927
Additions to property and equipment	1,239	191	152	57	152	945	2,736
Additions to intangible assets	2,608	3	-	-	1	52	2,664

Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not the gross income and expense. No revenue from transactions with a single external customer or counter party amounted to 10% or more of the Group's total revenue in 2017 or 2016. The Group's operating segments are reported based on financial information provided to the Strategy and Investment Committee which is the key management committee and represents the decision making organ.

NOTES (continued)

33. Derivative financial assets and liabilities

The table below shows the fair values of currency forwards and swaps recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

Group	2017				2016			
	Notional amount asset Shs' millions	Notional amount liability Shs' millions	Fair amount asset Shs' millions	Fair value of asset Shs' millions	Notional value of asset Shs' millions	Notional amount liability Shs' millions	Fair value asset Shs' millions	Fair value of liability Shs' millions
Forward exchange contracts	14,945	14,690	14,946	14,692	4,706	4,641	4,707	4,674
Swaps	-	-	-	-	2,501	2,477	2,536	2,490
Spot	1,361	1,360	1,361	1,362	-	-	-	-
	16,306	**16,050**	**16,307**	**16,054**	**7,207**	**7,118**	**7,243**	**7,164**

The Group has netting agreements in place with counterparties to manage the associated credit risks. These netting agreements and similar arrangements generally enable the counterparties to set-off liabilities against available assets received in the ordinary course of business and / or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus reducing credit exposure.

The table below summarises the currency forwards and swaps subject to offsetting and enforceable netting agreements whose net amounts are presented in other assets.

Group	2017			2016		
	Fair value of asset Shs' millions	Fair value of liability Shs' millions	Net amount presented Shs' millions	Fair value of asset Shs' millions	Fair value of liability Shs' millions	Net amount presented Shs' millions
Forward exchange contracts	14,946	14,692	254	4,707	4,674	33
Swaps	-	-	-	2,536	2,490	46
Spot	1,361	1,362	(1)	-	-	-
	16,307	**16,054**	**253**	**7,243**	**7,164**	**79**

NOTES (continued)

34. Fiduciary activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. These financial instruments comprise deposits with financial institutions, government securities and quoted and unquoted securities, among others. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Group accepting targets for benchmark levels of returns for the assets under the Group's care. These services give rise to the risk that the Group will be accused of maladministration or under-performance. The Group's Custodial Services department holds assets on behalf of customers with a value of Shs 79.232 billion (2016: Shs 53.227 billion). The income for the period for custodial services was Shs 81.605 million (2016: Shs 63.56 million) while the expenses amounted to Shs 24.019 million (2016: Shs 27.48 million).

35. Hyperinflation accounting

With effect from 2016, the South Sudanese economy is considered to be hyperinflationary in accordance with the criteria in IAS 29. Accordingly, adjustments and reclassifications for the purposes of presentation of financial statements include restatements in accordance with IAS 29, for changes in general purchasing power of the South Sudanese Pound.

The financial statements are based on historical cost approach. The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of measuring unit current at the reporting date.

On the application of IAS 29, the Group used conversion coefficients derived from the consumer price index (CPI) in the Republic of South Sudan. CPIs and the corresponding conversion coefficients are presented below: Year CPI Conversion coefficient

Group

31 December 2017	**CPI**	**Conversion coefficient**
2009	73	62
2010	82	55
2011	135	33
2012	170	26
2013	155	29
2014	170	26
2015	357	13
2016	2,799	2
2017	4,502	1
31 December 2016		
2009	73	39
2010	82	34
2011	135	21
2012	170	16
2013	155	18
2014	170	16
2015	357	8
2016	2,799	1

NOTES (continued)

35. Hyperinflation accounting (continued)

The application of IAS 29 resulted in an adjustment for the loss of purchasing power of the South Sudanese Pound recorded in profit or loss. In the current year, Equity Bank South Sudan was holding excess of monetary assets over monetary liabilities which resulted in a loss on the net monetary position. The movement is shown as below:

	Group	
	2017	**2016**
	Shs' millions	**Shs' millions**
Monetary liabilities at 1 January	7,858	28,473
Increase in net monetary liabilities during the year	658	15,613
Monetary liabilities at 31 December	**8,516**	**44,086**
Re stated monetary liabilities at 31 December	(4,941)	(7,419)
Gain on monetary liabilities (a)	**3,575**	**36,667**
Monetary assets at 1 January	11,039	29,343
Increase in net monetary assets during the year	1,798	17,975
Monetary assets at 31 December	**12,837**	**47,318**
Restated monetary assets at 31 December	7,816	(10,522)
Loss on monetary assets (b)	**5,021**	**36,796**
Net monetary position loss (a - b)	**(1,446)**	**(129)**

Monetary liabilities and assets at 1 January are based on opening CPI as of that date.

Monetary liabilities and assets at 31 December have been restated using the conversion coefficient of 1.61 (2016: 7.84). See also Note 2 (c) (iii).

36. Events after the reporting period

There have been no events after the reporting date that require adjustment to, or disclosure in, these financial statements.

Other Information

BOARD OF DIRECTORS PROFILES

EQUITY GROUP HOLDINGS PLC

PETER MUNGA, CBS
Non-Executive Chairman
Dr. Munga is a Certified Public Secretary with vast experience in both public and private sector management. He holds two Honorary doctorates, Doctor of Letters (Honoris Causa) from The University of Nairobi, and Entrepreneurship (Honoris Causa) from Kenya Methodist University. He has a diploma in Human Resources and Financial Management.

He has received the highest presidential award to a civilian, the First Class Chief of the Order of the Burning Spear (CBS) and also the Second Class Order of the Golden Heart of Kenya (EGH) national decoration, for his outstanding contributions in economic development.

Dr. Munga is the Chairman of Pioneer Group of Schools, Equatorial Nut Processors Ltd, Freshco Seeds Ltd and Murang'a Water and Sewerage Company (MWASCO). He is the current Chancellor of Pioneer International University. He is a Director with Britam Holdings Ltd and Housing Finance Group.

DAVID ANSELL
Non-Executive Vice-Chairman
Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business.

He was appointed as a Director of Equity Bank in 2012 and also serves as the Non-Executive Chairman of the Boards of Equity Bank Tanzania, Equity Bank Congo and Equity Investment Bank Ltd. Mr. Ansell also serves as a Non-Executive Director in Equity Bank Kenya and Equity Bank Uganda.

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 served as Managing Director and the first CEO of Ecobank Transnational Inc, located in Lome, Togo, but he rejoined Citibank thereafter.

JAMES MWANGI, CBS
Managing Director & 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. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. He 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.

Dr. Mwangi serves on several international bodies as an advisor and has recently been appointed to the Economic Advisory Board of the International Finance Corporation (IFC) to offer leadership advice, innovative ideas and partnership. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor of Meru University College of Science and Technology.

He has wide experience in the banking industry and inclusive finance. Dr. Mwangi is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group, an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility.

BOARD OF DIRECTORS PROFILES (continued)

MARY WAMAE
Executive Director

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists.

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

HELEN GICHOHI, MBS, OGW
Non-Executive Director

Dr. Gichohi holds a Ph.D. in Ecology from the University of Leicester in the UK, Master of Science degree in Biology of Conservation and a BSc in Zoology from the University of Nairobi and Kenyatta University respectively. She joined Equity Group Foundation in 2012 from the African Wildlife Foundation where she served for 11 years from 2001, as the President from 2007, Vice President from 2002 and Director of the Conservation Program from 2001 when she joined AWF.

Prior to that, she was the Managing Director of the African Conservation Center. Dr. Gichohi is a recipient of the Charlotte Wyman Trust's Women in Conservation Program, the Order of Great Warrior and the Moran of the Order of the Burning Spear (MBS) awarded by the Kenyan Government in recognition of her outstanding contribution in conservation. She won the Giai Environmental Award for 2012 at The WIFTs Foundation International Visionary Awards.

Dr. Gichohi serves on the boards of Ol Pejeta Conservancy and Africa Wildlife Foundation and previously served on Kenya Wildlife Service.

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. Mr. Aluanga was the Chief Operating Officer at Industrial Promotion Services (East Africa) between 2008 and June 2011. Prior to joining IPS, he served in several capacities at Nation Media Group rising to the position of Chief Operating Officer.

