First Capital BANK plc

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SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2021

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

	CONSOLIDATED		SEPARATE	
In millions of Malawi Kwacha	Audited 31-Dec-21	Audited 31-Dec-20	Audited 31-Dec-21	Audited 31-Dec-20
Interest income	31,337	26,288	31,337	26,288
Interest expense on deposits and other accounts	(6,228)	(5,616)	(6,228)	(5,616)
Net interest income	25,109	20,672	25,109	20,672
Non-interest income	18,417	12,750	18,417	12,750
Total operating income	43,526	33,422	43,526	33,422
Staff and training costs	8,672	7,158	8,672	7,158
Premises and equipment costs	3,241	3,196	3,241	3,196
Depreciation expense	2,197	2,313	2,197	2,313
Other expenses	7,629	8,175	7,629	8,175
Impairment loss on financial assets	1,401	292	1,401	292
Total expenses	23,140	21,134	23,140	21,134
Profit before income tax expense	20,386	12,288	20,386	12,288
Income tax expense	(5,619)	(4,262)	(5,619)	(4,262)
Profit for the year	14,767	8,026	14,767	8,026
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)	–	(428)
Total other comprehensive income for the year	–	1,604	–	1,604
Total comprehensive income for the year	14,767	9,630	14,767	9,630
Profit or loss attributable to:				
Owners of the parent	14,767	8,026	14,767	8,026
Non-controlling interest	–	–	–	–
Profit for the year	14,767	8,026	14,767	8,026
Total comprehensive income attributable to:				
Owners of the parent	14,767	9,630	14,767	9,630
Non-controlling interest	–	–	–	–
Total comprehensive income for the year	14,767	9,630	14,767	9,630
Basic and diluted earnings per share (tambala)	*632*	*344*		

SUMMARY STATEMENTS OF FINANCIAL POSITION

	CONSOLIDATED		SEPARATE	
In millions of Malawi Kwacha	Audited 31-Dec-21	Audited 31-Dec-20	Audited 31-Dec-21	Audited 31-Dec-20
Assets				
Cash and cash equivalents	46,300	38,840	46,300	38,840
Money market investments	134,816	90,462	134,816	90,462
Loans and advances to customers	101,043	79,078	101,043	79,078
Amounts due from related parties	379	243	379	243
Repurchase agreements	45,129	57,915	45,129	57,915
Current tax asset	44	44	–	–
Investments at fair value through profit or loss	5,387	3,792	5,387	3,792
Investment in subsidiary companies	–	–	209	209
Right of use assets	431	538	431	538
Intangible assets	2,867	3,066	2,867	3,066
Property and equipment	19,155	20,044	19,155	20,044
Assets held for sale	216	212	216	212
Other assets	1,477	1,194	1,450	1,167
Total assets	357,244	295,428	357,382	295,566
Liabilities and equity				
Liabilities				
Balances due to other banks	123,168	87,494	123,168	87,494
Customer deposits	172,901	157,402	173,219	157,720
Income tax payable	1,822	1,879	1,812	1,869
Other payables	8,731	8,210	8,911	8,390
Lease liabilities	526	627	526	627
Provisions	843	600	843	600
Deferred tax liabilities	1,532	1,662	1,535	1,665
Total liabilities	309,523	257,874	310,014	258,365
Equity				
Share capital	117	117	117	117
Share premium	1,565	1,565	1,565	1,565
Property revaluation reserve	7,717	7,717	7,717	7,717
Loan loss reserve	515	1,119	515	1,119
Retained earnings	37,807	27,036	37,454	26,683
Total equity	47,721	37,554	47,368	37,201
Total equity and liabilities	357,244	295,428	357,382	295,566

