## Summary consolidated and separate financial statements

as at 30 June 2019



		Consolidated			Separate	
	6 months to		12 months to	6 months to		12 months to
	30-Jun-19	30-Jun-18	31-Dec-18	30-Jun-19	30-Jun-18	31-Dec-18
In millions of Malawi Kwacha	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
Interest income	15 314	22 714	44 168	10 942	11 498	22 338
Interest expense on deposits and other accounts	(4 515)	(8 200)	(14 590)	(2 794)	(4 351)	(7 713)
Net interest income	10 799	14 514	29 578	8 147	7 147	14 625
Fees and commissions	5 107	6 724	13 400	4 084	4 434	8 537
Income from investments	167	718	438	167	718	438
Gain on foreign exchange transactions	2 437	3 206	7 557	1 326	1 190	2 396
	7 711	10 648	21 395	5 578	6 342	11 371
Total operating income	18 510	25 162	50 973	13 725	13 489	25 996
Staff and training costs	5 221	7 969	16 261	3 383	4 076	8 151
Premises and equipment costs	1 456	2 383	4 738	905	1 253	2 445
Depreciation expense	1 207	1 577	3 274	970	964	1 975
Other expenses	3 969	3 745	10 233	2 692	1 754	4 759
Impairment loss on financial assets	896	650	1 236	677	(301)	(859)
Total expenses	12 749	16 324	35 743	8 627	7 747	16 472
Profit before income tax expense	5 761	8 838	15 230	5 098	5 743	9 524
Income tax expense	(1 608)	(2 258)	(4 456)	(1 538)	(1 400)	(2 869)
Profit for the period	4 153	6 580	10 774	3 560	4 343	6 655
Other comprehensive income						
Items that will never be classified to profit or loss						
Revaluation surplus on property	_	_	2 499	_	_	2 487
Deferred tax on revalued property	-	_	(754)	-	_	(751)
	-	-	1 745	-	-	1 736
Items that are or may be classified to profit or loss Translation difference for foreign operations		(879)	(1 185)			
	_	, ,	560			1 736
Total other comprehensive income for the period	- 4452	(879)		2.560	- 4 2 4 2	
Total comprehensive income for the period	4 153	5 701	11 334	3 560	4 343	8 391
Profit attributable to:	2.254	5.070	0.405	2.540	4 2 42	
Owners of the parent	3 954	5 273	8 496	3 560	4 343	6 655
Non-controlling interest	199	1 307	2 279	_		
Profit for the period	4 153	6 580	10 774	3 560	4 343	6 655
Total comprehensive income attributable to:						
Owners of the parent	3 954	4 918	9 676	3 560	4 343	8 391
Non-controlling interest	199	783	1 659	_	_	_
Total comprehensive income for the period	4 153	5 701	11 334	3 560	4 343	8 391
Basic and diluted earnings per share (Tambala)	169	226	364			

