EQUITY

PRESS RELEASE

EQUITY REGISTERS 14% GROWTH IN PROFITS

Total assets grew by Kshs 100 billion to reach Kshs 673.7 billion

Nairobi…….19th March 2020. Equity Group has announced the financial results for the year ended 31st December 2019 that reflect a 14% profit after tax growth to Kshs 22.6 billion from Kshs 19.8 billion in 2018. The impressive performance registered during an interest capping period was driven by a 23% growth in loan book to Kshs 366.4 billion from Kshs 297.2 billion in 2018.

The growth in loan book, saw the Group balance sheet register a 17% growth to reach Kshs. 673.7 billion up from Kshs 573.4 billion funded by a growth in customer deposits of 14%, shareholders funds of 18% and a 26% growth of long-term borrowed funds.

Speaking during the release of the Group's results Dr. James Mwangi, Managing Director and CEO said, 'Execution of the Group's business strategy continued to yield results as non-funded income contributed 40% of the Group's total income reflecting quality and diversification of income. Success in our regional expansion and business diversification saw subsidiaries contribution to Group profit after tax rise to 18% up from 15% the previous year."

Return on average equity (RoAE) from subsidiaries grew to 16.9% up from 13.3%. Subsidiaries assets accounted for 27% of the Group's total assets while their profit after tax contribution grew to 18% of Group's profits up from 14% in 2018. Improved efficiencies at the subsidiaries saw their cost structure contribution to the Group improve to 35% from 37% in 2018.

The Group continued to maintain an agile balance sheet with a liquidity of 52.1%, a loan deposit ratio of 75.9% and a core capital to risk weighted asset ratio of 19.8%. The balance sheet reflects solid diversified funding with customer deposits constituting 72% of the total funding, shareholders and long-term borrowing contributing 17% and 8% respectively. Net loans constituted 54% of the total assets while government securities and cash and cash equivalents contributed 26% and 13% of the total asset allocation respectively.

"Our purpose of transforming lives, giving dignity and expanding opportunities for wealth creation and our vision of championing social economic prosperity of the people of Africa is driving our business. Our purpose has become profitable," added Dr. James Mwangi.

Innovations and digitization continued to transform the business from a place you go to, to something you do. The business model continues to evolve from a fixed to a viable cost business model leveraging off variable cost 3rd party infrastructure principally mobile, internet, agency and merchant banking. 97% of all transactions happen outside the branch while 93% of all loan transactions are via the mobile channel.

The Group registered enhanced efficiency and cost optimization with cost income ratio improving to 51% from 52.4% in 2018. The Group maintained its yield on interest earning assets at 11.2% despite the challenge of interest capping and declining yield curve.

During the year the Group maintained a healthy mix of asset classes across the market segments with 59% being SMEs, 22% consumers, 13% large enterprises and 3% each for micro and agriculture. The risk profile remained diversified with a currency mix of 64% for local currency and 36% of foreign currency assets. The asset quality came under pressure, but the Group achieved a non-performing loan ratio of 9% against an industry average of 12.1%.

In recognition of pressure on the asset quality and a challenging micro economic operating environment, the Group increased loan loss provision by 51% to Kshs.4.4 billion up from Kshs.2.9 billion in 2018 resulting in a cost of risk of 1.34% up from 1.02%. Net NPLs exposure improved from Kshs.2.87 billion to Kshs.1.14 billion.

Return on average assets (RoAA) remained at 3.6% while Return on average equity (RoAE) improved to 21.8% up from 21.1% against a Group cost of capital of 18.7%. With a 14% growth in earnings per share of Kshs.5.93 up from Kshs 5.22, the Board of Directors have proposed a 25% enhanced dividend payout of Kshs.2.50 up from Kshs.2.00 per share. The Group remains well capitalized with total capital to risk weighted assets standing up at 19.8% up from 15.9% and core capital to risk weighted assets standing at 16.3% way above the minimum statutory capital requirements.

The Group’s shared prosperity model built on impact and social investment during the year focused on creating employment through wealth creation. In partnership with Mastercard Foundation and the Kenya Government, the Group has rolled out “Young Africa Works” an initiative designed to create 5 million jobs for young people over 5 years through capacity building and enterprise financing. This program drove the 23% growth in loan book.

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