

Q&A: Equity Bank Uganda's Samuel Kirubi on the bank's fast but purposeful rise from the bottom to Uganda's 6th largest bank



Equity Bank Uganda has just released its 2021 financials, reporting a 40.8% rise in deposits from UGX1.623 trillion to UGX2.285 trillion—a record UGX662.3 billion, the highest in the industry in 2021! Riding on a strong deposits foundation, the bank also upped its lending, by 22.4%, from UGX1.261 trillion to UGX1.544 trillion and as such, saw its total income grow by a handsome 31% from UGX292.1 billion to UGX382.7 billion. The bank also reported that it had made a record, UGX118.2 billion in profit before tax and UGX86 billion in net profit- the highest ever in its 14-year year history. The bank's balance sheet, as a result, grew 36.2% from UGX2.069 trillion to UGX2.818 trillion, making the bank the 6th largest bank by assets. 2021 also saw the bank set some new industry records as the 3rd largest by lending, 5th largest by deposits as well as 6th largest by income and profitability. In this interview, Samuel Kirubi, the bank's Managing Director, who has led the bank from the 11th position in 2015 to the 6th position, speaks to CEO East Africa Magazine on the key growth drivers as well as the Equity Group's larger vision of transforming Africa.

BY MUHEREZA KYAMUTETERA, MAY 17, 2022

2021 was yet another good year for Equity Bank in Uganda. All the key fundamentals posted strong double-digit growth. What are some of the key highlights in your performance that do stand out for the bank?

2021 was a tough year for the bank and the industry. Although the bank recorded double-digit growth rates across various parameters, it wasn't an easy year, as the actual effects of COVID-19, fully manifested in 2021.

But also, it was a year for us to test the vision and the purpose of the bank. As a bank, we adhered to our vision— championing the social-economic transformation of the people of Africa. I must say there has never been a time where our resolve and commitment were put to test, such as during the Covid-19 pandemic. This is when our customers, the businesses and the communities needed us the most and we didn't let them down.

So, yes, the business was tested, but I am excited to say that we executed well, and the customers supported us as seen in our performance particularly, on the number of customers, we were able to get almost up to 1.5 million customers, which is a milestone. The number of customers shows the number of people and businesses that we were able to impact directly and of course, the indirect impact is certainly much bigger. The strong customer base was also reflected in our profitability. Net profit grew by 48.5%, from UGX57.9 billion to UGX86 billion, which is impressive growth.

Credit intermediation didn't grow as much, but it also grew by 22.4%, from UGX1.261 trillion to UGX1.544 trillion, largely because most businesses did not seek to invest in 2021 but were more focused on preserving their working capital. Internally we were able to have our staff complement grow to about 1,200 staff to ensure we continue offering exceptional customer experience.

Speaking about our purpose, the bank is driven by a twin-engine i.e., the socio and economic engine. The belief is that whatever happens on the economic side, must have an impact on the livelihoods of our people. So, while we give loans, we go back and see what are the loans doing to the societies? What impact are they having on the people that we serve? Our social impact programs are anchored by six (6) pillars i.e., Education and Leadership Development, Energy and Environment, Enterprise Development and Financial Inclusion, Food and Agriculture, Health and Social Protection.

If I may mention some examples, last year, we were able to leverage the Equity Leadership Program, where we pick the best students from the senior schools and offer them paid internships during which they are also mentored and

coached on leadership as we prepare them for the future. Last year was very exciting; we had about 119 students- boys and girls joining the program.

We are also very keen on Food and Agriculture, we reached 224 loans in terms of disbursement and 40,000, farmers were impacted. In 2021, we launched our energy and environment pillar i.e., to be more sustainable in terms of the environment and we, among others, signed a loan of UGX4.75 billion to finance energy in the communities. So, I'd say that even amidst the challenge of Covid-19, our purpose to society was demonstrated.

But also, as Equity Group, we emerged as the 5th strongest banking brand in the world, according to the *Brand Finance Banking 500 2022 Annual Report*, which is a confirmation of the impact of our twin social-economic engine as well as the value of our brand equity.

Between 2015 and 2021, Equity Bank in Uganda has been growing above industry rates (24.1% CAGR in assets; 30.5% CAGR in loans; 25.1% CAGR in Deposits and 43.7% CAGR in Net profit). What would you say is different that makes you stand out?

