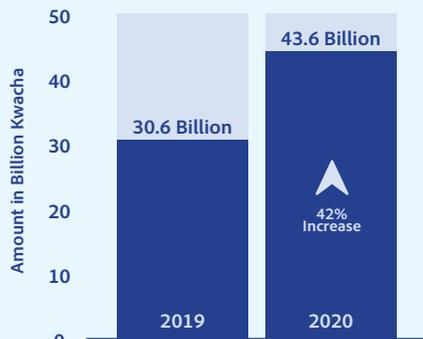


Key Highlights

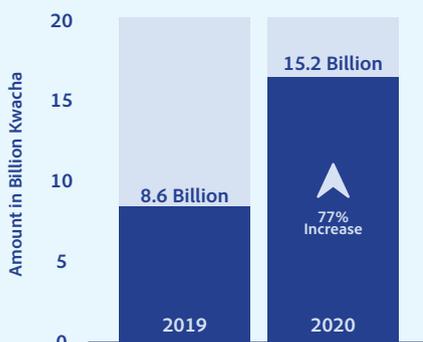
Total Income



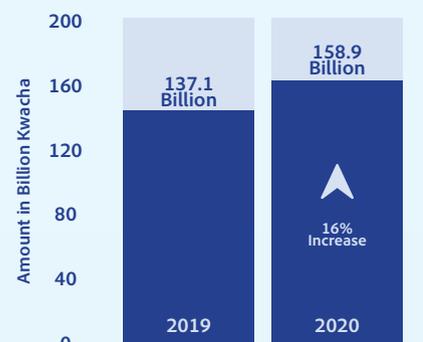
Profit After Tax



Net Interest Income



Customer Deposits



The Directors present the summarized consolidated and separate financial statements of FDH Bank Plc for the year ended 31 December 2020.

PERFORMANCE

We are pleased to present the summarized consolidated and separate financial statements for the year ended 31 December 2020. The Group reported a profit after tax of K14.368 billion and the Bank reported a profit after tax of K14.956 billion from the Bank's profit after tax of K5.193 billion in 2019 (Restated) amid a challenging operating environment.

Net Interest Income went up by 77% on the back of an increase in the loan book and other interest bearing assets. Interest expense went up by 15.8% reflecting the growth of the Bank's deposits.

Non-interest Income in the year was significantly affected by the Covid-19 pandemic. Digital financial services fees were reduced by 40% to encourage people to transact more on digital platforms to reduce the spread of Covid-19. International trade and local business transaction volumes were affected by lockdowns in trading partner countries which slowed down the economy. Total non-interest income could have dropped by 34% before the restatement. The result of the restatement is that non-interest income has grown by 29% from K22.022 billion in 2019 to K28.378 billion in 2020, as a significant portion of this revenue was recognized in 2020 after being restated from 2018 and 2019.

Total assets grew by 30% year on year mainly emanating from an increase in Loans and Advances by 40% and Government Securities by 56%. Customer deposits increased by 16% from K137.14 billion to K158.94 billion, however the growth in deposits was subdued by the Covid-19 pandemic. The growth in the loan book and the Covid-19 impact resulted in non-performing loans (NPL) ratio to increase from 0.80% in 2019 to 1.03% by close of 2020 against an industry average of 6.2%.

The Bank applied cost management mechanism and total expenses grew by 4% from 2019 to 2020, besides that the Bank incurred some unplanned expenditure in response to the fight against the Covid-19 pandemic. The Bank will continue to put more focus on effective cost management.

RESTATEMENT FINANCIAL STATEMENTS

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 upon early termination of the principals 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.

OPERATING ENVIRONMENT AND COVID-19 IMPACT

The pandemic negatively affected global and local economic growth in 2020 with the global gross domestic product (GDP) shrinking by an estimated 3.5% in 2020 while Malawi's GDP grew by around 1.2%. This was from an initial pre-pandemic local GDP growth projection of 5.1% according to the Reserve Bank of Malawi (RBM). The slowdown in the economy has affected productivity in many sectors with most businesses operating at reduced capacity. This has also increased the expected credit losses as some businesses are expected to struggle to meet their financial obligations.

The Kwacha depreciated against the United States dollar and other major currencies in the second half of 2020 due to the increased negative trade balance as exports slowed down due to logistical challenges resulting from lockdowns while imports increased due to importation of Covid-19 related materials. This increased the cost of all foreign-based contracts that the Bank has.

