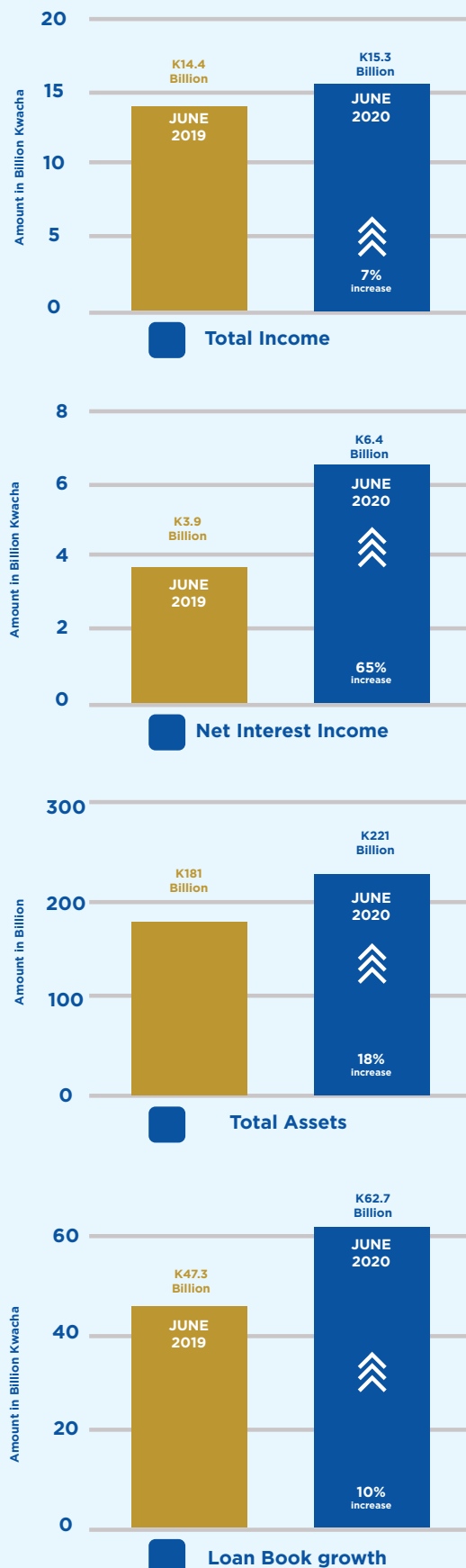


## Key Highlights



## FDH BANK PLC SUMMARY CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020

The Directors present the unaudited consolidated summarized financial statements of FDH Bank Plc for the half year ended 30 June 2020.

### PERFORMANCE

The Bank registered a profit after tax of K3.223 billion against K3.351 billion profit achieved over a similar period last year. Total income grew by 7% from K14.418 billion to K15.380 billion. Net-interest income went up by 65% on the back of an increase in interest income by 45% following the increase in loan book & government securities portfolio and interest expense went up by 22% as a result of an increase in deposits which supported the loan book growth. Notwithstanding the growth in deposits, enhanced balance sheet management has seen the Bank's cost of funding going down.

The Bank continues to put more focus on effective cost management as we continue to bring down the cost to income ratio. Operating expenses grew by 8% when compared to the same period last year. The Profit before provision for loan impairment and Tax (PBIT) was 4% above the PBIT for the same period last year. However, there was an increase in Net impairment charges due to the corona virus disease of 2019 (COVID-19) pandemic.

Total assets increased by 19% from December 2019 mainly emanating from an increase in loan book by 10%, government securities by 17% and placements with other banks by 81%. This is part of the Bank's strategy to grow the interest earning assets. Notwithstanding the growth in the loan book, non-performing loans (NPL) ratio stood at 0.99% (industry average: 6.3%) as at 30 June 2020. Customer deposits increased by 19% from K137 billion as at 31 December 2019 to K164 billion as at 30 June 2020.

The political environment affected growth of business in the first half of 2020. The elections court case, continued demonstrations and Fresh Presidential Elections worsened the economic environment by increasing business uncertainty. The customers, therefore, took a wait and see approach and delayed draw down on their facilities thereby slowing down business operations.

