

Summary of audited consolidated and separate financial statements for the year ended 31 December 2019

Summary Statements of Profit or Loss and other Comprehensive Income

	Consolidated		Separate	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
<i>In millions of Malawi Kwacha</i>				
Income				
Interest income	27 237	44 168	22 886	22 338
Interest paid	(7 352)	(14 589)	(5 637)	(7 713)
Net interest income	19 885	29 579	17 249	14 625
Non interest income	12 661	21 395	10 533	11 371
Total operating income	32 546	50 974	27 782	25 996
Expenditure				
Total operating expenditure	(21 069)	(34 507)	(17 187)	(17 330)
Profit before impairment losses	11 477	16 467	10 595	8 666
Impairment losses	(1 766)	(1 236)	(1 546)	859
Operating profit	9 711	15 231	9 049	9 525
Income tax expense	(3 081)	(4 456)	(3 010)	(2 869)
Profit for the year	6 630	10 775	6 039	6 656
Other comprehensive income for the year	918	560	918	1 736
Total comprehensive income for the year	7 548	11 335	6 957	8 392
Profit or loss attributable to:				
Owners of the parent	6 433	8 496	6 039	6 655
Non controlling interests	197	2 279	-	-
Profit for the year	6 630	10 775	6 039	6 655
<i>Earnings per share (tambala)</i>	<i>275</i>	<i>364</i>		

Summary Statements of Financial Position

	Consolidated		Separate	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
<i>In millions of Malawi Kwacha</i>				
Liabilities and equity				
Liabilities				
Amounts due to depositors	134 554	335 771	134 872	139 582
Balances due to other banks	109 262	26 114	109 262	37 050
Other payables	9 208	17 139	9 387	9 539
Lease liabilities	873	-	873	-
Subordinated debt	7 000	12 887	7 000	7 000
Total liabilities	260 897	391 911	261 394	193 171
Equity				
Share capital	117	117	117	117
Share premium	1 565	1 565	1 565	1 565
Revaluation reserve	6 115	5 198	6 115	5 197
Loan loss reserve	1 048	1 086	1 048	824
Translation reserve	-	1 218	-	-
Retained earnings	24 607	28 516	24 250	28 524
Equity attributable to the parent	33 452	37 700	33 095	36 227
Non controlling interest	-	9 730	-	-
Total equity	33 452	47 430	33 095	36 227
Total equity and liabilities	294 349	439 341	294 489	229 398
Assets				
Cash and cash equivalents	16 593	112 650	16 593	34 765
Money market investments	103 981	84 456	103 981	67 569
Loans and advances to customers	71 593	178 897	71 593	62 137
Finance lease receivables	511	1 625	511	1 625
Amounts due to related parties	681	253	681	568
Repurchase agreements	71 553	21 851	71 553	21 851
Investment at fair value through profit or loss	4 644	5 589	4 644	5 589
Investment in subsidiaries	-	-	209	10 298
Right of use assets	802	-	802	-
Property, equipment and intangible assets	21 848	28 157	21 848	21 443
Assets held for sale	212	218	212	218
Other receivables	1 931	5 645	1 862	3 335
Total assets	294 349	439 341	294 489	229 398

Summary Statements of Changes in Equity

	Consolidated		Separate	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
<i>In millions of Malawi Kwacha</i>				
As at the beginning of the year	47 430	53 546	36 227	36 584
Net profit for the year	6 630	10 775	6 039	6 656
IFRS 9 transition adjustment (net of tax)	-	(1 800)	-	(856)
Other comprehensive income	918	560	918	1 736
Comp. Income attributable to owners	54 978	63 081	43 184	44 120
Dividends paid	(10 089)	(7 893)	(10 089)	(7 893)
Other transactions with owners	(11 437)	(7 758)	-	-
Balance at the end of the year	33 452	47 430	33 095	36 227