LISTING

FDH Bank Plc successfully listed on the Malawi Stock Exchange (20% to the General Public) on 3 August 2020 and there was an oversubscription on the Initial Public Offer (IPO) shares. The IPO price was at K10.00

per share and as at 31 December 2020 the share price had moved to K14.45 per share.

DIVIDEND

On 8 February 2021, the Directors approved an interim dividend of K3.0 billion in respect of 2020 profits, this represents 43t (K0.43) per share. The dividend was paid on 26 March 2021 to members appearing in the register of the Company as at close of business on 12 March 2021.

ACQUISITION OF MSB PROPERTIES LIMITED

In March 2020, the Bank acquired 100% stake in MSB Properties Limited from FDH Money Bureau Limited, a sister company. The consideration given for the acquisition was K5.599 billion. The Bank has prepared a consolidated statement of comprehensive income which incorporates the financial results of MSB Properties Limited for the nine months' period after the acquisition from 1 April 2020.

OUTLOOK

The economy was expected to recover from the Covid-19 pandemic in 2021 but with the new wave of cases, the 2021 GDP growth prospects are likely going to be subdued. Global GDP growth for 2021 is expected to reach 5.54% while the local GDP growth is projected to be 4.5% contingent on the evolution of the pandemic according to the Reserve Bank of Malawi. Inflation is expected to average around 8%. We anticipate the Kwacha/US Dollar exchange rate to continue to depreciate in 2021 due to the high negative trade balance.

To continue being competitive and exploit existing and emerging opportunities in the market and deliver value to our customers, shareholders and other stakeholders, we have reviewed and developed a new cycle of strategic objectives to run from 2021 to 2024. Leveraging on our market position, widest distribution network, effective digital platform, brand equity, and strong financial performance, we will focus on growing revenue and market share, reducing operating cost for sustainable performance and profitability, creating highly engaged employees and contributing significantly to the creation of an inclusive, diverse and sustainable society.

APPRECIATION

The year 2020 was a demanding and challenging year and we sincerely thank Management, Staff and all Directors for their contribution and service towards the Bank. We also thank all stakeholders of FDH Bank Plc, including our valued clients, the shareholders, the Government of Malawi, the Reserve Bank of Malawi, the Malawi Stock Exchange, correspondent banks and other business partners, who rendered their support to the Bank to ensure a strong performance.

BASIS OF PREPARATION

The Directors have prepared the summary consolidated and separate financial statements to meet the requirements of the Financial Services Act, 2010 and the Malawi Stock Exchange. The Directors have considered the requirements of the Financial Services Act, 2010 and the Malawi Stock Exchange and believe that the summary consolidated and separate statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary consolidated and separate financial statements. The amounts in the summary consolidated and separate financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary consolidated and separate financial statements have been derived from the financial statements which were approved by the Board of Directors on 23 March 2021, and are available at the registered office of the Bank.

By order of the Board.
FDH Bank Plc

Mrs. Charity Mseka
Board Chairperson

Dr. Ellias E. Ngalande
Managing Director

Dr. Ulemu Katunga
Chairperson - Finance and Audit Committee

Mr. Richard M. Chipezaani
Head of Finance

6 April 2021



SUMMARY AUDITED CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020

1. SUMMARY STATEMENT OF COMPREHENSIVE INCOME

	Group		Bank	
	31 Dec 20	31 Dec 20	31 Dec 19	31 Dec 18
	Restated	Restated	Restated	Restated
	K'000	K'000	K'000	K'000
Interest income	24,183,108	24,183,108	16,343,445	-
Interest expense	(8,992,269)	(8,992,269)	(7,766,556)	-
Net interest income	15,190,839	15,190,839	8,576,889	-
Non-interest income	28,378,248	29,446,265	22,022,512	-
Total income	43,569,087	44,637,104	30,599,401	-
Operating expenses	(23,142,398)	(22,942,055)	(22,163,889)	-
Profit before tax and net impairment losses	20,426,689	21,695,049	8,435,512	-
Net impairment losses	(336,006)	(336,006)	(482,634)	-
Profit before tax	20,090,683	21,359,043	7,952,878	-
Taxation	(6,101,904)	(6,403,384)	(2,759,633)	-
Profit after tax	13,988,779	14,955,659	5,193,245	-
Other comprehensive income				
Revaluation Surplus	176,699	-	-	-
Deferred tax on revaluation surplus	202,222	-	-	-
Total other income net of tax	378,921	-	-	-
Total comprehensive income for the year	14,367,700	14,955,659	5,193,245	-
Basic earnings per share (Tambala)	203	217	1,122	-