EVELYN RUTAGWENDA
Non-Executive Director

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She was appointed as a Director of Equity Group Holdings Plc in 2014 and also serves on the Boards of Directors of Equity Bank Rwanda Limited, which she chairs, and Equity Bank Uganda Limited.

She previously worked as the Auditor General for the Republic of Rwanda, as the Secretary General of Uganda National Chamber of Commerce and Industry (UNCCI), consultant/project accountant in Decentralization Secretariat (Institutional Capacity Building Project), Ministry of Local Government, Uganda and also as Chief Auditor at UCA Auditing Services among others. Mrs Rutagwenda spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR).

Mrs. Rutagwenda 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. In 2009 she received an ACCA Achievements Award for her outstanding contribution to developing the accountancy and finance profession. She is currently the Chair-MTN Rwanda and Crystal Telecom Limited, Vice-Chair, Board of Directors, Rwanda Development Board, and also serves on the Board of Directors of Victoria Motors Rwanda.

BOARD OF DIRECTORS PROFILES (continued)

DEEPAK MALIK
Non-Executive Director

Mr. Malik holds a Bachelor Degree in Commerce and is a fellow member of the Institute of Chartered Accountants India. He is the Chief Executive Officer of Arise, boasts extensive experience in the financial services sector on the African continent.

Prior to spearheading Arise, he was part of the management team at Norfund and served as the Head of Department of Financial Institutions, where he was tasked with overseeing the organisation's investment portfolio in Africa. Previous positions that Deepak has held include being appointed as the CEO of the Development Bank of Zambia (DBZ). In addition, he has also held several senior executive positions at Zambia Consolidated Copper Mines Limited (ZCCM) and serves on various boards of financial institutions across Southern and Eastern Africa.

ISAAC MACHARIA
Non-Executive Director

Prof. Macharia holds a Master of Medicine in Otorhinolaryngology, Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi and is a Fellow of the College of Surgeons of East, Central and Southern Africa (COSECSA).

He is a Professor of ENT, Head and Neck Surgery at the University of Nairobi and has a depth of experience in the medical field for over thirty (30) years. He is the East African regional advisor for CBM in Ear and Hearing Care as well as being the Regional Secretary for Africa and the Middle East, International Federation of Otorhinolaryngological Societies (IFOS).

He is a past President of the Pan African Federation of Otorhinolaryngological Societies (PAFOS). He is a member of The Starkey Hearing Foundation Global Initiative Advisory Board. Prof Macharia was the founder Chairman of the Allergy Society of Kenya and is also the founder Chairman of the Cochlear Implant Group of Kenya (CIGOK). He is Chairman of Savannah Informatics, Jadala Investments and Co-founder and Chairman, Otolaryngology Associates and Nairobi ENT Clinic.

VIJAY GIDOOMAL
Non-Executive Director

Mr. Gidoomal qualified as a lawyer from 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.

Mr. Gidoomal has seen the company grow regionally with representation in Kenya, Uganda, Tanzania, Rwanda, Burundi, Seychelles, Eritrea, Ethiopia, Djibouti and Somalia. In 2017, C&G entered a joint venture agreement with Cummins Inc to represent Cummins products in Eastern Africa.

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, Piaggio distributor of the year and also received Kenya Revenue Authority's distinguished taxpayer award in the motorcycle registration category.

He is an active member of the Young Presidents Association, its past Chairman (Kenya Chapter) and regional board member.

BOARD OF DIRECTORS PROFILES (continued)

EQUITY BANK (KENYA) LIMITED

ISAAC MACHARIA
Non-Executive Chairman

Prof. Macharia holds a Master of Medicine in Otorhinolaryngology, Bachelor of Medicine and Bachelor of Surgery from the University of Nairobi and is a Fellow of the College of Surgeons of East, Central and Southern Africa (COSECSA). He is a Professor of ENT, Head and Neck Surgery at the University of Nairobi and has a depth of experience in the medical field for over thirty (30) years.

He is the East African regional advisor for CBM in Ear and Hearing Care as well as being the Regional Secretary for Africa and the Middle East, International Federation of Otorhinolaryngological Societies (IFOS). He is a past President of the Pan African Federation of Otorhinolaryngological Societies (PAFOS). He is a member of The Starkey Hearing Foundation Global Initiative Advisory Board.

Prof. Macharia was the founder Chairman of the Allergy Society of Kenya and is also the founder Chairman of the Cochlear Implant Group of Kenya (CIGOK). He is Chairman of Savannah Informatics, Jadala Investments and Co-founder and Chairman, Otolaryngology Associates and Nairobi ENT Clinic.

JAMES MWANGI, CBS
Managing Director & Chief Executive Officer

Dr. Mwangi holds five honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. He 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.

Dr. Mwangi on several international bodies as an advisor and has recently been appointed to the Economic Advisory Board of the International Finance Corporation (IFC) to offer leadership advice, innovative ideas and partnership. 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.

He is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group, an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility.

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 is a seasoned and successful senior banker; with over 20 years of experience in the financial services industry with multiple financial institutions in various senior capacities and in different locations globally.

He has in-depth experience in the financial services industry covering digital banking, analytics, AI, corporate finance, corporate banking, transaction banking, wealth management, bancassurance, product management and retail banking. He previously worked for Midland Bank (HSBC), UK; Standard Chartered Bank, Kenya, Botswana and Singapore; and Citibank, Africa. Mr. Shah has a passion and experience in technology and its revolutionary impact on the financial services industry. He joined Equity Bank in 2015.

BOARD OF DIRECTORS PROFILES (continued)

DAVID ANSELL
Non-Executive Director
Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business.

He was appointed as a Director of Equity Bank in 2012 and also serves as the Non-Executive Vice-Chairman of Equity Group Holdings Plc and Non-Executive Chairman of the Boards of Equity Bank Tanzania, Equity Bank Congo and Equity Investment Bank Ltd. Mr. Ansell also serves as a Non-Executive Director in Equity Bank Uganda.

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 served as Managing Director and the first CEO of Ecobank Transnational Inc, located in Lome, Togo, but he rejoined Citibank thereafter.

FREDRICK MUCHOKI OGW
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
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). He 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, 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, EBS
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.

He is the Principal Secrerary, State Department Planning, The National Treasury and Ministry of Planning. He is also the Director General, Vision 2030 Delivery Secretariat which coordinates and oversees the implementation of Kenya's long term development blue print–Vision 2030. He was previously the Secretary of the National Economic and Social Council (NESC), a top advisory think tank to the government of Kenya that facilitated the preparation of Vision 2030.

Dr. Muia is also the Chairman of ChildFund Kenya and International Leadership Foundation–Kenya. Prior to joining the public service in 2008 he served in various leadership and technical capacities in the private sector in the United Kingdom and Kenya rising to Group Finance Director and Chief Operating Officer. In 2011, his contributions to Kenya's development were recognized through a Presidential award of Elder of the Burning Spear (EBS).

BOARD OF DIRECTORS PROFILES (continued)

MARY WAMAE
Executive Director
Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity Bank in 2004.

EQUITY BANK UGANDA LIMITED

APOLLO MAKUBUYA
Non-Executive Chairman
Mr. Makubuya is a Senior Partner at MMAKS Advocates and works with the Corporate Advisory Team. He mainly advises mining companies, banks, regional and international investors on corporate, commercial law and tax issues. He also has extensive experience in the field of international human rights law. Before going into private practice, Apollo worked as a legal advisor at a private bank and was the Assistant Head of the Financial Sector Adjustment Credit (FSAC) Division of the Bank of Uganda.

While at the Uganda law reform commission, Apollo was in charge of reforming the laws applicable to business associations in the country. Apollo has also consulted extensively on human rights, development and corporate law issues with the Uganda human rights commission, DANIDA and UNDP. Apollo is a graduate of Cambridge University, UK and holds a first class Honours Bachelor's law degree from Makerere University. He is also the Deputy Prime Minister of the Kingdom of Buganda.

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

ANTHONY KITUUKA
Executive Director
Mr. Kituuka holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA).

BOARD OF DIRECTORS PROFILES (continued)

He has over 10 years banking experience and has previously worked with Kenya Commercial Bank (KCB) as the Head of Global Corporates and Barclays Bank Uganda Limited as Head of Business Banking. He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

PETER KIMBOWA
Non-Executive Director

Mr. Kimbowa is the team leader CEO Summit Uganda and is an Executive Coach, Internationally certified trainer, speaker, consultant and author. He is a Board member in ESKOM (U), Baylor College of Medicine (Mulago and Texas) and Financial Sector Deepening Initiative of Executive Coaching Association for Africa.

