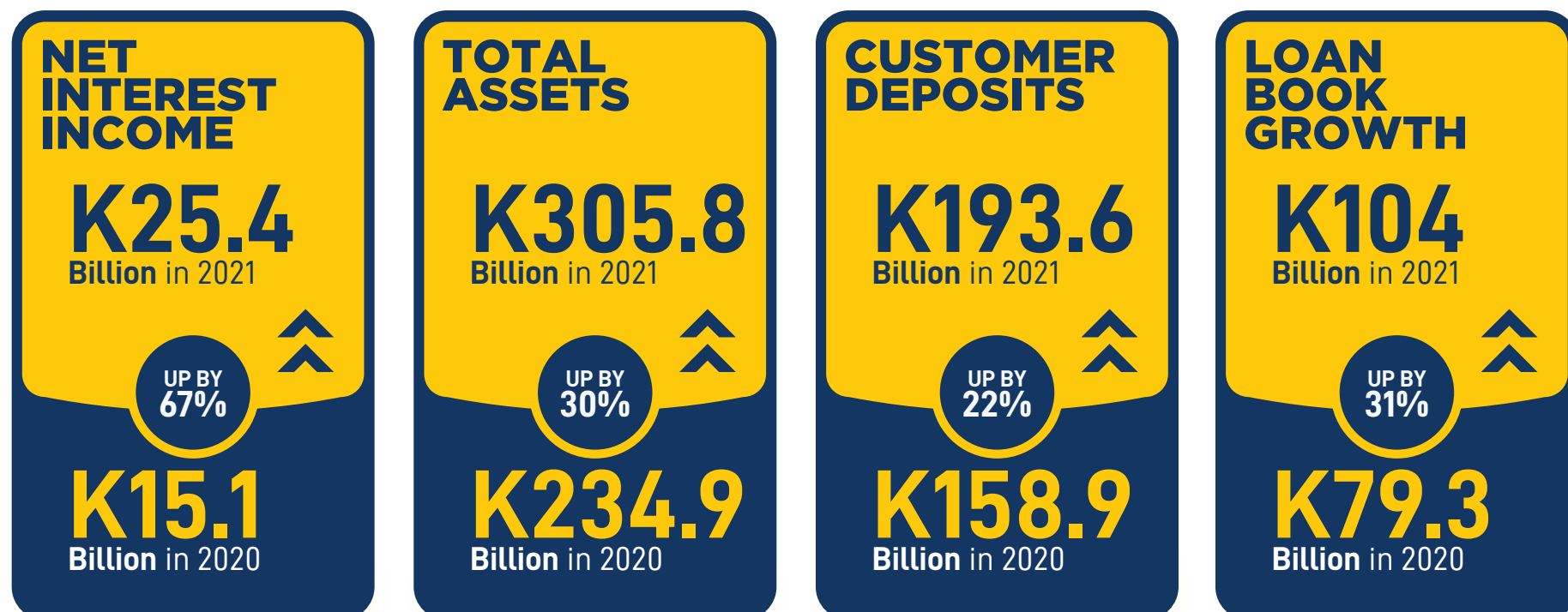


Key Highlights



The Directors present the summarised audited consolidated and separate financial statements of FDH Bank Plc for the year ended 31 December 2021.

PERFORMANCE

The Directors report a group profit after tax (PAT) of K11.659 billion from a PAT of K13.988 billion in 2020. The 2020 PAT resulted from the restatement of the 2018 and 2019 financial statements which had the effect of allocating income previously recognised in 2018 and 2019 to the year 2020. Net Interest Income went up by 67% on the back of the increase in the Loan book & other interest bearing assets while Interest expense has gone up by 25% reflecting the growth of the Bank's deposits. Non-interest Income declined by 34% because of the restatement of fees and commissions from 2018 and 2019 financial statements to the year 2020 and also because of the reduction of tariffs that was implemented in the second half of 2021. However headline fees and commissions grew by 8% from 2020 to 2021.