### COVID-19 IMPACT

The 2020 half year performance was affected by the COVID-19 pandemic as economic activities slowed down significantly. Even though there was no government sanctioned lockdown, most of the corporates and businesses were operating at reduced capacity with the intention of maintaining social distance and curbing the spread of the pandemic. The slowing down in business was also contributed by the lockdowns in other countries where there are trading partners for the local businesses. This in turn slowed down both credit and non-funded business growth as the number of customer transactions went down.

On the domestic scene, the COVID-19 prevention measures by the Government also affected the Bank's digital revenue. The Reserve Bank of Malawi 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 digital platforms rather than visiting the service centres to reduce the spread of the pandemic.

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.

### ACQUISITION OF MSB PROPERTIES

At the Board meeting held on 17 March 2020, the Board of the Bank approved acquisition of 100% of equity of MSB Properties Limited from FDH Money Bureau Limited and the transaction was concluded on 31 March 2020. The Group financial statements are therefore consolidated performance of the Bank and MSB Properties from 1 April 2020.

### LISTING ON THE MALAWI STOCK EXCHANGE (MSE)

In fulfilling the agreement on the acquisition of Malawi Savings Bank in the Share Sale, Purchase and Investment agreement that was signed with the Malawi Government through the Public Private Partnership Commission (PPPC), and following approval by the Reserve Bank of Malawi and the Malawi Stock Exchange (MSE) Board, FDH Bank will list on the Malawi Stock exchange on 3 August 2020, subject to obtaining final approval from the MSE. This will give an opportunity to the public to own 20% stake in the home-grown and leading digital Bank.

### 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 growth domestic product (GDP) growth is projected to average between 1.5% and 2% in 2020.

We anticipate the low interest rates regime to continue in order to reduce the impact of COVID-19 pandemic and stimulate other sectors of the economy. The Bank expects the pandemic to reduce credit growth and has put in place strategies to allocate capital into other high yielding investments so that the 2020 performance is not significantly affected. The Bank also expects the pandemic to increase expected credit losses due to slowing down of business and the Bank has put in place strategies to mitigate the impact of the same.

The Bank continues to consolidate and improve on the convenient delivery channels through its digital products and providing first class financial solutions. The Bank also continues to upgrade its existing network infrastructure to international benchmarks to continue delivering elevated customer experience. We are indebted to our esteemed clients, shareholders, management, staff, the Government of Malawi, the Reserve Bank of Malawi, and other stakeholders for their continued unwavering support.

By order of the Board.  
**FDH Bank Plc**

Dr. E. Ngalande  
**Managing Director**

Mr. A. Oginga  
**Board Chairman**

Dr. U. Katunga  
**Chairperson, Finance and Audit**





## 1. STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
	30-Jun-20 un-audited K'000	30-Jun-20 un-audited K'000	30-Jun-19 un-audited K'000	31-Dec-19 audited K'000
Interest income	10,615,394	10,615,394	7,312,227	16,343,445
Interest expenses	(4,118,354)	(4,118,354)	(3,370,131)	(7,766,556)
<b>Net interest income</b>	<b>6,497,041</b>	<b>6,497,041</b>	<b>3,942,096</b>	<b>8,576,889</b>
Non-interest income	8,883,014	8,824,253	10,476,853	25,812,682
<b>Total income</b>	<b>15,380,055</b>	<b>15,321,294</b>	<b>14,418,949</b>	<b>34,389,571</b>
Operating expenses	(10,712,206)	(10,736,974)	(9,913,824)	(22,163,889)
<b>Profit before provision for impaired loans and advances</b>	<b>4,667,849</b>	<b>4,584,320</b>	<b>4,505,125</b>	<b>12,225,682</b>
Net charge on impaired loans and advances	(62,325)	(62,325)	264,070	(482,634)
<b>Profit before tax</b>	<b>4,605,524</b>	<b>4,521,995</b>	<b>4,769,195</b>	<b>11,743,048</b>
Taxation	(1,381,657)	(1,356,598)	(1,417,953)	(3,896,684)
<b>Profit after tax</b>	<b>3,223,867</b>	<b>3,165,396</b>	<b>3,351,242</b>	<b>7,846,364</b>
Other comprehensive income				
Revaluation Surplus	-	-	-	-
Deferred tax on revaluation surplus	-	-	-	-
Total other income net of tax	-	-	-	-
<b>Total comprehensive (loss)/income for the year</b>	<b>3,223,867</b>	<b>3,165,396</b>	<b>3,351,242</b>	<b>7,846,364</b>