2. SUMMARY STATEMENT OF FINANCIAL POSITION

Liabilities, Capital and Reserves				
Liabilities				
Amounts due to related parties	-	-	-	3,444
Shareholders' loan	2,188,968	2,188,968	2,606,543	2,729,144
Long term loan	7,731,836	7,731,836	5,760,919	5,454,618
Liabilities to customers	158,944,088	159,035,263	137,140,830	112,570,264
Liabilities to other banks	31,539,477	31,539,477	10,301,285	4,504,286
Other liabilities	4,459,717	4,017,784	6,653,457	11,621,378
Lease liabilities	1,814,001	1,814,001	1,719,042	-
Income tax payable	661,631	538,719	-	-
Deferred tax liabilities	667,784	667,784	294,753.00	-
Total liabilities	208,007,502	207,533,832	164,476,829	136,883,134
Capital and reserves	26,965,861	27,684,583	15,942,194	11,807,612
Total liabilities, capital and reserves	234,973,363	235,218,415	180,419,023	148,690,746
Assets				
Cash and funds with Reserve Bank of Malawi	12,319,745	12,319,745	7,062,293	14,885,769
Placements with other banks	34,370,178	34,370,178	31,750,661	26,084,042
Malawi Government Treasury Bills	73,437,760	72,824,773	46,955,149	39,552,133
Loans and Advances to customers	79,319,153	79,319,153	56,813,895	40,689,341
Investments in subsidiary	-	6,920,233	-	-
Investments	31,032	31,032	31,032	26,032
Other short term investments-OMO	-	-	-	5,496,484
Amounts due from related parties	-	-	-	791,525
Other assets	16,215,122	15,613,167	23,796,752	6,736,887
Property, plant and equipment	17,643,095	12,032,795	10,982,128	10,096,391
Right of use assets	862,476	1,787,339	1,692,380	-
Deferred tax asset	774,802	-	-	3,757,010
Current tax assets	-	-	1,334,733	575,132
Total assets	234,973,363	235,218,415	180,419,023	148,690,746

3. SUMMARY STATEMENT OF CHANGES IN EQUITY

	Group		Bank	
	31 Dec 20	31 Dec 20	31 Dec 19	31 Dec 18
	Restated	Restated	Restated	Restated
	K'000	K'000	K'000	K'000
At the beginning of the year as restated	15,942,194	15,942,194	15,885,774	-
Restatement on the profit	-	-	(4,078,162)	-
Pre-acquisition profits- MSB Properties Ltd	169,237	-	-	-
Transition adjustment on adoption of IFRS 16 at 1 Jan 2019	-	-	(26,662)	-
Deferred tax on transitional adjustment	-	-	7,999	-
Deferred tax	202,222	-	-	-
New subscriptions	786,730	786,730	-	-
Revaluation reserve	176,699	-	-	-
Total comprehensive income for the year	13,988,779	14,955,659	5,193,245	-
Dividends paid	(4,300,000)	(4,000,000)	(1,040,000)	-
At the end of the year	26,965,861	27,684,583	15,942,194	-

4. SUMMARY STATEMENT OF CASHFLOWS

Cash generated from operations	50,021,238	51,149,795	5,022,988	-
Income tax claimed	(4,141,104)	(4,156,901)	532,529	-
Net cash flows generated from operating activities	45,880,134	46,992,894	5,555,517	-
Net cash used in investing activities	(39,385,103)	(40,969,310)	(6,529,538)	-
Net cash generated from financing activities	(1,864,969)	(1,564,969)	719,153	-
Net increase in cash and cash equivalents	4,630,062	4,458,615	(254,868)	-
Cash and cash equivalents at the beginning of the year	64,004,958	63,999,706	64,254,574	-
Cash and cash equivalents at the end of the year	68,635,020	68,458,321	63,999,706	-