Operating expenses grew by 16% as a result of the general increase of cost of doing business. With the Bank's wide delivery channel network, operating costs increased fuelled by a number of factors including the prolonged power outages which required frequent use of backup power. Furthermore, the depreciation of the Kwacha increased the cost of foreign contracts as the bank continues to invest in digital financial solutions and coupled with local inflation which averaged 9.46% for the year. The bank continued its cost containment strategies to effectively manage its costs.

Total assets grew by 30% from 2020 to 2021 mainly emanating from the increase in Loans and Advances by 31% and Government Securities by 20%. Customer deposits grew by 22% from K158.944 billion to K193,640 billion. With the growth in the loan book and the Covid-19 impact, non-performing loans (NPL) ratio increased from 1.03% in 2020 to 1.29% by close of 2021 against an industry average of 6.2%.

DIVIDEND

The Bank declared dividends amounting to K8.3 billion in the year 2021. The dividend paid to the Shareholders of the Bank were as follows; final dividend of K3 billion (K0.43 per share) in respect of 2020 profits declared on 8 February 2021 and paid on 12 March 2021. First interim dividend of K2.3 billion (K0.33 per share) in respect of 2021 profits declared on 26 July 2021 and paid on 27 August 2021. Second interim dividend of K3 billion (K0.43 per share) in respect of 2021 profits declared on 9 December 2021 and paid on 14 January 2022.

The Board proposed a final dividend of K2 billion (K0.29 per share) in respect of 2021 Profits to be approved at the Annual General Meeting (AGM) notice of which will be given in due course.

OUTLOOK

Looking ahead, inflation is expected to move to average around 13% in 2022 arising from local and Global factors. The Bank anticipates the

Kwacha/US Dollar exchange rate to continue depreciating as a result of the increasing negative trade balance. The Malawi GDP growth is projected to average around 4.1% in the year 2022 as the economy is recovering from the effects of the Covid-19 pandemic. We anticipate the low interest rates regime to continue and the reference rate to be hovering around 12%.

The Bank continues to implement the new cycle of strategic objectives running from 2021 to 2024 which are focusing on providing first class customer centric financial solutions while leveraging on effective and reliable digital platforms, widest distribution network and strong financial performance. The Bank remains committed to creating value to our customers, shareholders and other stakeholders by focusing 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.

BASIS OF PREPARATION

The Directors have prepared the summary financial statements to meet the requirements of the Financial Services Act, 2010. The Directors have considered the requirements of the Financial Services Act, 2010 and the Malawi Stock Exchange and believe that the summary statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary financial statements. The amounts in the summary financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary financial statements have been derived from the financial statements which were approved by the Board of Directors on 28 April 2022 and are available at the registered office of the Bank.

APPRECIATION

We would like to 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 resulting into the good performance in the financial year ended 31 December 2021.

By order of the Board.
FDH Bank Plc

Mrs. Charity Mseka
Board Chairperson

Mr. Noel Mkulichi
Managing Director

Dr. Ulemu Katunga
**Chairperson - Finance
and Audit Committee**

Mr. Richard M. Chipezaani
Head of Finance

28 April 2022



FDH BANK PLC SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2021

FDH BANK PLC

1. SUMMARY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Group	Group	Bank	Bank
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	K'000	K'000	K'000	K'000
Interest income	36,658,340	24,183,108	36,658,340	24,183,108
Interest expenses	(11,227,946)	(8,992,269)	(11,227,946)	(8,992,269)
Net interest income	25,430,394	15,190,839	25,430,394	15,190,839
Non-interest income	18,659,432	28,378,248	18,808,058	29,446,265
Total income	44,089,826	43,569,087	44,238,452	44,637,104
Administrative Expenses	(12,246,944)	(10,989,631)	(12,887,065)	(10,789,288)
Staff Expenses	(11,884,831)	(9,749,640)	(11,764,916)	(9,749,640)
Operating expenses	(24,131,775)	(20,739,271)	(24,651,981)	(20,538,928)
Profit before tax, net impairment losses and Depreciation	19,958,051	22,829,816	19,586,471	24,098,175
Depreciation	(3,176,369)	(2,403,127)	(3,176,369)	(2,403,127)
Profit before tax and net impairment losses	16,781,682	20,426,689	16,410,102	21,695,049
Net impairment losses	(307,263)	(336,006)	(307,263)	(336,006)
Profit before tax	16,474,419	20,090,683	16,102,839	21,359,043
Taxation	(4,815,581)	(6,101,904)	(4,614,107)	(6,403,384)
Profit after tax	11,658,838	13,988,779	11,488,732	14,955,659
Other comprehensive income				
Revaluation Surplus	411,532	176,699	-	-
Deferred tax on revaluation surplus	(105,904)	202,222	-	-
Total other income net of tax	305,628	378,921	-	-
Total comprehensive income for the year	11,964,466	14,367,700	11,488,732	14,955,659

