

REVIEW OF THE PERIOD

The macro economic environment in the four countries in which the group operates continued to be challenging in the first half of 2017, with Mozambique experiencing default in its sovereign debt. However there are signs of recovery and stability in Malawi and Zambia as evidenced by Kwacha stability in both countries and a downward trend in inflation and bank rate especially in Malawi. Strong and prudent fiscal management continue to underpin the economic stability in Botswana. Central banks in all countries are focusing on price stabilization and supporting domestic demand to guide them in their monetary policies.

Robust performance in Malawi, Zambia and Botswana has underpinned growth in the group’s half year profit after tax of K5.03 billion, representing a year on year growth of 79% from June 2016. Deposits grew by 21% with the group continuing to focus of reducing cost of funding by growing its current and savings accounts. Assets for the group have grown to K365 billion year on year with a significant growth registered in money market investments.

The group is closely monitoring the operating environment to ensure that it is well positioned to take advantage of opportunities that will arise without taking unnecessary risks that might negatively affect its capital position and shareholder wealth. In view of this, the loan book grew by 21% with excess liquidity invested in low risk money market instruments. The 22% growth in group’s interest income has therefore been largely driven by growth in earnings from money market investments.

Non-interest income has grown 35% year on year against the backdrop of increased transactional banking income and a rebound in the group’s investments in the listed equities. Costs for the period grew by 9% and cost to income ratio for the group decreased to 58% from 70%, a testament of the group’s policy to contain costs.

OUTLOOK

We remain optimistic of continued improvement in macroeconomic environment in all countries in the short to medium term. This will have a positive impact on the group’s performance for rest of the year.

DIVIDEND

The Directors have decided that a first interim dividend will not be paid. This decision has been made in an effort to maintain a strong regulatory capital position considering the restructuring process that the company is currently undergoing.

By order of the Board,

Dheeraj Dikshit – Group Managing Director
Michael Kadumbo – Chief Finance Officer
Hitesh Anadkat – Chairman

