

# FDH Bank Limited Summarized Financial Statements for the half year ended 30<sup>th</sup> June 2017

## 1. STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank		Bank	
	30-June-17	30-June-16	31-Dec-16	30-June-17	30-June-16	31-Dec-16
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	K'000	K'000	K'000	K'000	K'000	K'000
Interest income	8,687,687	9,867,430	19,383,379	8,687,600	9,803,358	19,393,407
Interest expenses	(5,032,505)	(5,281,737)	(11,042,766)	(5,032,505)	(5,306,194)	(11,042,766)
<b>Net interest income</b>	<b>3,655,182</b>	<b>4,585,693</b>	<b>8,340,613</b>	<b>3,655,095</b>	<b>4,497,164</b>	<b>8,350,641</b>
Non-interest income	6,669,462	6,285,765	14,820,756	6,214,919	5,237,829	13,404,529
<b>Total income</b>	<b>10,324,645</b>	<b>10,871,458</b>	<b>23,161,369</b>	<b>9,870,014</b>	<b>9,734,993</b>	<b>21,755,170</b>
Operating expenses	(8,250,574)	(8,826,633)	(19,089,854)	(8,059,878)	(8,217,395)	(18,353,367)
<b>Profit before provision for impaired loans and advances</b>	<b>2,074,071</b>	<b>2,044,825</b>	<b>4,071,515</b>	<b>1,810,136</b>	<b>1,517,598</b>	<b>3,401,803</b>
Net charge on impaired loans and advances	560,460	(2,362,792)	(7,692,384)	560,460	(1,788,374)	(7,692,384)
<b>(Loss)/Profit before tax</b>	<b>2,634,531</b>	<b>(317,967)</b>	<b>(3,620,869)</b>	<b>2,370,596</b>	<b>(270,776)</b>	<b>(4,290,581)</b>
Taxation	(814,495)	124,558	1,044,985	(734,885)	78,570	1,443,107
<b>(Loss)/Profit after tax</b>	<b>1,820,036</b>	<b>(193,409)</b>	<b>(2,575,884)</b>	<b>1,635,711</b>	<b>(192,206)</b>	<b>(2,847,474)</b>

## 2. STATEMENT OF FINANCIAL POSITION

### Liabilities, Capital and Reserves

	Group		Bank		Bank	
	30-June-17	30-June-16	31-Dec-16	30-June-17	30-June-16	31-Dec-16
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	K'000	K'000	K'000	K'000	K'000	K'000
<b>Liabilities</b>						
Shareholder's loan	686,863	997,513	1,956,181	686,863	997,513	1,956,181
Liabilities to customers	127,071,465	102,885,105	101,112,415	127,071,465	102,885,105	101,112,415
Liabilities to other banks	5,451,684	3,230,774	755,044	5,451,684	3,230,774	755,044
Other liabilities	2,103,496	4,001,695	9,293,089	2,103,496	4,001,695	9,293,089
Deferred tax	-	218,066	-	-	218,066	-
Income tax	-	-	-	-	-	-
<b>Total liabilities</b>	<b>135,313,508</b>	<b>111,333,153</b>	<b>113,116,729</b>	<b>135,313,508</b>	<b>111,333,153</b>	<b>113,116,729</b>
Capital and Reserves	20,918,391	11,754,079	9,715,375	20,918,391	11,754,079	9,715,375
<b>Total liabilities, capital and reserves</b>	<b>156,231,899</b>	<b>123,087,232</b>	<b>122,832,104</b>	<b>156,231,899</b>	<b>123,087,232</b>	<b>122,832,104</b>

	Group		Bank		Bank	
	30-June-17	30-June-16	31-Dec-16	30-June-17	30-June-16	31-Dec-16
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	K'000	K'000	K'000	K'000	K'000	K'000
<b>Assets</b>						
Cash and funds with Reserve Bank of Malawi	12,590,684	8,354,688	9,420,572	12,590,684	8,354,688	9,420,572
Placements with other banks	30,382,645	24,737,167	27,195,614	30,382,645	24,737,167	27,195,614
Malawi Government Treasury Bills	38,737,983	25,521,181	24,171,828	38,737,983	25,521,181	24,171,828
Loans and advances to customers	46,223,540	39,938,146	39,959,592	46,223,540	39,938,146	39,959,592
Investments	3,508,842	713,181	713,076	3,508,842	713,181	713,076
Other assets	14,373,432	14,196,900	8,869,976	14,373,432	14,196,900	8,869,976
Property plant and equipment	7,934,855	8,173,626	9,777,951	7,934,855	8,173,626	9,777,951
Goodwill	-	-	-	-	-	-
Deferred tax	1,959,429	-	2,203,006	1,959,429	-	2,203,006
Income tax	520,489	1,452,343	520,489	520,489	1,452,343	520,489
<b>Total assets</b>	<b>156,231,899</b>	<b>123,087,232</b>	<b>122,832,104</b>	<b>156,231,899</b>	<b>123,087,232</b>	<b>122,832,104</b>

