

Condensed directors' remuneration report

For the	6 months ended 30.06.2021 Unaudited Shs' 000	6 months ended 30.06.2020 Unaudited Shs' 000	Year ended 31.12.2020 Audited Shs' 000
Aggregate directors' emoluments	106,161	50,351	123,778

Condensed consolidated statement of profit or loss

For the	6 months ended 30.06.2021 Unaudited Shs' millions	6 months ended 30.06.2020 Unaudited Shs' millions	12 months ended 31.12.2020 Audited Shs' millions
Net interest income	31,155	24,635	61,770
Net fee and commission income	9,205	7,005	10,101
Other income	7,308	4,853	15,070
Fair value loss on loan notes at FVTPL	-	-	(3,239)
Gain from bargain purchase	-	-	1,177
Provision for impairment losses on loans and advances	(2,592)	(7,699)	(22,626)
Net operating income	45,076	28,794	62,253
Operating expenses	(21,245)	(16,817)	(40,083)
Profit before income tax	23,831	11,977	22,170
Income tax expense	(5,887)	(2,900)	(2,070)
Profit for the period	17,944	9,077	20,100

Condensed consolidated statement of other comprehensive income

For the	6 months ended 30.06.2021 Unaudited Shs' millions	6 months ended 30.06.2020 Unaudited Shs' millions	12 months ended 31.12.2020 Audited Shs' millions
Profit for the period	17,944	9,077	20,100
Other comprehensive income:			
FVOCI investment securities, net of tax	(2,446)	1,323	2,964
Re-measurement of defined benefit obligation, net of tax	-	-	(445)
Exchange differences on translation of foreign operations	935	1,183	221
Other comprehensive income for the period	(1,511)	2,506	2,740
Total comprehensive income for the period, net of tax	16,433	11,583	22,840
Earnings per share (basic and diluted) (Shs)	4.65	2.39	5.24

Condensed consolidated statement of financial position

At	30.06.2021 Unaudited Shs' millions	30.06.2020 Unaudited Shs' millions	31.12.2020 Audited Shs' millions
Assets			
Cash, deposits and balances due from financial institutions	219,491	86,578	247,093
Derivative financial assets	574	58	438
Investment securities	315,497	216,386	217,408
Due from related parties	-	-	-
Current income tax	261	111	279
Loans and advances to customers	504,849	391,633	477,847
Other assets	27,190	14,755	19,660
Property and equipment	15,048	11,166	15,904
Right-of-use assets	6,269	6,859	6,090
Investment properties	5,380	-	5,576
Intangible assets (including goodwill)	11,775	10,643	11,591
Deferred income tax	13,403	8,280	13,207
Total assets	1,119,737	746,469	1,015,093
Liabilities			
Deposits from customers	820,286	543,894	740,801
Borrowed funds	102,301	57,573	97,148
Due to related parties	-	90	114
Other liabilities	30,235	13,922	26,316
Employee benefits obligations	2,300	-	2,405
Lease liabilities	6,998	6,789	6,688
Current income tax	1,137	815	1,641
Deferred income tax	1,407	26	1,339
Total liabilities	964,664	623,109	876,452
Equity			
Share capital	1,887	1,887	1,887
Share premium	15,325	16,063	15,325
Retained earnings and other reserves	131,001	104,298	114,964
Equity attributable to owners of the company	148,213	122,248	132,176
Non-controlling interests	6,860	1,112	6,465
Total equity	155,073	123,360	138,641
Total equity and liabilities	1,119,737	746,469	1,015,093

Condensed consolidated statement of changes in equity

	Attributable to owners of parent					
	Share capital Shs' millions	Share premium Shs' millions	Retained earnings and other reserves Shs' millions	Total Shs' millions	Non- controlling interests Shs' millions	Total equity Shs' millions
6 months period ended 30 June 2021						
At start of period	1,887	15,325	114,964	132,176	6,465	138,641
Profit for the 6 months period	-	-	17,549	17,549	395	17,944
Other comprehensive income	-	-	(1,512)	(1,512)	-	(1,512)
At end of period	1,887	15,325	131,001	148,213	6,860	155,073

Condensed consolidated statement of changes in equity

	Attributable to owners of parent					
	Share capital Shs' millions	Share premium Shs' millions	Retained earnings and other reserves Shs' millions	Total Shs' millions	Non- controlling interests Shs' millions	Total equity Shs' millions
6 months period ended 30 June 2020						
At start of period	1,887	16,063	92,769	110,719	1,058	111,777
Profit for the 6 months period	-	-	9,023	9,023	54	9,077
Other comprehensive income	-	-	2,506	2,506	-	2,506
At end of period	1,887	16,063	104,298	122,248	1,112	123,360
12 months period ended 31 December 2020						
At start of year	1,887	16,063	92,769	110,719	1,058	111,777
Profit for the year	-	-	19,790	19,790	310	20,100
Non-controlling interests acquired from business combinations	-	-	-	-	5,759	5,759
Other comprehensive income	-	-	2,740	2,740	-	2,740
Equity transactions with Non-controlling interests	-	-	(335)	(335)	(662)	(997)
Other adjustments	-	(738)	-	(738)	-	(738)
At end of year	1,887	15,325	114,964	132,176	6,465	138,641

