

Summary audited consolidated and separate financial statements for the year ended 31 December 2020

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-20	Audited 31-Dec-19	Audited 31-Dec-20	Audited 31-Dec-19
<i>In millions of Malawi Kwacha</i>				
Interest income	26 288	27 237	26 288	22 886
Interest expense on deposits and other accounts	(5 616)	(7 352)	(5 616)	(5 637)
Net interest income	20 672	19 885	20 672	17 249
Fees and commissions	10 964	9 035	10 964	8 016
Income from investments	(821)	(560)	(821)	(560)
Gain on foreign exchange transactions	2 608	4 184	2 608	3 077
	12 751	12 659	12 751	10 533
Total operating income	33 423	32 544	33 423	27 782
Staff and training costs	7 158	6 634	7 158	6 803
Premises and equipment costs	3 196	2 878	3 196	2 329
Depreciation expense	2 313	2 352	2 313	2 116
Other expenses	8 176	7 204	8 176	5 938
Impairment loss on financial assets	292	1 766	292	1 546
Total expenses	21 135	22 834	21 135	18 732
Profit before income tax expense	12 288	9 710	12 288	9 050
Income tax expense	(4 262)	(3 081)	(4 262)	(3 010)
Profit for the year	8 026	6 629	8 026	6 040
Other comprehensive income				
Items that will never be classified to profit or loss				
Revaluation surplus on property	2 032	–	2 032	–
Deferred tax on revalued property	(428)	918	(428)	918
Total other comprehensive income for the year	1 604	918	1 604	918
Total comprehensive income for the year	9 630	7 547	9 630	6 958
Profit or loss attributable to:				
Owners of the parent	8 026	6 433	8 026	6 040
Non-controlling interest	–	197	–	–
Profit for the year	8 026	6 630	8 026	6 040
Total comprehensive income attributable to:				
Owners of the parent	9 630	7 350	9 630	6 958
Non-controlling interest	–	197	–	–
Total comprehensive income for the year	9 630	7 547	9 630	6 958
Basic and diluted earnings per share (tambala)	344	275		

SUMMARY STATEMENTS OF FINANCIAL POSITION	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-20	Audited 31-Dec-19	Audited 31-Dec-20	Audited 31-Dec-19
<i>In millions of Malawi Kwacha</i>				
Assets				
Cash and cash equivalents	38 840	16 593	38 840	16 593
Money market investments	90 462	103 981	90 462	103 981
Loans and advances to customers	79 078	71 592	79 078	71 592
Finance lease receivables	–	511	–	511
Amounts due from related parties	243	681	243	681
Repurchase agreements	57 915	71 553	57 915	71 553
Current tax asset	44	305	–	261
Investments at fair value through profit or loss	3 792	4 644	3 792	4 644
Investment in subsidiary companies	–	–	209	209
Right of use assets	538	802	538	802
Intangible assets	3 066	3 745	3 066	3 745
Property and equipment	20 044	18 104	20 044	18 104
Assets held for sale	212	212	212	212
Other assets	1 194	1 626	1 167	1 601
Total assets	295 428	294 349	295 566	294 489
Liabilities and Equity				
Liabilities				
Balances due to other banks	87 494	109 262	87 494	109 262
Customer deposits	157 402	134 554	157 720	134 872
Income tax payable	1 879	10	1 869	–
Other payables	8 210	7 516	8 390	7 698
Lease liabilities	627	873	627	873
Provisions	600	431	600	431
Subordinated debt	–	7 000	–	7 000
Deferred tax liabilities	1 662	1 255	1 665	1 258
Total liabilities	257 874	260 901	258 365	261 394
Equity				
Share capital	117	117	117	117
Share premium	1 565	1 565	1 565	1 565
Property revaluation reserve	7 717	6 115	7 717	6 115
Loan loss reserve	1 119	1 048	1 119	1 048
Retained earnings	27 036	24 603	26 683	24 250
Total equity	37 554	33 448	37 201	33 095
Total equity and liabilities	295 428	294 349	295 566	294 489