He is an adjunct faculty member Strathmore Business School, a founding member Association of Management Consultants of Uganda (AMCU) and Uganda Coaches and Mentors. He is a co-founder and Managing Partner IFE – a Leadership and Management Development consulting firm and also an Associate of National Academy of Sciences as well as American Management Association.

EVELYN RUTAGWENDA
Non-Executive Director

Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She was appointed as a Director of Equity Bank Uganda Limited in 2015. She is the Chairperson of the Board Directors of Equity Bank Rwanda Limited and serves on the Board of Directors of Equity Group Holdings Plc.

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. In 2009 she received an ACCA Achievements Award for her outstanding contribution to developing the accountancy and finance profession. She is currently the Chair–MTN Rwanda and Crystal Telecom Limited, Vice-Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

JAMES MWANGI, CBS
Non-Executive Director

Dr. Mwangi holds five honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

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He serves on several international bodies as an advisor and has recently been appointed to the Economic Advisory Board of the International Finance Corporation (IFC) to offer leadership advice, innovative ideas and partnership. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor of Meru University College of Science and Technology.

He has wide experience in the banking industry and inclusive finance. Dr. Mwangi is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity

BOARD OF DIRECTORS PROFILES (continued)

Group, an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility.

GEOFFREY 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. He joined MOGAS in 1996 as the Managing Director of MOGAS Uganda and rose to the level of MOGAS Group Chief Executive Officer, a position he still holds to-date.

DAVID ANSELL
Non-Executive Director
Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business.

He was appointed as a Director of Equity Bank in 2012 and also serves as the Non-Executive Vice-Chairman of Equity Group Holdings Plc and Non-Executive Chairman of the Boards of Equity Bank Tanzania, Equity Bank Congo and Equity Investment Bank Ltd. Mr. Ansell also serves as a Non-Executive Director in Equity Bank Kenya.

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 served as Managing Director and the first CEO of Ecobank Transnational Inc, located in Lome, Togo, but he rejoined Citibank thereafter.

MARY WAMAE
Non-Executive Director
Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity Bank in 2004.

MARK OCITTI
Non-Executive Director
Mark Ocitti, holds a Bachelor of Statistics degree from Makerere University in Uganda, an Advanced Management Program certificate from the London Business School and a Master in Business Administration degree from the Herriot Watt University, Edinburgh, UK.

Mark has had an illustrious career spanning over 24 years, which started in the downstream oil industry with Shell in Uganda, where he held a number of roles in the commercial field, the last of which was Retail Director Shell Uganda. After 11 years in the oil industry, Mark joined the Telecoms Industry in 2005 to work for Bharti Airtel International where he successfully performed in various roles, first as Sales Director Celtel Uganda, then as Sales Director Celtel Zambia, Commercial Director Airtel Zambia and Airtel Group Business Director. After 9 years working in the telecoms industry, he left in August 2014 to join EABL.

He is currently the Managing Director of Uganda Breweries Limited. Prior to his appointment to Uganda Breweries in July 2016, Mark was the Managing Director of EABLI, the international division of EABL based in Nairobi, Kenya, a role he took up in August 2014.

BOARD OF DIRECTORS PROFILES (continued)

EQUITY BANK SOUTH SUDAN LIMITED

SHEM MIGOT
Non-Executive Chairman
Prof. Migot holds a PhD in Sociology of Development, Master of Arts in Sociology, both from University of California, was a Special Graduate Student in Agricultural Economics (Michigan State University) and earned a Bachelor of Arts (University of East Africa). He 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, sits on the Board of the Center for Corporate Governance and is also a Director of Housing Finance Company of Kenya Ltd. He has previously served as Vice-Chairman Board of Directors Kenya Wildlife Service between 2004 and 2007 and was Lead Specialist on Land Policy and Administration for Africa Region in the World Bank Headquarters.

He also served (on secondment from the World Bank) as Permanent Secretary, Ministry of Agriculture and Rural Development, Government of Kenya, where he was responsible for formulation and implementation of agricultural and rural development policy as well as general oversight of 38 state corporations. Earlier he was Associate Research Professor at the Institute for Development Studies (IDS), University of Nairobi and has numerous publications focusing on land issues, pastoralism, farmers' institutions and rural development. He has working experience in many African countries as well as Haiti, Kyrgyz Republic and several Asian countries.

ADDIS ABABA OTHOW
Managing Director
Dr. Othow 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, he initially worked as a teaching assistant at Al Neelain University, Khartoum and was later appointed as a banking inspector, Central Bank of Sudan in 1997.

He worked as an assistant accountant and auditor at Dubois & Co Chartered Accountants Amsterdam, The Netherlands. He has also worked as head of non-banking Division before he got transferred to be the Head of planning, regulation and licensing, central bank of south Sudan (BSS). He joined Equity Bank in February 2015.

JAMES MWANGI, CBS
Non-Executive Director
Dr. Mwangi holds five honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. Dr. Mwangi 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 and has recently been appointed to the Economic Advisory Board of the International Finance Corporation (IFC) to offer leadership advice, innovative ideas and partnership. Dr. Mwangi is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor of Meru University College of Science and Technology.

He has wide experience in the banking industry and inclusive finance. Dr. Mwangi is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group, an innovation and creative vehicle that has

BOARD OF DIRECTORS PROFILES (continued)

fully transformed the concept of philanthropy and corporate social responsibility.

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 is also the Chairman of the South Sudan Media Development Institute. 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 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 has Certificate in Gender and Development also holds a Certificate on Skill for Communicating with Children and Advanced Certificate on Women Peace and Security Council Resolution 1325 and holds Certificate on Consultation Skills and Methodologies on Establishment of the Commission for Truth, Reconciliation and Healing.

She is currently a Legal Counsel, Ministry of Justice and Constitutional Affairs, Republic of South Sudan and she has wide experience in Legislative Drafting and holds Certificates on Legislative Drafting and Bills Scrutiny Training with over 11 years' experience and holds a Post Graduate Diploma in Human Rights University of Juba and a member of South Sudan Women Lawyers FIDA.

BOARD OF DIRECTORS PROFILES (continued)

EQUITY BANK RWANDA LIMITED

EVELYN RUTAGWENDA
Non-Executive Chairperson
Mrs. Rutagwenda holds a Bachelor of Commerce degree from Makerere University, Kampala and is a Certified Public Accountant. She was appointed as a Director of Equity Bank Uganda Limited in 2015. She is the Chairperson of the Board Directors of Equity Bank Rwanda Limited and serves on the Board of Directors of Equity Group Holdings Plc.

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. In 2009 she received an ACCA Achievements Award for her outstanding contribution to developing the accountancy and finance profession. She is currently the Chair–MTN Rwanda and Crystal Telecom Limited, Vice-Chair, Board of Directors, Rwanda Development Board and also serves on the Board of Directors of Victoria Motors Rwanda.

HANNINGTON NAMARA
Managing Director
Mr. Namara 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.

Mr. Namara has over 15 years of experience as a Senior Private Sector Development specialist. He has extensive track record in Strategy, Leadership and Programme Management, Finance and Communications. He is currently the Chief Executive Officer and Managing Director of Equity Bank Rwanda. Before joining the Bank, Mr. Namara was the Country Director of TradeMark East Africa – Rwanda Country Programme leading a large (USD 65 Million) Trade Facilitation and Regional Integration Programme.

In 2012, Mr. Namara served as the Chief executive officer of the Rwanda Private Sector Federation. He worked with Commercial Bank of Rwanda (BCR), heading the bank's corporate banking division, marketing and business development functions.

Mr. Namara 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). He is a Fellow of the fourth class of the Africa Leadership Initiative-East Africa and a member of the Aspen Global Leadership Network.

PROF. HERMAN MUSAHARA
Non-Executive Director
Prof. Musahara has more than 30 years' experience as an academic, researcher and consultant. He holds a PhD in Development Studies from University of Western Cape in South Africa. He is currently Associate Professor at the School of Economics, University of Rwanda. Up to 2016 he was Acting 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. 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

BOARD OF DIRECTORS PROFILES (continued)

Research (IPAR) Rwanda, coordinator of African Technology Policy Studies network, member of the Advisory Academic Council of the Global MDP coordinated from Columbia University and Focal Point of the UN Sustainable Development Solutions Network Great Lakes.

