

## Condensed directors' remuneration report

For the	9 months ended 30.09.2020 Unaudited Shs' 000	9 months ended 30.09.2019 Unaudited Shs' 000	Year ended 31.12.2019 Audited Shs' 000
Aggregate directors' emoluments	79,051	127,256	143,460

## Condensed consolidated statement of profit or loss

For the	9 months ended 30.09.2020 Unaudited Shs' millions	9 months ended 30.09.2019 Unaudited Shs' millions	12 months ended 31.12.2019 Audited Shs' millions
Net interest income	39,311	32,284	44,983
Net fee and commission income	11,317	13,230	17,170
Other income	8,872	6,259	9,078
Fair value loss on loan notes at FVTPL	-	-	(1,000)
Provision for impairment losses on loans and advances	(14,303)	(1,282)	(3,458)
<b>Net operating income</b>	<b>45,197</b>	<b>50,491</b>	<b>66,773</b>
Operating expenses	(26,344)	(25,699)	(35,295)
Gain on bargain purchase	907	-	-
<b>Profit before income tax</b>	<b>19,760</b>	<b>24,792</b>	<b>31,478</b>
Income tax expense	(4,717)	(7,316)	(8,917)
<b>Profit for the period</b>	<b>15,043</b>	<b>17,476</b>	<b>22,561</b>

## Condensed consolidated statement of other comprehensive income

For the	9 months ended 30.09.2020 Unaudited Shs' millions	9 months ended 30.09.2019 Unaudited Shs' millions	12 months ended 31.12.2019 Audited Shs' millions
<b>Profit for the period</b>	<b>15,043</b>	<b>17,476</b>	<b>22,561</b>
<b>Other comprehensive income:</b>			
FVOCI investment securities, net of tax	3,483	3,499	2,630
Exchange differences on translation of foreign operations	1,657	316	(824)
<b>Other comprehensive income for the period</b>	<b>5,140</b>	<b>3,815</b>	<b>1,806</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>20,183</b>	<b>21,291</b>	<b>24,367</b>
<b>Earnings per share (basic and diluted) (Shs)</b>	<b>3.93</b>	<b>4.59</b>	<b>5.93</b>

## Condensed consolidated statement of financial position

At	30.09.2020 Unaudited Shs' millions	30.09.2019 Unaudited Shs' millions	31.12.2019 Audited Shs' millions
<b>Assets</b>			
Cash, deposits and balances due from financial institutions	177,525	110,015	86,434
Derivative financial assets	178	155	472
Investment securities	222,840	165,791	172,208
Due from related parties	48	-	19
Current income tax	200	113	152
Loans and advances to customers	453,890	348,926	366,440
Other assets	32,892	16,028	12,745
Property and equipment	16,882	11,304	11,031
Right-of-use assets	7,050	8,715	7,342
Intangible assets (including goodwill)	12,700	9,974	10,347
Deferred income tax	9,710	6,084	6,492
<b>Total assets</b>	<b>933,915</b>	<b>677,105</b>	<b>673,682</b>
<b>Liabilities</b>			
Deposits from customers	691,033	478,101	482,752
Borrowed funds	70,660	66,298	56,714
Due to related parties	-	77	-
Other liabilities	23,321	14,225	12,865
Dividend payable	154	-	-
Employee benefits obligations	1,933	-	-
Lease liabilities	6,936	8,538	7,496
Current income tax	663	1,106	1,928
Deferred income tax	1,633	59	150
<b>Total liabilities</b>	<b>796,333</b>	<b>568,404</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	112,723	89,732	92,769
<b>Equity attributable to owners of the company</b>	<b>130,673</b>	<b>107,682</b>	<b>110,719</b>
Non-controlling interests	6,909	1,019	1,058
<b>Total equity</b>	<b>137,582</b>	<b>108,701</b>	<b>111,777</b>
<b>Total equity and liabilities</b>	<b>933,915</b>	<b>677,105</b>	<b>673,682</b>

