

Equity Group Holdings Plc

The Board of Directors of Equity Group Holdings Plc is pleased to announce the unaudited results of the Group for the three months period ended 31 March 2019



Condensed directors’ remuneration report

For the	3 months ended 31.03.2019 Unaudited Shs’ 000	3 months ended 31.03.2018 Unaudited Shs’ 000	Year ended 31.12.2018 Audited Shs’ 000
Aggregate directors’ emoluments	28,002	29,040	121,968

Condensed consolidated statement of profit or loss

For the	3 months ended 31.03.2019 Unaudited Shs’ millions	3 months ended 31.03.2018 Unaudited Shs’ millions	Year ended 31.12.2018 Audited Shs’ millions
Net interest income	10,436	9,818	41,422
Net fee and commission income	4,071	4,085	15,271
Other income	2,223	1,987	6,820
Provision for impairment losses on loans and advances	(255)	(284)	(2,936)
Net operating income	16,475	15,607	60,577
Operating expenses	(7,639)	(7,280)	(32,114)
Profit before income tax	8,836	8,327	28,463
Income tax expense	(2,641)	(2,422)	(8,639)
Profit for the period	6,195	5,905	19,824

Condensed consolidated statement of other comprehensive income

For the	3 months ended 31.03.2019 Unaudited Shs’ millions	3 months ended 31.03.2018 Unaudited Shs’ millions	Year ended 31.12.2018 Audited Shs’ millions
Profit for the period	6,195	5,905	19,824
Other comprehensive income:			
FVOCI investment securities	1,932	589	(634)
Exchange differences on translation of foreign operations	(85)	218	(1,035)
Other comprehensive income for the period	1,847	806	(1,669)
Total comprehensive income for the period, net of tax	8,042	6,711	18,155
Earnings per share (basic and diluted) (Shs)	1.64	1.55	5.25

Condensed consolidated statement of financial position

As at	31 March 2019	31 March 2018	December 2018
Assets	Shs’ millions	Shs’ millions	Shs’ millions
Cash, deposits and balances due from financial institutions	84,717	67,778	74,619
Derivative financial asset	225	382	225
Investment securities	169,651	150,181	160,952
Due from related parties	-	-	24
Current income tax	72	130	632
Loans and advances to customers	305,536	271,075	297,227
Other assets	17,254	14,581	12,395
Property and equipment	11,692	10,798	10,276
Intangible assets (including goodwill)	10,239	10,025	10,466
Deferred income tax	6,190	2,690	6,117
Prepaid leases	92	139	451
Total assets	605,668	527,781	573,384
Liabilities			
Deposits from customers	428,509	382,422	422,758
Borrowed funds	54,642	48,910	45,101
Due to related parties	110	101	-
Other liabilities	17,220	6,033	10,343
Dividend payable	7,547	7,547	-
Current income tax	2,144	582	185
Deferred income tax	59	62	40
Total liabilities	510,231	445,658	478,427
Equity			
Share capital	1,887	1,887	1,887
Share premium	16,063	16,063	16,063
Retained earnings and other reserves	76,562	63,399	76,124
Equity attributable to owners of the Company	94,512	81,349	94,074
Non-controlling interests	925	774	883
Total equity	95,437	82,123	94,957
Total equity and liabilities	605,668	527,781	573,384

Condensed consolidated statement of changes in equity

	Attributable to owners of the parent			Total	Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings and other reserves			
	Shs’ millions	Shs’ millions	Shs’ millions	Shs’ millions	Shs’ millions	Shs’ millions
3 months period ended 31 March 2019						
At start of period	1,887	16,063	76,124	94,074	883	94,957
Profit for the 3 months period	-	-	6,153	6,153	42	6,195
Other comprehensive income	-	-	1,832	1,832	-	1,832
Final 2018 dividend declared	-	-	(7,547)	(7,547)	-	(7,547)
At end of period	1,887	16,063	76,562	94,512	925	95,437
3 months period ended 31 March 2018						
At start of period	1,887	16,063	74,442	92,392	750	93,142
Profit for the 3 months period	-	-	5,868	5,868	37	5,905
Other comprehensive income	-	-	806	806	-	806
Final 2017 dividend declared	-	-	(7,547)	(7,547)	-	(7,547)
Changes on initial application of IFRS 9, net of tax	-	-	(10,170)	(10,170)	(13)	(10,183)
At end of period	1,887	16,063	63,399	81,349	774	82,123
Year ended 31 December 2018						
At start of year	1,887	16,063	74,442	92,392	750	93,142
Changes on initial application of IFRS 9, net of tax	-	-	(8,809)	(8,809)	-	(8,809)
Changes on initial application of IFRS 15, net of tax	-	-	16	16	-	16
Profit for the year	-	-	19,691	19,691	133	19,824
Other comprehensive income	-	-	(1,669)	(1,669)	-	(1,669)
Final 2016 dividend declared and paid	-	-	(7,547)	(7,547)	-	(7,547)
At end of year	1,887	16,063	76,124	94,074	883	94,957

