



## FDH BANK LIMITED

# SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### STATEMENT OF COMPREHENSIVE INCOME

	Group 31.12.2010 K'000	Group 31.12.2009 K'000	Bank 31.12.2010 K'000	Bank 31.12.2009 K'000
Interest income	569,980	191,767	576,260	199,767
Interest expenses	(231,770)	(57,088)	(231,770)	(57,081)
<b>Net interest income</b>	<b>338,210</b>	<b>134,686</b>	<b>344,490</b>	<b>142,686</b>
Non-interest income	833,077	744,820	676,258	603,696
Revaluation of investments	(11,058)	(11,221)	(11,058)	(11,221)
	1,160,229	868,285	1,009,690	735,161
Operating expenses	(693,142)	(374,723)	(570,128)	(284,607)
<b>Profit before provision for impaired loans and advances</b>	<b>467,087</b>	<b>493,562</b>	<b>439,562</b>	<b>450,554</b>
Net charge on impaired loans and advances	(52,518)	(16,662)	(28,932)	(16,662)
<b>Profit before tax</b>	<b>414,569</b>	<b>476,900</b>	<b>410,630</b>	<b>433,892</b>
Taxation	(133,323)	(149,554)	(122,223)	(128,396)
<b>Profit after tax</b>	<b>281,246</b>	<b>327,346</b>	<b>288,407</b>	<b>305,496</b>

The Group had no other comprehensive income and no minority interest

### STATEMENT OF FINANCIAL POSITION

	Group 31.12.2010 K'000	Group 31.12.2009 K'000	Bank 31.12.2010 K'000	Bank 31.12.2009 K'000
<b>Liabilities, Capital and Reserves</b>				
<b>Liabilities</b>				
Liabilities to customers	4,512,762	1,370,269	4,563,540	1,387,889
Liabilities to other banks	350,115	91,075	350,115	90,021
Other liabilities	132,138	64,574	125,012	54,352
Deferred tax liability	53,739	13,176	51,275	12,188
Income tax payable	13,880	67,558	8,205	58,307
<b>Total liabilities</b>	<b>5,062,634</b>	<b>1,606,652</b>	<b>5,098,147</b>	<b>1,602,757</b>
Capital and Reserves	1,183,640	921,894	1,168,951	900,044
<b>Total liabilities, capital and reserves</b>	<b>6,246,274</b>	<b>2,528,546</b>	<b>6,267,098</b>	<b>2,502,801</b>
<b>Assets</b>				
Cash and funds with Reserve Bank of Malawi	535,472	118,063	476,582	65,589
Placements with other banks	126,115	928,779	126,115	928,779
Malawi Government Treasury Bills	670,708	105,783	670,708	105,783
Loans and advances to customers	3,543,047	825,604	3,635,485	877,131
Investments	34,548	95,550	167,388	228,390
Other assets	339,177	59,817	352,002	55,089
Property plant and equipment	865,423	263,166	838,818	242,040
Goodwill	131,784	131,784	0	0
<b>Total assets</b>	<b>6,246,274</b>	<b>2,528,546</b>	<b>6,267,098</b>	<b>2,502,801</b>

### STATEMENT OF CHANGES IN EQUITY

	Group 31.12.2010 K'000	Group 31.12.2009 K'000	Bank 31.12.2010 K'000	Bank 31.12.2009 K'000
At the beginning of the period	921,894	218,173	900,044	218,173
New shares issued	0	408,675	0	408,675
Profit for the period	281,246	327,346	288,407	305,496
Dividends paid	(19,500)	(32,300)	(19,500)	(32,300)
At the end of the period	<b>1,183,640</b>	<b>921,894</b>	<b>1,168,951</b>	<b>900,044</b>

### STATEMENT OF CASHFLOWS

	Group 31.12.2010 K'000	Group 31.12.2009 K'000	Bank 31.12.2010 K'000	Bank 31.12.2009 K'000
Cash generated from operations before taxation	962,722	1,186,202	899,971	1,076,083
Income tax paid	(146,439)	(63,396)	(133,238)	(52,478)
Cash flows generated from operating activities	816,283	1,122,806	766,733	1,023,605
Net cash used in investing activities	(1,170,365)	(350,265)	(1,128,285)	(302,484)
Net cash (used in)/from financing activities	(19,500)	216,370	(19,500)	216,370
Net (decrease)/increase in cash and cash equivalents	(373,582)	988,911	(381,052)	937,491
Cash and cash equivalents at the beginning of the year	1,057,703	68,792	1,006,283	68,792
Cash and cash equivalents at the end of the year	<b>684,121</b>	<b>1,057,703</b>	<b>625,231</b>	<b>1,006,283</b>

### FDH BANK LIMITED MALAWI FINANCIAL RESULTS FOR YEAR ENDED 31 DECEMBER 2010

The Directors present the summarised consolidated financial statements for FDH Bank for the year ended 31 December 2010.

