



**FDH Bank
Plc**

14th ANNUAL GENERAL MEETING
**QUESTIONS FROM SHAREHOLDERS
AND ANSWERS FROM DIRECTORS**

26 May 2021

1 Why would FDH fail to afford to pay even a minimal final dividend after registering a profit and free cash flow of K14 billion?

The K14 billion profit is mainly as a result of the restatement of 2018 and 2019 financial statements which had an effect of restating K9.6 billion income (K5.8 billion from 2018 and K3.8 billion from 2019) to the financial year 2020. This resulted in a reduction in profit after tax (PAT) for 2018 by K4.1 billion and for 2019 by K2.6 billion and increasing the 2020 PAT by K6.7 billion (refer to the note 1 below for the restatement). Dividend of K5 billion was already paid from the restated income and K3 billion has been paid from the 2020 profit (actual performance before restatement). In this regard, the K14 billion is an accounting profit not necessarily free cash flows for the Bank.

Note 1

FDH Bank Plc restated 2018 and 2019 financial statements because in prior years commission revenue was recognised at a point in time instead of over the period to maturity of the underlying securities. The performance obligations applying overtime became evident in the current year (2020) upon early termination of the principal contracts and drawing of a new contract arrangement. This has resulted in commission recognised in 2018 and 2019 to be spread over the period to maturity of the underlying securities. However, the total revenue earned over the years remains the same before and after the restatement.

(For details of the restatement refer to pages 41, 42, 98 and 99 of the 2020 Annual Report).

2 The Directors decided to pay a final dividend for the year 2019 even though the profit for 2019 was substantially lower than in 2020. Is this logical?

This is as a result of the restatement as explained in the answer to question 1 above.

3 Whilst due to the performance of 2020, the directors have recommended an increase in Directors' fees and sitting allowances and we would assume employee salaries and bonuses have similarly been adjusted upwards, meanwhile the ordinary shareholder has received nothing for the end of the year. Is this fair? Are ordinary shareholders an easy group to ignore?

Ordinary shareholders are the key stakeholders for the company and cannot be ignored in any way.

Directors' fees and sitting allowances were increased partly due to inflation and to maintain the caliber of directors that have helped the Bank to achieve the growth it has attained in recent years.

Staff salaries increased as a result of cost of living adjustment and in part performance related adjustment. However, in 2020 the Bank did not accrue a staff bonus because the performance targets for 2020 were not going to be met before the restatement of 2018 and 2019 financial statements.

A dividend of K3 billion has been paid to the shareholders from the 2020 profit. A final dividend for 2020 financial year was not paid in order to preserve capital in light of the challenging Covid-19 pandemic environment that we are operating in. The Bank expects some bad loans due to poor performance of the economy and with adequate capital the Bank should be able to cushion these shocks. This will help the Bank

to achieve sustainable growth for the foreseeable future rather than paying out more dividend now and stifle future growth.

FDH has given a very good return to its shareholders for the five months from August 2020 to 31 December 2020. The overall return is made up of a return of 45% from share price gain from IPO price of K10.00 to K14.45 as at 31 December 2020 and a return of 4% from dividend paid out which gives a total return of 49% within 5 months which translates to an annualized return of 117.6%

4 Are the Directors fully cognizant and appreciative of the fact that ordinary shareholders invested in FDH so that they partake in the success and growth of the bank?

The Directors are fully aware of the shareholders' investments and are mandated to act in the best interest of shareholders at all times by among other things ensuring that the Bank continues to perform well in the long term. The shareholders return on investment is considered on two fronts, one is from dividend and the other is from capital gain from share price. FDH has given a very good return to its shareholders for the five months from August 2020 to 31 December 2020 and details of the return have been included in the answer to question 3 above.

5 In a year (2020) in which the financial sector made historic profits, are the Directors of FDH aware that all the other financial institutions (except

The issue of payment of final dividend has been addressed in answers to questions 1 and 3 above.

In addition to the answers provided,

for FDH) listed on the Malawi Stock Exchange have decided to pay a final dividend? Does this exceptionalism reflect well on the investor image and stakeholder responsibility of FDH?

the final dividend payment should not be looked at in isolation. Members are also encouraged to look at the return on investment provided by the other listed entities to their shareholders in comparison with that of FDH Bank Plc with an annualized return of 117.6%. Members may wish to know that despite FDH Bank Plc listing on 3 August 2020, the Bank was the third highest gainer on the Malawi Stock Exchange in the year 2020.


6 How do the shareholders know that the dividend has been paid?

The process for dividend payment includes publication of a notice of dividend payment in newspapers of wide circulation disclosing the date when the dividend will be paid.


Thereafter, dividend is paid to the bank account provided by the shareholders and a notification is automatically sent from the shareholder's bank account, if the bank account is on SMS Alert. An advice slip is also posted to the shareholder's postal address confirming the dividend payment.

For other shareholders without bank account records, a cheque and an advice slip are mailed through the post to the address the shareholder provided.

Shareholders with emails in our records kept by the transfer secretaries are also sent an email informing them of the dividend payout.



If for some reason a shareholder does not get the dividend payment notification, a query is lodged with FDH Bank Plc's transfer secretaries, NICO Asset Managers, by contacting them through the following email address: transfersec@nicoassetmanagers.com.



7 I need clarification on who fixes the remuneration for Non-Directors and Directors?

In keeping with good corporate governance, shareholders of the Company approve remuneration for Non-Executive Directors on the recommendation of the Board. On the other hand, the Board, following a general authorisation by the shareholders, sets remuneration for Executive Directors.

The remuneration for directors is based on the strategy, risk, effort and responsibilities of the directors.



FDH Bank

1st Floor Umoyo House,
No. 8 Victoria Avenue North,
P.O. Box 512,
Blantyre, Malawi

www.fdh.co.mw

Our Bank • Our Future • Grow With Us