I'd say the answer to that question is complex, but it still comes back to our commitment to improving livelihoods in everything that we do. When you look at our communities and our country in terms of GDP growth, we are still very far from where we need to be. The ceiling and the headroom are too high, and we have a lot to do- as a people, in the financial services sector as well as everybody, both private and public sector. Even the growth that we are witnessing doesn't represent our desired growth if we are to move into a middle-income society or community soon, especially considering the opportunities before us.

So, back to our twin social-economic approach to business, we look at our society in terms of sectors, e.g., agriculture, education, tourism, trade, etc. Then, we also look at society in a segmented format- the corporates, SMEs, and the micro-SMEs. So, the way we approach a business is by synergizing the sectors above- across the various segments.

The Equity Bank/Group vision is the socio-economic transformation of the African people. That is what informs our strategy and execution. That's what is different about us; it is not just about giving loans; it's not about mobilizing deposits; it is about what impact that will have on the lives and livelihoods of households and communities that we serve.

So, if you give a loan to a farmer, will it translate into a better life for this farmer? Are kids going to school? Have their standards of living improved over time? The same applies across all the other sectors. For example, everyone is rushing into oil and gas, but for Equity Bank the guiding question is, how do we meaningfully intervene in the oil and gas sector so that we create shared and sustained prosperity? This means that our intermediation is driven by the social-economic impact on the local communities, the environment etc., and how well we equip our people to identify and seize the opportunities before them.

I would say, that is what makes us different, and it is embedded in our vision.

The other thing that makes us different, is that we combine the execution of our vision of the social-economic transformation of the African people, with great and functional technologies. Technology helps us to create efficiencies for ourselves and our clients; helps us manage the cost of service and the cost of doing business, which then allows us to scale up, faster.

I am happy to report that we have such great technology initiatives as the Equity Agents at our Equi Duukas who serve our customers across the country. You no longer need to come to the bank because there is an Equi Duuka in almost all the major towns in the country and we continue to grow our reach. Then recently, we came up with a great product that enables our customers to self-serve, to open an account without coming to the bank. All they have to do is dial *247# and at the back end, our systems 'speak' to the National ID database to verify who you are, and an account is opened up for you instantly and you start transacting immediately. No queues, no documents- you just pick any mobile phone and open an account from anywhere in Uganda in one minute. For practical purposes, you can have up to 10 million people across Uganda, all opening an Equity account in one minute. Self-service banking on the phone has given our customers the convenience of access, making banking something you do, not a place you go.

On the back of this growth, where do you see Equity Bank Uganda in the medium term? Where do you want to be in the next five years or so?

We love to benchmark our growth with the potential and not the currently existing market share. For example, we have about 10 million bank accounts, but Uganda is a country of over 40 million people with a bankable population of between 15 million to 20 million, so we are not there yet. Therefore, in terms of that potential, in five years, we want to be in the north of 7 million active customers and for market share, we are looking to grow north of 10- 15%.

We see a greater opportunity in broadening financial access and deepening financial inclusion so that we can grow the cake. That is why we are constantly asking ourselves; how do we strengthen our partnership with the government and other entities to widen financial inclusion? How do we participate in catalyzing growth in the various sectors of the economy? How do we leverage our huge African presence to leverage other growth opportunities in the East African Community and the African continent as a whole?

The Covid-19 pandemic and most recently, the Russia-Ukraine war shone a light on the vulnerabilities in our global supply chains but at the same time, why we, the leading brands on the continent need to lead this African growth story. As a continent, we need to invest in creating sustainable local/regional supply chains for our most vital goods and services. We need to invest in our own payment solutions, raw materials supply chains, energy and food security etc. We shouldn't wait for the Russian-Ukraine war to end so that we resume importing wheat again. The time is now to put resources into creating regional sustenance.

Can we for example take advantage of our good weather as Uganda to support the region on maize/food production? The region imports a lot of fertilizers, but what can we do with the huge amounts of dung produced by the millions of animals that we keep? All these are huge opportunities. If we can catalyze them, using the resources that will be generated from oil and gas, we will spark immense growth. We need to look into value addition and creating a productive economy. What I call a productive economy, is one that is producing above the world's average. For example, if you look at our agriculture, research shows that we are still producing below the world's average for some crops e.g., Uganda's production of bananas is 50% below the world average. This means that in an acre of land, compared to other countries, we are getting 50% fewer bananas. That is the competitiveness that we are looking at and that is the stimulus that Equity Bank is looking to inject into the various sectors of the economy.

Financial inclusion is an engine of growth, but one of the stumbling blocks is the cost of money- interest rates. What are some of the things that you think need to be done to mitigate this- from the regulatory side and maybe the industry side as well?

