Equity Bank Kenya Limited - Capital Adequacy and Compliance Policy

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Applicable Jurisdiction: Kenya

1.0 Minimum Capital Requirements

1.1 Core Capital Thresholds

In accordance with the **Central Bank of Kenya (CBK) Business (Amendment) Act, 2024**, all commercial banks operating in Kenya must maintain minimum core capital requirements according to the following schedule:

Clause 1.1.1: Effective December 31, 2025, the minimum core capital requirement is **KES 3 billion** (approximately USD 22.8 million), increased from the previous KES 1 billion requirement .

Clause 1.1.2: By December 31, 2029, the minimum core capital requirement will increase to **KES 10 billion** (approximately USD 76 million) as part of the CBK's phased approach to strengthening the banking sector.

1.2 Capital Buffer Requirements

Clause 1.2.1: All banks must maintain a capital conservation buffer of 2.5% above the minimum regulatory requirements to withstand economic stress scenarios, including potential non-performing loan (NPL) increases of up to 27.4%.

2.0 Compliance and Reporting

2.1 Capital Adequacy Plans

Clause 2.1.1: Any bank falling below the minimum capital thresholds must immediately submit to the CBK a detailed internal capital adequacy plan outlining strategies for compliance, which may include:

- Rights issues and capital raising from existing shareholders
- Seeking strategic investors
- Mergers with stronger institutions

2.2 Regulatory Reporting

Clause 2.2.1: The Bank shall submit quarterly capital adequacy reports to the Central Bank of Kenya, including stress testing results that simulate scenarios of rising non-performing loans and economic downturns.

3.0 Implications of Non-Compliance

3.1 Regulatory Actions

Clause 3.1.1: Banks failing to meet the December 2025 deadline face potential downgrades by the CBK and may be subject to regulatory restrictions on lending activities and expansion.

3.2 Sector Consolidation

Clause 3.2.1: The Bank recognizes that these capital reforms may lead to increased consolidation within Kenya's banking sector, potentially reducing from the current 39 licensed banks as smaller institutions seek mergers or acquisitions.

4.0 Strategic Objectives

4.1 Enhanced Resilience

Clause 4.1.1: These capital enhancements are designed to strengthen the Bank's buffer against insolvency during financial crises, ensuring depositor confidence and systemic stability.

4.2 Support for National Development

Clause 4.2.1: The strengthened capital base will enable the Bank to increase lending to households, businesses, and support national development projects while maintaining prudent risk management practices .