JOANNA BICHSEL
Non-Executive Director
Mrs. Bichsel holds a Bachelor's degree in Computer Science with Honors from Queen's University in Canada. She is the CEO and Co-Founder of Kasha, an ecommerce company for women's health operating in Kenya and Rwanda. Prior to founding Kasha, she was the Principal Technology Advisor for Global Development at the Bill & Melinda Gates Foundation focusing on technology strategy and investments across East and West Africa and South Asia.

Mrs. Bichsel also spent 11 years at Microsoft Corporation headquarters working as a software engineer, business leader and a senior leader of an international cybersecurity team.

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. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

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He has wide experience in the banking industry and inclusive finance. Dr. Mwangi is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group, an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility.

DR. PATRICK UWIZEYE
Non-Executive Chairman
Dr. Uwizeye holds a Degree of Doctor of Business Administration (DBA) from the Edinburgh Business School Heriot-Watt University, UK; Masters of Science (MSc) in Strategic Planning from the same University; MBA in Financial Management from the University of Hull, UK; Masters in Communications Management (MCM) from Coventry University, UK.

He is a Certified Public Accountant (CPA) and a member of both Institutes of CPA Kenya and Rwanda, a Certified Member of the Institute of Risk Management (CMIRM), UK; and Associate Member of Kenya Institute of Management. Dr. Uwizeye has over 28 years of working experience as business management professional at senior level positions.

He worked with MTN Rwanda in various positions including Chief Finance Officer (CFO), and the General Manager in charge of Business Risk Management. He also worked in Kenya with AACC in Nairobi, and held senior positions of the Director of Finance and Administration and the Chief Accountant. Currently, Dr. Uwizeye is the Managing Director of BPU Consulting Ltd, the company he founded.

BOARD OF DIRECTORS PROFILES (continued)

JULIUS KAYOBOKE
Non-Executive Director
Mr. Kayoboke holds an MBA from the University of Birmingham, UK including a year spent at the Pepperdine George Graziado Business School in California, and has professional qualifications in key accounts management, mainstream and premium brand positioning. He has been working with Heineken since 2001, where he has risen through the ranks from Project Manager to currently the Marketing Director of the Rwanda Operating Company. He has vast experience in the commercial disciplines of Marketing and Sales - both in Europe and throughout Africa.

ROBERT BAFAKULERA
Non-Executive Director
Mr. Bafakulera holds a Bcoms degree from Makerere University, Uganda. He has served as Chairman in several Investment and Trading companies and has a wealth of experience in entrepreneurship and business. He is currently the Managing Director of Acacia Developers Ltd, Rwanda.

EMMANUEL BUTARE
Non-Executive Director
Mr. Butare holds a Master's Degree in law from Ottawa University and a Bachelor of Laws from the National University of Rwanda. He also holds a Postgraduate Diploma in legal Practice from the Institute of Legal Practice and Development (ILPD); A Membership Certificate from the London Institute of Chartered Arbitrators, and a Certificate in Global Arbitration from Hamline University of Law in conjunction with School of International Arbitration, Queen Mary University in London.

He worked as an assistant lecturer at the Law School, a Training coordinator in the Rwandan Judiciary, and Principal State Attorney. He was part of the team that negotiated the launch of the Tripartite Free Trade Area negotiations between the EAC, COMESA and SADC. He served as a Vice President, East African Law Society (EALS) and President of the Strategic litigation committee of the EALS. He is a member of the Kigali International Arbitration Centre domestic Arbitrators, and has handled several arbitrations. Mr. Butare is currently the Managing Partner and one of the founding Partners of MRB Attorneys.

MARY WAMAE
Executive Director
Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity Bank in 2004.

JAMES MUTUKU
Non-Executive Director
(Alternate to James Mwangi)
Mr. Mutuku has a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 19 years' experience in the Treasury business having worked for Co-operative bank, KCB and most recently as the Head of Financial Markets for Standard Chartered Bank Uganda. Before that, he was the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya.

Mr. Mutuku brings a wealth of experience in balance sheet management and fixed income trading, having been one of the founding members of the CBK market leader's forum. He joined Equity Bank in 2016.

BOARD OF DIRECTORS PROFILES (continued)

EQUITY BANK (TANZANIA) LIMITED

DAVID ANSELL
Non-Executive Chairman
Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business.

He was appointed as a Director of Equity Bank in 2012 and also serves as the Non-Executive Vice-Chairman of Equity Group Holdings Plc and Non-Executive Chairman of the Boards of Equity Bank Congo and Equity Investment Bank Ltd. Mr. Ansell also serves as a Non-Executive Director in Equity Bank Uganda and Equity Bank Kenya.

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 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. He is also a graduate of Advanced Management Program (Strathmore - IESE Business School, Barcelona Spain) and has also attended various professional courses in banking.

He has over 18 years of 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 Cooperative Bank of Kenya for six years in various capacities.

RAYMOND 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, he 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. Eng. Mbilinyi also served as Vice President of World Investment Promotion Agencies Association (WAIPA) up to December 2012.

Currently, he 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.

AHMED 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.

BOARD OF DIRECTORS PROFILES (continued)

GODFREY SIMBEYE
Non-Executive Director
Mr. Simbeye is currently the Executive Director of Tanzania Private Sector Foundation (TPSF) since 9th March 2012. Mr. Simbeye has a strong background in Business and Financial Management and has more than 17 years of experience in consultancy and management of finance functions.

He graduated with a Bachelor of Commerce and Accounting degree from the University of Dar es Salaam, and is a qualified accountant (ACCA), he has a Master of Science degree in Information Systems Management and Technology from the University of Strathclyde in the UK.

Mr. Simbeye is a member of the Executive Board African Capacity Building Foundation (ACBF) based in Zimbabwe, member of the Board of Tanzania Bureau of Standards (TBS) and Chair of the Audit and Risk Committee at TBS, Chairman of the Tanzania AIDS TRUST Fund and member of the Board of the Tanzania Investment Centre. A champion of anti-corruption crusade having established the Business Action Against Corruption (BAAC) Tanzania Chapter in 2011.

JAMES MWANGI, CBS
Non-Executive Director
Dr. Mwangi holds five honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

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He has wide experience in the banking industry and inclusive finance. Dr. Mwangi is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group, an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility.

REUBEN MBINDU
Non-Executive Director
(Alternate to James Mwangi)
Mr. Mbindu holds a BSc. in Computer Science from Germany and is a full member of the Institute of Human Resource Management in Kenya. He has over 30 years work experience, most of which has been in the Banking sector as a human capital specialist.

He joined Equity Bank in 2013 from Standard Chartered, where he had served at senior management levels in Human resources for over 15 years.

Mr. Mbindu is also an Executive Director for Equity Group Foundation and Equity Bank Tanzania. He has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has also held other senior positions including Head of Corporate Affairs - Standard Chartered, East Africa and Chairman of the Standard Chartered Nairobi Marathon.

BOARD OF DIRECTORS PROFILES (continued)

MARY WAMAE
Non-Executive Director
Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity Bank in 2004.

EQUITY BANK CONGO S.A.

DAVID ANSELL
Non-Executive Chairman
Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business.

He was appointed as a Director of Equity Bank in 2012 and also serves as the Non-Executive Vice-Chairman of Equity Group Holdings Plc and Non-Executive Chairman of the Boards of Equity Bank Tanzania and Equity Investment Bank Ltd. Mr. Ansell also serves as a Non-Executive Director in Equity Bank Uganda and Equity Bank Kenya.

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 served as Managing Director and the first CEO of Ecobank Transnational Inc, located in Lome, Togo, but he rejoined Citibank thereafter.

CÉLESTIN MUNTUABU
Managing Director
Mr. Muntuabu holds a Master's degree in Business Administration and Management from the Protestant University in Congo. Besides his training in leadership, he also holds a degree in Banking Administration from ProCredit Academy – Germany.

Prior to joining the banking sector, he worked with the International Training Center, a consulting cabinet specialized in the training of the business executives in internal audit and strengthening of the systems of internal control of companies. Mr. Muntuabu is a Permanent Secretary and clerk trainer at the International Training Center.

He has held various top level positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014).

Since March 2017, Mr. Muntuabu has been serving as Deputy Chairman of the United Nations Global Compact DRC Network.