Interest rates are a sensitive subject and true, high-interest rates don't support the growth of the economy, because then it means the cost of doing business remains very high, which renders the goods and services produced uncompetitive in the market.

The interest rate issue requires both the private and public sectors to work together. But I'll speak about what is key to banks. Interest rates are a demand and supply issue and one factor that hasn't been supporting us is that financial inclusion has been very low. True, we have come a very long way, but we need to improve quite fast on the levels of financial inclusion, there's a lot of cash in the economy- this is a cash market. There is probably a similar amount of cash in the informal market out there as we have in the banks and the formal system. You will be shocked that there are still companies paying workers in cash. What this means is that money that should have been left in the formal financial system for onward lending and other development purposes, is being taken out of the formal system. So, in that regard, the cash in supply is very low.

So, what is Equity Bank doing? Part of the impactful things that we're doing is making access to banking very easy- making the opening of accounts very easy with *247#, making payments of goods and services swift and cashless via our merchants' payments system and digital lending where clients can access instant digital loans that can also be used to pay for goods and services using cashless services. This helps in mobilizing savings as well as preserving cash on one end, and on the other, reduces the cost of doing business, thus reducing the cost of money in due course. Remember, cash is only a means of exchange of goods and services.

Numbers don't lie. What are some of the key numbers that underpin your technology footprint on which you are planning to ride this wave? For example- how many agents?

First, one of the key things that drive us at Equity is Shared Prosperity— championing the social-economic transformation of the people of Africa. It is a huge responsibility, but we believe in working with other partners- government, the media, not for profits, the private sector etc.

Shared prosperity cannot happen in the absence of financial inclusion. Our people must be educated, sensitized, motivated, and facilitated to have access to timely and affordable financial services so that they can save, borrow and invest and in so doing secure their livelihoods and those of the future generations. This is the thinking behind our strong agent footprint and robust investments in technology.

Last year, we closed with almost 6,000 agents, 5,580 agents, to be exact. In a quarter, our agents are doing approximately 3.5 million transactions, translating into about 1.2 million transactions a month or almost 40,000 transactions in a

day. Today, only 3% of transactions are happening in the bank and 97% are happening outside the bank.

The value of transactions per quarter now is at about UGX7 trillion. That almost translates into UGX2.3 trillion a month. We have close to 20,000 merchants paying with and receiving Equity payments. Let me put it on the record that we are trying to promote cashless payments so that people enjoy the convenience of transacting without physically withdrawing money from the system. When you pay digitally, the velocity of money is greater- money moves around quickly.

This is helping us to compress geography and time in the essence that you don't need to go to the branch for most of the transactions, which then saves time. This has an impact on the cost of finance because part of the cost of finance is what you'd call the factors of accessing the finance such as time, transport etc. We have enabled our customers to open accounts, access their money and pay suppliers, from the comfort of their home or office or on the move. That is the value of our agents.

Equity Bank is working with various partners for this cause- in government, and with UN agencies so that the vision of social-economic transformation happens faster.

Equity Bank recently opened a branch in Ntinda. So, if digital is the future, why are you still investing in brick and mortar?

What we are doing is called a hub and spoke approach. Remember, this digital journey will take some time. Hub and spoke means that you have the bank branches that are proximal e.g., within a radius of 40 kilometres to efficiently support and bank the agents' network as well as the merchants who are the last mile access points. We are still in the phase of recruitment- for agents and merchants- which is still partially manual and physical but then the people consuming services from the agents and merchants, do it digitally. So, we are still opening branches. We opened Ntinda, Kireka and we are opening Kapchorwa and Buliisa.

Everyone these days is talking about intra-Africa business, regionalization, and borderless businesses. Very recently, the Democratic Republic of Congo also joined the East African Community. As one of the biggest banking brands on the African continent, what value proposition does Equity have for cross border businesses especially?

Equity is present in Kenya, Tanzania, Uganda, Rwanda, South Sudan and DRC. Traditionally there have been trading routes, which were largely focused on goods and not services. There are about seven trade routes- Northern Corridor which does Uganda, Burundi, Rwanda, South Sudan and Eastern DRC. There's the Lamu Port-South Sudan-Ethiopia-Transport (LAPSSET) Corridor that the government of Kenya is doing. There's Mtwara that focuses on Southern Tanzania, Northern Mozambique, Eastern Malawi and Zambia. Then there's the Beira route, which was doing Mozambique, Zimbabwe Zambia, and Southern DRC. There is also the Tazara from Dar-es-Salaam to Zambia and Tanga which connects Uganda to Tanga Port in Tanzania.