## Condensed consolidated statement of changes in equity

	Attributable to owners of parent					
	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
<b>9 months period ended 30 September 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 9 months period	-	-	14,814	14,814	229	15,043
Other comprehensive income	-	-	5,140	5,140	-	5,140
Non-controlling interest from business acquisition	-	-	-	-	5,622	5,622
<b>At end of period</b>	<b>1,887</b>	<b>16,063</b>	<b>112,723</b>	<b>130,673</b>	<b>6,909</b>	<b>137,582</b>
<b>9 months period ended 30 September 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 9 months period	-	-	17,340	17,340	136	17,476
Other comprehensive income	-	-	3,815	3,815	-	3,815
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>89,732</b>	<b>107,682</b>	<b>1,019</b>	<b>108,701</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	9 months ended 30.09.2020 Unaudited Shs' millions	9 months ended 30.09.2019 Unaudited Shs' millions	12 months ended 31.12.2019 Audited Shs' millions
Cash generated from operations	70,721	41,705	32,476
Income taxes paid	(8,650)	(5,927)	(8,487)
<b>Net cash generated from operating activities</b>	<b>62,071</b>	<b>35,778</b>	<b>23,989</b>
Net cash generated from / (used in) investing activities	14,758	(5,192)	(12,398)
Net cash generated from / (used in) financing activities	13,945	5,870	(1,384)
<b>Net increase in cash and cash equivalents</b>	<b>90,774</b>	<b>36,456</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>161,554</b>	<b>97,029</b>	<b>70,780</b>

## Performance highlights

To cope with the COVID-19 pandemic, the Group's execution of its twin strategy of being defensive and offensive has proven to be effective despite the challenging environment. Customer deposits registered a 45% growth from Shs 478 billion to Shs 691 billion driven by 51% growth in Uganda, 21% growth in Kenya and an additional Shs 130 billion from the acquisition of Banque Commerciale Du Congo (BCDC) in DRC. Loans to customers grew by 30% driven by 37% growth in Uganda, 19% growth by Equity Bank Congo, 15% growth in Rwanda, 15% growth in Kenya and an additional Shs 48.5 billion from the acquisition of BCDC in DRC. The growth in capital weighted loan book and capital geared customer deposits was on the back of a 27% growth in shareholders' funds following withdrawal of Equity Group Holdings Plc's 2019 dividend payout. The balance sheet of the Group grew by 38% from Shs 677.1 billion to reach Shs 934 billion.

Regional expansion and business diversification efforts have reduced dependence on Kenya for Group performance making the Group truly a regional financial services provider. Regional subsidiaries now contribute 40% of customer deposits, 39% of Group total assets, 33% of the loan book, 30% of the Group's revenue and 25% of the Group's profit before tax.

On the defensive strategy, the Group increased its capital base by 27% to Shs 137.6 billion from Shs 108.7 billion to fortify the balance sheet. The Group's liquidity position strengthened to 55.7% driven by a 61% growth in cash and cash equivalents and a 34% growth in Government securities. Maintaining its conservative and prudent approach and in recognition of the challenging operating environment, the Group increased its loan book provision eleven-fold from Shs 1.3 billion to Shs 14.3 billion compared to the same period last year, registering a cost of risk of 4.8% up from 0.8% the corresponding period last year. To further consolidate liquidity, the Group increased its long-term funding by 7% to Shs 70.7 billion from Shs 66.3 billion as shareholders funding grew by 27%.

Net interest income has grown by 22% to Shs 39.3 billion from Shs 32.3 billion, while non-funded income has grown by 11% to Shs 24.4 billion from Shs 22 billion with total income growing by 17% to Shs 63.7 billion from Shs 54.3 billion. Operating costs before provision grew by 8.16% with profit before provisions growing by 30.65%. Loan loss provisions grew by 11-fold from Shs 1.3 billion to Shs 14.3 billion increasing NPL coverage to 86%. Profit after tax declined by 14% from Shs 17.5 billion to Shs 15 billion reducing return on average equity from 22.9% to 16.9% and return on average assets from 3.7% to 2.5%. Online banking products and services have experienced the greatest growth with digital transaction values growing by 34%. The volume of diaspora remittances grew by 88%, while Forex online trading income grew by 41%.

The Group maintained healthy capital buffers with core capital to risk weighted asset standing at 14.5% while total capital to risk weighted assets stood at 17.5%.

The business model transformation to digital banking and variable cost channel models have paved the way for efficiency and cost optimization gains. Cost to income ratio has declined from 51.3% to 47.6% while the platform enhancement of Equity's IT capability to allow digitization has enabled massive growth in transaction processing volume without growing operational costs.

On the socio-economic front, visibility of Equity's impact investments through the Equity Group Foundation has strengthened the Equity brand, particularly by the empathy reflected from the Shs 1.3 billion investment to boost government efforts in managing the COVID-19 crisis.

While uncertainty remains, Equity Group is holding an optimistic outlook of the future. Prompt focus to protect and sustain customer businesses in early days of COVID-19 with a long-term view, has helped build resilience and survival of majority of micro, small and medium enterprises saving lives and boosting livelihoods.

## Dividends

The Board of Directors does not recommend the payment of dividend for the third quarter 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 12th November 2020 and signed on its behalf by:

  
Dr. James Mwangi  
Group Managing Director & CEO

  
Mary Wame  
Group Executive Director