2. SUMMARY STATEMENTS OF FINANCIAL POSITION

		Restated		
Liabilities, Capital and Reserves				
Liabilities				
Shareholders' loan	1,318,694	2,188,968	1,318,694	2,188,968
Long term loan	6,643,368	7,731,836	6,643,368	7,731,836
Liabilities to customers	193,640,208	158,944,088	193,641,231	159,035,263
Liabilities to other banks	39,175,904	31,539,477	39,175,904	31,539,477
Other liabilities	30,024,947	4,459,717	29,040,073	4,017,784
Lease liabilities	457,360	889,141	1,447,986	1,814,001
Income tax payable	3,182,629	661,631	2,981,156	538,719
Deferred tax liabilities	-	667,784	-	667,784
Total liabilities	274,443,110	207,082,642	274,248,412	207,533,832
Capital and reserves	31,555,188	27,890,722	30,873,315	27,684,583
Total liabilities, capital and reserves	305,998,298	234,973,364	305,121,727	235,218,415
Assets				
Cash and funds with Reserve Bank of Malawi	27,308,323	12,319,745	27,308,323	12,319,745
Placements with other banks	42,544,443	34,370,178	42,544,443	34,370,178
Short term investments	-	-	-	-
Malawi Government Treasury Bills	88,454,487	73,437,760	87,705,718	72,824,773
Loans and advances to customers	104,077,381	79,319,153	104,077,381	79,319,153
Investments in subsidiary	-	-	6,920,233	6,920,233
Investments	31,032	31,032	31,032	31,032
Other assets	25,273,924	16,215,122	24,084,514	15,613,167
Property plant and equipment	16,912,014	17,643,095	10,731,663	12,032,795
Right of use assets	430,700	862,476	1,421,325	1,787,339
Deferred tax asset	965,994	774,803	297,095	-
Total assets	305,998,298	234,973,364	305,121,727	235,218,415

3. SUMMARY STATEMENTS OF CHANGES IN EQUITY

	Group	Group	Bank	Bank
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
	K'000	K'000	K'000	K'000
At the beginning of the year as restated	27,890,722	15,942,194	27,684,583	15,942,194
Pre-acquisition profits- MSB Properties Ltd	-	1,094,099	-	-
Deferred tax	(105,904)	202,222	-	-
New subscriptions	-	786,730	-	786,730
Revaluation Reserve	411,532	176,699	-	-
Total comprehensive income/(loss) for the year	11,658,838	13,988,779	11,488,732	14,955,659
Dividends paid	(8,300,000)	(4,300,000)	(8,300,000)	(4,000,000)
At the end of the year	31,555,188	27,890,723	30,873,315	27,684,583

4. SUMMARY STATEMENTS OF CASHFLOWS

Cash generated from operations	32,804,384	39,336,053	33,048,441	40,471,802
Income tax paid	(3,259,462)	(4,141,104)	(3,136,549)	(4,156,901)
Net cash flows generated from operating activities	29,544,922	35,194,949	29,911,892	36,314,901
Net cash used in investing activities	2,099,469	(24,724,474)	2,693,769	(25,207,118)
Net cash generated from financing activities	(8,298,426)	(2,598,758)	(9,259,696)	(3,230,814)
Net increase in cash and cash equivalents	23,345,965	7,871,717	23,345,965	7,876,969
Cash and cash equivalents at the beginning of the year	46,506,801	38,820,222	46,506,801	38,814,970
Cash and cash equivalents at the end of the year	69,852,766	46,691,939	69,852,766	46,691,939