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16	Unaudited 30-Jun-17	Unaudited 30-Jun-16	Audited 31-Dec-16
	Restated					
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME						
Income						
Interest income	18,093	14,859	34,002	10,569	8,095	19,041
Interest paid	(6,048)	(5,598)	(12,955)	(3,368)	(2,600)	(6,872)
Net interest income	12,045	9,261	21,047	7,201	5,495	12,169
Non-interest income	7,782	5,755	13,253	5,136	3,346	7,443
Total operating income	19,827	15,016	34,300	12,337	8,840	19,612
Expenditure						
Total operating expenditure	(11,407)	(10,455)	(22,417)	(6,160)	(5,492)	(11,606)
Profit before impairment losses	8,420	4,561	11,883	6,177	3,348	8,006
Impairment losses	(1,227)	(343)	(497)	(836)	(70)	(9)
Operating profit	7,193	4,218	11,386	5,341	3,278	7,997
Income tax expense	(2,159)	(1,408)	(3,725)	(1,477)	(1,101)	(2,813)
Profit for the period	5,034	2,810	7,661	3,864	2,177	5,184
Other comprehensive income for the period	1,733	1,011	2,430	-	-	-
Total comprehensive income for the period	6,767	3,821	10,091	3,864	2,177	5,973
Profit or loss attributable to:						
Owners of the parent	4,462	2,521	6,387	3,864	2,177	5,184
Non-controlling interests	572	289	1,274	-	-	-
Profit for the period	5,034	2,810	7,661	3,864	2,177	5,184
<i>Earnings Per Share (tambala)</i>	191	108	273			
STATEMENTS OF FINANCIAL POSITION						
LIABILITIES AND EQUITY						
Liabilities						
Amounts due to depositors	245,349	202,091	225,238	96,497	75,913	78,516
Balances due to other banks	45,020	36,576	29,553	46,261	30,016	29,181
Other payables	14,942	8,443	19,772	14,441	4,264	16,456
Subordinated debt	9,127	16,086	9,031	7,000	14,124	7,000
Total liabilities	314,438	263,196	283,594	164,199	124,317	131,153
Equity						
Share capital	117	117	117	117	117	117
Share premium	1,565	1,565	1,565	1,565	1,565	1,565
Revaluation reserve	3,448	2,634	3,448	3,339	2,550	3,339
Loan loss reserve	754	1,818	1,260	331	1,352	776
Other non-distributable reserves	350	350	350	-	-	-
Translation reserve	2,853	1,707	1,894	-	-	-
Retained earnings	28,097	18,705	23,129	25,487	17,595	21,178
Equity attributable to the parent	37,184	26,896	31,763	30,839	23,179	26,975
Non-controlling interest	13,403	11,088	12,057	-	-	-
Total equity	50,587	37,984	43,820	30,839	23,179	26,975
Total equity and liabilities	365,025	301,180	327,414	195,038	147,496	158,128
Assets						
Cash and cash equivalents	63,981	90,346	84,617	27,597	32,198	23,327
Money market investments	96,504	47,751	69,017	70,317	31,225	48,548
Loans and advances to customers	149,485	124,547	126,524	45,046	50,468	42,067
Finance lease receivables	4,146	5,429	4,783	-	-	-
Amount due to related parties	-	-	-	137	358	249
Derivative asset	25,467	10,450	19,288	25,467	10,450	19,288
Investment in listed companies	4,090	3,580	3,175	4,090	3,580	3,175
Investment in subsidiaries	-	-	-	9,348	8,837	9,348
Investment Property	940	-	878	-	-	-
Property, equipment and Intangible assets	16,695	15,467	15,856	10,942	9,252	10,296
Other receivables	3,717	3,610	3,276	2,094	1,128	1,830
Total assets	365,025	301,180	327,414	195,038	147,496	158,128
STATEMENTS OF CHANGES IN EQUITY ATTRIBUTABLE TO PARENT OWNERS						
As at the beginning of the period	43,820	34,215	34,215	26,975	21,469	21,469
Net profit for the period	5,034	2,810	7,661	3,864	2,177	5,184
Other comprehensive income	1,733	1,011	2,430	-	-	789
Comp. Income attributable to owners	50,587	38,036	44,306	30,839	23,646	27,442
Dividends paid	-	(467)	(467)	-	(467)	(467)
Other transactions with owners	-	415	(19)	-	-	-
Balance at the end of the period	50,587	37,984	43,820	30,839	23,179	26,975
STATEMENTS OF CASH FLOWS						
Cash flows from operating activities						
Interest and fees received	25,178	29,470	49,412	14,394	19,634	28,120
Interest paid	(6,048)	(5,378)	(12,854)	(3,368)	(2,546)	(6,817)
Cash paid to suppliers and employees	(25,497)	(5,512)	(16,323)	(17,702)	(3,778)	(9,583)
	(6,367)	18,580	20,235	(6,676)	13,310	11,720
Net increase/(decrease) in customer balances	14,077	2,483	14,462	33,297	(1,203)	11,331
Cash generated from operations	7,710	16,097	34,697	26,621	12,107	23,051
Dividend received from listed and subsidiary companies	18	21	70	18	21	480
Income taxes paid	(1,565)	(1,299)	(3,092)	(807)	(804)	(1,839)
Net cash from operating activities	6,163	14,819	31,675	25,832	11,324	21,692
Cash flows from investing activities						
Purchases of Money Market Investments	(27,487)	4,507	(16,758)	(21,769)	(4,234)	(21,557)
Subscription of shares in subsidiary companies	-	-	-	-	(970)	(1,481)
Proceeds from sale of equipment	-	13	13	-	13	13
Acquisition of property and equipment	(2,182)	(2,251)	(3,742)	(1,472)	(1,791)	(2,575)
Net cash used in investing activities	(29,669)	2,269	(20,487)	(23,241)	(6,982)	(25,600)
Cash flows from financing activities						
Repayment of long term borrowings	(1,036)	(7,923)	(7,923)	(1,036)	(7,923)	(7,923)
Proceeds from long term borrowings	2,173	7,000	7,000	2,173	7,000	7,000
Subscription of new capital by non-controlling interests	-	416	635	-	-	-
Dividend paid to owners of parent	-	(467)	(467)	-	(467)	(467)
Dividend paid to non-controlling interests	-	-	(653)	-	-	-
Net cash from financing activities	1,137	(974)	(1,408)	1,137	(1,390)	(1,390)
Net decrease/(increase) in cash and cash equivalents	(22,369)	16,114	9,780	3,728	2,952	(5,298)
Cash and cash equivalents at 1st January	84,617	73,221	73,221	23,327	28,565	28,565
Effects of changes in exchange rates	1,733	1,011	1,616	542	681	60
Cash and Cash Equivalents at 30th June	63,981	90,346	84,617	27,597	32,198	23,327

