

Summary of consolidated and separate financial statements

as at 30 June 2020

Summary Statements of Profit or Loss and other Comprehensive Income

	Consolidated			Separate		
	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited
<i>In millions of Malawi Kwacha</i>						
Interest income	12 958	15 314	27 237	12 958	10 942	22 886
Interest expense on deposits and other accounts	(2 934)	(4 515)	(7 352)	(2 934)	(2 794)	(5 637)
Net interest income	10 024	10 799	19 885	10 024	8 148	17 249
Fees and commissions	6 028	7 544	13 220	6 028	5 410	11 093
Income from investments	(474)	167	(560)	(474)	167	(560)
	5 554	7 711	12 660	5 554	5 577	10 533
Total operating income	15 578	18 510	32 545	15 578	13 725	27 782
Staff and training costs	3 730	5 221	8 634	3 730	3 383	6 803
Premises and equipment costs	1 241	1 456	2 878	1 241	905	2 329
Depreciation expense	1 155	1 207	2 352	1 155	970	2 116
Other expenses	3 596	3 969	7 204	3 596	2 692	5 938
Impairment loss on financial assets	229	896	1 766	229	677	1 546
Total expenses	9 951	12 749	22 834	9 951	8 627	18 732
Profit before income tax expense	5 627	5 761	9 711	5 627	5 098	9 050
Income tax expense	(1 714)	(1 608)	(3 081)	(1 714)	(1 538)	(3 010)
Profit for the period	3 913	4 153	6 630	3 913	3 560	6 040
Other comprehensive income						
Items that will never be classified to profit or loss						
Deferred tax on revalued property	–	–	918	–	–	918
Total other comprehensive income for the period	–	–	918	–	–	918
Total comprehensive income for the period	3 913	4 153	7 548	3 913	3 560	6 958
Profit attributable to:						
Owners of the parent	3 913	3 954	6 433	3 913	3 560	6 040
Non-controlling interest	–	199	197	–	–	–
Profit for the period	3 913	4 153	6 630	3 913	3 560	6 040
Total comprehensive income attributable to:						
Owners of the parent	–	3 954	7 350	3 913	3 560	6 958
Non-controlling interest	–	199	197	–	–	–
Total comprehensive income for the period	3 913	4 153	7 548	3 913	3 560	6 958
<i>Basic and diluted earnings per share (Tambala)</i>	<i>167</i>	<i>169</i>	<i>275</i>			

Summary Statements of Financial Position

	Consolidated			Separate		
	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited
<i>In millions of Malawi Kwacha</i>						
Assets						
Cash and cash equivalents	25 612	23 758	16 592	25 612	23 758	16 593
Money market investments	101 839	76 578	103 981	101 839	76 578	103 981
Loans and advances to customers	72 863	72 127	71 592	72 863	72 127	71 592
Finance lease receivables	212	1 012	511	212	1 012	511
Amounts due from related parties	508	264	681	508	508	681
Repurchase agreements	72 529	28 671	71 553	72 529	28 671	71 553
Current tax asset	44	243	305	–	197	261
Investments at fair value through profit or loss	4 161	5 756	4 644	4 161	5 756	4 644
Investment in subsidiary companies	–	–	–	209	209	209
Right of use assets	670	–	802	670	–	802
Intangible assets	3 361	3 724	3 745	3 361	3 724	3 745
Property and equipment	17 644	17 998	18 104	17 644	17 998	18 104
Assets held for sale	212	212	212	212	212	212
Other assets	2 204	3 991	1 626	2 176	3 962	1 601
Total assets	301 859	234 334	294 348	301 996	234 712	294 489
Liabilities and Equity						
Liabilities						
Balances due to other banks	120 562	49 651	109 262	120 562	49 651	109 262
Customer deposits	135 181	128 130	134 554	135 499	128 445	134 872
Income tax payable	662	13	10	651	–	–
Other payables	9 509	16 542	7 514	9 689	16 975	7 698
Lease liabilities	754	–	873	754	–	873
Provisions	190	677	431	190	677	431
Subordinated debt	–	7 000	7 000	–	7 000	7 000
Deferred tax liabilities	1 263	2 267	1 255	1 267	2 267	1 258
Total liabilities	268 121	204 280	260 899	268 612	205 015	261 394
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	6 115	5 197	6 115	6 115	5 197	6 115
Loan loss reserve	1 103	521	1 048	1 103	814	1 048
Retained earnings	24 838	22 654	24 604	24 484	22 004	24 250
Total equity	33 738	30 054	33 449	33 384	29 697	33 095
Total equity and liabilities	301 859	234 334	294 348	301 996	234 712	294 489



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Summary Statements of Changes in Equity

	Consolidated			Separate		
	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited
<i>In millions of Malawi Kwacha</i>						
As at the beginning of the year	33 449	47 430	47 430	33 095	36 226	36 226
Net profit for the year	3 913	4 153	6 630	3 913	3 560	6 040
Other comprehensive income	–	–	918	–	–	918
Comp. income attributable to owners	37 362	51 583	54 978	37 008	39 786	43 184
Dividends paid	(3 624)	(10 089)	(10 089)	(3 624)	(10 089)	(10 089)
Other transactions with owners	–	(11 440)	(11 440)	–	–	–
Balance at the end of the year	33 738	30 054	33 449	33 384	29 697	33 095