#### PERFORMANCE

The Bank has made consolidated profit after tax of MK281.2 million against a profit of MK327.3 million in the previous year. The Bank continues to focus on the development of its core activities and this has seen a significant increase in both the deposit and loan portfolios, which had a positive impact on net interest income increasing by 151%.

During the year, the Bank and its subsidiary, FDH Money Bureau, made significant investments in outlets in line with its growth strategy and the need to ensure that it achieves adequate geographical coverage in the country so as to better serve its customers. This has resulted in an increase in the number of outlets from one at the start of the year to seven, which are spread strategically across all the three regions of the country. The year has also seen the successful implementation of an Electronic Funds Transfer (EFT) switch, which has enabled the Bank to start offering modern ATM services to its customers through the Position switch running on Temenos T24 banking infrastructure, without any disruption to customer service. 2010 also saw the launch of the Moneygram International money transfer service through FDH Money Bureau.

These investments in distribution networks have resulted in a significant increase in the Bank's operating expenditure for the current financial year, thereby resulting in a reduction in profit after tax as compared to the previous year while putting the bank on a solid foundation for future financial growth and superior customer service.

#### OUTLOOK

The year 2011 and beyond poses even greater challenges for the financial services sector and we anticipate the market to become even more competitive with further expected decline of interest rates and forex problems. However, despite these challenges, the investments that the Bank has made in distribution networks are expected to lead to better customer service and stronger financial performance. In particular, the modern EFT infrastructure is expected to enable the Bank to offer innovative products such as internet banking, mobile banking and utilisation of POS devices. The Bank will continue to pursue its growth strategy through the addition of outlets and expects to close the 2011 financial year with a total of eleven.

The Bank's subsidiary, FDH Money Bureau, is expected to continue making a positive contribution to the Bank's profitability, with expansion in outlets in line with the Bank's expansion plan.

We are indebted to our esteemed clients, shareholders, management, staff, Malawi Government, Reserve Bank of Malawi, the Government of Malawi and other stakeholders for their unwavering support.

By order of the Board,  
FDH Bank Limited

T.F. Mpinganjira  
Director  
07 April 2011

Dr. E.J. Sankhulani  
Director

#### AUDITOR'S REPORT TO THE MEMBERS OF FDH BANK LIMITED

The accompanying summarised financial statements, which comprise the summarised statement of financial position as at 31 December 2010 and the summarised statement of comprehensive income, the summarised statement of changes in equity and the summarised statements of cash flows for the year then ended, are derived from the audited financial statement of FDH Bank Limited for the year ended 31 December 2010. We expressed an unmodified opinion on those financial statements in our report dated 07 April 2011. Those financial statements, and the summarised financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised financial statements, therefore, is not a substitute for reading the audited financial statement of FDH Bank Limited.

#### Directors' Responsibility for the summarised Financial Statements

The directors are responsible for the preparation of the summarised financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act 2010, and the Banking Act, 2009.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

#### Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of FDH Bank Limited for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act 2010, and the Banking Act, 2009.

**Deloitte.**

Public Accountants  
14 April 2011  
Blantyre, Malawi



## FIRST DISCOUNT HOUSE LIMITED

# SUMMARIZED FINANCIAL STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2010

### STATEMENT OF COMPREHENSIVE INCOME

	31-Dec-10 K'000	31-Dec-09 K'000
<b>Income</b>		
Total income	381,118	393,520
Operating expenses	(189,359)	(170,037)
Profit before tax	191,759	223,483
Income tax expense	(58,819)	(68,537)
<b>Profit for the year</b>	<b>132,940</b>	<b>154,946</b>
Basic earnings per share (tambala)	221	321

### STATEMENT OF FINANCIAL POSITION

	31-Dec-10 K'000	31-Dec-09 K'000
<b>ASSETS</b>		
Cash & cash equivalents	61,587	234,376
Treasury and RBM bills	924,599	1,138,343
Loans and bills on buy back	1,135,666	1,461,357
Other Assets	312,691	308,375
Plant and equipment	25,286	35,621
Deferred tax	6,337	4,396
<b>Total assets</b>	<b>2,466,166</b>	<b>3,182,468</b>
<b>EQUITY AND LIABILITIES</b>		
Shareholders' equity	442,605	339,665
<b>Non-current liabilities</b>		
Bills on buyback and repurchase agreements	1,953,178	2,780,160
Other liabilities	27,544	23,687
Taxation payable	40,221	36,338
<b>Total liabilities</b>	<b>2,023,561</b>	<b>2,842,803</b>
<b>Total equity and liabilities</b>	<b>2,466,166</b>	<b>3,182,468</b>