Condensed consolidated statement of cash flows

For the	6 months ended 30.06.2021 Unaudited Shs' millions	6 months ended 30.06.2020 Unaudited Shs' millions	12 months ended 31.12.2020 Audited Shs' millions
Cash generated from operations	75,570	52,047	111,381
Income taxes paid	(6,771)	(5,471)	(10,393)
Net cash generated from operating activities	68,799	46,576	100,988
Net cash (used in) / generated from investing activities	(103,212)	(46,375)	22,999
Net cash generated from financing activities	5,153	859	32,145
Net (decrease) / increase in cash and cash equivalents	(29,260)	1,060	156,132
Cash and cash equivalents at the start of period	226,912	70,780	70,780
Cash and cash equivalents at the end of period	197,652	71,840	226,912

Performance highlights

The defensive and offensive strategy adopted by the Group at the onset of the Covid-19 pandemic to create resilience, agility and recovery has been very effective in positioning, navigating, and driving performance.

The offensive growth strategy saw deposits register a 51% growth to Shs 820.3 billion up from Shs 543.9 billion, while long term borrowed funds grew by 78% to Shs 102.3 billion up from Shs 57.6 billion. Net loans and advances grew by 29% to Shs 504.8 billion up from Shs 391.6 billion, while investment securities grew by 46% to Shs 315.5 billion up from Shs 216.4 billion resulting in 50% growth in total assets to Shs 1.12 trillion up from Shs 746.5 billion. The aggressive growth strategy effected by the Group resulted into a 33% growth in topline total income to Shs 51.6 billion up from Shs 38.7 billion driven by a 26% growth in net interest income of Shs 24.6 billion up from Shs 14.1 billion and a 45% growth in non-funded income of fees, commissions, and transactions to Shs 20.4 billion up from Shs 14.1 billion.

The defensive approach focused on high asset quality, strong capital and liquidity buffers that saw the Group present a strong non-performing loans (NPL) coverage of 92% up from 73% the previous year attributed to a decline in gross non-performing loans by Shs 1.3 billion from Shs 61.2 billion to Shs 59.9 billion. Loan loss provision declined by 66% from Shs 7.7 billion to Shs 2.6 billion to register cost of risk of 1.2% down from 4.2%. Net non-performing loans declined by Shs 5.4 billion from Shs 28.3 billion to Shs 22.9 billion due to the aggressive provisioning the previous year under the defensive strategy. Total operating costs grew by 4% to Shs 27.8 billion against a 33% growth in total income to Shs 51.6 billion driving profit before tax up to Shs 23.8 billion up from Shs 12 billion a growth of 99%. Efficiency gains saw cost to income ratio decline marginally to 48.5% from 48.8%.

Liquidity buffers saw cash and cash equivalent register a growth of 154% to Shs 219.5 billion up from Shs 86.6 billion with liquidity ratios rising to 62.4% up from 54.2% with loan to deposit ratio declining to 61.5% down from 72.0%. Total capital to risk weighted assets stood at 17.6% while core capital to risk weighted Assets stood at 14.1% positioning the business ready for accelerated growth. The regional approach with Kenya now being only 60% of the Group balance sheet mitigates national shocks and sovereign risks. Group efficiencies shared with the subsidiaries are quickly translating regional growth to value creative growth, with majority of the regional subsidiaries return on average equity being higher than their cost of capital.

Business transformation through innovation and digitization continues to yield an agile and efficient business with value proposition for customers being enhanced by convenience, control, and freedom of choice over their money and lifestyle fulfilment. The Group has accepted and adapted to the Covid-19 environment as the new normal and it has intensified its shared prosperity model, rolling out a massive Covid-19 program of protecting frontline health workers in 56 county and national referral hospitals and 60 faith-based hospitals through an elaborate initiative to provide Personal Protective Equipment (PPE).

The Group has over the last two years scaled the *Wings to Fly* Scholarship Program (funded by Mastercard Foundation, Equity Bank, KfW and other partners) with 18,000 Elimu Scholarships by the Government of Kenya with the support of World Bank bringing the Secondary School Scholarships to 37,000. The Group has intensified the Energy and Environment Program by providing financing for one million clean energy devices, offering to transform 30,000 schools that use wood fuel for cooking in their kitchens to use LPG and planting 35 million trees.

Dividends

The Board of Directors does not recommend the payment of dividend for the second quarter of the year 2021.

Explanatory notes

The accounting policies used in preparing these financial statements are consistent with those used for the Group's 31 December 2020 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 16th August 2021 and signed on its behalf by:


Dr. James Mwangi, CBS
Group Managing Director & CEO


Mary Wamae
Group Executive Director

