



Condensed directors’ remuneration report

For the	6 months ended 30.06.2018 Unaudited Shs’ 000	6 months ended 30.06.2017 Unaudited Shs’ 000	12 months ended 31.12.2017 Audited Shs’ 000
Aggregate directors’ emoluments	41,599	41,210	130,774

Condensed consolidated statement of profit or loss

For the	6 months ended 30.06.2018 Unaudited Shs’ millions	6 months ended 30.06.2017 Unaudited Shs’ millions	12 months ended 31.12.2017 Audited Shs’ millions
Net interest income	22,367	20,797	37,569
Provision for impairment losses on loans and advances	(586)	(1,530)	(2,716)
Net interest income after loan impairment charges	21,781	19,267	34,853
Net fee and commission income	4,801	4,906	16,342
Net foreign exchange and other operating income	3,921	3,505	7,596
Net operating income	30,503	27,678	58,791
Operating expenses	(15,032)	(14,386)	(31,909)
Profit before income tax	15,471	13,292	26,882
Income tax expense	(4,461)	(3,931)	(7,964)
Profit for the period	11,010	9,361	18,918

Condensed consolidated statement of other comprehensive income

For the	6 months ended 30.06.2018 Unaudited Shs’ millions	6 months ended 30.06.2017 Unaudited Shs’ millions	12 months ended 31.12.2017 Audited Shs’ millions
Profit for the period	11,010	9,361	18,918
Other comprehensive income:			
Available-for-sale investment securities	225	1,338	1,297
Exchange differences on translation of foreign operations	(948)	793	(1,502)
Other comprehensive income for the period	(723)	2,130	(205)
Total comprehensive income for the period, net of tax	10,287	11,492	18,713
Earnings per share (basic and diluted) (Shs)	2.90	2.47	5.00

Condensed consolidated statement of financial position

As at	30 June 2018	30 June 2017	31 December 2017
Assets	Shs’ millions	Shs’ millions	Shs’ millions
Cash, deposits and balances due from financial institutions	74,324	77,787	79,621
Derivative financial asset	167	167	253
Investment securities	158,940	115,596	128,002
Due from related parties	-	533	449
Current income tax	120	927	2,193
Loans and advances to customers	275,037	265,086	279,092
Other assets	9,893	18,385	10,631
Property and equipment	10,489	13,005	10,865
Intangible assets (including goodwill)	10,110	9,731	10,099
Deferred income tax	2,830	3,278	2,706
Prepaid leases	106	449	554
Total assets	542,016	504,944	524,465
Liabilities			
Deposits from customers	393,686	363,635	373,143
Borrowed funds	52,652	45,548	47,873
Due to related parties	70	-	-
Other liabilities	8,547	9,424	9,832
Dividend payable	65	-	-
Current income tax	623	294	411
Deferred income tax	62	150	64
Total liabilities	455,705	419,051	431,323
Equity			
Share capital	1,887	1,887	1,887
Share premium	16,063	16,063	16,063
Retained earnings and other reserves	67,543	67,220	74,442
Equity attributable to owners of the Company	85,493	85,170	92,392
Non-controlling interests	818	723	750
Total equity	86,311	85,893	93,142
Total equity and liabilities	542,016	504,944	524,465

Condensed consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings and other reserves	Total	Non-controlling interests	Total equity
	Shs’ millions	Shs’ millions	Shs’ millions	Shs’ millions	Shs’ millions	Shs’ millions
6 months period ended 30 June 2018						
At start of period	1,887	16,063	74,442	92,392	750	93,142
Profit for the 6 months period	-	-	10,942	10,942	68	11,010
Other comprehensive income	-	-	(723)	(723)	-	(723)
Final 2017 dividend declared	-	-	(7,547)	(7,547)	-	(7,547)
IFRS 9 and other adjustments	-	-	(9,571)	(9,571)	-	(9,571)
At end of period	1,887	16,063	67,543	85,493	818	86,311
6 months period ended 30 June 2017						
At start of period	1,887	16,063	63,325	81,275	701	81,976
Profit for the 6 months period	-	-	9,339	9,339	22	9,361
Other comprehensive income	-	-	2,103	2,103	-	2,103
Final 2017 dividend declared	-	-	(7,547)	(7,547)	-	(7,547)
At end of period	1,887	16,063	67,220	85,170	723	85,893
12 months period ended 31 December 2017						
At start of period	1,887	16,063	63,325	81,275	701	81,976
Profit for the 12 months period	-	-	18,869	18,869	49	18,918
Other comprehensive income	-	-	(205)	(205)	-	(205)
Final 2016 dividend declared and paid	-	-	(7,547)	(7,547)	-	(7,547)
At end of period	1,887	16,063	74,442	92,392	750	93,142

