

SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016



In millions of Malawi Kwacha

	Consolidated		Separate	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Restated				
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Income				
Interest income	34,002	23,557	19,041	12,729
Interest paid	(12,955)	(7,467)	(6,872)	(2,961)
Net interest income	21,047	16,090	12,169	9,768
Non-interest income	13,253	8,337	7,443	5,257
Total operating income	34,300	24,427	19,612	15,025
Expenditure				
Total operating expenditure	(22,417)	(17,246)	(11,606)	(9,250)
Profit before impairment losses	11,883	7,181	8,006	5,775
Impairment losses	(497)	(987)	(9)	(165)
Operating profit	11,386	6,194	7,997	5,610
Income tax expense	(3,725)	(1,931)	(2,813)	(1,697)
Profit for the year	7,661	4,263	5,184	3,913
Other comprehensive income for the year	2,430	539	789	-
Total comprehensive income for the year	10,091	4,802	5,973	3,913
Profit or loss attributable to:				
Owners of the parent	6,387	4,073	5,184	3,913
Non-controlling interests	1,274	190	-	-
Profit for the year	7,661	4,263	5,184	3,913
<i>Earnings Per Share (tambala)</i>	273	174	-	-

	Consolidated		Separate	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Restated				
STATEMENTS OF FINANCIAL POSITION				
LIABILITIES AND EQUITY				
Liabilities				
Amounts due to depositors	225,238	191,224	78,516	78,334
Balances due to other banks	29,553	23,561	29,181	14,818
Other payables	19,772	5,021	16,456	2,894
Subordinated debt	9,031	8,380	7,000	6,644
Total liabilities	283,594	228,186	131,153	102,690
Equity				
Share capital	117	117	117	117
Share premium	1,565	1,565	1,565	1,565
Revaluation reserve	3,448	2,634	3,339	2,550
Loan loss reserve	1,260	1,796	776	1,346
Other non-distributable reserves	350	350	-	-
Translation reserve	1,894	1,508	-	-
Retained earnings	23,129	16,674	21,178	15,891
Equity attributable to the parent	31,763	24,644	26,975	21,469
Non-controlling interest	12,057	9,571	-	-
Total equity	43,820	34,215	26,975	21,469
Total equity and liabilities	327,414	262,401	158,128	124,159
Assets				
Cash and cash equivalents	84,617	73,221	23,327	28,565
Money market investments	69,017	52,259	48,548	26,991
Loans and advances to customers	126,524	104,158	42,067	40,286
Finance lease receivables	4,783	3,524	-	-
Amounts due to related parties	-	-	249	377
Derivative asset	19,288	5,980	19,288	5,980
Investment in listed companies	3,175	4,618	3,175	4,618
Investment in subsidiaries	-	-	9,348	7,867
Investment property	878	-	-	-
Property, equipment and intangible assets	15,856	14,373	10,296	8,127
Other receivables	3,276	4,268	1,830	1,348
Total assets	327,414	262,401	158,128	124,159

	Consolidated		Separate	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Restated				
STATEMENTS OF CHANGES IN EQUITY ATTRIBUTABLE TO PARENT OWNERS				
As at the beginning of the year	34,215	31,410	21,469	19,892
Net profit for the year	7,661	4,263	5,184	3,913
Other comprehensive income	2,430	539	789	-
Comp. Income attributable to owners	44,306	36,212	27,442	23,805
Dividends paid	(467)	(2,336)	(467)	(2,336)
Other transactions with owners	(19)	339	-	-
Balance at the end of the year	43,820	34,215	26,975	21,469