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

	31 December 2021			31 December 2020		
	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	8,621,065	330,865	347,126	5,749,038	98,905	126,132
2. Mining and Quarrying	251,181	604	1,057	6,304	314	380
3. Manufacturing	6,002,475	3,624	17,889	8,730,290	3,530	23,286
4. Electricity, Gas, Water and Energy	3,833,133	2,653	10,743	5,038,094	1,485	24,573
5. Construction and Engineering	9,798,267	37,022	54,785	7,660,673	72,775	65,556
6. Wholesale and Retail Trade	38,530,007	128,396	161,360	24,968,427	109,235	176,217
7. Restaurants and Hotels	367,014	1,332	4,483	646,234	692	4,771
8. Transport, Storage and Communications	2,391,885	29,444	30,126	3,264,954	70,559	40,707
9. Financial Services	7,375,144	12,275	46,581	7,905,535	26,110	51,664
10. Community, Social and Personal Services	28,627,302	781,049	1,045,942	16,537,304	467,777	674,414
TOTAL	105,797,473	1,327,264	1,720,092	80,506,853	851,382	1,187,700

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.

	31 December 2021		31 December 2020	
	K'000	% of Core Capital	K'000	% of Core Capital
Government Institutions	6,500,000	26.1%	7,513,336	33.2%
Electricity, Gas & Energy	8,084,500	32.4%	-	0.0%
Manufacturing	6,734,938	27.0%	-	0.0%
Agriculture	7,650,000	30.7%	8,056,537	35.6%

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

	31 December 2021	31 December 2020
Directors	K'000	K'000
Balance at the beginning of the year	519,477	136,521
Loans granted during the year	179,495	464,357
Repayments	(50,150)	(81,401)
Balance at the end of the year	648,823	519,477

Other related parties

	31 December 2021	31 December 2020
K'000	K'000	K'000
Balance at the beginning of the year	3,912,153	3,979,561
Loans granted during the year	4,900,000	3,742,567
Repayments	(8,045,557)	(3,809,975)
Balance at the end of the year	766,596	3,912,153

Senior Management Officials

	31 December 2021	31 December 2020
K'000	K'000	K'000
Balance at the beginning of the year	200,528	120,120
Loans granted during the year	592,094	184,960
Repayments	(234,005)	(104,552)
Balance at the end of half year	558,617	200,528

8. BASE LENDING RATES

	31 December 2021	31 December 2020
Base Lending Rate	12.2%	12.3%
Maximum Applicable Range (% points)	11.1%	11.1%
Base Lending Rate (Foreign)	N/A	N/A
RBM Bank Rate	12.2%	12.2%

9. DEPOSITS RATES

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

10. DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Group	Group	Bank	Bank
Directors fees	189,789	140,299	144,767	165,370
Other Directors expenses	89,288	76,357	89,288	14,854
Bonuses paid to all staff	894,329	-	894,329	-
Balance at end of year	1,173,406	216,656	1,128,384	180,224

11. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Group	Group	Bank	Bank
Current period earnings and short-term benefits	2,380,141	2,300,702	2,380,141	2,300,702

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

OPINION

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2021, the summary statements of profit or loss and other comprehensive income, summary statements of changes in equity and summary statements 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 for the year ended 31 December 2021.

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 International Financial Reporting Standards and in compliance with the Companies Act, 2013.

SUMMARY 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 Companies Act, 2013. 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 SEPARATE FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 27 April 2022. That report also includes communication of other key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2013; and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

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*.

EY
Chartered Accountants (Malawi)
Chiwemi Chihana
Registered Practicing Accountant
28 April 2022

Our Bank, Our Future, Grow With Us