BOARD OF DIRECTORS PROFILES (continued)

PHILIP SIGWART
Executive Director
Mr. Sigwart holds an MBA from the University of Chicago Booth School of Business and a Bachelor and a Master of Arts degree in Economics from the University of St. Gallen in Switzerland. He has over 20 years of experience in banking in transition economies and emerging markets in Eastern Europe, Latin America and Africa.

He started his career as a bank advisor with the Russia Small Business Fund of the European Bank for Reconstruction and Development. In 2002 he transferred to the ProCredit Group, where he was CEO of ProCredit Bank Georgia, and later the CEO of ProCredit Bank Kosovo. He also held directorships at ProCredit Bank Bolivia and ProCredit Bank Ecuador. His role immediately prior to joining Equity Bank was as Executive Chairman of ProCredit Bank in the D.R.Congo.

WOLFGANG BERTELSMEIER
Non-Executive Director
Mr. Wolfgang holds a degree in Business Administration from Frankfurt University. He also has a degree in banking. He further attended executive education courses at Harvard Business School, INSEAD and Stanford University. He worked initially for Deutsche Bank, then DEG and was thereafter recruited by the World Bank in 1976.

In 1990, he transferred to IFC where he was responsible for West and Central Africa, later Vietnam, followed by Brazil and finally Europe. Since retiring in 2009, he has held various Board Directorships primarily in financial institutions in Europe, Asia and Africa, as well as infrastructure and hospitality companies in Africa.

BHARTESH SHAH
Non-Executive Director
Mr. Shah holds an MBA from the University of Warwick and a Bachelor of Science (Hons.) in Mr. Shah holds an MBA from the University of Warwick and a Bachelor of Science (Hons.) in Banking and Finance from Loughborough University.

He is a seasoned and successful senior banker; with over 20 years of experience in the financial services industry with multiple financial institutions in various senior capacities and in different locations globally. Mr. Shah has in-depth experience in the financial services industry covering digital banking, analytics, AI, corporate finance, corporate banking, transaction banking, wealth management, bancassurance, product management and retail banking.

He previously worked for Midland Bank (HSBC), UK; Standard Chartered Bank, Kenya, Botswana and Singapore; and Citibank, Africa. Mr. Shah has a passion and experience in technology and its revolutionary impact on the financial services industry. He joined Equity Bank in 2015.

DR. MARK SCHWIETE
Non-Executive Director
Dr. Schwiete holds a Bachelor of Business Administration, a Master of Arts in Economic Studies and a Ph.D. in Economics on the topic of financial sector reform in Eastern Europe from the Friedrich-Alexander-University in Nürnberg.

In 1984, Dr. Schwiete began his professional career with Hypo-Bank (Mortgage Bank) in Germany. In late 1997, he joined Dresdner Bank in Frankfurt, serving for three years as the Senior Economist for country risk analysis in the Emerging Markets Division.

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

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. He has been honoured thrice with Presidential national awards; he was vested

BOARD OF DIRECTORS PROFILES (continued)

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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC). He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. He 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.

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JAMES MUTUKU
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Mr. Mutuku has a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 19 years' experience in the Treasury business having worked for Co-operative bank, KCB and most recently as the Head of Financial Markets for Standard Chartered Bank Uganda. Before that, he was the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya.

Mr. Mutuku brings a wealth of experience in balance sheet management and fixed income trading, having been one of the founding members of the CBK market leader's forum. He joined Equity Bank in 2016.

JEAN-CLAUDE TSHIPAMA
Non-Executive Director

Mr. Tshipama holds an Executive Master in Business Administration (MBA) form McGill University and HEC-Montreal. He also has a Master's degree in Economics from the Protestant University in Congo. Mr. Tshipama has an extensive experience in Business Development, Marketing, Sales and Distribution in the Telecommunications, IT and Pay TV industry. This experience has been gained throughout the world (in Africa, North America, Europe, and the Pacific region).

Mr. Tshipama was successively Commercial Manager of Celtel in the DRC, Head of Sales and Distribution in the Caribbean and Pacific regions at Digicel Group and also Director in charge of 19 African countries at Microsoft Corporation. From 2012 to 2016, Mr. Tshipama was the Managing Director in Africa for Canal+ (a Pay TV company). Mr. Tshipama is currently the Chief Executive Officer of Zympala North America, an international clothing brand inspired from Africa.

MARY WAMAE
Non-Executive Director

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity Bank in 2004.

BOARD OF DIRECTORS PROFILES (continued)

EQUITY GROUP FOUNDATION

JAMES MWANGI, CBS
Executive Chairman

Dr. Mwangi holds five honorary doctorate degrees in recognition of his contributions to the Kenyan society. He holds a Bachelor of Commerce degree and is a Certified Public Accountant. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. He 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 and has recently been appointed to the Economic Advisory Board of the International Finance Corporation (IFC) to offer leadership advice, innovative ideas and partnership. He is a Board member of the Africa Leadership Academy in South Africa, the Global Alliance for Food Security and Nutrition among others and is the Chancellor of Meru University College of Science and Technology.

He has wide experience in the banking industry and inclusive finance. Dr. Mwangi is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group, an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility.

REUBEN MBINDU
Executive Director

Mr. Mbindu holds a BSc. in Computer Science from Germany and is a full member of the Institute of Human Resource Management in Kenya. He has over 30 years work experience, most of which has been in the Banking sector as a human capital specialist.

He joined Equity Bank in 2013 from Standard Chartered, where he had served at senior management levels in Human resources for over 15 years.

Mr. Mbindu sits on the Board of Equity Bank Tanzania. He has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has also held other senior positions including Head of Corporate Affairs - Standard Chartered, East Africa and Chairman of the Standard Chartered Nairobi Marathon.

ZAINAB JAFFER
Non-Executive Director

Ms. Jaffer graduated with honors from the London School of Economics and Political Science with a Bachelor of Science Degree, Management with Law. She is the Director of MJ Group, a leading African port service provider based out of Kenya. MJ Group specializes in bulk cargo handling in liquid and dry state.

Ms. Jaffer has been mandated with the task of implementing the Social Economic Development Initiative for Kenya (SEDIK), which has been launched under the guidance of the Kenyan government to support Kenya's Vision 2030.

She serves as Director, Principal and/or Advisor to the following: IFG Port Holdings, a New York based global investment firm and Semelex Biometrics, a Brussels based biometrics company.

Ms. Jaffer is also a Board Member of the Coast General Hospital. She is also highly active and passionate about philanthropic work through her leadership at The Jaffer Foundation, an approved non-profit whose mission is to improve the human condition with a focus on health, water projects and education.

BOARD OF DIRECTORS PROFILES (continued)

MARY WAMAE
Non-Executive Director
Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity Bank in 2004.

FINSERVE AFRICA LIMITED

DR. PATRICK UWIZEYE
Non-Executive Chairman
Dr. Uwizeye holds a Degree of Doctor of Business Administration (DBA) from the Edinburgh Business School Heriot-Watt University, UK; Masters of Science (MSc) in Strategic Planning from the same University; MBA in Financial Management from the University of Hull, UK; Masters in Communications Management (MCM) from Coventry University, UK.

He is a Certified Public Accountant (CPA) and a member of both Institutes of CPA Kenya and Rwanda, a Certified Member of the Institute of Risk Management (CMIRM), UK; and Associate Member of Kenya Institute of Management. Dr. Uwizeye has over 28 years of working experience as business management professional at senior level positions.

He worked with MTN Rwanda in various positions including Chief Finance Officer (CFO), and the General Manager in charge of Business Risk Management. He also worked in Kenya with AACC in Nairobi, and held senior positions of the Director of Finance and Administration and the Chief Accountant. Currently, Dr. Uwizeye is the Managing Director of BPU Consulting Ltd, the company he founded.

JACK NGARE
Managing Director
Mr. Ngare holds an Masters in Management from Harvard University, an MSC in Advanced Computer Science (Distinction) and BSC in Computer Science from the University of Leicester. He also holds a Graduate Diploma in Strategic Management from Harvard University, Certified Information Systems Security Professional (CISSP) and is a Certified Information Security Manager (CISM).

He previously worked for British Telecom (Global Services) with assignments in UK, Saudi Arabia, Peru and a joint venture with NTT Docomo in Japan. He subsequently worked at Stanbic Bank and NIC Bank (Kenya, Uganda and Tanzania). Mr. Ngare has in depth experience in management, the telco industry, mobile financial services and emerging technology risks and security.