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

	31 December 2020			31 December 2019		
	Outstanding Amount	Impaired Amount	Expected Credit Losses	Outstanding Amount	Impaired Amount	Expected Credit Losses
	K'000	K'000	K'000	K'000	K'000	K'000
1. Agriculture, Forestry, Fishing and Hunting	5,749,038	98,905	126,132	2,689,058	61,431	88,229
2. Mining and Quarrying	6,304	314	380	468,333	357	379
3. Manufacturing	8,730,290	3,530	23,286	9,768,554	3,399	132,660
4. Electricity, Gas, Water and Energy	5,038,094	1,485	24,573	5,505,691	836	817
5. Construction and Engineering	7,660,673	72,775	65,556	4,903,864	19,488	19,918
6. Wholesale and Retail Trade	24,968,427	109,235	176,217	11,918,423	77,550	170,887
7. Restaurants and Hotels	646,234	692	4,771	669,361	564	46,823
8. Transport, Storage and Communications	3,264,953	70,560	40,707	2,969,928	15,445	13,640
9. Financial Services	7,905,535	26,110	51,664	8,800,078	21,143	22,048
10. Community, Social and Personal Services	16,537,304	467,777	674,414	9,921,905	250,989	305,899
TOTAL	80,506,853	851,382	1,187,700	57,615,195	451,202	801,300

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	31 December 2020		31 December 2019	
	K'000	% of Core Capital	K'000	% of Core Capital
Government Institution*	7,513,336	33.58%	15,582,568	156.0%
Retail	-	0.0%	-	0.0%
Manufacturing	-	0.0%	-	0.0%
Agriculture	8,056,537	36.01%	-	0.0%

*Non funded letters of credit that have adequate cash cover

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

	31 December 2020	31 December 2019
	K'000	K'000
Directors		
Balance at the beginning of the year	136,521	53,246
Loans granted during the year	464,357	130,336
Repayments	(81,401)	(47,061)
Balance at the end of the year	519,477	136,521

Other related parties

	31 December 2020	31 December 2019
	K'000	K'000
Balance at the beginning of the year	3,979,561	4,845,087
Loans granted during the year	3,742,567	186,922
Repayments	(3,809,975)	(1,052,448)
Balance at the end of the year	3,912,153	3,979,561

Senior Management Officials

	31 December 2020	31 December 2019
	K'000	K'000
Balance at the beginning of the year	120,120	110,595
Loans granted during the year	184,960	156,054
Repayments	(104,552)	(146,529)
Balance at the end of the year	200,528	120,120

8. BASE LENDING RATES

	31 December 2020	31 December 2019
Base Lending Rate	12.3%	12.5%
Maximum Applicable Range (% points)	11.1%	11.1%
Base Lending Rate (Foreign)	N/A	N/A
RBM Bank Rate	12.2%	12.5%

9. DEPOSITS RATES

	31 December 2020	31 December 2019
Current account	0.00%	0.25%
Premium savings	5%	7%
Ordinary savings	3%	4%
Bonus savings	2%	3%
Student savings account	2%	3%
First save	2%	3%
Civil servant	2%	3%
7-day call	2%	3%
30-day call	3%	4%
1 month	6%	7%
2 months	5%	7%
3 months	4%	6%
6 months	Negotiable	Negotiable
9 months	Negotiable	Negotiable
12 months	Negotiable	Negotiable

10. DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	31 December 2020	31 December 2020	31 December 2019
	Group	Bank	Bank
Directors fees	201,802	165,370	152,100
Other Directors expenses	14,854	14,854	46,584
Bonuses paid to all staff	-	-	670,000
Balance at end of year	216,656	180,224	868,684

11. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	31 December 2020	31 December 2020	31 December 2019
	Group	Bank	Bank
Current period earnings and short-term benefits	2,300,702	2,300,702	2,089,671

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020

TO SHAREHOLDERS OF FDH BANK PLC

OPINION

The summary consolidated and separate financial statements, which comprise the summary consolidated and separate statement of financial position as at 31 December 2020, the summary consolidated and separate statement of comprehensive income, summary consolidated and separate statement of changes in equity and summary consolidated and separate statement of cash flows for the year then ended and related notes, are derived from the audited consolidated and separate financial statements of FDH Bank Plc and its subsidiary, MSB Properties Limited ("the Group") for the year ended 31 December 2020.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent in all material respects, with the audited consolidated and separate financial statements in accordance with the basis described on the "basis for preparation paragraph".

SUMMARY CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Malawi Companies Act as applicable to annual financial statements. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon. The summary consolidated and separate financial statements and the audited consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated and separate financial statements.

THE AUDITED CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 24 March 2021. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the basis described on the "basis for preparation paragraph".

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ISA 810 (Revised), Engagements to Report on Summary Financial Statements.

Deloitte

Chartered Accountants
Madalo Mwenelupembe

Partner
8 April 2021