### STATEMENT OF CHANGES IN EQUITY

	31-Dec-10 K'000	31-Dec-09 K'000
At the beginning of the year	339,665	334,719
Dividend paid	(30,000)	(150,000)
Profit for the year	132,940	154,946
At the end of the year	<b>442,605</b>	<b>339,665</b>

### STATEMENT OF CASHFLOWS

	31-Dec-10 K'000	31-Dec-09 K'000
Cash generated from operating activities	(85,004)	87,099
Tax paid	(56,877)	(48,845)
Net cash generated from operating activities	(141,881)	38,254
Net cash used in investing activities	(908)	(5,104)
Net cash used in financing activities	(30,000)	(150,000)
Net decrease in cash and cash equivalent	(172,789)	(116,850)
Cash and cash equivalent at the beginning of the year	234,376	351,226
<b>Cash and cash equivalent at the end of the year</b>	<b>61,587</b>	<b>234,376</b>

### REVIEW OF FIRST DISCOUNT HOUSE LIMITED'S PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors present the summarised financial statements for First Discount House for the year ended 31 December 2010.

#### PERFORMANCE

We report a profit after tax for the year of MK133 million (2009 MK154 million). Trading assets closed at MK7.2 billion out of which MK5.1 billion was in outright sales (2009:MK8.3 billion) in line with the company's strategic repositioning of its trading book. Despite significant challenges in 2010, ranging from declining interest rates and stiff competition for funds, it is pleasing to note that sound-trading strategies continued to yield very positive results.

#### OUTLOOK

The year 2011 poses even greater challenges for the discount house in view of an anticipated further decline of interest rates and stiff competition of investor funds. The effects of these challenges should however be mitigated by the synergies to be derived from the FDH group's strategic diversification initiatives. We are indebted to our esteemed clients, shareholders, management, staff, the Government of Malawi, Reserve Bank of Malawi and other stakeholders for their unwavering support.

T. F. MPINGANJIRA  
DIRECTOR  
7 April 2011

M. MIKWAMBA  
DIRECTOR

#### AUDITOR'S REPORT TO THE MEMBERS OF FIRST DISCOUNT HOUSE LIMITED

The accompanying summarised financial statements, which comprise the summarized statement of financial position as at 31 December 2010 and the summarized statement of comprehensive income, the summarized statement of changes in equity and the summarized statements of cash flows for the year then ended, are derived from the audited financial statement of First Discount House for the year ended 31 December 2010. We expressed an unmodified opinion on those financial statements in our report dated 07 April 2011. Those financial statements, and the summarised financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarized financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarized financial statements, therefore, is not a substitute for reading the audited financial statement of First Discount House.

#### Directors' Responsibility for the Summarised Financial Statements

The directors are responsible for the preparation of the summarised financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act 2010, and the Banking Act, 2009.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

#### Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of First Discount House for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act 2010, and the Banking Act, 2009.

**Deloitte.**

Public Accountants  
14 April 2011  
Blantyre, Malawi



FDH FINANCIAL HOLDINGS LIMITED

## SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2010

### STATEMENT OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
	31-Dec-2010 K'000	31-Dec-2009 K'000	31-Dec-2010 K'000	31-Dec-2009 K'000
<b>INCOME</b>				
Total income	1 563 300	1 286 644	70 345	206 063
Operating expenses	958 339	596 266	20 345	21 063
Profit before tax	604 961	690 378	50 000	185 000
Income tax expense	(196 664)	(230 751)	(5 000)	(18 500)
Profit after tax	<u>408 297</u>	<u>459 627</u>	<u>45 000</u>	<u>166 500</u>
EPS (t)	<u>215t</u>	<u>329t</u>		

The Group had no other comprehensive income.

### STATEMENT OF FINANCIAL POSITION

	31-Dec-2010	31-Dec-2009	31-Dec-2010	31-Dec-2009
<b>ASSETS</b>				
Cash & cash equivalents	777 617	792 768	46	-
Treasury & RBM bills	924 599	1 138 343	-	-
Bills on buy back & loans	4 594 775	2 286 961	-	-
Investments	-	-	774 675	774 675
Other assets	399 332	192 566	4 265	3 345
Plant and equipment	791 802	261 699	249	283
Intangible assets	233 436	172 701	-	-
Deferred tax asset	9 678	7 260	-	-
Total assets	<u>7 731 239</u>	<u>4 852 298</u>	<u>779 235</u>	<u>778 303</u>