SUMMARY STATEMENTS OF CHANGES IN EQUITY	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-20	Audited 31-Dec-19	Audited 31-Dec-20	Audited 31-Dec-19
<i>In millions of Malawi Kwacha</i>				
As at the beginning of the year	33 448	47 430	33 095	36 226
Net profit for the year	8 026	6 629	8 026	6 040
Other comprehensive income	1 604	918	1 604	918
Comp. Income attributable to owners	43 078	54 977	42 725	43 184
Dividends paid	(5 524)	(10 089)	(5 524)	(10 089)
Other transactions with owners	–	(11 440)	–	–
Balance at the end of the year	37 554	33 448	37 201	33 095

SUMMARY STATEMENTS OF CASH FLOWS	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-20	Audited 31-Dec-19	Audited 31-Dec-20	Audited 31-Dec-19
<i>In millions of Malawi Kwacha</i>				
Cash flows from operating activities	37 289	40 443	37 289	33 821
Interest and fees received	–	–	–	–
Interest paid	(5 616)	(7 352)	(5 616)	(5 637)
Cash paid to suppliers and employees	(16 706)	(12 091)	(16 707)	(13 957)
	14 967	21 000	14 966	14 227
Increase in net customer balances	(5 064)	67 664	(5 064)	50 514
Cash generated from operations	9 903	88 664	9 902	64 741
Dividend received net of tax	31	19	31	19
Income taxes paid	(2 153)	(2 256)	(2 153)	(2 432)
Cash flows from operating activities	7 781	86 427	7 780	62 328
Cash flows from investing activities	13 870	(36 804)	13 870	(36 804)
Maturities/(Purchases) of investment securities	13 870	(36 804)	13 870	(36 804)
Maturities/(Purchases) of Repurchase agreements	13 935	(49 702)	13 935	(49 702)
Proceeds from sale of equipment	–	46	–	46
Disposal of a subsidiary	–	(101 985)	–	–
Sale of shares in listed companies	–	366	–	366
Acquisition of property and equipment	(1 544)	(2 693)	(1 544)	(2 693)
Cash outflows applied to investing activities	26 261	(190 772)	26 261	(88 787)
Cash flows from financing activities	(5 524)	–	(5 524)	–
Dividend paid to shareholders of the parent	(5 524)	–	(5 524)	–
Repayment of subordinated debt	(7 000)	–	(7 000)	–
(Repayment)/Proceeds of long term borrowings and lease liabilities	(1 841)	7 998	(1 841)	7 998
Cash flows from financing activities	(14 365)	7 998	(14 365)	7 998
Net increase in cash and cash equivalents	19 677	(96 347)	19 676	(18 461)
Cash and cash equivalents at 1 January	16 593	112 650	16 593	34 765
Effects of changes in exchange rates	2 570	290	2 571	289
Cash and cash equivalents at 31 December	38 840	16 593	38 840	16 593

IMPAIRMENT LOSSES/NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY	31-Dec-20			31-Dec-19		
	Out-standing Amount	Impaired amount	Specific provision	Out-standing Amount	Impaired amount	Specific Provision
<i>In millions of Malawi Kwacha</i>						
Industry Sector						
Agriculture	14 714	458	52	14 454	49	26
Mining	84	–	–	81	–	–
Financial services	444	10	10	874	–	–
Construction	6 955	92	5	3 762	276	121
Energy/Electricity/Gas /Water	3 944	–	–	1 698	108	–
Manufacturing	18 999	204	–	18 068	190	–
Wholesale and Retail	19 002	2 279	1 198	22 722	1 981	1 260
Individual/Households	4 140	137	86	2 832	215	95
Real Estate	206	–	–	311	–	–
Tourism & Leisure	3 274	–	–	2 624	42	–
Transport & Communication	6 509	284	2	4 008	157	9
Others	2 962	297	293	3 814	354	115
Total	81 233	3 761	1 647	75 248	3 372	1 626