IMPAIRMENT LOSSES/NON PERFORMING CREDIT FACILITIES AND PROVISIONS FOR LOSSES BY INDUSTRY (FMB ONLY)						
In thousands of Malawi Kwacha						
	30-Jun-17			30-Jun-16		
Industry Sector	Outstanding Amount	Impaired Amount	Specific Provision	Outstanding Amount	Impaired Amount	Specific Provision
Agriculture	9,068,137	58,697	-	17,945,000	1,137,000	2,052
Mining	988	-	-	11,354,000	502,000	353
Financial Services	8,570,948	983,254	197	54,000	2,000	405
Construction	6,896,954	-	-	2,461,000	961,000	286,775
Energy/Electricity/Gas /Water	1,169,542	310,985	-	164,000	-	-
Manufacturing	10,106,116	1,175,489	174,111	3,386,000	82,000	8,801
Wholesale and Retail	725,975	-	-	2,246,000	1,000	145,782
Individual/Households	2,404,174	-	-	11,701,000	886,000	146,588
Real Estate	1,537,246	2,829	-	2,131,000	498,000	374
Tourism & Leisure	338,714	-	-	74,000	2,000	1,873
Transport & Communication	54,152	-	-	487,000	33,000	19,807
Others	2,394,070	119,880	17,407	501,000	49,000	14,951
Total	43,267,016	2,651,134	191,714	52,504,000	4,153,000	627,760

CREDIT CONCENTRATIONS				
In thousands of Malawi Kwacha				
Sector of Borrower	30-Jun-17	% of Core Capital	30-Jun-16	% of Core Capital
Electricity, gas, water and Energy	14,078,819	68.0%	13,004,679	99.8%
Agriculture	-	-	7,262,533	55.8%
Manufacturing	-	-	3,410,326	26.2%
Wholesale and Retail	5,451,436	26.0%	3,330,938	25.6%

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		
Corporate bodies directly or indirectly related to director *:	30-Jun-17	30-Jun-16
Balance at the beginning of the period	1,077,178	1,168,000
Loans granted during the period	1,268,385	725,813
Repayments	(2,103,646)	(816,635)
Balance at the end of the period	241,917	1,077,178
Subsidiary companies:		
Balance at the beginning of the period	0	0
Loans granted during the period	555,815	388,283
Repayments	(555,815)	(388,283)
Balance at the end of the period	0	0
Senior management:		
Balance at the beginning of the period	242,005	142,000
Loans granted during the period	153,609	173,366
Repayments	(162,545)	(73,361)
Balance at the end of the period	233,069	242,005

* 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	30 June 2017 (MK'000)	30 June 2016 (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	4,265,355
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	8,837,162

BASE LENDING RATE			DEPOSIT RATES		
	30 June 2017	30 June 2016		30 June 2017	30 June 2016
Base lending rate (local currency loans)	31.00%	35.00%	Savings Accounts	7.00%	8.00%
Maximum applicable range (percentage points)	8.00%	8.00	Fast Accounts (Balances above K5,000)	5.00%	6.00%
Base lending rate (foreign currency loans)	0.00	0.00	Call Accounts		
Maximum applicable range (percentage points)	9.50	9.50	7 day call	6.00%	8.00%
Bank rate	22.00%	27.00%	30 day call	8.00%	10.00%

DIRECTOR'S REMUNERATION AND BONUSES		
	30 June 2017 (MK'000)	30 June 2016 (MK'000)
Salaries paid to executive directors	110,243	127,393
Total bonuses paid by licensed institution **	-	-
Fees Paid to non-executive directors	110,978	104,061

**The company does not pay bonuses mid-year

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%