Summary Statements of Cash flows

	Consolidated		Separate	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
<i>In millions of Malawi Kwacha</i>				
Cash flows from operating activities				
Interest and fees received	40 443	56 092	33 821	33 803
Interest paid	(7 352)	(14 589)	(5 637)	(7 713)
Cash paid to suppliers and employees	(12 090)	(31 381)	(13 957)	(22 914)
Net increase/(decrease) in customer balances	21 001	10 122	14 227	3 176
	67 664	6 731	50 514	(7 242)
Cash generated from operations	88 665	16 853	64 741	(4 066)
Dividend received from listed companies	19	50	19	50
Income taxes paid	(2 256)	(3 192)	(2 432)	(1 010)
Net cash from operating activities	86 428	13 711	62 328	(5 026)
Cash flows from investing activities				
(Purchases)/Maturities of investment securities	(36 804)	31 667	(36 804)	13 623
(Purchases)/Maturities of repurchase agreements	(49 702)	3 343	(49 702)	3 343
Proceeds from sale of equipment	46	14	46	13
Disposal of a subsidiary	(101 985)	-	-	-
Sale of shares in listed companies	366	-	366	-
Acquisition of property and equipment	(2 693)	(7 822)	(2 693)	(3 591)
Net cash used in investing activities	(190 772)	27 202	(88 787)	13 388
Cash flows from financing activities				
Dividend paid to shareholders of the parent	-	(4 500)	-	(4 500)
Proceeds from issuance of preference shares	-	1 432	-	-
Proceeds/(Repayment) of long term borrowings and lease liabilities	7 998	(3 525)	7 998	(6 111)
Net cash from financing activities	7 998	(6 593)	7 998	(10 611)
Net decrease/(increase) in cash and cash equivalents	(96 346)	34 320	(18 461)	(2 249)
Cash and cash equivalents at 1 January	112 650	79 515	34 765	37 631
Effects of changes in exchange rates	289	(1 185)	289	(617)
Cash and Cash Equivalents at 31 December	16 593	112 650	16 593	34 765

Expected credit losses/Non performing credit facilities and provisions for losses by industry

<i>In thousands of Malawi Kwacha</i>	31-Dec-19			31-Dec-18		
	Outstanding Amount	Non performing facilities	Expected credit losses	Outstanding Amount	Non performing facilities	Specific Provision
Agriculture	12 707 012	429 442	58 386	11 969 846	316 040	23 537
Mining	105 216	-	-	33 280	-	-
Financial services	3 061 916	1 389 208	3 973	1 160 307	1 538	161
Construction	4 469 528	176 187	51 834	2 263 736	156 245	81 037
Energy/electricity/gas/water	2 363 609	107 539	-	1 224 586	104 559	-
Manufacturing	17 221 413	194 284	-	19 282 945	324 324	-
Wholesale and retail	17 381 801	1 509 956	547 528	15 816 031	1 647 701	962 993
Individual/Households	3 214 207	215 201	109 907	2 719 803	177 790	66 888
Real estate	81 755	-	-	2 118 396	-	-
Tourism & leisure	3 386 060	28 439	406	2 329 897	20 394	154
Transport & communication	5 559 401	8 344	963	3 019 242	42 300	6 978
Others	4 036 235	313 787	137 128	5 618 275	262 076	46 971
Total	73 588 153	4 372 387	910 125	65 656 344	3 052 967	1 188 719

Credit Concentrations

<i>In thousands of Malawi Kwacha</i>	31-Dec-19	% of Core Capital	31-Dec-18	% of Core Capital
Sector of Borrower				
Electricity, gas, water and energy	14 753 936	61.3%	8 875 372	41.6%

Note: Credit concentration represents total credit facilities including guarantees, acceptances, and other similar commitments extended to any one customer or group of related customers where amounts exceed 25% of core capital

Loans to directors, senior management and other related parties

<i>In thousands of Malawi Kwacha</i>	31-Dec-19	31-Dec-18
Corporate bodies directly or indirectly related to directors*:		
Balance at the beginning of the year	3 796 333	2 201 351
Loans granted during the year	860	6 498 679
On derecognition of subsidiaries	(1 805 517)	-
Repayments	(1 260 335)	(4 903 697)
Balance at the end of the year	731 341	3 796 333
Senior management:		
Balance at the beginning of the year	317 678	425 744
Loans granted during the year	81 600	200 460
On derecognition of subsidiaries	(15 273)	-
Repayments	(95 954)	(308 526)
Balance at the end of the year	288 051	317 678

* There were no loans to directors in their individual capacities. All loans to bodies directly or indirectly linked to directors were made on arm's length commercial terms.

