



FDH FINANCIAL HOLDINGS LIMITED

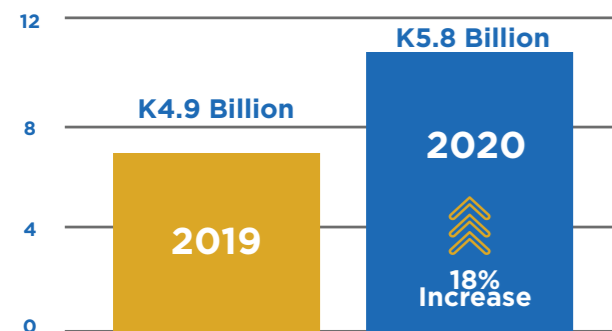
Summary Unaudited Consolidated and Separate Financial Statements For The Half Year Ended 30 June, 2020

FDH FINANCIAL HOLDINGS LIMITED

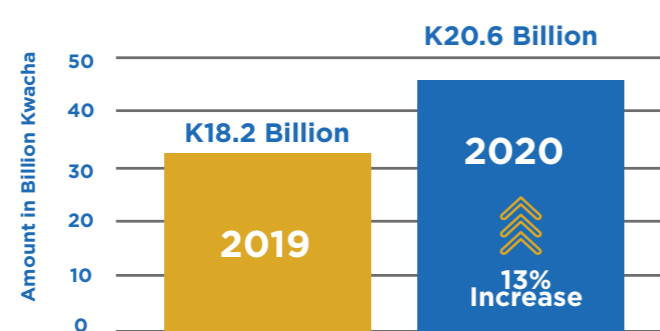
Main Highlights



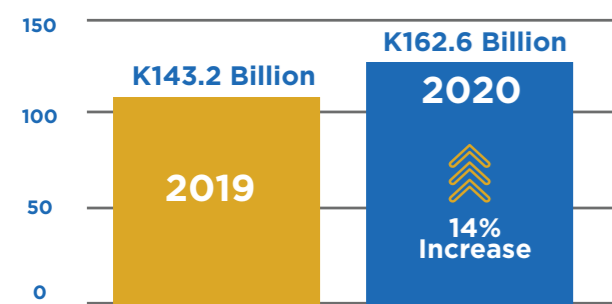
Profit After Tax



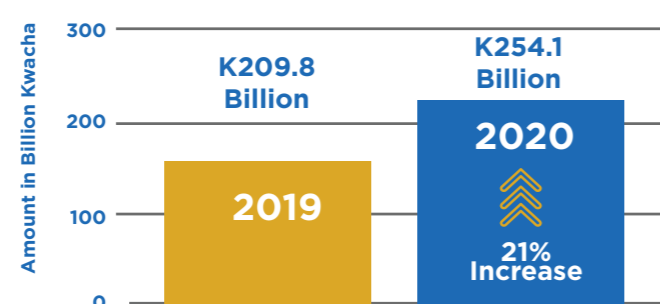
Total Income



Customer Deposits



Total Assets



Other Highlights

Net interest income

↑ 73%

Repurchase agreements

↑ 38%

Treasury and RBM bills

↑ 8%

Bills on buy backs and loans

↑ 49%

Basic Earnings per Share

↑ 18%

Grow With Us

1. STATEMENT OF COMPREHENSIVE INCOME

	Group 30-Jun-20 Unaudited K'000	Group 30-Jun-19 Unaudited K'000	Group 31-Dec-19 Audited K'000	Company 30-Jun-20 Unaudited K'000	Company 30-Jun-19 Unaudited K'000	Company 31-Dec-19 Audited K'000
Interest income	12,185,506	8,054,584	18,579,640	-	-	-
Interest expenses	(5,393,407)	(4,126,572)	(8,562,778)	-	-	-
Net interest income	6,792,099	3,928,011	10,016,862	-	-	-
Non-interest income	13,808,770	14,341,174	34,537,011	7,126,741	1,781,983	4,169,118
Total income	20,600,869	18,269,185	44,553,873	7,126,741	1,781,983	4,169,118
Operating expenses	(12,051,876)	(10,710,826)	(25,001,671)	(706,985)	(975,176)	(1,742,738)
Profit before impairment losses on financial assets	8,548,993	7,558,359	19,552,202	6,419,756	806,807	2,426,380
Net charge on impaired financial assets	(52,325)	(285,930)	(2,608,131)	-	-	-
Profit before tax	8,496,668	7,272,429	16,944,071	6,419,756	806,807	2,426,380
Taxation	(2,629,143)	(2,313,783)	(5,673,961)	(620,714)	(76,840)	(232,427)
Profit after tax	5,867,525	4,958,646	11,270,110	5,799,041	729,967	2,193,953
Other comprehensive income						
Revaluation Surplus	-	-	231,117	-	-	-
Deferred tax on revaluation surplus	-	-	(69,334)	-	-	-
Total other income net of tax	-	-	161,783	-	-	-
Total comprehensive income for the period	5,867,525	4,958,646	11,431,893	5,799,041	729,967	2,193,953

