

## Condensed directors' remuneration report

For the	6 months ended 30.06.2020 Unaudited Shs' 000	6 months ended 30.06.2019 Unaudited Shs' 000	Year ended 31.12.2019 Audited Shs' 000
Aggregate directors' emoluments	50,351	100,129	121,968

## Condensed consolidated statement of profit or loss

For the	6 months ended 30.06.2020 Unaudited Shs' millions	6 months ended 30.06.2019 Unaudited Shs' millions	12 months ended 31.12.2019 Audited Shs' millions
Net interest income	24,635	21,079	44,983
Net fee and commission income	7,005	8,234	17,170
Other income	4,853	6,061	9,078
Fair value loss on loan notes at FVTPL	-	-	(1,000)
Provision for impairment losses on loans and advances	(7,699)	(466)	(3,458)
<b>Net operating income</b>	<b>28,795</b>	<b>34,908</b>	<b>66,773</b>
Operating expenses	(16,817)	(17,919)	(35,295)
<b>Profit before income tax</b>	<b>11,977</b>	<b>16,989</b>	<b>31,478</b>
Income tax expense	(2,900)	(4,981)	(8,917)
<b>Profit for the period</b>	<b>9,077</b>	<b>12,008</b>	<b>22,561</b>

## Condensed consolidated statement of other comprehensive income

For the	6 months ended 30.06.2020 Unaudited Shs' millions	6 months ended 30.06.2019 Unaudited Shs' millions	12 months ended 31.12.2019 Audited Shs' millions
<b>Profit for the period</b>	<b>9,077</b>	<b>12,008</b>	<b>22,561</b>
<b>Other comprehensive income:</b>			
FVOCI investment securities, net of tax	1,323	3,324	2,630
Exchange differences on translation of foreign operations	1,183	(3)	(824)
<b>Other comprehensive income for the period</b>	<b>2,506</b>	<b>3,321</b>	<b>1,806</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>11,583</b>	<b>15,329</b>	<b>24,367</b>
<b>Earnings per share (basic and diluted) (Shs)</b>	<b>2.39</b>	<b>3.16</b>	<b>5.93</b>

## Condensed consolidated statement of financial position

At	30.06.2020 Unaudited Shs' millions	30.06.2019 Unaudited Shs' millions	31.12.2019 Audited Shs' millions
<b>Assets</b>			
Cash, deposits and balances due from financial institutions	86,578	90,733	86,434
Derivative financial assets	58	156	472
Investment securities	216,386	179,619	172,208
Due from related parties	-	-	19
Current income tax	111	153	152
Loans and advances to customers	391,633	320,886	366,440
Other assets	14,755	11,976	12,745
Property and equipment	11,166	10,170	11,031
Right-of-use assets	6,859	8,715	7,342
Intangible assets (including goodwill)	10,643	10,175	10,347
Deferred income tax	8,280	6,080	6,492
<b>Total assets</b>	<b>746,469</b>	<b>638,663</b>	<b>673,682</b>
<b>Liabilities</b>			
Deposits from customers	543,894	458,595	482,752
Borrowed funds	57,573	55,877	56,714
Due to related parties	90	77	-
Other liabilities	13,922	11,934	12,865
Lease liabilities	6,789	8,538	7,496
Current income tax	815	843	1,928
Deferred income tax	26	59	150
<b>Total liabilities</b>	<b>623,109</b>	<b>535,923</b>	<b>561,905</b>
<b>Equity</b>			
Share capital	1,887	1,887	1,887
Share premium	16,063	16,063	16,063
Retained earnings and other reserves	104,298	83,819	92,769
<b>Equity attributable to owners of the company</b>	<b>122,248</b>	<b>101,769</b>	<b>110,719</b>
Non-controlling interests	1,112	971	1,058
<b>Total equity</b>	<b>123,360</b>	<b>102,740</b>	<b>111,777</b>
<b>Total equity and liabilities</b>	<b>746,469</b>	<b>638,663</b>	<b>673,682</b>

## Condensed consolidated statement of changes in equity

	Attributable to owners of parent					Total equity Shs' millions
	Share capital Shs' millions	Share premium Shs' millions	Retained earnings and other reserves Shs' millions	Total Shs' millions	Non-controlling interests Shs' millions	
<b>6 months period ended 30 June 2020</b>						
<b>At start of period</b>	<b>1,887</b>	<b>16,063</b>	<b>92,769</b>	<b>110,719</b>	<b>1,058</b>	<b>111,777</b>
Profit for the 6 months period	-	-	9,023	9,023	54	9,077
Other comprehensive income	-	-	2,506	2,506	-	2,506
<b>At end of period</b>	<b>1,887</b>	<b>16,063</b>	<b>104,298</b>	<b>122,248</b>	<b>1,112</b>	<b>123,360</b>
<b>6 months period ended 30 June 2019</b>						
<b>At start of period</b>	<b>1,887</b>	<b>16,063</b>	<b>76,124</b>	<b>94,074</b>	<b>883</b>	<b>94,957</b>
Profit for the 6 months period	-	-	11,920	11,920	88	12,008
Other comprehensive income	-	-	3,322	3,322	-	3,322
Final 2018 dividend declared	-	-	(7,547)	(7,547)	-	(7,547)
<b>At end of period</b>	<b>1,887</b>	<b>16,063</b>	<b>83,819</b>	<b>101,769</b>	<b>971</b>	<b>102,740</b>
<b>12 months period ended 31 December 2019</b>						
<b>At start of year</b>	<b>1,887</b>	<b>16,063</b>	<b>76,124</b>	<b>94,074</b>	<b>883</b>	<b>94,957</b>
Profit for the year	-	-	22,386	22,386	175	22,561
Other comprehensive income	-	-	1,806	1,806	-	1,806
Final 2018 dividend declared and paid	-	-	(7,547)	(7,547)	-	(7,547)
<b>At end of year</b>	<b>1,887</b>	<b>16,063</b>	<b>92,769</b>	<b>110,719</b>	<b>1,058</b>	<b>111,777</b>