## 2. STATEMENT OF FINANCIAL POSITION

	30-Jun-20	30-Jun-19	31-Dec-19
<b>Liabilities, Capital and Reserves</b>			
Liabilities			
Shareholders' loan	2,600,336	2,600,336	2,606,543
Long Term Loan	7,894,364	7,894,364	4,565,846
Liabilities to customers	163,652,204	163,677,333	144,312,632
Liabilities to other banks	7,378,750	7,378,750	10,301,285
Other liabilities	17,219,021	16,272,252	14,482,431
Lease liabilities	1,735,809	1,735,809	-
Deferred tax liability	249,753	249,753	-
Income tax payable	554,853	132,659	-
<b>Total liabilities</b>	<b>201,285,090</b>	<b>199,941,256</b>	<b>166,026,931</b>
Capital and Reserves	23,218,576	21,838,872	22,673,475
<b>Total liabilities, capital and reserves</b>	<b>224,503,666</b>	<b>221,780,127</b>	<b>188,700,406</b>
<b>Assets</b>			
Cash and funds with Reserve Bank of Malawi	11,686,105	11,686,105	8,956,917
Placements with other banks	57,341,817	57,341,817	40,486,577
Short Term Investments	-	-	-
Malawi Government Treasury Bills	54,971,724	54,857,521	54,242,050
Loans and advances to customers	62,723,661	62,723,661	47,389,455
Investments	84,818	5,630,032	26,032
Other assets	17,542,429	15,559,461	15,096,090
Property plant and equipment	17,871,384	12,272,384	10,367,769
Right of use assets	1,709,146	1,709,146	-
Deferred tax asset	572,582	-	4,426,488
Income tax	-	-	216,397
<b>Total assets</b>	<b>224,503,666</b>	<b>221,780,127</b>	<b>188,700,406</b>

## 3. STATEMENT OF CHANGES IN EQUITY

	Group		Bank	
	30-Jun-20 un-audited K'000	30-Jun-20 un-audited K'000	30-Jun-19 un-audited K'000	31-Dec-19 audited K'000
At the beginning of the period	23,994,708	22,673,475	15,885,774	15,885,774
Transitional Adjustment on IFRS 16 Adoption at 1 Jan 2019	-	-	-	(26,662)
Deferred tax on transitional adjustment	-	-	-	7,999
Total comprehensive income/(loss) for the year	3,223,867	3,165,396	(172,794)	7,846,364
Dividends paid	(4,000,000)	(4,000,000)	(500,000)	(1,040,000)
<b>At the end of the period</b>	<b>23,218,575</b>	<b>21,838,872</b>	<b>15,212,980</b>	<b>22,673,475</b>

## 4. STATEMENT OF CASHFLOWS

	30-Jun-20	30-Jun-19	31-Dec-19
Cash generated from operations before taxation	49,800,671	52,995,443	20,339,595
Income tax paid	(2,924,430)	(2,774,042)	(467,945)
Cash flows generated from operating activities	46,876,241	50,221,401	19,871,650
Net cash used in investing activities	(8,151,639)	(8,097,853)	(1,609,273)
Net cash (used in)/generated from financing activities	(493,059)	(1,872,763)	(595,258)
Net increase/(decrease) in cash and cash equivalents	38,231,543	40,250,785	17,667,120
Cash and cash equivalents at the beginning of the period	63,999,706	63,999,706	64,254,574
<b>Cash and cash equivalents at the end of the period</b>	<b>102,231,249</b>	<b>104,250,491</b>	<b>81,921,694</b>