#### Summary Statements of Cash Flow

Summary Statements or Cash Flow						
		Consolidated			Separate	
	6 months to	1	2 months to	6 months to	1	2 months to
	30-Jun-19	30-Jun-18	31-Dec-18	30-Jun-19	30-Jun-18	31-Dec-18
In millions of Malawi Kwacha	Unaudited	Unaudited	Audited	Unaudited	Unaudited	Audited
Cash flows from operating activities						
Interest and fees received	22 677	32 464	56 092	16 358	17 121	33 803
Interest paid	(4 515)	(8 200)	(14 589)	(2 794)	(4 351)	(7 713)
Cash paid to suppliers and employees	(2 783)	(18 823)	(31 381)	11 933	(13 682)	(22 915)
( <del>-</del>	15 379	5 441	10 122	25 496	(912)	3 175
(Decrease)/Increase in net customer balances	(11 924)	(13 531)	6 731	(8 530)	(33 063)	(7 242)
Cash generated from operations	3 455	(8 090)	16 853	16 967	(33 975)	(4 067)
Dividend received net of tax	_	21	50	-	21	50
Income taxes paid	257	(1 894)	(3 192)	(805)	(913)	(1 010)
Cash flows from operating activities	3 712	(9 963)	13 711	16 162	(34 867)	(5 027)
Cash flows from investing activities						
(Purchases)/maturities of investment securities	(118)	19 733	31 667	(9 010)	18 287	13 623
(Purchases)/maturities of Repos	(6 820)	12 949	3 343	(6 820)	12 949	3 343
Disposal of a subsidiary	(84 911)	_	-	-	-	-
Proceeds from sale of equipment	_	-	14	-	-	13
Acquisition of property and equipment	(858)	(2 705)	(7 822)	(1 249)	(2 011)	(3 591)
Cash outflows applied to investing activities	(92 707)	29 977	27 202	(17 079)	29 225	13 388
Cash flows from financing activities						
Dividend paid to shareholders of the parent	_	(4 500)	(4 500)	(10 089)	(4 500)	(4 500)
Proceeds from issuance of preference shares	_	-	1 432	-	-	-
Proceeds/(Repayment) of long term borrowings	103	_	(3 525)	-	_	(6 111)
Cash flows from financing activities	103	(4 500)	(6 593)	(10 089)	(4 500)	(10 611)
Net (decrease)/increase in cash and cash equivalents	(88 892)	15 514	34 320	(11 006)	(10 142)	(2 249)
Cash and cash equivalents at 1 January	112 650	79 515	79 515	34 765	37 631	37 631
Effect of changes in exchange rates	-	(879)	(1 185)	-	_	(617)
Cash and cash equivalents at period end	23 758	94 150	112 650	23 759	27 489	34 765

#### **Summary Statements of Financial Position**

In millions of Malawi Kwacha	6 months to 30-Jun-19 Unaudited	30-Jun-18	12 months to 31-Dec-18	6 months to	1	12 months to
In millions of Malawi Kwacha			31-Dec-18	20 1 40		
In millions of Malawi Kwacha	Unaudited	10 19 1		30-Jun-19	30-Jun-18	31-Dec-18
in mittions of Matawi Kwaciia		Unaudited	Audited	Unaudited	Unaudited	Audited
Assets						
Cash and cash equivalents	23 758	94 150	112 650	23 758	27 489	34 765
Money market investments	76 578	96 713	84 456	76 578	63 206	67 569
Loans and advances to customers	72 127	187 495	178 897	72 127	53 406	62 137
Finance lease receivables	1 012	3 359	1 625	1 012	3 359	1 625
Amounts due from related parties	264	_	253	508	139	568
Repurchase agreements	28 671	12 245	21 851	28 671	12 245	21 851
Current tax asset	243	2 392	2 367	197	1 343	1 008
Financial assets at FVOCI	-	33	32	-	-	
Investments at fair value through profit or loss	5 756	5 901	5 589	5 756	5 901	5 589
Investment in subsidiary companies	-	-	_	209	13 692	10 298
Investment property	-	866	_	-	_	_
Intangible assets	3 724	5 322	4 579	3 724	4 106	3 880
Property and equipment	17 999	18 316	23 578	17 998	14 342	17 562
Assets held for sale	212	218	218	212	218	218
Other assets	3 989	5 968	3 245	3 962	2 288	2 327
Total assets	234 334	432 977	439 341	234 713	201 736	229 397
Liabilities and Equity						
Liabilities	49 651	26 789	26 114	49 651	23 729	37 050
Balances due to other banks	128 130	330 596	335 771	128 445	126 655	139 582
Customer deposits	13	504	744	-	-	
Other payables	16 547	11 357	12 549	16 977	7 683	6 594
Provisions	677	75	601	677	75	601
Subordinated debt	7 000	10 119	12 887	7 000	7 000	7 000
Redeemable Preference shares	_	-	1 432		-	_
Deferred tax liabilities	2 263	1 050	1 813	2 267	1 187	2 345
Total liabilities	204 281	380 489	391 911	205 016	166 329	193 171
Equity						
Share capital	117	117	117	117	117	117
Share premium	1 565	1 565	1 565	1 565	1 565	1 565
Property revaluation reserve	5 197	3 459	5 198	5 197	3 461	5 197
Loan loss reserve	521	3 022	1 086	814	964	823
Translation reserve	-	2 235	1 218	-	_	_
Retained earnings	22 653	27 660	28 515	22 003	29 299	28 523
Equity attributable to equity holders of the						
company	30 054	38 058	37 700	29 697	35 406	36 226
Non-controlling interest	-	14 430	9 730	-	_	
Total equity	30 054	52 488	47 430	29 697	35 406	36 226
Total equity and liabilities	234 334	432 977	439 341	234 713	201 736	229 397