## Condensed consolidated statement of cash flows

For the	6 months ended 30.06.2020 Unaudited Shs' millions	6 months ended 30.06.2019 Unaudited Shs' millions	12 months ended 31.12.2019 Audited Shs' millions
Cash generated from operations	52,047	39,079	32,476
Income taxes paid	(5,471)	(3,899)	(8,487)
<b>Net cash generated from operating activities</b>	<b>46,576</b>	<b>35,180</b>	<b>23,989</b>
Net cash used in investing activities	(46,375)	(17,176)	(12,398)
Net cash generated from / (used in) financing activities	859	(312)	(1,384)
<b>Net increase in cash and cash equivalents</b>	<b>1,060</b>	<b>17,692</b>	<b>10,207</b>
Cash and cash equivalents at the start of period	70,780	60,573	60,573
<b>Cash and cash equivalents at the end of period</b>	<b>71,840</b>	<b>78,265</b>	<b>70,780</b>

## Performance highlights

The Group reported decline in profitability from Shs 12.0 billion to Shs 9.1 billion for the corresponding period the previous year. The performance as at 30th June 2020 reflects the implementation of both defensive and offensive strategies to respond to the COVID-19 situation that has transformed the operating environment.

EGH Plc's balance sheet grew by 17% from Shs 638.7 billion to Shs 746.5 billion driven by 19% growth in customer deposits to Shs 543.9 billion from Shs 458.6, funding that was deployed to grow loans to customers by 22% and investment in Government securities by 20%. Regional subsidiaries grew faster increasing their contribution to the Group profitability to 28% up from 26% same period the previous year. Post balance sheet date, the Group completed the acquisition of 66.53% of BCDC the second largest bank in DRC paving way for the Group to achieve a systemic position after merger and amalgamation of the two subsidiaries in DRC.

Top-line net interest income was up 17% to Shs 24.6 billion up from Shs 21.1 billion the previous year driven by a 22% growth in loan book from Shs 320.9 billion to Shs 391.6 billion. Non-funded income declined by 3% from Shs 14.5 billion to Shs 14.1 billion as a result of the waiver of mobile transaction fee in Kenya since April 2020 to drive behaviour change towards virtual banking enabled by mobile technology; and lower transactional activity given weak economic activity. Customers shied from use of Merchant Banking and Agency Banking as transactional channels with merchant transactions stagnating as commissions declined by 10% from Shs 103.3 million to Shs 93.3 million as agency cash in cash out transaction volume declined by 20% from Shs 54.031 billion to Shs 42.975 billion with resultant commission declining by 25% from Shs 1.055 billion to Shs 789 million. However, retail digital commerce payments Eazzy Pay and Pay with Equity recorded 49% growth in cumulative number of transactions from 1.152 million to 1.719 million transactions as value of transactions grew by 52% to reach Shs 9.8 billion up from Shs 6.4 billion.

Total costs increased by 44% to Shs 26.7 billion up from Shs 18.6 billion driven by a 15-fold increase in loan loss provision which increased to Shs 7.7 billion up from Shs 500 million in recognition of portfolio risk associated with the adverse disruption of COVID-19 health pandemic control, management and containment measures and resultant economic shocks and disruptions of supply chains by economic lockdowns.

To cushion liquidity shocks the Group maintained a liquidity of 54% while Kenya recorded 59.4% liquidity ratio. On the defensive strategy the Group focused on efficiency and cost optimization that resulted in the Group cost income ratio declining from 52.8% to 48.8%. To mitigate for loss of mobile transactions fee and merchant banking fees and commissions, the Group focused on Diaspora remittances and increased revenues by 51% from Shs 398 million to Shs 601 million while increasing forex income by 20% to Shs 2.231 billion up from Shs 1.859 billion.

Equity Group Foundation rolled out a Shs 1.3 billion complimenting support to the fight against Covid-19 by providing frontline health workers dealing with Covid-19 patients with Personal Protective Equipment (PPEs) in Kenya and DRC while providing testing kits to Rwanda. The Foundation further enhanced its MSMEs training to help preserve jobs by slowing layoffs while scaling disbursements of cash transfers under social safety net and protection programs with governments and the donor community. Our associate network of medical clinics Equity Afia doubled its clinics to support provision of non Covid-19 out-patient services. The Foundation continued with youth and women training and credit facility programme under Young Africa Works program to support livelihoods.

## Dividends

The Board of Directors does not recommend the payment of dividend for the first half of the year 2020.

## Explanatory notes

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 31 December 2019 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 17th August 2020 and signed on its behalf by:




**Dr. James Mwangi, CBS**  
Group Managing Director & CEO




**Mary Wamae**  
Group Executive Director




• Best Bank in Africa  
• Best Digital Bank in Africa  
• Excellence in Leadership in Africa



• Position 20 globally on Return on Assets  
• Position 62 globally on Soundness (Capital Assets Ratio)  
• Position 55 globally on Profits on Capitals  
• Position 754 largest bank globally



• Bank of the Year - Kenya  
• Bank of the Year - Uganda  
• Bank of the Year - South Sudan



Africa's SME Bank of the Year, 2018 & 2019