### EQUITY AND LIABILITIES

Shareholders' equity	1 239 566	876 269	368 237	368 237
Non - Current liabilities	56 935	59 813	80 851	43 441
Customer deposits	6 196 125	3 618 584	-	-
Other liabilities	184 512	193 735	330 147	366 625
Taxation payable	54 101	103 897	-	-
Total liabilities	<u>6 491 673</u>	<u>3 976 029</u>	<u>410 998</u>	<u>410 066</u>

Total equity and liabilities 7 731 239 4 852 298 779 235 778 303

### STATEMENT OF CHANGES IN EQUITY

At the beginning of the year	876 269	334 472	368 237	159 920
Issue of shares	-	-	248 670	-
Other movement	-	-	-	(40 353)
Dividend paid	(45 000)	(166 500)	(45 000)	(166 500)
Profit for the year	408 297	459 627	45 000	166 500
At the end of the year	<u>1 239 566</u>	<u>876 269</u>	<u>368 237</u>	<u>368 237</u>

### STATEMENT OF CASHFLOWS

Cash generated from operating activities	998 817	728 465	22 977	40 829
Interest paid	-	(19 196)	(20 300)	(19 196)
Tax paid	(208 315)	(129 273)	(5 000)	(18 500)
Net cash generated from/(utilised by) operating activities	790 502	579 996	(2 323)	3 133
Net (cash used in)/ from investing activities	(677 171)	(315 441)	50 000	(168 785)
Net (cash used in)/ from financing activities	(128 482)	165 652	(47 631)	165 652
Net (decrease)/increase in cash and cash equivalent	(15 151)	430 207	46	-
Cash and cash equivalent at the beginning of the year	792 768	362 561	-	-
Cash and cash equivalent at the end of the year	<u>777 617</u>	<u>792 768</u>	<u>46</u>	<u>-</u>

### REVIEW OF FDH FINANCIAL HOLDINGS LIMITED'S PERFORMANCE FOR 2010

The Directors present the summarised consolidated financial statements for FDH Financial Holdings Limited for the year ended 31 December 2010.

#### PERFORMANCE

We report a profit after tax for the year of MK408 million (2009 MK459 million), despite the many challenges in 2010 that included declining interest rates, stiff competition for funds, forex problems e.t.c. It is however pleasing to note that the group managed to record very good results on the back of the challenging environment and the massive expansion programme of its subsidiaries, FDH Bank and FDH Money Bureau, that saw the Bank grow from one outlet to seven and the Bureau from four to seven, by the close of the year spread strategically across all the regions of Malawi. Even more exciting, the group saw its subsidiary, FDH Bank, successfully implement an Electronic Funds Transfer (EFT) switch that enabled the Bank to start offering modern ATM services to its customers through the Position switch running on Temenos T24 banking infrastructure, without any disruption to customer service. 2010 also saw the launch of the Moneygram International money transfer service through FDH Money Bureau.

We believe that this expansion programme, which saw the number of employees grow from 85 to 158 and established the FDH Group as a serious player on the Malawi financial services market, has laid a solid foundation that should spur future growth in the group's profitability and delivery of superior customer service.

#### OUTLOOK

The year 2011 and beyond poses even greater challenges for the financial services sector and we anticipate the market to become even more competitive with further expected decline of interest rates and forex problems. The effects of these challenges should however be mitigated by the on-going FDH group's strategic expansion and diversification programmes, which will increase the number of its outlets and products.

In particular, the investment in the modern EFT and IT banking infrastructure is expected to enable FDH Financial Holdings to offer modern and innovative products such as internet banking, mobile banking and POS devices.

We are indebted to our esteemed clients, shareholders, management, staff, the Government of Malawi, Reserve Bank of Malawi and other stakeholders for their unwavering support.

T. F. MPINGANJIRA  
DIRECTOR  
7 April 2011

DR E.J. SANKHULANI  
DIRECTOR

### AUDITOR'S REPORT TO THE MEMBERS OF FDH FINANCIAL HOLDINGS LIMITED

The accompanying summarised consolidated financial statements, which comprise the summarized consolidated statement of financial position as at 31 December 2010 and the summarised consolidated statement of comprehensive income, the summarized consolidated statement of changes in equity and the summarized consolidated statements of cash flows for the year then ended, are derived from the audited financial statement of FDH Financial Holdings Limited for the year ended 31 December 2010. We expressed an unmodified opinion on those financial statements in our report dated 07 April 2011. Those financial statements, and the summarised financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarized consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited financial statement of FDH Financial Holdings Limited.

**Directors' Responsibility for the Summarised Consolidated Financial Statements**  
The directors are responsible for the preparation of the summarised financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act 2010, and the Banking Act, 2009.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the summarized consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

#### Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of FDH Financial Holdings Limited for the year ended 31 December 2010 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the Financial Services Act 2010, and the Banking Act, 2009.

**Deloitte**

Public Accountants  
14 April 2011  
Blantyre, Malawi