#### **Summary Statements of Changes in Equity**

	Consolidated				Separate		
	6 months to 12 months to 6 months to			1	12 months to		
In millions of Malawi Kwacha	30-Jun-19 Unaudited	30-Jun-18 Unaudited	31-Dec-18 Audited	30-Jun-19 Unaudited	30-Jun-18 Unaudited	31-Dec-18 Audited	
As at the beginning of the period	47 430	53 546	53 546	36 226	36 584	36 584	
Net profit for the period	4 153	6 580	10 774	3 560	4 343	6 655	
IFRS 9 Transition adjustment (net of tax)	_	(2 259)	(1 800)	-	(1 020)	(856)	
Other comprehensive income	-	(879)	560	-	-	1 736	
Comprehensive Income attributable to owners	51 583	56 988	63 080	39 786	39 907	44 119	
Dividends paid	(10 089)	(4 500)	(7 893)	(10 089)	(4 500)	(7 893)	
Other transactions with owners	(11 440)	_	(7 757)	-	-	_	
Balance at the end of the period	30 054	52 488	47 430	29 697	35 407	36 226	

#### Impairment Losses/Non Performing Credit Facilities And Provisions For Losses By Industry (First Capital Bank Malawi only)

		Juli-19				
Industry Sector (MK'000)	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
Agriculture	14 454 291	49 265	26 489	10 938 823	107 982	6 946
Mining	81 390	-	-	27 819	-	_
Financial Services	873 509	193	193	1 831 227	24 776	20 192
Construction	3 762 327	276 084	121 217	2 020 760	143 341	20 023
Energy/Electricity/Gas /Water	1 697 549	108 173	-	4 172 300	175 103	28 746
Manufacturing	18 068 102	190 449	-	11 601 726	14 878	12 219
Wholesale and Retail	22 722 468	1 980 653	1 259 582	18 686 761	2 952 734	1 143 495
Individual/Households/Community/Social/						
Personal	2 832 493	214 818	94 732	1 300 484	228 933	100 602
Real Estate	311 166	-	-	143 610	-	_
Tourism & Leisure	2 623 946	42 304	283	1 103 814	21 838	18 722
Transport & Communication	4 008 394	157 414	9 494	4 866 585	173 412	519
Others	3 814 323	353 813	114 622	4 901 378	1 541 413	914 169
	75 249 958	3 373 166	1 626 611	61 595 287	5 384 410	2 265 633

# First Capital

### Belief comes first

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#### Credit Concentrations Sector of % of Core Borrowei Capital Capital 14 454 290 65.30% 10 938 823 Agriculture 18 067 101 53.00% Manufacturing Wholesale and

**Note:** Credit concentration represents total credit facilities including quarantees, acceptances, and other similar commitments extended to any one customer or group of related customers where amounts exceed 25% of core capital

#### Loans to directors, senior management and other related parties

MK'000	30-Jun-19	30-Jun-18
Corporate bodies directly or indirectly related to the directors:		
Balance at the beginning of the year	3 796 333	987 886
Loans granted during the period Repayments	16 500 (1 376 630)	7 512 874 (5 952 535)
Balance at the end of the period	2 436 203	2 548 225
Senior management		
Balance at the beginning of the year	317 678	233 067
Loans granted during the period	19 000	_
Repayments	(70 904)	(151 782)
Balance at the end of the period	265 774	81 285