SUMMARY STATEMENTS OF CHANGES IN EQUITY

	CONSOLIDATED		SEPARATE	
In millions of Malawi Kwacha	Audited 31-Dec-21	Audited 31-Dec-20	Audited 31-Dec-21	Audited 31-Dec-20
As at the beginning of the year	37,554	33,448	37,201	33,095
Net profit for the year	14,767	8,026	14,767	8,026
Other comprehensive income	–	1,604	–	1,604
Comprehensive Income attributable to owners	52,321	43,078	51,968	42,725
Dividends paid	(4,600)	(5,524)	(4,600)	(5,524)
Other transactions with owners	–	–	–	–
Balance at the end of the year	47,721	37,554	47,368	37,201

SUMMARY STATEMENTS OF CASH FLOWS

	CONSOLIDATED		SEPARATE	
In millions of Malawi Kwacha	Audited 31-Dec-21	Audited 31-Dec-20	Audited 31-Dec-21	Audited 31-Dec-20
Cash flows from operating activities				
Interest and fees received	44,865	37,289	44,865	37,289
Interest paid	(6,228)	(5,616)	(6,228)	(5,616)
Cash paid to suppliers and employees	(18,833)	(16,706)	(18,833)	(16,706)
	19,804	14,967	19,804	14,967
Increase/(decrease) in net customer balances	30,754	(5,064)	30,754	(5,064)
Net cash generated from operations	50,558	9,903	50,558	9,903
Dividend received net of tax	229	31	229	31
Income taxes paid	(5,806)	(2,153)	(5,806)	(2,153)
Cash flows from operating activities	44,981	7,781	44,981	7,781
Cash flows from investing activities				
(Purchases)/maturities of investment securities	(44,591)	13,870	(44,591)	13,870
Maturities of repurchase agreements	12,786	13,935	12,786	13,935
Proceeds from sale of equipment	113	–	113	–
Sale of shares in listed companies	599	–	599	–
Acquisition of property and equipment	(1,110)	(1,544)	(1,110)	(1,544)
Net cash (used in)/generated from investing activities	(32,203)	26,261	(32,203)	26,261
Cash flows from financing activities				
Dividend paid to shareholders of the parent	(4,600)	(5,524)	(4,600)	(5,524)
Repayment of long term borrowings and lease liabilities	(3,184)	(8,841)	(3,184)	(8,841)
Net cash used in financing activities	(7,784)	(14,365)	(7,784)	(14,365)
Net increase in cash and cash equivalents	4,994	19,677	4,994	19,677
Cash and cash equivalents at 1 January	38,840	16,593	38,840	16,593
Effect of changes in exchange rates	2,466	2,570	2,466	2,570
Cash and cash equivalents at 31 December	46,300	38,840	46,300	38,840

IMPAIRMENT LOSSES/NON-PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY

	31-Dec-21			31-Dec-20		
In millions of Malawi Kwacha **Industry**	Out-standing Amount	Impaired Amount	Specific Provision	Out standing Amount	Impaired Amount	Specific Provision
Agriculture	22,896	444	40	14,714	458	52
Mining	56	–	–	84	–	–
Financial Services	710	14	14	444	10	10
Construction	7,250	80	3	6,955	92	5
Energy/Electricity/Gas/Water	5,050	–	–	3,944	–	–
Manufacturing	19,533	57	57	18,999	204	–
Wholesale and Retail	28,564	2,471	1,801	19,002	2,279	1,198
Individual/Households	10,495	376	243	4,140	137	86
Real Estate	215	–	–	206	–	–
Tourism & Leisure	3,321	298	1	3,274	–	–
Transport & Communication	5,779	102	13	6,509	284	2
Others	313	–	–	2,962	297	267
Total	104,182	3,842	2,172	81,233	3,761	1,620

CREDIT CONCENTRATIONS

In thousands of Malawi Kwacha **Sector of Borrower**	31-Dec-21	% of Core Capital	31-Dec-20	% of Core Capital
Energy/Electricity/Gas/Water	–	–	10,297,546	40.35%