CREDIT CONCENTRATIONS	31-Dec-20		31-Dec-19	
	% of Sector of Borrower	% of Core Capital	% of Sector of Borrower	% of Core Capital
<i>In thousands of Malawi Kwacha</i>				
Energy/Electricity/Gas/Water	10 297 546	40.35%	11 707 448	52.93%

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	31-Dec-20		31-Dec-19	
	% of	% of	% of	% of
<i>In thousands of Malawi Kwacha</i>				
Corporate bodies directly or indirectly related to directors*:				
Balance at the beginning of the year	731 341	3 796 333	–	–
Loans granted during the year	1 019 706	860	–	–
On derecognition of subsidiaries	–	(1 805 517)	–	–
Repayments	(5 461)	(1 260 335)	–	–
Balance at the end of the year	1 745 586	731 341	–	–
Senior management:				
Balance at the beginning of the year	288 051	317 678	–	–
Loans granted during the year	69 035	81 600	–	–
On derecognition of subsidiaries	–	(15 273)	–	–
Repayments	(50 789)	(95 954)	–	–
Balance at the end of the year	306 297	288 051	–	–

* All loans to bodies directly or indirectly linked to directors were made on arm's length commercial terms.

INVESTMENT IN SUBSIDIARIES	31-Dec-20		31-Dec-19	
	Number of Shares ('000)	Percentage Holding	(MK'000)	(MK'000)
<i>Institution</i>				
ICB Malawi Limited	7 149	100.0%	148 791	148 791
FMB Capital Markets Limited	500	100.0%	50 000	50 000
FMB Forex Bureau Limited	10 000	100.0%	10 000	10 000
FMB Pensions Limited	1 000	100.0%	–	–
Total			208 791	208 791

BASE LENDING RATE	31-Dec-20		31-Dec-19	
	%	%	%	%
Base lending rate (local currency loans)	12.30%	12.50%	–	–
Maximum applicable range (percentage points)	11.10%	11.10%	–	–
Base lending rate (foreign currency loans)	0.00	0.00	–	–
Maximum applicable range (percentage points)	9.50	9.50	–	–
Reference rate	12.30%	12.50%	–	–

DEPOSIT RATES	31-Dec-20		31-Dec-19	
	%	%	%	%
Savings Accounts (Balances above K10 000)	4.00%	4.00%	–	–
Fast Accounts (Balances above K10 000)	2.00%	2.00%	–	–
Call Accounts				
7 day call	3.00%	3.00%	–	–
30 day call	3.00%	3.00%	–	–
Fixed Deposits (Balances above K25 000)				
1 Month	3.50%	3.50%	–	–
2 Months	5.50%	5.50%	–	–
3 Months	5.00%	5.00%	–	–
Above 3 Months	Negotiable	Negotiable	–	–
Current account (balances above K500 000)	0.00%	0.00%	–	–

DIRECTORS' REMUNERATION, BONUSES AND MANAGEMENT FEES	31-Dec-20		31-Dec-19	
	(MK'000)	(MK'000)	(MK'000)	(MK'000)
Directors' remuneration	165 725	211 653	–	–
Total bonuses paid	424 000	430 000	–	–
Management fees	2 197 101	1 845 948	–	–

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, the statements of comprehensive income, the statements of changes in equity and the statements of 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 16 March 2021, and are available at the registered office of the bank.

REVIEW OF THE PERIOD

The operating environment for the bank was challenged for most of the year due to the COVID-19 pandemic causing a significant and systemic slowdown in the economy. For most of the first half of 2020, the country also faced political uncertainty as a result of the political impasse emanating from the 2019 disputed Presidential Poll which was only settled in June 2020. While our priorities during the pandemic were to sustain our operations and protect our staff, we ensured that our customers continued to access banking services safely and securely. During the year, to alleviate business challenges emanating from COVID, we selectively softened terms and conditions of credit facilities for customers that were very directly impacted.

Notwithstanding these challenges, the bank's profit after tax for 2020 increased by 33% to K8bn from K6bn achieved in 2019. The results for 2020 do not include those of First