## 3. STATEMENT OF CHANGES IN EQUITY

	Group		Bank		Bank	
	30-June-17	30-June-16	31-Dec-16	30-June-17	30-June-16	31-Dec-16
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	K'000	K'000	K'000	K'000	K'000	K'000
At the beginning of the period	9,673,671	11,946,285	11,911,287	9,673,671	11,946,285	11,911,287
Profit for the period	1,635,711	(192,206)	(2,195,912)	1,635,711	(192,206)	(2,195,912)
Additions	9,609,009	-	-	9,609,009	-	-
Issue of shares	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
<b>At the end of the period</b>	<b>20,918,391</b>	<b>11,754,079</b>	<b>9,715,375</b>	<b>20,918,391</b>	<b>11,754,079</b>	<b>9,715,375</b>

## 4. STATEMENT OF CASHFLOWS

	Group		Bank		Bank	
	30-June-17	30-June-16	31-Dec-16	30-June-17	30-June-16	31-Dec-16
	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
	K'000	K'000	K'000	K'000	K'000	K'000
Cash generated from operations before taxation	17,656,142	(6,469,460)	3,123,626	17,656,142	(6,469,460)	3,123,626
Income tax paid	(491,308)	(966,125)	(55,031)	(491,308)	(966,125)	(55,031)
<b>Cash flows generated from operating activities</b>	<b>17,164,834</b>	<b>(7,435,585)</b>	<b>3,068,595</b>	<b>17,164,834</b>	<b>(7,435,585)</b>	<b>3,068,595</b>
Net cash used in investing activities	(19,430,773)	(7,688,108)	(9,481,873)	(19,430,773)	(7,688,108)	(9,481,873)
Net cash generated from/(used in) in financing activities	8,339,691	(190,089)	768,579	8,339,691	(190,089)	768,579
Net (decrease)/increase in cash and cash equivalents	6,073,752	(15,313,782)	(5,644,699)	6,073,752	(15,313,782)	(5,644,699)
Cash and cash equivalents at the beginning of the period	36,899,577	39,228,782	42,544,276	36,899,577	39,228,782	42,544,276
<b>Cash and cash equivalents at the end of the period</b>	<b>42,973,329</b>	<b>23,915,000</b>	<b>36,899,577</b>	<b>42,973,329</b>	<b>23,915,000</b>	<b>36,899,577</b>

## 5. IMPAIRMENT LOSSES/NON-PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY SECTOR

	30 June 2017			31 June 2016		
	Outstanding Amount	Specific Impairment Loss	Outstanding Provision	Outstanding Amount	Specific Impairment Loss	Outstanding Provision
	K'000	K'000	K'000	K'000	K'000	K'000
1. Agriculture, forestry, fishing and hunting	6,266,327	352,590	174,578	5,672,725	1,965,070	1,367,106
2. Mining and quarrying	667,477	5,827	4,303	2,936	32,886	3,545
3. Manufacturing	979,588	276,207	54,742	2,057,483	124,285	37,690
4. Electricity, gas, water and energy	1,203,097	16,913	-	816,982	-	-
5. Construction	4,881,098	389,487	198,783	3,076,742	638,212	290,494
6. Wholesale and retail trade	4,920,337	1,379,617	1,476,999	8,107,530	2,213,301	841,833
7. Restaurants and hotels	-	117,618	324,607	1,101,874	725,950	363,370
8. Transport, storage and communications	8,127,786	481,099	209,678	4,177,944	1,528,823	380,865
9. Financial services	830,061	66,961	-	1,306,196	8,342	8,342
10. Community, social and personal services	16,279,677	576,302	14,636	10,055,865	60,735	12,022
11. Real estate	5,847,084	5,773	86,370	432,390	159,575	50,343
12. Credit/debit cards	-	-	-	-	-	-
13. Other sectors	1,375,256	1,327,034	484,588	13,542,494	1,318,015	771,767
<b>TOTAL</b>	<b>51,377,788</b>	<b>4,995,427</b>	<b>3,029,283</b>	<b>50,351,160</b>	<b>8,775,194</b>	<b>4,127,377</b>

## 6. CREDIT CONCENTRATION

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 its core capital.