	Consolidated		Separate	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Restated				
STATEMENTS OF CASH FLOWS				
Cash flows from operating activities				
Interest and fees received	49,425	35,043	28,134	17,958
Interest paid	(12,854)	(7,120)	(6,817)	(3,147)
Cash paid to suppliers and employees	(16,323)	(18,508)	(9,584)	(10,232)
20,235	9,415	11,720	4,579	
Net increase/(decrease) in customer balances	14,462	50,620	11,331	21,227
Cash generated from operations	34,697	60,035	23,051	25,806
Dividend received from listed and subsidiary companies	70	161	481	661
Income taxes paid	(3,092)	(2,277)	(1,839)	(1,954)
Net cash from operating activities	31,675	57,919	21,693	24,513
Cash flows from investing activities				
Purchases of money market investments	(16,758)	(33,915)	(21,557)	(20,392)
Subscription of shares in subsidiary companies	-	-	(1,481)	(792)
Proceeds from sale of equipment	13	7	13	7
Acquisition of property and equipment	(3,742)	(4,336)	(2,575)	(1,902)
Net cash used in investing activities	(20,487)	(38,251)	(25,600)	(23,079)
Cash flows from financing activities				
Repayment of long term borrowings	(7,923)	(604)	(7,923)	(764)
Proceeds from long term borrowings	7,000	1,196	7,000	1,196
Subscription of new capital by non-controlling interests	635	339	-	-
Dividends paid to owners of the parent	(467)	(2,336)	(467)	(2,336)
Dividends paid to non-controlling interests	(653)	-	-	-
Net cash from financing activities	(1,408)	(1,405)	(1,390)	(1,904)
Net decrease/(increase) in cash and cash equivalents	9,780	18,270	5,297	(470)
Cash and cash equivalents at 1st January	73,221	54,425	28,565	24,978
Effects of changes in exchange rates	1,616	526	59	4,057
Cash and Cash Equivalents at 31 December	84,617	73,221	23,327	28,565

Impairment Losses/Non Performing Credit Facilities And Provisions For Losses By Industry (FMB only)

In thousands of Malawi Kwacha

Industry Sector	31-Dec-16			31-Dec-15		
	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
Agriculture	14,676,182	216,091	51,529	12,114,668	1,525,878	2,152
Manufacturing	7,790,820	39,789	8,584	9,231,803	73,212	5,247
Mining	32,834	-	-	26,208	1,621	278
Construction	1,139,133	471,611	39,715	1,582,604	162,649	16,509
Energy/Electricity/Gas /Water	471,967	-	-	12,071	-	-
Transport & Communication	2,634,753	42,119	5,676	2,906,503	100,297	16,174
Financial Services	2,420,448	-	-	1,840,058	1,111	348
Wholesale and Retail	11,355,275	820,631	43,069	11,298,168	1,026,475	143,186
Individual/Households	393,797	12,898	2,512	1,468,033	450,031	152,713
Real Estate	74,257	-	-	99,327	5,989	740
Tourism	679,846	9,158	-	465,651	26,739	3,014
Others	1,716,641	371,637	96,435	1,038,066	31,397	7,989
Total	43,385,953	1,983,934	247,520	42,083,160	3,405,399	348,350

CREDIT CONCENTRATIONS

In thousands of Malawi Kwacha

Sector of Borrower	31-Dec-16		31-Dec-15	
	Amount	% of Core Capital	Amount	% of Core Capital
Electricity, gas, water and Energy	15,192,293	98.4%	11,295,567	92.2%
Agriculture	-	-	7,343,037	59.9%
Wholesale and Retail	-	-	3,560,915	29.1%

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

	31-Dec-16		31-Dec-15	
	Amount	% of Core Capital	Amount	% of Core Capital
Corporate bodies directly or indirectly related to directors *				
Balance at the beginning of the year	1,029,742	-	1,747,566	-
Loans granted during the year	1,066,642	-	-	-
Repayments	(1,328,951)	-	(717,824)	-
Balance at the end of the year	767,433		1,029,742	
Subsidiary companies:				
Balance at the beginning of the period	-	-	-	-
Loans granted during the half year period	599,697	-	-	-
Repayments	(599,697)	-	-	-
Balance at the end of the year	-		-	
Senior management:				
Balance at the beginning of the period	189,566	198,227	-	-
Loans granted during the half year period	184,784	124,026	-	-
Repayments	(112,468)	(132,687)	-	-
Balance at the end of the year	261,882		189,566	

* There were no loans to directors in their individual capacities. All loans to bodies directly or indirectly linked to directors were made on arm's length commercial terms.