Investment in subsidiaries

Institution	Number of Shares ('000)	Percentage Holding	31 Dec 2019 (MK'000)	31 Dec 2018 (MK'000)
First Capital Bank S.A. - Mozambique *	6 955	80.0%	-	9 185 640
First Capital Bank Limited - Botswana *	31 588	38.6%	-	903 854
ICB Malawi Limited (Dormant)	7 149	100.0%	148 791	148 791
FMB Capital Markets Limited (Dormant)	500	100.0%	50 000	50 000
FMB Forex Bureau Limited (Dormant)	10 000	100.0%	10 000	10 000
FMB Pensions Limited (Dormant)	1 000	100.0%	-	-
			208 791	10 298 285

* To simplify the group structure, First Capital Bank Plc (Malawi) ("FCBM") disposed of its 38.6% shareholding in First Capital Bank Ltd (Botswana) ("FCBB") and 80% shareholding in First Capital Bank S.A. (Mozambique) ("FCBMZ"), through a transfer of shares of FCBB and FCBMZ to FMBcapital Holdings Plc.

Base lending rate

	31 Dec 2019	31 Dec 2018
Base lending rate (local currency loans)	12.50%	23.00%
Maximum applicable range (percentage points)	8.00%	8.00%
Base lending rate (foreign currency loans)	0.00%	0.00%
Maximum applicable range (percentage points)	9.50%	9.50%
Bank rate	13.50%	16.00%

Directors remuneration and bonuses

(MK'000)	31 Dec 2019	31 Dec 2018
Salaries paid to executive directors	-	-
Total bonuses paid by a licensed institution	-	-
Fees paid to non-executive directors	251 532	478 885

Deposit Rates

	31-Dec-19	31-Dec-18
Savings accounts (Balances above K10 000)	4.00%	4.00%
Fast accounts (Balances above K10 000)	2.00%	4.50%
Call accounts		
7 day call	3.00%	5.00%
30 day call	3.00%	6.00%
Fixed deposits (Balances above K25 000)		
1 Month	3.50%	9.00%
2 Months	5.50%	10.00%
3 Months	5.00%	10.00%
Above 3 Months	Negotiable	Negotiable
Current account (balances above K500 000)	0.00%	0.15%

BASIS OF PREPARATION

The Directors have prepared the summary consolidated and separate financial statements to meet the requirements of the Financial Services Act, 2010. The Directors have considered the requirements of the Financial Services Act, 2010 and believe that the summary consolidated and separate statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary consolidated and separate financial statements. The amounts in the summary consolidated and separate financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary consolidated and separate financial statements have been derived from the Consolidated and Separate Financial Statements which were approved by the board of directors on 25 March 2020, and are available at the registered office of the bank.

REVIEW OF THE YEAR

The continued decline in interest rates in 2019, coupled with a change in methodology for the computation of the base lending rate, saw a significant reduction in the net interest margin for the whole banking sector. However, the negative impact of this was mitigated by the growth in volumes on both sides of the balance sheet, with a resultant 18% increase in net interest income.

Non-interest income was adversely impacted by revaluation losses that were experienced as a result of share price drops on two of our investee companies. The net result was a decline in non-interest income for the year of 7.4%.

Operating costs for the year have stabilized as a result of an operational restructuring process that the bank had embarked upon two years back, which together with the stabilization of our Group shared services centre in Mauritius, has laid a solid foundation to deliver quality service to our customers for the long term.

We experienced a minor contraction in the level of overall customer deposits as we reduced our exposure to high cost wholesale fixed deposits. Despite this, our balance sheet grew, with total assets increasing by 28% through the utilization of credit lines available from financial institutions. The bank continued to maintain a conservative balance sheet management strategy whereby net loans and advances and money market investments grew by 15.2% and 54% respectively. The bank saw an increase

in impairments in 2019 as a consequence to adoption of IFRS9 accounting standards as well as increase in the bank's credit portfolio and money market instruments.

The final result was a profit after tax of K6.04 billion, a 9.25% decline over the previous year.

During the year we continued with the corporate restructuring process we embarked on a few years ago, and First Capital Bank Malawi transferred, through a dividend in specie, its investments in First Capital Bank Ltd, Botswana and First Capital Bank S.A., Mozambique to our parent company, FMBcapital Holdings Plc. As a consequence, the bank's total equity reduced by 8.6% year on year. The bank however remains well capitalized, with all capital ratios well above the minimum regulatory requirements.

Outlook

The country's economic outlook for 2020 is expected to be significantly impacted from the Covid 19 pandemic which will cause a material contraction in the global economy in both the short and medium term. The bank has deployed deliberate business strategies to counter the potential negative effects of this pandemic and will endeavor to help our valued customers through the challenging times we will all have to endure.

By order of the Board

Thomas Kadantot Acting Chief Executive Officer
Dheeraj Dikshit Director
Michael Kadumbo Chief Finance Officer

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