BOARD OF DIRECTORS PROFILES (continued)

ERIC KAROBIA
Executive Director
Mr. Karobia holds a Bachelor of Arts degree in Economics and Mathematics from the University of Nairobi. He has over 14 years of experience in Banking and Mobile money covering IT Systems & Operations, Project Management, customer management, Mobile Money product development, Operations and general agent administration.

He previously worked for Bharti Airtel Group International Netherlands B.V, as the Senior Manager, IT Products & Systems and at Equity Bank for 8yrs in various roles. His immediate former role was Head of Department, Product Development & Operations Financial Services Division (M-PESA) from 2012-2014 at Safaricom Ltd, Senior Manager, Product Development & Operations, Strategic projects for the Financial Services Division (M-PESA) at Safaricom Ltd a position he held for 8months before being promoted to HOD.

Mr. Karobia joined Equity Bank in 2014 as General Manager- Innovation, Product development & mobile payments a position that was held from July 2014 to Dec 2016. Currently he is the Group Director-Strategic Execution, PMO &ICT Governance.

BRENT MALAHAY
Non-Executive Director
Mr. Malahay holds a Masters degree in Economics and an Honors degree in Business Finance from the University of KwaZulu Natal, South Africa. He has over 14 years' experience in financial services having worked in commercial banking, credit ratings, investment banking and fund management.

He has previously worked for Standard Bank, Fitch Ratings, J.P. Morgan and Investec Asset Management. Mr. Malahay joined Equity Bank in 2016.

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.

JOANNA BICHSEL
Non-Executive Director
Mrs. Bichsel holds a Bachelor's degree in Computer Science with Honors from Queen's University in Canada. She is the CEO and Co-Founder of Kasha, an ecommerce company for women's health operating in Kenya and Rwanda. Prior to founding Kasha, she was the Principal Technology Advisor for Global Development at the Bill & Melinda Gates Foundation focusing on technology strategy and investments across East and West Africa and South Asia.

Mrs. Bichsel also spent 11 years at Microsoft Corporation headquarters working as a software engineer, business leader and a senior leader of an international cybersecurity team.

JOSEPHINE WAPAKABULO
Non-Executive Director
Dr. Wapakabulo holds a PhD in Information Science focused on "big data", and published a book on the adoption of data-exchange standards and knowledge management technologies in Defence and Oil & Gas companies. She obtained her Global Executive MBA from INSEAD business school in France.

She has over 17 years' professional experience with a focus on strategy development and implementation, quality and continuous improvement, and engineering management in multinational companies, across multiple continents in Oil & Gas, Defence, Aerospace and IT consulting. She obtained her executive level experience in the UK, Germany, Australia and Uganda.

Dr. Wapakabulo is the CEO of the Uganda National Oil Company since 2016 and the first woman inaugural CEO of a National Oil Company.

BOARD OF DIRECTORS PROFILES (continued)

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. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC).

He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. He 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.

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He has wide experience in the banking industry and inclusive finance. Dr. Mwangi is also the founding Executive Chairman of Equity Group Foundation (EGF), the social impact investment arm of Equity Group, an innovation and creative vehicle that has fully transformed the concept of philanthropy and corporate social responsibility.

MARY WAMAE
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She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists.

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

BOARD OF DIRECTORS PROFILES (continued)

EQUITY INVESTMENT BANK

DAVID ANSELL
Non-Executive Chairman
Mr. Ansell holds a Bachelor's degree in Mathematics from the University of North Carolina at Wilmington, another Bachelor's degree in Finance from the Thunderbird Graduate School of International Management and an Advanced Management Degree (AMP) from the Wharton School of Business.

He was appointed as a Director of Equity Bank in 2012 and also serves as the Non-Executive Vice-Chairman of Equity Group Holdings Plc and Non-Executive Chairman of the Boards of Equity Bank Tanzania and Equity Bank Congo. Mr. Ansell also serves as a Non-Executive Director in Equity Bank Uganda and Equity Bank Kenya.

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 served as Managing Director and the first CEO of Ecobank Transnational Inc, located in Lome, Togo, but he rejoined Citibank thereafter.

JULIUS MUIA, EBS
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.

He is the Principal Secrerary, State Department Planning, The National Treasury and Ministry of Planning. He is also the Director General, Vision 2030 Delivery Secretariat which coordinates and oversees the implementation of Kenya's long term development blue print–Vision 2030. He was previously the Secretary of the National Economic and Social Council (NESC), a top advisory think tank to the government of Kenya that facilitated the preparation of Vision 2030.

Dr. Muia is also the Chairman of ChildFund Kenya and International Leadership Foundation–Kenya. Prior to joining the public service in 2008 he served in various leadership and technical capacities in the private sector in the United Kingdom and Kenya rising to Group Finance Director and Chief Operating Officer. In 2011, his contributions to Kenya's development were recognized through a Presidential award of Elder of the Burning Spear (EBS).

VIJAY GIDOOMAL
Non-Executive Director
Mr. Gidoomal qualified as a lawyer from 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.

Mr. Gidoomal has seen the company grow regionally with representation in Kenya, Uganda, Tanzania, Rwanda, Burundi, Seychelles, Eritrea, Ethiopia, Djibouti and Somalia. In 2017, C&G entered a joint venture agreement with Cummins Inc to represent Cummins products in Eastern Africa.

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, Piaggio distributor of the year and also received Kenya Revenue Authority's distinguished taxpayer award in the motorcycle registration category.

He is an active member of the Young Presidents Association, its past Chairman (Kenya Chapter) and regional board member.

BOARD OF DIRECTORS PROFILES (continued)

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. He has been honoured thrice 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, the Moran of the Burning Spear (MBS) and Head Of State Commendation (HSC). He was named the World Entrepreneur of the Year by Ernst & Young in 2012, the Forbes Africa Person of the Year in 2012 and is a holder of the 2007 Global Vision Award. He was also recognized as the 2015 Ai40 CEO of the year at the 8th Annual Africa Investor (Ai) CEO Investment Summit held in New York. He 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.

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She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development and has over 14 years private legal practice experience. She joined Equity in 2004.

GROUP EXECUTIVE MANAGEMENT PROFILES

JAMES MWANGI, CBS
Managing Director & Chief Executive Officer

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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 is a seasoned and successful senior banker; with over 20 years of experience in the financial services industry with multiple financial institutions in various senior capacities and in different locations globally.

He has in-depth experience in the financial services industry covering digital banking, analytics, AI, corporate finance, corporate banking, transaction banking, wealth management, bancassurance, product management and retail banking.

Mr. Shah previously worked for Midland Bank (HSBC), UK; Standard Chartered Bank, Kenya, Botswana and Singapore; and Citibank, Africa. He has a passion and experience in technology and its revolutionary impact on the financial services industry. He joined Equity Bank in 2015.

MARY WAMAE
Group Executive Director

Mrs. Wamae holds a Master's degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public Secretaries of Kenya (ICPSK), Law Society of Kenya and the Kenya Section of International Commission of Jurists. She is a graduate of Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain).

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GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

REUBEN MBINDU
Chief Officer, Human Capital and Administration
Mr. Mbindu holds a BSc. in Computer Science from Germany and is a full member of the Institute of Human Resource Management in Kenya. He has over 30 years work experience, most of which has been in the Banking sector as a human capital specialist.

He joined Equity Bank in 2013 from Standard Chartered, where he had served at senior management levels in Human resources for over 15 years.

Mr. Mbindu sits on the Boards of Equity Bank Tanzania and Equity Group Foundation. He has also worked in other sectors including public sector (UNEP), consultancy (Deloitte) and ICT (Siemens, Germany). He has also held other senior positions including Head of Corporate Affairs - Standard Chartered, East Africa and Chairman of the Standard Chartered Nairobi Marathon.

JAMES MUTUKU
Group Director, Treasury
Mr. Mutuku has a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 19 years' experience in the Treasury business having worked for Co-operative bank, KCB and most recently as the Head of Financial Markets for Standard Chartered Bank Uganda. Before that, he was the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya.

Mr. Mutuku brings a wealth of experience in balance sheet management and fixed income trading, having been one of the founding members of the CBK market leader's forum. He joined Equity Bank in 2016.