Sector of Borrower	30 June 2017		30 June 2016	
	MK'000	% of Core Capital	MK'000	% of Core Capital
Retail	4,895,090	36.9%	3,002,863	49.2%

## 7. LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES

	30 June 2017	30 June 2016
	MK'000	MK'000
<b>Directors</b>		
Balance at the beginning of the year	43,633	33,229
Loans granted during the year	-	-
Repayments	(6,940)	(20,685)
<b>Balance at the end of half year</b>	<b>36,693</b>	<b>12,544</b>

	30 June 2017	30 June 2016
	MK'000	MK'000
<b>Other related parties</b>		
Balance at the beginning of the year	1,090,305	509,191
Loans granted during the year	262,237	-
Repayments	(1,010,397)	(191,375)
<b>Balance at the end of half year</b>	<b>342,145</b>	<b>317,815</b>

	30 June 2017	30 June 2016
	MK'000	MK'000
<b>Senior Management Officials</b>		
Balance at the beginning of the year	159,037	318,668
Loans granted during the year	69,873	144,777
Repayments	(144,848)	(260,268)
<b>Balance at the end of half year</b>	<b>84,062</b>	<b>203,177</b>

## 8. INVESTMENT IN SUBSIDIARIES

	30 June 2017	30 June 2016
	100%	100%
FDH Money Bureau Limited	-	100%
MSB Forex Bureau	-	100%

## 9. BASE LENDING RATES

	30 June 2017	30 June 2016
	31.5%	37.0%
Base Lending Rate		
Maximum Applicable Range (basis points)	10	10
Base Lending Rate (Foreign)	N/A	N/A
RBM Bank Rate		

## 10. DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	30 June 2017	30 June 2016
	50,855	56,844
Directors' fees		
Other directors' expenses	22,057	15,614
Bonuses	-	-
Balance at end of first half	72,912	72,458

## FDH BANK LIMITED UNAUDITED SUMMARISED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017.

The Directors present unaudited summarised financial statements of FDH Bank Limited for the six months ended 30 June 2017.

### PERFORMANCE

The Bank registered a Profit After Tax of MK1.64 billion against a MK192.2 million loss achieved over a similar period last year. Net Interest Income dropped by 19% mainly due to the substantial impairment of loan book in December last year amounting to MK7.692 billion thereby affecting the overall Interest Income. Non-interest income increased by 19% when compared to the same period last year due to the increase in our digital offering.

The Bank continued to invest in digital products and other distribution channels as we focus on improving customer experience as well as diversifying sources of non-interest income. Notwithstanding the significant investment in the digital platform, operating expenses have been well contained and recorded a 2% decrease when compared to the same period last year. The Bank will continue to put more focus on effective cost management as we continue to bring down the cost to income ratio to market levels.

Total assets grew by 27% year on year mainly emanating from the growth in Government Securities and loans and advances to both banks and customers. Total customer deposits grew by 24% from MK103 billion to MK127 billion with the Bank's focus on growing its current and savings accounts to reduce its cost of funding.

### RECAPITALISATION

Following a review of the Bank's capital requirements as at 31 December 2016, FDH Financial Holdings (FDHFHL) injected a total capital of MK6.6 billion in FDH Bank as at 31 March 2017 as part of the first phase of recapitalization process. A second and final phase of the recapitalization process has seen an additional injection of capital amounting to MK3.1 billion on 30 June 2017. In total the capital injected into the Bank as fresh capital stands at MK9.7 billion resulting in the Bank being compliant with Basel II requirements on capital.

FDHFHL has now fulfilled all the Post-Completion undertakings in the Share Sale, Purchase and Investment agreement which was signed with the Malawi Government through the Public Private Partnership Commission (PPPC) on 2 July 2015.

### FDH MONEY BUREAU

As part of restructuring of the Group, on 31 March 2017, FDH Bank officially transferred FDH Money Bureau to FDH Financial Holdings after completion of the Merger. This transaction has allowed the Bank to concentrate on its core business.

### OUTLOOK

Looking ahead, the Bank is very optimistic about future business prospects. The Bank continues to innovate and introduce new product offerings supported by the state of the art T24 core banking system which was implemented in May 2016. The Bank also continues to expand its footprint and upgrade its existing network and this has seen the opening of a new service centre in Balaka in June 2017. This service Centre was previously in the Post Office building and its relocation to the new building is in fulfillment of the Bank's promise to the Malawi Government and the people of Malawi to upgrade rural banking services. The Bank will shortly move its ex MSB Service Centres from Post Offices in Kasungu and Chiradzulu to new premises, and move to a new state of the art Service Centre at Chichiri Shopping Mall. We will continue to invest in the upgrading of the facilities from MSB that were in bad shape to bring them up to standard to improve customer experience.

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

**By order of the Board,  
FDH Bank Limited**

**E. Ouattara**  
Managing Director

**Dr E.J. Sankhulani**  
Board Chairman