All loan to bodies directly or indirectly linked to the directors were made on arm's lenath commercial terms

se	lending	rate

	30-Jun-19	30-Jun-18
Base lending rate (local currency loans) Maximum applicable range (percentage	13.90%	23.00%
points)	11.10%	8.00%
Base lending rate (foreign currency loans) Maximum applicable range (percentage	-	-
points)	9.5	9.5
Bank rate	13.50%	16.00%

#### Director's remuneration and bonuses

ΛΚ'000	30-Jun-19	30-Jun-1
ees paid to non-executive directors	131 121	155 17

#### **Deposit Rates**

	30-Jun-19	30-Jun-18
Savings Accounts (Balances above		
K10 000)	4.00%	5.00%
Fast Accounts (Balances above K10 000)	2.00%	4.50%
Call Accounts		
7 day call	3.00%	5.00%
30 day call	3.00%	6.00%
Fixed Deposits (Minimum deposit		
K25 000)		
1 Month	3.50%	9.00%
2 Months	5.50%	10.00%
3 Months	5.00%	10.00%
Above 3 Months	Negotiable	Negotiable
Current Account (Balances above		_
K500 000)	0.00%	0.15%

#### Investment in subsidiaries

Institution	Number of Shares ('000)		30 Jun 2019 (MK'000)	
FMB Capital Markets Limited	500	100.00%	50 000	50 000
FMB Forex Bureau Limited	10 000	100.00%	10 000	10 000
ICB Malawi Limited	7 149	100.00%	148 791	148 791
First Capital Bank S.A – Mozambique	6 955	80.00%	-	9 185 640
First Capital Bank Limited – Botswana	31 588	38.60%	-	903 854
First Capital Bank Limited – Zambia	50 960	49.00%	-	3 393 251
			208 791	13 691 536

#### REVIEW OF THE PERIOD

due to a host of economic and regulatory factors. The first half's interest total assets falling to K234 billion from K433 billion in June 2018. June 2019 income has been impacted from policy rate reductions and the resultant fall in money market and lending rates. Hence despite a robust 35% and 21% growth in customer lending and money market placements respectively. interest income declined by 5% over the same period last year. However, net interest income has grown 14% YoY as a consequence of the bank's efforts to diversify its deposit base. The 12% YoY decline in non-interest income is primarily attributable to the fall in investment income from the bank's portfolio of listed equity investments. Consequently, total operating income has grown by a modest 2% over the same period last year.

The cost containment initiatives undertaken by the bank in 2018 together with synchronization with the group's shared services framework are beginning to bear fruit but we continue to remain focused on optimizing costs against the backdrop of continued pressure on revenue. Hence despite revenue pressures in the first half, the bank has been successful in maintaining operating profits (pre-impairment loss on financial assets) to previous year's levels due to cost containment initiatives. Profit after tax has however declined by 18% owing to increased impairment driven primarily from the adoption of IFRS 9 principles and growth in the bank's risk assets.

The first half banking operating environment in Malawi has been challenging

The corporate restructuring process of the group has resulted in consolidated total assets reflect the derecognition of our investments in Zambia (effective 31 December 2018), Botswana (effective 28 February 2019) and Mozambique (effective 30 June 2019). The reduction in the bank's equity position is also a consequence of the restructuring process which entailed transfer of the shareholdings through declaration of dividend in specie to the holding company, FMBcapital Holdings Plc.

> The bank's capital ratios remain comfortably above regulatory limits affording us the opportunity to grow our balance sheet further.

Malawi's short term economic performance will be negatively affected by the ongoing disagreements related to results of the May 2019 tripartite elections. We nevertheless remain optimistic that the bank will be able withstand this exogenous challenge and deliver satisfactory performance

Thomas Kadantot Acting Chief Executive Officer Chief Finance Officer

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