BRENT MALAHAY
Group Director Strategy, Strategic Partnerships & Investor Relations
Mr. Malahay holds a Masters degree in Economics and an Honors degree in Business Finance from the University of KwaZulu Natal, South Africa. He has over 14 years' experience in financial services having worked in commercial banking, credit ratings, investment banking and fund management. Mr. Malahay has previously worked for Standard Bank, Fitch Ratings, J.P. Morgan and Investec Asset Management. He joined Equity Bank in 2016.

ANTHONY OGBECHIE
Group Finance Director
Mr. Ogbechie 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 17 years of international financial services experience with multiple financial institutions in different locations across Europe and Africa. Mr. Ogbechie experience spans across Financial Reporting, Corporate Planning, Corporate Finance, Performance Management, Strategy and Transformation.

He joined Equity Bank as the Finance Director in 2014 from UBA Capital Plc (Nigeria) where he served as the Group Chief Finance Officer. Prior to that he was at Credit Suisse Investment Bank (London) and UBS Investment Bank (London).

GERALD WARUI
Director, Operations and Customer Experience
Mr. Warui 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 20 years.

ELIZABETH GATHAI
Director, Credit
Ms. Gathai 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). Ms. Gathai has 16 years of banking experience. Elizabeth joined Equity Bank in 2001.

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

ALLAN WAITITU
Director, Special Projects
Mr. Waititu is a graduate in Business Information Technology and a graduate of Advanced Management Programme (Strathmore- IESE Business School, Barcelona Spain). He has over 27 years' experience in Information Technology and banking and previously served as Equity Bank's Director of ICT and Innovations, and before that as General Manager of Operations. Mr. Waititu joined Equity Bank in 2004. He is undertaking a Master in Business Administration Degree at Strathmore Business School.

BILDARD FWAMBA
Chief Internal Auditor

Mr. Fwamba holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and is a Certified Public Accountant and a member of ICPAK. He has a wealth of experience in Financial Management, Risk Management and Internal Controls having worked for over 19 years in various senior management capacities. Mr. Fwamba joined Equity Bank in 2004 from Central Bank of Kenya (CBK) where he was a Bank Examiner.

FESTUS NJUKI
Director, ICT - Enterprise Infrastructure and ICT Services

Mr. Njuki holds a Masters of Business Administration in Sustainable Leadership from University of Cumbria and a Masters of Computer Management from University of Pune. He joined the bank in 2005 and is the Group Director ICT Infrastructure of Equity Bank Group Holdings, managing the technical corporate direction and strategy for the Group.

Previously, he served as a systems analyst and programmer at Software Technologies Limited, where he focused on analyzing and designing systems; Turnkey Africa Limited where he was a senior system analyst, projects manager and Oracle Database Administrator; Simba Technologies as an Oracle Consultant, Oracle Database Administrator and Head of Oracle Services. He is a member of Computer Society of Kenya and Oracle Technology Network.

JOHN WAMAI
Director, ICT - Enterprise Business Systems and Services

Mr. Wamai holds a Master's Degree in Business Administration (Management Information Systems) from Kenyatta University, a Bachelor's degree in Economics and a Diploma in Computer Science. He also holds Prince II certification (Project Management). He has over 14 years of experience in Banking and Financial services Information systems, ICT Projects Management and ICT Operations. He has previously served in Project management and IT General Manager position. Mr. Wamai joined Equity Bank in 2004.

SAMUEL KIRUBI
Managing Director, Equity Bank Uganda

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

ANTHONY KITUUKA
Executive Director, Equity Bank Uganda

Mr. Kituuka holds an MBA in Oil and Gas from Middlesex University, London and a Bachelor's Degree in Statistics and Applied Economics from Makerere University, Uganda. He is a Fellow of the Association of Chartered Certified Accountants Certificate (FCCA).

He has over 10 years banking experience and has previously worked with Kenya Commercial Bank (KCB) as the Head of Global Corporates and Barclays Bank Uganda Limited as Head of Business Banking.

He joined Equity Bank in 2014 and was previously the Group Executive Director for Regional Subsidiaries.

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

ADDIS ABABA OTHOW
Managing Director, Equity Bank South Sudan

Dr. Othow 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.

Dr. Othow has a wide range of experience in banking, accounting, finance, and information system. Prior to joining Equity Bank, he 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. Dr. Othow has also worked as head of non-banking Division before he got transferred to be the Head of planning, regulation and licensing, central bank of south Sudan (BSS). He joined Equity Bank in February 2015.

HANNINGTON NAMARA
Managing Director, Equity Bank Rwanda

Mr. Namara 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.

Mr. Namara has over 15 years of experience as a Senior Private Sector Development specialist. He has extensive track record in Strategy, Leadership and Programme Management, Finance and Communications. He is currently the Chief Executive Officer and Managing Director of Equity Bank Rwanda. Before joining the Bank, Mr. Namara was the Country Director of TradeMark East Africa – Rwanda Country Programme leading a large (USD 65 Million) Trade Facilitation and Regional Integration Programme.

In 2012, Mr. Namara served as the Chief executive officer of the Rwanda Private Sector Federation. He worked with Commercial Bank of Rwanda (BCR), heading the bank's corporate banking division, marketing and business development functions.

Mr. Namara 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). He 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)

Mr. Iha holds a Bachelor of Education in Accounting and Mathematics from the University of Nairobi. He is also a graduate of Advanced Management Program (Strathmore - IESE Business School, Barcelona Spain) and has also attended various professional courses in banking.

He has over 18 years of 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 Cooperative Bank of Kenya for six years in various capacities.

CÉLESTIN MUNTUABU
Managing Director, Equity Bank Congo

Mr. Muntuabu holds a Master's degree in Business Administration and Management from the Protestant University in Congo. Besides his training in leadership, he also holds a degree in Banking Administration from ProCredit Academy – Germany.

Prior to joining the banking sector, he worked with the International Training Center, a consulting cabinet specialized in the training of the business executives in internal audit and strengthening of the systems of internal control of companies. Mr. Muntuabu is a Permanent Secretary and clerk trainer at the International Training Center.

He has held various top level positions in ProCredit Bank Congo including Deputy CEO (2008 – 2014).

Since March 2017, Mr. Muntuabu has been serving as Deputy Chairman of the United Nations Global Compact DRC Network.

GROUP EXECUTIVE MANAGEMENT PROFILES (continued)

PHILIP SIGWART
Executive Director, Equity Bank Congo

Mr. Sigwart holds an MBA from the University of Chicago Booth School of Business and a Bachelor and a Master of Arts degree in Economics from the University of St. Gallen in Switzerland. He has over 20 years of experience in banking in transition economies and emerging markets in Eastern Europe, Latin America and Africa.

He started his career as a bank advisor with the Russia Small Business Fund of the European Bank for Reconstruction and Development. In 2002 he transferred to the ProCredit Group, where he was CEO of ProCredit Bank Georgia, and later the CEO of ProCredit Bank Kosovo. He also held directorships at ProCredit Bank Bolivia and ProCredit Bank Ecuador. His role immediately prior to joining Equity Bank was as Executive Chairman of ProCredit Bank in the D.R.Congo.

JACK NGARE
Managing Director, Finserve Africa

Mr. Ngare holds an Masters in Management from Harvard University, an MSC in Advanced Computer Science (Distinction) and BSC in Computer Science from the University of Leicester. He also holds a Graduate Diploma in Strategic Management from Harvard University, Certified Information Systems Security Professional (CISSP) and is a Certified Information Security Manager (CISM).

He previously worked for British Telecom (Global Services) with assignments in UK, Saudi Arabia, Peru and a joint venture with NTT Docomo in Japan. He subsequently worked at Stanbic Bank and NIC Bank (Kenya, Uganda and Tanzania). Mr. Ngare has in depth experience in management, the telco industry, mobile financial services and emerging technology risks and security.

ERIC KAROBIA
Executive Director, Finserve Africa

Mr. Karobia holds a Bachelor of Arts degree in Economics and Mathematics from the University of Nairobi. He has over 14 years of experience in Banking and Mobile money covering IT Systems & Operations, Project Management, customer management, Mobile Money product development, Operations and general agent administration.

He previously worked for Bharti Airtel Group International Netherlands B.V, as the Senior Manager, IT Products & Systems and at Equity Bank for 8yrs in various roles. His immediate former role was Head of Department, Product Development & Operations Financial Services Division (M-PESA) from 2012-2014 at Safaricom Ltd, Senior Manager, Product Development & Operations, Strategic projects for the Financial Services Division (M-PESA) at Safaricom Ltd a position he held for 8months before being promoted to HOD.