INVESTMENT IN SUBSIDIARIES

INSTITUTION	Number of Shares ('000)	Percentage Holding	31 Dec 2016 (MK'000)	31 Dec 2015 (MK'000)
Leasing and Finance Company of Malawi Limited	18,343	100.0%	65,911	65,911
Capital Bank Limited - Mozambique	4,057	70.0%	4,776,240	3,295,131
ICB Malawi Limited	7,149	100.0%	148,791	148,791
FMB Capital Markets Limited	500	100.0%	50,000	50,000
FMB Forex Bureau Limited	10,000	100.0%	10,000	10,000
Capital Bank Limited - Botswana	31,588	38.6%	903,854	903,854
First Capital Bank Limited - Zambia	50,960	49.0%	3,393,251	3,393,251
FMB Pensions Limited	1,000	100.0%	-	-
			9,348,047	7,866,938

BASE LENDING RATE

	31 Dec 2016	31 Dec 2015
Base lending rate (local currency loans)	33.00%	35.00%
Maximum applicable range (percentage points)	8.00%	8.00%
Base lending rate (foreign currency loans)	0.00	0.00
Maximum applicable range (percentage points)	9.50	9.50
Bank rate	24%	27.00%

DIRECTOR'S REMUNERATION AND BONUSES

	31 Dec 2016 (MK'000)	31 Dec 2015 (MK'000)
Salaries paid to executive directors	253,332	220,201
Bonuses accrued	85,000	135,000
Fees Paid to non-executive directors	258,264	169,779

DEPOSIT RATES

	31 Dec 2016	31 Dec 2015
Savings Accounts	7.00%	8.00%
Fast Accounts (Balances above K5,000)	5.00%	6.00%
Call Accounts		
7 day call	6.00%	8.00%
30 day call	8.00%	10.00%
Fixed Deposits		
1 Month	8.00%	10.00%
2 Months	10.00%	14.00%
3 Months	9.00%	13.00%
Above 3 Months	Negotiable	Negotiable
Current Account (Balances above K500,000)	0.15%	0.15%

REVIEW OF THE YEAR

The macro-economic shocks of 2015 in Malawi, Mozambique and Zambia continued to be felt at the beginning of 2016. The major challenges included drought and reduction in agricultural production in Malawi and Mozambique, electricity shortages in Zambia and Malawi, and the discovery of previously undisclosed state linked foreign debt in Mozambique. In all these countries central banks adopted very tight monetary policies manifested in high domestic interest rates, which initially stabilized currencies and then led to their appreciation. Inflation reduced as the year progressed and, in response, central banks began the easing of interest rates. These factors, combined with increases in hard commodity prices and good rains at the end of 2016, make the outlook for 2017 significantly brighter in these countries. Needless to say, this environment posed challenges for the banking sectors in all these countries. Botswana was the exception amongst our territories of operation as it continued to enjoy relative macro-economic stability throughout the year.

Notwithstanding these adverse economic conditions, the group posted profit after tax of K7.66 billion, representing an 80% increase from 2015. Robust business growth and cost reduction strategies implemented across all markets resulted in this significant improvement in profitability in all countries. Total group assets increased to K327 billion from K262 billion representing 25% growth. Net loans by the group grew by a lesser 21% to MK126.5 billion due to the even more conservative lending practices which we adopted. Customer deposits recorded 18% growth over the previous year with the group continuing to pursue its strategy of building transactional balances and reducing expensive term deposits.

Even after suffering equity revaluation losses of MK1.4 Billion on our Malawi Stock Exchange listed investments, our non-funded income during the year improved by 59% year on year due to increased transaction banking activities. During the year US\$10 million subordinated debt was replaced with local currency debt in order to remove related exchange rate risks.

Despite significant increases in staff pay levels, persistent power outages with resultant unbudgeted generator running costs and increased tariffs on utilities and services, total operating expenses were kept in check with a 30% growth year on year, and our cost/income ratio improved from 71% to 65%.

Dividend

A final dividend for 2015 of K467.25 million (20 tambala per share) was paid during the year, but interim dividends have not been declared in 2016 in order to build up capital to permit exploitation of growth opportunities. In view of better than expected profits, the directors have recommended a final dividend of K 1,168.125 million (50 tambala per share) for approval at the forthcoming Annual General Meeting.

Outlook

The improved economic outlook in all the countries where we operate is expected to underpin growth in our business volumes and contribute positively to the group's performance in 2017