Statements of Cash Flows

	Consolidated			Separate		
	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited	30-Jun-20 Unaudited	30-Jun-19 Unaudited	31-Dec-19 Audited
<i>In millions of Malawi Kwacha</i>						
Cash flows from operating activities						
Interest and fees received	12 200	22 677	40 443	12 200	16 358	33 821
Interest paid	(2 934)	(4 515)	(7 352)	(2 934)	(2 794)	(5 637)
Cash paid to suppliers and employees	(7 132)	(11 516)	(12 091)	(7 132)	(22 023)	(13 957)
	2 134	6 646	21 000	2 134	(8 459)	14 227
Increase in net customer balances	10 763	15 336	67 664	10 763	15 336	50 514
Cash generated from operations	12 897	21 982	88 664	12 897	6 877	64 741
Dividend received net of tax	9	–	19	9	–	19
Income taxes paid	(792)	(805)	(2 256)	(792)	(805)	(2 432)
Cash flows from operating activities	12 114	21 177	86 427	12 114	6 072	62 328
Cash flows from investing activities						
(Purchases)/Maturities of investment securities	2 181	(118)	(36 804)	2 181	(9 010)	(36 804)
(Purchases)/Maturities of repurchase agreements	(875)	(6 820)	(49 702)	(875)	(6 820)	(49 702)
Proceeds from sale of equipment	–	–	46	–	–	46
Disposal of a subsidiary	–	(101 985)	(101 985)	–	–	–
Sale of Shares in listed companies	–	–	366	–	–	366
Acquisition of property and equipment	(312)	(1 249)	(2 693)	(312)	(1 249)	(2 693)
Cash outflows applied to investing activities	994	(110 172)	(190 772)	994	(17 079)	(88 787)
Cash flows from financing activities						
Dividend paid to shareholders of the parent	(3 624)	–	–	(3 624)	–	–
Proceeds/(Repayment) of long term loans and lease liabilities	(251)	103	7 998	(251)	–	7 998
Cash flows from financing activities	(3 875)	103	7 998	(3 875)	–	7 998
Net (decrease)/increase in cash and cash equivalents	9 233	(88 892)	(96 347)	9 233	(11 007)	(18 461)
Cash and cash equivalents at 1 January	16 593	112 650	112 650	16 593	34 765	34 765
Effect of changes in exchange rates	(214)	–	289	(214)	–	289
Cash and cash equivalents at 30 June	25 612	23 758	16 592	25 612	23 758	16 593

Impairment losses/non performing credit facilities and provisions for losses by industry

	30-Jun-20			30-Jun-19		
	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
<i>In millions of Malawi Kwacha</i>						
Industry Sector						
Agriculture	12 515	430	70	14 454	49	26
Mining	81	–	–	81	–	–
Financial services	1 057	8	4	874	–	–
Construction	3 652	145	54	3 762	276	121
Energy/electricity/gas /water	3 414	–	–	1 698	108	–
Manufacturing	19 761	218	–	18 068	190	–
Wholesale and retail	15 716	1 284	514	22 722	1 981	1 260
Individual/households	4 094	220	149	2 832	215	95
Real estate	788	–	–	311	–	–
Tourism & leisure	2 927	33	15	2 624	42	–
Transport & communication	5 823	6	2	4 008	157	9
Others	4 373	786	450	3 814	354	115
Total	74 203	3 131	1 258	75 248	3 372	1 626

Credit Concentrations

Sector of Borrower (MK'000)	30-Jun-20	% of Core Capital	30-Jun-19	% of Core Capital
Energy/Electricity/Gas /Water	6 255 037	25.55%	11 707 448	52.93%

Note: Credit concentration represents 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 core capital

REVIEW OF THE PERIOD

The continued decline in interest rates in The bank's operating environment for first half of 2020 has been challenging across all business segments due to a slowdown in the economy as a result of the political impasse emanating from the 2019 disputed Presidential poll and the COVID-19 pandemic which has severely impacted the global economy with Malawi also beginning to face the brunt. Our top priority during the pandemic has been to sustain our operations, protecting our staff whilst ensuring our customers are able to access banking services safely and securely.

Despite these challenges, profit after tax for the first half of 2020 for the Malawi bank on a standalone basis increased by 10% to K3.9 billion from K3.5 billion achieved during the similar period last year. Notwithstanding a continued downward pressure on interest yields, the bank recorded a 23% YoY growth in net interest income from a combination of growth in the bank's loan portfolio from K72 billion to K73 billion, increased money market investments which have grown from K105 billion to K174 billion and an improved composition of our customer deposits contributing to a 5% reduction in interest expense. Non-interest income for the period was flat largely on account of losses on the bank's listed equity holdings.

In the face of an 18% increase in operating expenses incurred during the first half, we remain focused on ensuring that our cost base remains under control in the light of an uncertain future and continued contraction of interest rate margins.

Close monitoring and pro-active management of the loan book have ensured that non-performing loans remain in check.

Our funding base has been boosted by an increase in our portfolio of total deposits by 8% year on year closing the period at K135.5 billion. This growth has been registered despite our deliberate strategy not to compete in wholesale term deposits which resultantly led to a year on year drop of our term deposits.

Given the bank's healthy capital position wherein Tier I and Total Capital Ratios were above regulatory and internal thresholds, surplus liquidity and a conservative outlook to growth in advances owing to COVID-19, the bank opted for prepayment of the K7 billion subordinated debt in June 2020 with the objective of further reducing its funding costs.

Outlook

With the ushering in of a new government we anticipate a period of political stability that will contribute to economic growth although COVID-19 is expected, in the short term, to exert pressure on businesses and government programs. We will continue to expand our offerings in the area of digital technology with the objective of making banking safer for our staff and customers. We will also remain conservative in our lending strategy as we wait for markets to open and economies to stabilize from the pandemic. In the interim, our strong liquidity and capital position should allow us to weather any shocks and help us continue to serve our customers with a comprehensive range of products and services.

By order of the Board

Thomas Kadantot Acting Chief Executive Officer

Michael Kadumbo Chief Finance Officer

Hitesh Anadkat Director

Loans to directors, senior management and other related parties

	30-Jun-20	30-Jun-19	31-Dec-19
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