

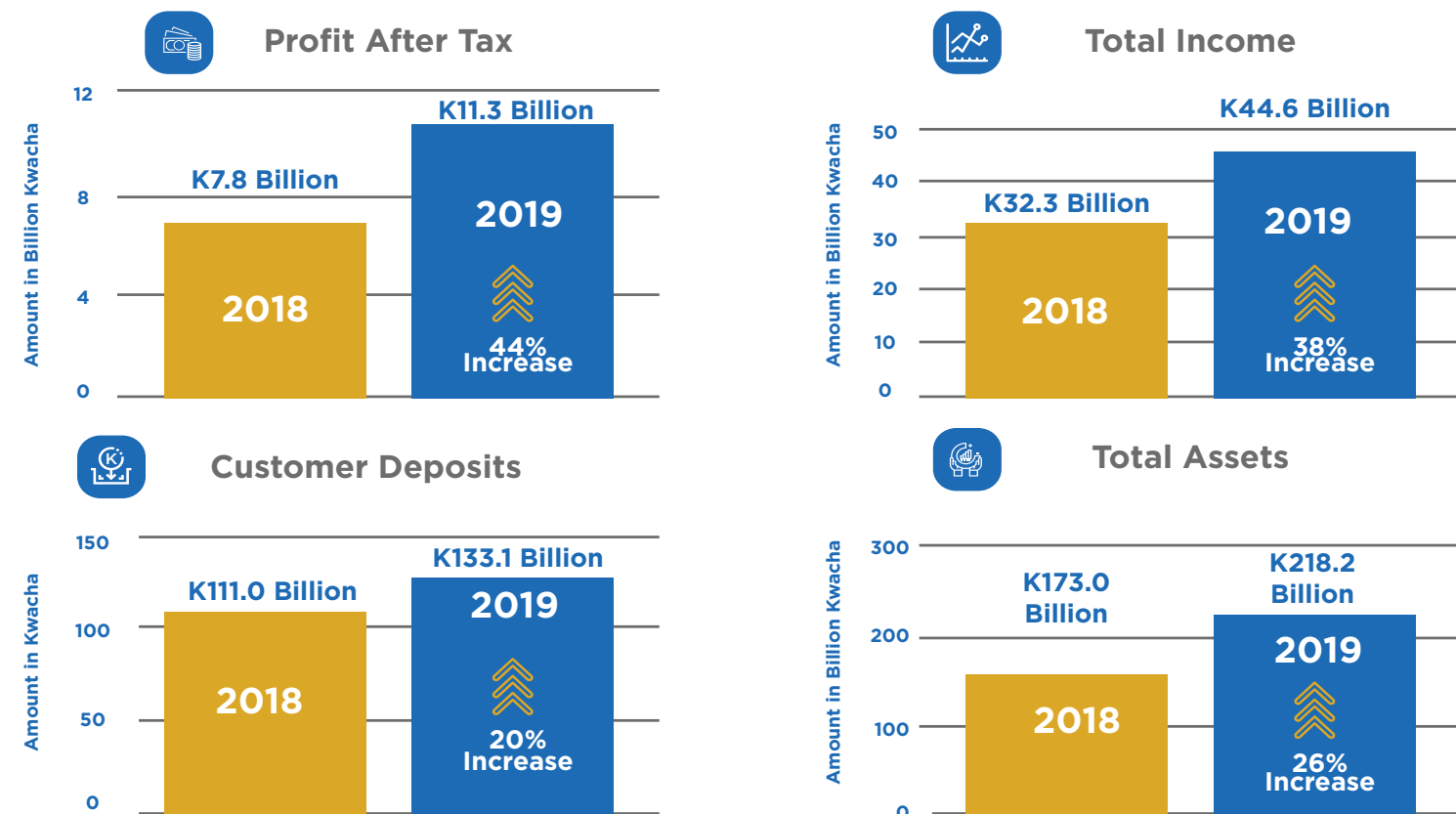


# FDH FINANCIAL HOLDINGS LIMITED

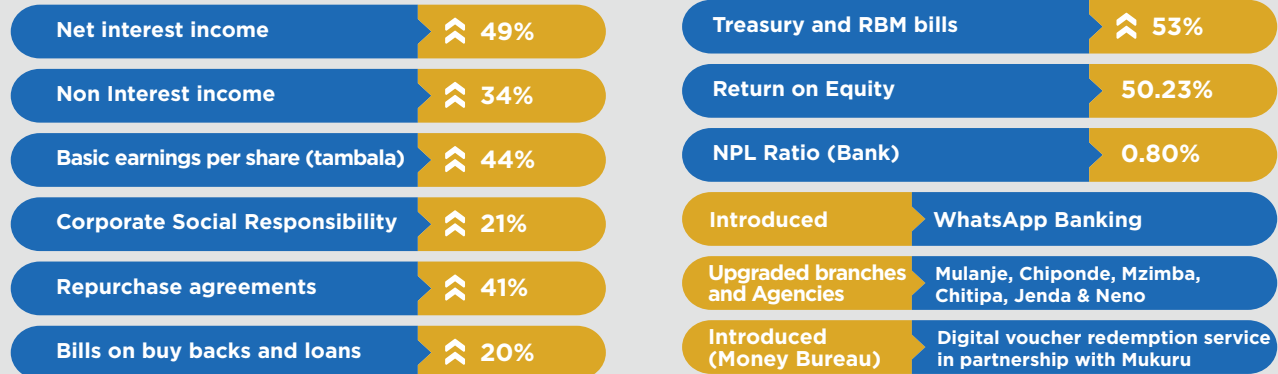
## Summary Consolidated and Separate Financial Statements for the Year ended 31 December 2019

FDH FINANCIAL HOLDINGS LIMITED

### Main Highlights (Consolidated)



### Other Highlights



### SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the summarised audited consolidated and separate financial statements of FDH Financial Holdings Limited for the year ended 31 December 2019.

#### PERFORMANCE

The Directors report a profit after tax of K11.3 billion for the year ended 31 December 2019 from K7.8 billion reported in 2018. Total income grew by 38% from K32.3 billion to K44.6 billion. Net Interest Income grew by 49% emanating from the growth in interest earning assets while non-interest income grew by 34% due to the increase in revenue from the Group's non-funded income.

Total assets grew by 26% mainly emanating from the growth in Loans and Advances, Government securities and growth in Plant, Property and Equipment and other assets driven by the Group's investment in Digital products. Bills and buy backs and loans grew by 20% from K45.6 billion in 2018 to K54.5 billion in 2019 and Treasury and RBM bills increased by 53% from the previous year balance of K44.9 billion to K68.6 billion in 2019. Customer deposits increased by 20% from K111.0 billion to K133.1 billion.

The Group continued to invest in digital products and other distribution channels as the focus is to improve customer experience as well as diversifying sources of non-interest income.

#### OPERATING ENVIRONMENT

The operating environment saw headline inflation remain relatively stable averaging 9.4%. The Kwacha had a year on year depreciation of 0.7% against the dollar, while the policy rate was reduced to 12.5% from 2018's closing position of 18%, resulting in the all-type Treasury bill rate declining to 8.04% in 2019.

#### ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

New IFRSs have been adopted including IFRS 16 Leases (IFRS 16), which has impacted the Group's results. As permitted by IFRS 16, the requirements of the standard have been applied using the cumulative-catch up approach under which comparative information is not restated.

#### BASIS FOR PREPARATION PARAGRAPH

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 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 Annual Financial Statements which were approved by the board of directors on 10 February 2020, and are available at the company's registered office.

#### OUTLOOK

Going forward, inflation is expected to average around 8%. The Group also anticipates the Kwacha/US Dollar exchange rate to remain relatively stable in 2020, while the Malawi GDP growth rate is projected to average between 5% and 6%, according to the Reserve Bank of Malawi.