2. STATEMENT OF FINANCIAL POSITION

	Group 30-Jun-20 Unaudited K'000	Group 30-Jun-19 Unaudited K'000	Group 31-Dec-19 Audited K'000	Company 30-Jun-20 Unaudited K'000	Company 30-Jun-19 Unaudited K'000	Company 31-Dec-19 Audited K'000
Liabilities, Capital and Reserves						
Liabilities						
Borrowings	7,894,364	5,554,476	5,760,919	8,468,725	9,148,350	9,784,409
Liabilities to customers	162,696,661	143,243,437	133,095,936	-	-	-
Bills on buy backs and repurchase agreements	34,718,596	25,199,571	44,138,087	-	-	-
Lease liabilities	1,769,962	-	972,884	-	-	-
Other liabilities	19,153,958	17,339,037	8,413,236	1,722,820	948,160	210,946
Deferred tax liability	249,753	-	294,753	-	-	-
Income tax payable	824,196	784,457	3,051,564	-	-	-
Total liabilities	227,307,492	192,120,979	195,727,379	10,191,546	10,096,510	9,995,355
Capital and Reserves	26,863,413	17,766,525	22,435,888	4,654,493	4,314,741	3,991,882
Total liabilities, capital and reserves	254,170,904	209,887,504	218,163,267	14,846,039	14,411,251	13,987,237
Assets						
Cash and balances with Reserve Bank of Malawi	67,043,195	58,014,457	39,889,692	141,211	22,098	15,295
Commercial Paper	8,159,404	3,334,999	2,071,101	-	-	-
Investments in subsidiary companies	-	-	-	11,179,574	11,179,574	11,179,574
Treasury and RBM bills	78,203,289	72,137,426	68,586,691	50,892	29,072	50,892
Bills on buy backs and loans	68,812,706	46,049,827	54,540,225	2,500,000	2,500,000	2,689,874
Investments	31,032	26,032	31,032	-	-	-
Other assets	11,260,166	9,513,032	34,362,441	922,773	628,861	0
Property plant and equipment	18,216,013	15,547,474	16,856,861	189	296	241
Right of use assets	1,747,811	-	946,222	-	-	-
Deferred tax assets	646,397	4,997,017	828,148	507	507	507
Income tax	50,893	267,241	50,854	50,893	50,844	50,854
Total assets	254,170,904	209,887,504	218,163,267	14,846,039	14,411,251	13,987,237

3. STATEMENT OF CHANGES IN EQUITY

	Group 30-Jun-20 Unaudited K'000	Group 30-Jun-19 Unaudited K'000	Group 31-Dec-19 Audited K'000	Company 30-Jun-20 Unaudited K'000	Company 30-Jun-19 Unaudited K'000	Company 31-Dec-19 Audited K'000
At the beginning of the period	22,435,888	12,713,280	12,807,879	3,991,882	3,584,774	3,584,774
Transitional adjustment on IFRS 9 Adoption at 1 Jan 2018	-	-	-	-	-	-
Transitional adjustment on IFRS 16 adoption at 1 Jan 2019	-	-	(17,039)	-	-	-
Total comprehensive income for the period	5,867,525	4,958,646	11,431,893	5,799,041	729,967	2,193,953
Dividends paid	(1,440,000)	-	(1,786,845)	(5,136,430)	-	(1,786,845)
At the end of the period	26,863,413	17,671,926	22,435,888	4,654,493	4,314,741	3,991,882

4. STATEMENT OF CASHFLOWS

	Group 30-Jun-20 Unaudited K'000	Group 30-Jun-19 Unaudited K'000	Group 31-Dec-19 Audited K'000	Company 30-Jun-20 Unaudited K'000	Company 30-Jun-19 Unaudited K'000	Company 31-Dec-19 Audited K'000
Cash generated from/(used in) operations before taxation	19,556,919	7,822,950	21,061,377	125,956	(734,193)	(1,654,539)
Income tax paid	(3,518,694)	(665,591)	(103,183)	(620,754)	(69,156)	(232,462)
Net cash flows generated from/(used in) operating activities	16,038,225	7,157,359	20,958,194	(494,798)	(803,349)	(1,887,001)
Net cash flow (used in)/ generated from investing activities	(8,220,961)	(1,510,920)	(5,381,883)	6,207,145	418,447	2,667,902
Net cash (used in)/generated from in financing activities	(643,059)	99,857	(632,586)	(5,586,430)	-	(1,150,786)
Net increase/(decrease) in cash and cash equivalents	7,174,205	5,746,297	14,943,725	125,916	(384,902)	(369,885)
Cash and cash equivalents at beginning of the period	83,218,235	68,274,510	68,274,510	66,187	436,072	436,072
Cash and cash equivalents at end of the period	90,392,440	74,020,807	83,218,235	192,103	51,170	66,187

SUMMARISED UNAUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2020

The Directors present the summarized unaudited consolidated and separate financial statements of FDH Financial Holdings Limited for the half year ended 30 June 2020.