Condensed consolidated statement of cash flows

For the	3 months ended 31.03.2019 Unaudited Shs’ millions	3 months ended 31.03.2018 Unaudited Shs’ millions	Year ended 31.12.2018 Audited Shs’ millions
Cash generated from operations	14,144	12,229	50,499
Income taxes paid	(69)	(204)	(6,723)
Net cash generated from operating activities	14,075	12,025	43,776
Net cash used in investing activities	(9,077)	(23,302)	(38,775)
Net cash generated from/(used in) financing activities	6,790	(828)	(13,010)
Net increase/(decrease) in cash and cash equivalents	11,788	(12,105)	(8,009)
At start of period	60,573	68,582	68,582
At end of period	72,361	56,477	60,573

Performance highlights

The Group registered a 15% growth in total assets to reach Shs.605.7 billion driven by growth of 12% on customer deposits. Interest income grew by 7% while non-funded income registered a 7% growth rate. Profit before tax grew by 6% to Shs 8.8 billion up from Shs 8.3 billion the previous year. The 7% growth on interest income was on the strength of 13% growth in the loan book, overcompensating the reduction in lending rate from 14% to 13%.

Non-funded income contribution to total income bounced back to 41% up from 38% recorded the previous year. Forex trading income grew by 22% supported by increased dollar flow from Diaspora remittances that grew by 27% to reach Shs 30.9 billion. Bond trading income grew by 92% to Shs 450 million while unrealised capital gains on mark to market on government securities grew by 110% to Shs 1.42 billion up from Shs 680 million due to declining yields. Mobile banking income grew by 15% to Shs 282 million reflecting the growth in digital business.

The Kenya banking subsidiary bounced back pushing regional subsidiaries contribution to the Group profits to 18% down from 20% contribution the previous year despite the regional subsidiaries increasing their total Group asset contribution to 26% up from 25% and increasing their total Group deposits and loan contribution to 25% up from 24%. The improvement in profit contribution by the Kenya subsidiary was driven by improved cost income ratio that declined from 42.5% to 41.8% despite the reduction of lending rates from 14% to 13%.

Digitisation has seen 93% of loans disbursed being accessed through the mobile channel while 97% of all cash based transactions happened outside the branch with mobile and agency channels taking the lion share. Digitisation of the customer journey has eased customer experience leading to growth of digital payment transactions by 94% and supporting growth of customers to 13.6 million and customer deposit growth of 12% to Shs 428.5 billion up from Shs 382.4 billion.

The Group recorded an NPL ratio of 9% against Kenya banking sector NPLs ratio of 13% with a Group NPL coverage of 78.7%. During the quarter under review, the Group asset quality deteriorated marginally from 7.6% to 9% driven primarily by the Tanzania subsidiary that experienced shock.

The Group has also announced plans to acquire four subsidiaries of the London listed Atlas Mara in Rwanda, Tanzania, Zambia and Mozambique. The transaction, once closed, would allow the Group to double the size of its operations in Rwanda and Tanzania while entering and establishing presence in the Southern Africa (SADC) region.

In pursuit of its ambition of shared prosperity, social and impact investments, the Group’s spend through its corporate foundation has topped to Shs 35 billion with 87% of the funding being on the popular and highly impactful *Wings to Fly* program and Equity Leadership Program, which has seen 16,168 needy kids access free secondary education of whom 12,256 scholars have transitioned to university education with 496 students attending leading global institutions. In addition, 1,739,478 young people or 20% of Kenyan youth and women have also benefitted from a 13-week free financial education program through FIKA-Financial Education for Africa.

Dividends

The Board of Directors does not recommend the payment of dividend for the first quarter of the year 2019.

Explanatory notes

The accounting policies used in preparing these financial statements are consistent with those used for the Group’s 31 December, 2018 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 8th May, 2019 and signed on its behalf by:


Dr. James Mwangi
Group Managing Director & CEO


Prof. Isaac Macharia
Director