Private sector credit annual growth in 2019 was 21.3% up from 11.5% in 2018. The stronger growth in private sector credit in 2019 is a reflection of reduced interest rates. We anticipate the low interest rates regime to continue and spur private sector credit growth in 2020.

The Group's focus is to continue improving and consolidating its non-interest income through its customer centric innovative solutions. Additionally, the Group will continue to prudently manage credit risk and build on the already existing strong credit processes.

#### FDH BANK LISTING PLANS

The preparations to list the Bank on the Malawi Stock Exchange in 2020 are on track and progressing very well. FDH Bank's listing will give a chance to the public and all Malawians to invest in the homegrown and leading digital Bank.

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

By order of the Board,  
**FDH Financial Holdings Limited**

George Chitera  
**Acting Chief Executive Officer**

Dr Ulemu Katunga  
Chairman, Finance and Audit  
24 February 2020

Noel Nkulichi  
**Board Chairman**

### 1. STATEMENTS OF COMPREHENSIVE INCOME

	Group 31-Dec-19 Audited K'000	Group 31-Dec-18 Audited K'000	Company 31-Dec-19 Audited K'000	Company 31-Dec-18 Audited K'000
Interest income	22,040,174	16,863,327	-	-
Interest expenses	(8,562,778)	(7,844,163)	-	-
<b>Net interest income</b>	<b>13,477,396</b>	<b>9,019,164</b>	-	-
Non-interest income	31,076,477	23,243,678	4,169,118	2,833,661
<b>Total income</b>	<b>44,553,873</b>	<b>32,262,842</b>	<b>4,169,118</b>	<b>2,833,661</b>
Operating expenses	(25,001,671)	(19,741,865)	(1,742,738)	(1,629,647)
<b>Profit before provision for impaired financial assets</b>	<b>19,552,202</b>	<b>12,520,977</b>	<b>2,426,380</b>	<b>1,204,014</b>
Net charge on impaired financial and assets	(2,608,131)	(1,561,296)	-	-
<b>Profit before tax</b>	<b>16,944,071</b>	<b>10,959,681</b>	<b>2,426,380</b>	<b>1,204,014</b>
Taxation	(5,673,961)	(3,139,846)	(232,427)	(138,000)
<b>Profit after tax</b>	<b>11,270,110</b>	<b>7,819,835</b>	<b>2,193,953</b>	<b>1,066,014</b>

	Group 31-Dec-19 Audited K'000	Group 31-Dec-18 Audited K'000	Company 31-Dec-19 Audited K'000	Company 31-Dec-18 Audited K'000
<b>Other comprehensive income</b>				
Revaluation Surplus	231,117	441,500	-	-
Deferred tax on revaluation surplus	(69,334)	(77,421)	-	-
Total other income net of tax	161,783	364,079	-	-
<b>Total comprehensive (loss)/income for the year</b>	<b>11,431,893</b>	<b>8,183,914</b>	<b>2,193,953</b>	<b>1,066,014</b>

### 2. STATEMENTS OF FINANCIAL POSITION

	Group 31-Dec-19 Audited K'000	Group 31-Dec-18 Audited K'000	Company 31-Dec-19 Audited K'000	Company 31-Dec-18 Audited K'000
<b>Liabilities, Capital and Reserves</b>				
<b>Liabilities</b>				
Borrowings	5,760,919	5,454,618	-	-
Liabilities to customers	133,095,936	111,030,140	-	-
Bills on buy backs and repurchase agreements	44,138,087	31,260,403	-	-
Lease liabilities	972,884	-	-	-
Related party loan	-	-	9,784,409	9,148,350
Other liabilities	8,413,236	12,131,721	210,946	1,699,072
Deferred tax liabilities	294,753	-	-	-
Income tax payable	3,051,564	294,766	-	-
<b>Total liabilities</b>	<b>195,727,379</b>	<b>160,171,648</b>	<b>9,995,355</b>	<b>10,847,422</b>
Capital and Reserves	22,435,888	12,807,879	3,991,882	3,584,774
<b>Total liabilities, capital and reserves</b>	<b>218,163,267</b>	<b>172,979,527</b>	<b>13,987,237</b>	<b>14,432,196</b>