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

In thousands of Malawi Kwacha	31-Dec-21	31-Dec-20
Corporate bodies directly or indirectly related to directors*:		
Balance at the beginning of the year	1,745,586	731,341
Loans granted during the year	156,443	1,019,706
Repayments	–	(5,461)
Balance at the end of the year	1,902,029	1,745,586
Senior management:		
Balance at the beginning of the year	306,297	288,051
Loans granted during the year	83,965	69,035
Repayments	(74,258)	(50,789)
Balance at the end of the year	316,004	306,297

** 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-21 (MK'000)	31-Dec-20 (MK'000)
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%	–	–
			208 791	208 791

BASE LENDING RATE

	31-Dec-21	31-Dec-20
Base lending rate (local currency loans)	12.20%	12.30%
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	12.20%	12.30%

DEPOSIT RATES

	31-Dec-21	31-Dec-20
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 (Minimum deposit 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' FEES

In thousands of Malawi Kwacha	31-Dec-21	31-Dec-20
Fees paid to Non-Executive Directors	264,124	165,725

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 summary consolidated and separate statements of comprehensive income, the summary consolidated and separate statements of changes in equity and the summary consolidated and separate 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 (IFRS). 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 **15 March 2022** and are available at the registered office of the bank.

FINANCIAL PERFORMANCE

The net profit for the bank increased from K8 billion to K14.8 billion, representing an increase of 84%.

The increase in profit was driven by a 28% increase in advances, an increase in non-interest income that got a boost by an increase in value of our listed equity portfolio and controlled operating expenses. Our Mauritius-based Shared Service Centre contributed towards containing cost increases.

During the year we focused on human capital development, digital platforms enhancement, and product development for continued value addition and business growth. The Bank intensified training and coaching initiatives for staff at various levels to unlock potential for excellent performance. We also made considerable progress at group level in developing a best-in-class internet banking platform that will be launched in the second quarter of 2022. In addition, we launched a consumer lending initiative aimed at servicing the retail customers that we believe will help grow our balance sheet in the coming year.

THE ECONOMY AND OUTLOOK

The Covid-19 pandemic has had an impact on the economy and most customers' businesses have been affected by a severe shortage of foreign exchange during the year. The fiscal deficit widened due to the policy stance adopted in trying to balance the country's development, economic stability and provision of social services which consumed the already limited foreign currency.

The macroeconomic outlook for 2022 casts a blurred picture. The shortage of foreign exchange was predicted to get worse during 2022 even before the increase in the price of essential commodities because of the global political developments. The latter factors coupled with recent weather-related disasters will put further pressure on government expenditure, the foreign exchange rate and inflation. Timely conclusion and reinstatement of Malawi on a full IMF program is of essence for economic recovery, not only by providing the much-needed foreign exchange but also unlocking support from other development partners.

By order of the Board

Hitesh N Anadkat *Director*
Agness Jazza *Acting Chief Executive Officer*
Michael Kadumbo *Chief Finance Officer*

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REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

To the members of First Capital Bank Plc

OPINION

The summary consolidated and separate financial statements, which comprise the summary consolidated and separate statements of financial position as at 31 December 2021, the summary consolidated and separate statements of comprehensive income, the summary consolidated and separate statements of changes in equity and the summary consolidated and separate statements of cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of First Capital Bank Plc for the year ended 31 December 2021.

In our opinion, the accompanying summary consolidated and separate financial statements are a fair summary of the audited consolidated and separate financial statements, in accordance with the basis described in the basis of preparation paragraph.

THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The summary consolidated and separate financial statements do not contain all the disclosures required by the International Financial Reporting Standards (IFRS). Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon. The summary consolidated and separate financial statements and the audited consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated and separate financial statements.

THE AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated **31 March 2022**. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the basis described in the basis of preparation paragraph.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are a fair summary of the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), *Engagements to Report on Summary Financial Statements.*

Deloitte.
Chartered Accountants

Vilengo Beza
Partner
12 April 2022