

Summary of unaudited consolidated and separate results for the six months ended 30 June 2021

REVIEW OF THE PERIOD

The general economic malaise persisted in the first half of 2021. In response to continued pressure on the domestic currency, the authorities maintained a tight monetary policy stance. Lending rates and yields available on government paper have not moved much during the period under review. The macro-economic environment in the country as a result of the global COVID-19 pandemic continues to have significant impact across various business segments of the bank. Major industry sectors for our customers continue to suffer from the effect of slowdown in the country's economy.

Notwithstanding the tough operating conditions, the bank's profit after tax for the first six months of the year was K5.4Bn (June 2020: K3.9Bn), representing a 39% growth. Overall, our total assets increased by 19% through the utilization of credit lines available from financial institutions and growth in our deposit base by 20% during the period.

It remains challenging to contain costs in the current macroeconomic environment but, overall, operating expenditure is in line with our expectations for the period.

Outlook

We expect the domestic currency to remain under pressure in the final half of the year due to higher appetite for the hard currency from importers for agriculture inputs as we approach the agriculture season. There is also a heightened risk of periods of insufficient liquidity in the banking sector in the coming months. There is uncertainty of economic recovery in the medium term, and as such the bank will continue to conservatively manage our balance sheet and remain averse to excessive credit risk. Our long-term focus will be to achieve sustainable growth in our non-funded income lines.

By order of the Board

Jaco Viljoen Chief Executive Officer
Michael Kadumbo Chief Finance Officer
Hitesh Anadkat Chairman

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME	CONSOLIDATED			SEPARATE		
	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited
<i>In millions of Malawi Kwacha</i>						
Interest income	15 151	12 958	26 288	15 151	12 958	26 288
Interest expense on deposits and other accounts	(3 352)	(2 934)	(5 616)	(3 352)	(2 934)	(5 616)
Net interest income	11 799	10 024	20 672	11 799	10 024	20 672
Fees and commissions	7 140	6 028	13 572	7 140	6 028	13 572
Income from investments	347	(474)	(821)	347	(474)	(821)
	7 487	5 554	12 751	7 487	5 554	12 751
Total operating income	19 286	15 578	33 423	19 286	15 578	33 423
Staff and training costs	4 183	3 730	7 158	4 183	3 730	7 158
Premises and equipment costs	1 533	1 241	3 196	1 533	1 241	3 196
Depreciation expense	1 096	1 155	2 313	1 096	1 155	2 313
Other expenses	3 972	3 596	8 176	3 972	3 596	8 176
Impairment loss on financial assets	759	229	292	759	229	292
Total expenses	11 543	9 951	21 135	11 543	9 951	21 135
Profit before income tax expense	7 743	5 627	12 288	7 743	5 627	12 288
Income tax expense	(2 295)	(1 714)	(4 262)	(2 295)	(1 714)	(4 262)
Profit for the period	5 448	3 913	8 026	5 448	3 913	8 026
Other comprehensive income						
Items that will never be classified to profit or loss						
Revaluation surplus on property	-	-	2 032	-	-	2 032
Deferred tax on revalued property	(120)	-	(428)	(120)	-	(428)
Total other comprehensive income for the period	(120)	-	1 604	(120)	-	1 604
Total comprehensive income for the period	5 328	3 913	9 630	5 328	3 913	9 630
<i>Basic and diluted earnings per share (tambala)</i>	<i>233</i>	<i>167</i>	<i>344</i>			

SUMMARY STATEMENTS OF FINANCIAL POSITION	CONSOLIDATED			SEPARATE		
	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited
<i>In millions of Malawi Kwacha</i>						
Assets						
Cash and cash equivalents	18 624	25 612	38 840	18 624	25 612	38 840
Money market investments	152 545	101 839	90 462	152 545	101 839	90 462
Loans and advances to customers	104 502	72 863	79 078	104 502	72 863	79 078
Finance lease receivables	-	212	-	-	212	-
Amounts due from related parties	327	508	243	327	508	243
Repurchase agreements	54 101	72 529	57 915	54 101	72 529	57 915
Current tax asset	44	44	44	-	-	-
Investments at fair value through P&L	3 949	4 161	3 792	3 949	4 161	3 792
Investment in subsidiary companies	-	-	-	209	209	209
Right of use assets	540	670	538	540	670	538
Intangible assets	3 269	3 361	3 066	3 269	3 361	3 066
Property and equipment	19 159	17 644	20 044	19 159	17 644	20 044
Assets held for sale	216	212	212	216	212	212
Other assets	1 271	2 204	1 194	1 244	2 176	1 167
Total assets	358 547	301 859	295 428	358 685	301 996	295 566
Liabilities and Equity						
Liabilities						
Balances due to other banks	142 960	120 562	87 494	142 960	120 562	87 494
Customer deposits	162 427	135 181	157 402	162 745	135 499	157 720
Income tax payable	795	662	1 879	785	651	1 869
Other payables	8 708	9 510	8 210	8 888	9 689	8 390
Lease liabilities	640	754	627	640	754	627
Provisions	608	190	600	608	190	600
Deferred tax liabilities	1 627	1 263	1 662	1 630	1 267	1 665
Total liabilities	317 765	268 122	257 874	318 256	268 612	258 365
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	7 597	6 115	7 717	7 597	6 115	7 717
Loan loss reserve	1 374	1 103	1 119	1 374	1 103	1 119
Retained earnings	30 129	24 837	27 036	29 776	24 484	26 683
Total equity	40 782	33 737	37 554	40 429	33 384	37 201
Total equity and liabilities	358 547	301 859	295 428	358 685	301 996	295 566