Mr. Karobia joined Equity Bank in 2014 as General Manager- Innovation, Product development & mobile payments a position that was held from July 2014 to Dec 2016. Currently he is the Group Director- Strategic Execution, PMO &ICT Governance.

NOTES

PROXY FORM

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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 Thursday 3rd May at 10.00 a.m. or at any adjournment.
As witness to my/our hands this______________________ day of ______________________ 2018

Signature(s)____

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

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

Notes:

1. This proxy form is to be delivered to the Company Secretary at the Company's Head Office situated at EQUITY CENTRE, 9TH FLOOR, Hospital Road, Upper Hill, P.O. Box 75104-00200, Nairobi, Kenya not later than 5.00 p.m. on Monday, 30th April, 2018, failing which it will be invalid.

2. A proxy form must be in writing and in case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation, the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

.... CUT ALONG DOTTED LINE...

Admission card

Please admit	**Number of ordinary shares held**
___________________________________ to the Annual General Meeting of Equity Group Holdings PLC which will be held at Kenyatta International Convention Centre (KICC), Nairobi, Kenya on **Thursday, 3rd May, 2018 at 10.00 a.m.**	Name of shareholder
This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting	Address of shareholder
Company Secretary	CDS Account Number

TEAR ALONG DOTTED LINE

NOTES

CORPORATE NEWS

BUSINESS

AIR ZIMBABWE MASSIVE STAFF LAYOFF
The debt-ridden national carrier will sack half its workforce as it tries to remain in the sky. PAGE 43

Outlook > Lender says the development will help it mobilise funds for its next growth phase

Equity gets credit profile boost after agency upgrades its rating

Bank seen remaining profitable supported by low cost funding and rising non-interest income

BY BRIAN NGUGI
@brian_ngugi
bnjoroge@ke.nationmedia.com

Global ratings agency Moody's has assigned Equity Bank a first time B1 local-currency deposit ratings, boosting the lender's chances of attracting funds from local and international lenders.

Moody's cited Equity's strong credit profile backed by its use of digital and alternative distribution channels as the lender's key strengths.

The agency said Equity's credit profile is underpinned by its low-cost, retail-funded deposit base.

"With Equity Bank experiencing a strong deposit growth over the past 15 months, in conjunction with lower loan balances, Equity Bank's liquidity ratios have improved significantly as of March 2017, with liquid assets at a strong 39 per cent of total banking assets and net loans at a fairly low 72 per cent of customer deposits," said Moody's in a statement.

The agency added that Equity's long-term deposit ratings carry a stable outlook.

Moody's rating scale runs from a high of Aaa to a low of C, comprising 21 notches that are divided into investment and speculative grades.

The purpose of Moody's ratings is to provide investors with a simple system of gradation by which to assess future relative creditworthiness of securities or an entity.

Securities or entities that are rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk while those rated rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Those rated Baa are judged to be medium-grade and subject to moderate credit risk.

"Moody's expects that Equity Bank's profitability will remain strong, supported by its low cost funding, an increasing proportion of non-interest income, and an efficient cost structure with the extensive use of digital and alternative distribution channels," said the agency.

Reacting to the assessment, Equity Bank Group chief executive James Mwangi said that the ratings "reflect on the bank's strong market position within the regional banking space."

"The rating reflects the bank's intrinsic credit strength, significant market size, acceptable risk management practices, profitable business model, prudent capital levels and support from its shareholders," Mr Mwangi said in a statement.

The positive ratings pave the way for Equity to raise additional funds from investors.

"As the bank enters the next phase of growth, there is a renewed need to mobilise funds to finance major infrastructural developments as well as local and regional SMEs," said Mr Mwangi.

"This is bolstered by the fact that we have continued to reinforce our corporate product offering, management team and IT reliability and capacity in order to improve customer service and offer a more complete product suite to cross-sell to existing and new customers in Kenya and the region."

Equity Bank in October last year announced a freeze on the opening of new branches, marking the lender's shift to digital banking services.

Mr Mwangi said at the time the bank had moved most of its services away from the traditional across-the-counter branches to online platforms.

> Moody's expects that Equity Bank's profitability will remain strong, supported by its low cost funding, an increasing proportion of non-interest income, and an efficient cost structure with extensive use of digital channels"
> **Moody's statement**

Equity Bank chief executive James Mwangi speaks during the release of the lender's full-year financial results for 2016 at Equity Centre in Nairobi in March.
SALATON NAJU | NATION

BRIEFLY

TELECOMMUNICATION

Kenya in top affected spam calls States list

Kenya is in the top 20 list of countries most affected by spam calls, majority of which are originated by fraudsters, caller ID application Truecaller has disclosed in a report. More than nine out of every 10 (91 per cent) of calls flagged by users and Truecaller are made by conmen, the Truecaller report says. "Scam calls are basically fraud attempts via your telephone, with scammers using a phoney scheme to swindle money from unsuspecting members of the public," said the Truecaller report. Users on the app receive an average 7.7 spam calls per month categorised as scam, financial services and nuisance calls. The report ranked the top 20 countries affected by spam calls in 2017 which included India, US and Brazil as well as South Africa, Nigeria, Egypt, Morocco and Kenya.
— *Doreen Wainainah*

CYBER SECURITY

Firms urged to store data in cloud services

Kenyan companies should store their critical data in cloud services to guard against increasing cyber attacks, Internet Infrastructure firm SEACOM has said. SEACOM, which runs an undersea fibre optic cable, yesterday said storing data on a secure cloud could provide a backup option in case companies fall victim to cyber-attacks. "We believe that by embracing enhanced technologies such as cloud computing Kenyan organisations will have access to an affordable, but effective solution to deal with rising cyber threats," said SEACOM Business sales lead, Mr Patrick Ndegwa. He added that companies that suffer ransomware but whose data is backed-up off site would have quicker recovery periods.
— *Muthoki Mumo*

INVESTMENT

Insurer Sanlam buys 75pc PineBridge stake

South Africa's insurance group Sanlam has acquired a 75 per cent stake in asset manager PineBridge Investments East Africa, which it is rebranding to Sanlam Investments East Africa Limited (SIEAL). Sanlam had previously announced it was acquiring a majority shareholding in SIEAL but did not specify the stake it was gunning for in the transaction whose value was also not disclosed. The CEO of Sanlam Emerging Markets, Junior Ngulube, yesterday revealed that the conglomerate had acquired three-fourths of the asset manager after obtaining all regulatory approvals. The deal is a move by the multinational to boost its asset management business.
— *Victor Juma*

State targets cassava as maize, wheat production falls

BY EDWIN OKOTH

The Agriculture ministry has moved to promote commercial production of cassava in maize and wheat growing areas as army worms and erratic weather cut production of the two staple food crops.

Cabinet Secretary Willy Bett said the ministry has partnered with Kenya Agricultural and Livestock Research Organisation, to distribute improved cassava tuber varieties to smallholder farmers through a community-based seed system.

"With climatic change as an emerging phenomenon and its consequences, root and tuber crops offer choices and opportunities as they exhibit higher tolerance threshold to a variety of stresses such as water and heat, water salinity and emergence of new pests," said Mr Bett.

Maize and wheat production has consistently fallen below domestic demand, exposing the country to the volatile export market.

Kenya is grappling with maize flour shortage after the 2016/17 production failed to meet the high consumption rate of one bag per person per year (40 million 90kg bags). Army worms, the pest which can cut annual production by 50 per cent, have invaded maize fields making an already bad situation worse.

Drought resistant

Bulk wheat also dominates Kenya's weekly imports as the country produces barely one third of its 900,000-tonne annual consumption.

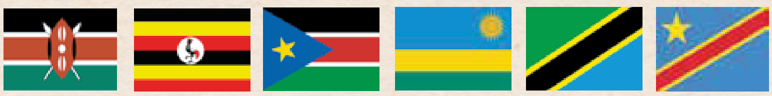
Cassava is largely grown in western Kenya for subsistence use. Yesterday Mr Bett launched a €6.5 million (Sh771.42 million) cassava farming project targeting 28,000 small-scale farmers in Kisumu, Homa Bay, Migori, Siaya, Busia, Kitui and Kilifi counties.

The government sees the drought-resistant crop as an alternative to maize and wheat.

Mr Bett said cassava can help stabilise the country's food security, citing Uganda and Nigeria where the shift has been successful.

OUR INSPIRATION

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



EQUITY
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