The nature of most goods transactions, unlike services, is that the payment is usually limited by geographical boundaries. Payments for the goods are usually done at the final consumption point and in cash. Equity is providing a financial services infrastructure across these trade routes and complementing it with last-mile payment solutions so that as businesses trade, they eliminate all these geographical limitations.

To give you an example, some people from Uganda who import from Kenya have never met physically to exchange cash. They use SWIFT services in one bank- Equity. This has never been even more important, especially in the face of global supply chain disruptions occasioned by Covid-19, the Russian-Ukrainian war etc. We need to talk more and more about localized trade blocks with banks such as Equity serving as facilitators- because we have the experience, the presence and the resources to make it possible. We are providing financing for businesses with regional presence, harmonizing payment systems across the regions and offering the same products, because the future is not countries, but rather regional blocks.

Speaking about the future and the future of banking, especially in the tech space as well as cross border innovations, do you feel Uganda as a country, is moving fast enough, especially if you compare us to peers in the region? What are some of the changes you think need to be done to bring the future much closer?

Part of the benefits of the Covid-19 was the accelerated adoption of digitalization in the way we live, do business and transact. Maybe the digitalization dividend that we achieved during the COVID-19 pandemic would have taken us 10 years to achieve.

Yes, there are efforts from the Government and the Bank of Uganda- you saw recently the Central Bank moving to cap limits on amounts that can be deposited and or transferred in cash. That is a good move in the electronic direction, but it should have been more aggressive.

For example, if you come to our branches to withdraw cash, we charge because we are trying to remind you that you didn't have to come to the branch in the first place and neither do you need to withdraw physical cash at all. You can do it on the phone. We need more aggressive awareness and mindset change campaigns. Why do you for example have to withdraw cash to take to a restaurant, only for the restaurant to do reconciliation in the evening and then wait to take that money back to the bank, the next day or three days later to avoid costs? Yet you can pay directly to their bank account via your phone, or an Equity Bank merchant terminal and the restaurant has instant access to that cash to meet their many other obligations, also instantly?

If you met me out there or anyone, for that matter, what is that one thing you would tell them about why it is important for them to bank with Equity Bank?

First, I would tell them about our social-economic vision – our commitment to the transformation of our people, and our societies. I would tell them about our shared prosperity agenda- that we are a bank that believes in collectively growing the cake such that we all flourish together. Then I would tell them about our great suite of digitally powered products that make it easy and efficient to bank with us.

For example, if you are a business that banks with us, people can pay digitally via our merchants' solutions at zero charges, and you can even access easy and quick financing via our EazzyStock solution to restock your business via your phone. EazzyStock is a product we use for ecosystems e.g. if you are a beer distributor, you can straight from your phone, borrow and pay your suppliers directly to their account and you get the goods. It is that very Eazzy.

Looking forward, what is the outlook like, for the business and the economy?

We believe the pandemic is ebbing- and are optimistic about the return to full business. Of course, we are aware of the lingering effects, which is why we are trying to both invest in and engage our stakeholders, our customers, on the need for efficiency because the margins have gone down as well as disposable incomes.

We are excited about especially the opportunities that are being unravelled by oil and gas and we are embracing them fully. We are engaging especially Ugandan SMEs on what needs to be done, especially on the government front so that we can fully harness the oil and gas opportunities. At the just-ended oil and gas conference, the Equity Group promised liquidity of over USD2 billion for the Ugandan oil and gas sector. This is huge for the corporates, SMEs, and anybody to take advantage of. What is needed is to build more resilience in form of structure and governance, such that from the onset, we're talking about building 50, 100 years of business empires. So, even with the challenges that are there, we are still very optimistic about the outlook.

Any parting shots?

I would like to thank our customers for choosing us, all the time. Rising to 1.5 million customers in 14 years is a vote of confidence in our vision and purpose. We pledge to do better and be innovative, so we can together continue to grow with our customers. For example, we are opening a 24/7 contact centre that will address all inquiries 24/7. No one has to come to the branch for an inquiry. I would also like to thank the Government, especially our regulators, for everything they are doing to make sure we deepen inclusion as well as keep our sector growing.

Finally, I would like to thank our staff for living and exuding the Equity vision, most especially during the tough period of the pandemic. They went out of their way to continue serving our customers through the two years of the pandemic and they did extremely well. It is through their efforts that we were able to continue living our purpose.