Performance

The Directors report a profit after tax of K5.87 billion for the half year ended 30 June 2020, representing 18% increase from K4.96 billion achieved over a similar period last year. Total income grew by 13% from K18.3 billion to K20.6 billion. Net Interest Income (NII) grew by 73% when compared to similar period last year due to the growth of the asset book by both the Bank and the Discount House compared to same period last year.

The Group continues to invest in customer centric financial solutions and human resource development. Operating costs grew by 13% year on year while full revenue benefits will take a bit longer to materialise. The Group continues to put more focus on effective cost management as we continue to bring down the cost to income ratio.

Total assets have increased by 17% from 31 December 2019 mainly due to the Group's drive to prudently grow the asset book while also diversifying the portfolio. This initiative has seen the government securities book increase by 14% from K68.6 billion as at 31 December 2019 to K78.2 billion in June 2020 and Loans and Advances grew by 26% from K54.5 billion as at 31 December 2019 to K68.8 billion in June 2020. Customer deposits increased by 22% from K133.0 billion as at 31 December 2019 to K162.7 billion as at 30 June 2020. The increase in customer deposits is in line with the Group's strategy of focusing on growing demand deposits through the digital service delivery channels and the Bank's wide branch network.

Operating environment

The operating environment saw headline inflation remain relatively stable averaging 9% on account of stability of food prices. The Kwacha had a year on year depreciation of 0.8% against the dollar and the all-type Treasury bill rate has averaged 10% in 2020. The reference rate closed at 13.4% as at 30 June 2020.

The political environment also affected the growth in business in the first half of 2020. The elections court case coupled with the continued demonstrations and Fresh Presidential Elections worsened the economic environment by increasing business uncertainty and some customers took a wait and see approach and could not draw down on their facilities or continue with some business operations.

COVID-19 Impact

The 2020 half year performance was affected by the COVID-19 pandemic as economic activities slowed down significantly. Although there was no Government of Malawi (GoM) sanctioned lockdown, most of the corporates and small businesses were operating at reduced capacity with the intention of maintaining social distance. The slowing down in business was also contributed by the lockdowns in the countries where there are trading partners for the local businesses. This in turn slowed down the credit growth and non-funded business growth as the number of customer transactions went down. On the domestic scene, the measures by GoM also affected the Group's digital revenue. The Reserve Bank of Malawi (RBM) with the Bankers Association of Malawi directed a 40% reduction in fees charged on digital transactions; the reduction was prescribed as a measure to encourage people to transact on the digital platforms rather than visiting the Branches to reduce the spread of COVID-19.

The expected credit losses have increased as a result of the increase in credit risk due to the COVID-19 induced slowing down of business activities and the economic environment in general which will result into some customers not being able to meet their financial obligations. This has also resulted in the significant drop in bad debt recoveries due to the economic slowdown.

Outlook

Looking ahead, inflation is expected to average around 9.4% to the end of 2020. The Bank also anticipates the Kwacha/US Dollar exchange rate to average K750/US\$ in 2020. The policy rate is expected to remain at 13.5% while the Malawi GDP growth is projected to average between 1.5% and 2% in the year 2020.

The Group anticipates the low interest rates regime to continue in order to reduce the impact of COVID-19 and stimulate other sectors of the economy. COVID-19 is also expected to reduce credit growth across the globe. The Group has put in place strategies to allocate capital into other high yielding investments so that the 2020 performance is not significantly affected.

The Group's focus is to continue improving and consolidating its Net interest income and non-interest income through its digital offerings and customer centric innovative solutions. Additionally, the Group will continue to prudently manage credit risk while helping businesses in the economy to grow through provision of credit facilities.

FDH Bank Listing plans

As part of fulfilling the agreement on acquisition of Malawi Savings Bank in the Share Sale, Purchase and Investment agreement that was signed with the GoM through the Public Private Partnership Commission (PPPC) and following the approval by RBM, FDH Bank will be listing on the Malawi Stock Exchange on 3 August 2020. This will give an opportunity to the public to own 20% stake in the homegrown and leading digital Bank.

We are indebted to our esteemed clients, shareholders, management, staff, the GoM, the RBM and 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

Noel Nkulichi
Board Chairman

Dr. Ulemu Katunga
Chairman, Audit and Finance
10 July 2020