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

	30 June 2020		30 June 2019		31 Dec 2019	
	Outstanding Amount K'000	Expected Credit Loss K'000	Outstanding Amount K'000	Expected Credit Loss K'000	Outstanding Amount K'000	Expected Credit Loss K'000
1. Agriculture, forestry, fishing and hunting	3,520,230	89,943	1,923,335	113,488	2,689,058	88,229
2. Mining and quarrying	3,785	1,129	123,266	362	468,333	379
3. Manufacturing	7,624,218	4,705	13,171,634	8,325	9,768,554	132,660
4. Electricity, gas, water and energy	4,616,159	1,041	5,308,175	240	5,505,691	817
5. Construction	7,078,967	45,188	4,198,117	74,827	4,903,864	19,918
6. Wholesale and retail trade	18,375,904	61,323	11,183,709	99,658	11,918,423	170,887
7. Restaurants and hotels	764,000	571	680,597	1,512	669,361	46,823
8. Transport, storage and communications	2,723,789	62,939	3,034,560	17,250	2,969,928	13,640
9. Financial services	6,793,668	27,467	3,033,363	47,416	8,800,078	22,048
10. Community, social and personal services	11,673,130	323,321	5,344,154	248,376	9,921,905	305,899
<b>TOTAL</b>	<b>63,173,851</b>	<b>617,628</b>	<b>48,000,909</b>	<b>611,453</b>	<b>57,615,195</b>	<b>11,801,300</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 2020		30 June 2019		31 Dec 2019	
	K'000	% of Core Capital	K'000	% of Core Capital	K'000	% of Core Capital
Government Institution	11,248,015	56.0%	3,961,448	26.8%	15,582,568	81.2%
Agriculture	-	-	5,746,806	38.9%	-	0.0%
Electricity, gas, water and energy	-	-	3,827,500	25.9%	-	0.0%

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

	30 June 2020 K'000	30 June 2019 K'000	31 Dec 2019 K'000
<b>Directors</b>			
Balance at the beginning of the year	136,521	53,246	53,246
Loans granted during the year	-	54,866	130,336
Repayments	(91,490)	(56,024)	(47,061)
<b>Balance at the end of half year</b>	<b>45,031</b>	<b>52,088</b>	<b>136,521</b>

	30 June 2020 K'000	30 June 2019 K'000	31 Dec 2019 K'000
<b>Other related parties</b>			
Balance at the beginning of the year	3,683,871	4,845,087	4,845,087
Loans granted during the year	1,503,757	0	186,922
Reclassified to normal loan	(1,345,262)	-	-
Repayments	(2,333,110)	(548,916)	(1,348,138)
<b>Balance at the end of half year</b>	<b>1,509,256</b>	<b>4,296,171</b>	<b>3,683,871</b>

	30 June 2020 K'000	30 June 2019 K'000	31 Dec 2019 K'000
<b>Senior Management Officials</b>			
Balance at the beginning of the year	90,246	110,595	110,595
Loans granted during the year	80,548	58,674	156,054
Repayments	(67,663)	(75,663)	(176,403)
<b>Balance at the end of half year</b>	<b>103,131</b>	<b>93,606</b>	<b>90,246</b>

## 8. BASE LENDING RATES

	30 June 2020	30 June 2019	31 Dec 2019
Base Lending Rate	13.5%	13.9%	25.0%
Maximum Applicable Range (basis points)	10	10	0
Base Lending Rate (Foreign)	N/A	N/A	N/A
RBM Bank Rate	13.5%	13.9%	16.0%

## 9. DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	30 June 2020	30 June 2019	31 Dec 2019
Directors' fees	108,991	73,039	152,100
Other directors' expenses	9,758	24,697	84,147
Bonuses to all staff	-	-	670,000
<b>Balance at end of first half</b>	<b>118,749</b>	<b>97,736</b>	<b>906,247</b>