SUMMARY STATEMENTS OF CHANGES IN EQUITY	CONSOLIDATED			SEPARATE		
	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited
<i>In millions of Malawi Kwacha</i>						
As at the beginning of the period	37 554	33 448	33 448	37 201	33 095	33 095
Net profit for the period	5 448	3 913	8 026	5 448	3 913	8 026
Other comprehensive income	(120)	-	1 604	(120)	-	1 604
Comp. Income attributable to owners	42 882	37 361	43 078	42 529	37 008	42 725
Dividends paid	(2 100)	(3 624)	(5 524)	(2 100)	(3 624)	(5 524)
Balance at the end of the period	40 782	33 737	37 554	40 429	33 384	37 201

SUMMARY STATEMENTS OF CASH FLOWS	CONSOLIDATED			SEPARATE		
	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited	30-Jun-21 Unaudited	30-Jun-20 Unaudited	31-Dec-20 Audited
<i>In millions of Malawi Kwacha</i>						
Cashflows from operating activities						
Interest and fees received	21 074	12 200	37 289	21 074	12 200	37 289
Interest paid	(3 352)	(2 934)	(5 616)	(3 352)	(2 934)	(5 616)
Cash paid to suppliers and employees	(9 126)	(7 131)	(16 707)	(9 126)	(7 131)	(16 707)
	8 596	2 135	14 966	8 596	2 135	14 966
Increase in net customer balances	34 586	10 763	(5 064)	36 098	10 763	(5 064)
Cash generated from operations	43 182	12 898	9 902	44 694	12 898	9 902
Dividend received net of tax	76	9	31	76	9	31
Income taxes paid	(3 534)	(792)	(2 153)	(3 534)	(792)	(2 153)
Cash flows from operating activities	39 724	12 115	7 780	41 236	12 115	7 780
Cashflows from investing activities						
(Purchases)/maturities of investment securities	(62 337)	2 181	13 870	(62 337)	2 181	13 870
(Purchases)/maturities of REPOs	3 703	(876)	13 935	3 814	(876)	13 935
Sale of Shares in listed companies	114	-	-	114	-	-
Acquisition of property and equipment	(419)	(312)	(1 544)	(421)	(312)	(1 544)
Cash outflows applied to investing activities	(58 939)	993	26 261	(58 830)	993	26 261
Cashflows from financing activities						
Dividend paid to shareholders of the parent	(2 100)	(3 624)	(5 524)	(2 100)	(3 624)	(5 524)
Repayment of long-term borrowings and lease liabilities	(117)	(251)	(8 841)	(1 738)	(251)	(8 841)
Cash flows from financing activities	(2 217)	(3 875)	(14 365)	(3 838)	(3 875)	(14 365)
Net Increase in cash and cash equivalents	(21 432)	9 233	19 676	(21 432)	9 233	19 676
Cash and cash equivalents at 1 January	38 840	16 593	16 593	38 840	16 593	16 593
Effect of changes in exchange rates	1 216	(214)	2 571	1 216	(214)	2 571
Cash and cash equivalents at 30 June	18 624	25 612	38 840	18 624	25 612	38 840

IMPAIRMENT LOSSES/NON-PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY	30-Jun-21			30-Jun-20		
	Out-standing Amount	Impaired amount	Specific provision	Out-standing Amount	Impaired amount	Specific Provision
<i>In millions of Malawi Kwacha</i>						
Industry Sector						
Agriculture	29 138	477	39	12 515	430	70
Mining	61	-	-	81	-	-
Financial Services	1 032	12	12	1 057	8	4
Construction	8 070	92	5	3 652	145	54
Energy/Electricity/Gas /Water	3 541	-	-	3 414	-	-
Manufacturing	17 850	288	54	19 761	218	-
Wholesale and Retail	27 442	2 639	1 585	15 716	1 284	514
Individual/Households	8 926	534	404	4 094	220	149
Real Estate	216	-	-	788	-	-
Tourism & Leisure	3 349	1 055	-	2 927	33	15
Transport & Communication	7 405	2 399	238	5 823	6	2
Others	-	-	-	4 373	786	450
	107 030	7 496	2 337	74 203	3 131	1 258

CREDIT CONCENTRATIONS				
Sector of Borrower	30-Jun-21	% of Core Capital	30-Jun-20	% of Core Capital

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.

LOANS TO DIRECTORS, SENIOR MANAGEMENT AND OTHER RELATED PARTIES			
In thousands of Malawi Kwacha	30-Jun-21	30-Jun-20	31-Dec-20
Balance at the beginning of the year	1 745 586	731 341	731 341
Loans granted during the year	652 588	898 388	1 019 706
Repayments	-	(40 456)	(5 461)
Balance at the end of the year	2 398 174	1 589 273	1 745 586
Senior management:			
Balance at the beginning of the year	306 297	288 051	288 051
Loans granted during the year	50 188	27 447	69 035
Repayments	(45 701)	(48 462)	(50 789)
Balance at the end of the year	310 784	267 036	306 297

All loans to bodies directly or indirectly linked to directors were made on arm's length commercial terms.

INVESTMENT IN SUBSIDIARIES				
Institution	Shares ('000)	Holding %	2021	2020
			(K'000)	(K'000)
ICB Malawi Limited	7 149	100.00	148 791	148 791
FMB Capital Markets Limited	500	100.00	50 000	50 000
FMB Forex Bureau	10 000	100.00	10 000	10 000
FMB Pensions Limited	1 000	100.00	-	-
			208 791	208 791

BASE LENDING RATES			
	30-Jun-21	30-Jun-20	31-Dec-20
Base lending rate (local currency loans)	12.20%	13.40%	12.30%
Maximum applicable range (percentage points)	11.10	11.10	11.10
Base lending rate (foreign currency loans)	0.00	0.00	0.00
Maximum applicable range (percentage points)			