	Group 31-Dec-19 Audited K'000	Group 31-Dec-18 Audited K'000	Company 31-Dec-19 Audited K'000	Company 31-Dec-18 Audited K'000
<b>Assets</b>				
Cash and balances with Reserve Bank of Malawi	39,889,692	48,587,243	15,295	51,000
Commercial Paper	2,071,101	3,525,156	-	-
Investments in subsidiary companies	-	-	11,179,574	11,179,574
Treasury and RBM bills	68,586,691	44,945,415	50,892	385,072
Bills on buy backs and loans	54,540,225	45,586,222	-	-
Other investments	31,032	26,032	-	-
Related party loan	-	-	2,689,874	2,574,438
Other assets	34,362,441	11,474,990	-	190,438
Property plant and equipment	16,856,861	15,436,240	241	348
Right of use assets	946,222	-	-	-
Deferred tax assets	828,148	2,579,756	507	507
Income tax	50,854	818,473	50,854	50,819
<b>Total assets</b>	<b>218,163,267</b>	<b>172,979,527</b>	<b>13,987,237</b>	<b>14,432,196</b>

### 3. STATEMENTS OF CHANGES IN EQUITY

	Group 31-Dec-19 Audited K'000	Group 31-Dec-18 Audited K'000	Company 31-Dec-19 Audited K'000	Company 31-Dec-18 Audited K'000
At the beginning of the year	12,807,879	10,327,306	3,584,774	3,053,427
Transitional Adjustment on IFRS 9 Adoption at 1 Jan 2018	-	(5,168,674)	-	-
Transitional Adjustment on IFRS 16 Adoption at 1 Jan 2019	(17,039)	-	-	-
Total comprehensive (loss)/income for the year	11,431,893	8,183,914	2,193,953	1,066,014
Dividends paid	(1,786,845)	(534,667)	(1,786,845)	(534,667)
<b>At the end of the year</b>	<b>22,435,888</b>	<b>12,807,879</b>	<b>3,991,882</b>	<b>3,584,774</b>

### 4. STATEMENTS OF CASHFLOWS

	Group 31-Dec-19 Audited K'000	Group 31-Dec-18 Audited K'000	Company 31-Dec-19 Audited K'000	Company 31-Dec-18 Audited K'000
Cash generated from/(used in) operations before taxation	21,061,377	(3,643,003)	(1,654,539)	(723,630)
Income tax paid	(103,183)	(454,670)	(232,462)	(138,176)
<b>Cash flows generated from/(used in) operating activities</b>	<b>20,958,194</b>	<b>(4,097,673)</b>	<b>(1,887,001)</b>	<b>(861,806)</b>
Net cash (used in)/generated from investing activities	(5,381,883)	(4,224,534)	2,667,902	(281,065)
Net cash (used in)/generated from financing activities	(632,586)	4,119,117	(1,150,786)	1,164,499
Net increase/(decrease) in cash and cash equivalents	14,943,725	(4,203,090)	(369,885)	21,628
Cash and cash equivalents at the beginning of the year	68,274,510	72,477,600	436,072	414,444
<b>Cash and cash equivalents at the end of the year</b>	<b>83,218,235</b>	<b>68,274,510</b>	<b>66,187</b>	<b>436,072</b>

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

#### Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2019, the summary statements of comprehensive income, the summary statements of changes in equity and the summary statements of cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of FDH Financial Holdings Limited for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent in all material respects, with the audited consolidated and separate financial statements of FDH Financial Holdings Limited, and the basis described on the "basis for preparation paragraph."

#### Summary Consolidated and Separate Financial Statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Malawi Companies Act, 2013. 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 financial statements in our report dated 24 February 2020. 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 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 on the "basis for preparation paragraph".

#### Auditor's Responsibility

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

**Deloitte.**

Chartered Accountants  
**Madalo Mwenelupempe**  
Partner  
24 February 2020

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