Condensed consolidated statement of cash flows

For the	6 months ended 30.06.2018 Unaudited Shs’ millions	6 months ended 30.06.2017 Unaudited Shs’ millions	12 months ended 31.12.2017 Audited Shs’ millions
Cash generated from operations	35,556	42,109	60,824
Income taxes paid	(2,050)	(4,875)	(9,852)
Net cash generated from operating activities	33,506	37,234	50,972
Net cash used in investing activities	(34,473)	(18,674)	(29,870)
Net cash used in financing activities	(4,548)	(9,785)	(8,053)
Net (decrease)/increase in cash and cash equivalents	(5,515)	8,775	13,049
At start of period	68,582	55,533	55,533
At end of period	63,067	64,308	68,582

Operating environment – Half 1, 2018

The region’s average GDP growth rate of 6.7% is likely to be boosted significantly by the investment in infrastructure in the region and the early investment to exploit oil and gas resources in Uganda, South Sudan, Kenya and Tanzania. Recovery of global commodity prices particularly copper, cobalt, diamond and rare earth is bound to stimulate GDP growth rate in DRC. Oil and gas price recovery will make exploitation and further exploration economically viable, sustained and supported by improving the investment climate which allows foreign direct investment and global capital flow due to a stable macro-economic environment characterised by stable inflation, interest rates and exchange rates.

Performance highlights

Equity Group’s half year results for the period to 30th June, 2018 continue to reflect the Group’s resilience in a difficult but improving operating environment. Profit after tax recorded an 18% growth to Shs. 11 billion up from Shs. 9.4 billion for the same period last year. Profit before tax grew by 16% to reach Shs. 15.5 billion up from Shs. 13.3 billion.

The Group’s balance sheet registered a growth of 7% to reach Shs. 542 billion up from Shs. 505 billion. This was driven by growth in customer deposits of 9% to reach Shs. 394 billion up from Shs. 363 billion. Regional subsidiaries’ share of Group assets increased to 26% up from 23% as their assets grew by 21% to reach Shs. 142 billion. International lenders increased their long-term funding to the Group by 16% to reach Shs.53 billion up from Shs. 46 billion, signifying the global lenders confidence in the Group’s risk.

Interest income grew by 10% to Shs. 25.4 billion up from Shs. 23 billion driven by investment in government securities that grew by 37% and loans and advances’ growth of 4%. Non-funded income fees, and commissions grew by 2% primarily driven by 29% growth in trade finance income, 23% growth in merchant banking commissions, 27% growth in forex capital gains, 35% growth in swift and RTGs income, 54% growth in bond trading income and 165% growth in Diaspora remittances income.

Regional subsidiaries grew their profitability by 62% to Shs. 2.8 billion increasing their contribution to the Group’s profitability to 18% up from 13%.

Innovation and digitisation have contributed significantly to improved efficiency gains and cost optimisation that has seen the Group’s total expenses declining by 2% from Shs. 17.6 billion to Shs. 17.3 billion. The Group’s cost to income ratio has also declined from 51% to 50% despite interest capping in Kenya that has seen the Group’s yield on interest earning assets remain at 11%. The Group’s return on average assets increased to 4.1% up from 3.8% and return on average equity increased to 24.5% up from 22.3%.

Outlook

The Group’s agile balance sheet with strong liquidity held in near cash assets strategically positions the Group for opportunistic growth. A dramatically changing environment has seen political risks in South Sudan and Kenya decline with the collaborative peace initiatives taking root. DRC has witnessed decreasing political tensions as preparations for the elections slated for later this year gather momentum. Kenya’s proposal to repeal interest capping and focus on the Big 4 Agenda of stimulating the real economy through investment in manufacturing, affordable low-cost housing, universal affordable health and transformation of agriculture value chain to achieve food security is bound to stimulate significant economic activities given the stable macro-economic environment.

Dividends

The Board of Directors does not recommend the payment of dividend for the first half of the year 2018.

Explanatory notes

The accounting policies used in preparing these financial statements are consistent with those used for the Group’s 31 December, 2017 annual financial statements. The above financial statements are extracts from the records of the Group.

They were approved for issue by the Board of Directors on 15 August, 2018 and signed on its behalf by:



Dr. James Mwangi
Group Managing Director & CEO



Mary Wamae
Group Executive Director