



Key Highlights



Non Interest Income	74%
Total Income	58%
Profit after Tax	97%
Basic earnings per share (tambala)	97%
Loan Book growth	1%

The Directors present the summary audited separate and consolidated financial statements of FDH Bank Plc for the year ended 31 December 2022.

PERFORMANCE

The Bank registered a Profit after Tax of K22.932 billion up from K11.658 billion profit achieved over a similar period in 2021. Net Interest Income has gone up by 47% on the back of increase in interest bearing assets resulting in gross interest income growth of 39% while Interest expense only grew by 23% as a result of the growth of the Bank's deposits. The interest expense did not grow at the same rate as the growth in deposits as a significant part of the growth came from demand deposits.

Non-interest income increased by 74% mainly due to the picking up of business after the COVID-19 pandemic restrictions and lock downs were lifted in most trading partner countries. As a result, this registered significant growth in our transactional banking space. However, this growth was to a certain extent affected by the supply chain challenges caused by the Russia/Ukraine war which affected some strategic imports and raw materials for local businesses. Another contributing factor was the increase in digital revenue resulting from the growth in digital transaction volumes on the various digital platforms. The increase in net interest income and non-interest income resulted in total income growth of 58%.

Operating expenses grew by 19% when compared to the same period last year notwithstanding the high inflation of around 21% and the 25% depreciation of the Kwacha. The Bank continues to put more focus on effective cost management as we continue to bring down the cost to income ratio.

There was an increase in net impairment charges due to increased Expected Credit Losses (ECL) on some accounts mainly from COVID-19 related impact and the Bank is working on recovering these facilities. Total assets grew by 42% from Dec 2021 mainly emanating from the increase in Government Securities by 96%, placement with other banks was at 72% while the Loan book remained almost flat. The growth in assets was supported by the growth in customer deposits by 69% from MK193 billion to K328 billion.

DIVIDEND

The Bank declared and paid out dividends amounting to K13.1 billion during the year ended December 2022 which were paid together with a dividend of K2 billion that was declared in December 2021. The Bank declared a final dividend of K2 billion (K0.29 per share) in respect of 2021 profits on 27 June 2022. The dividend was paid to the Shareholders of the Bank on 22 July 2022. On 25 July 2022, the Bank declared a first interim dividend of K5.1 billion (K0.74 per share) in respect of 2022 profit and this dividend was paid on 25 August 2022. On 2 December 2022, the Bank paid a second interim dividend of K6 billion (K0.87 per share) in respect of 2022 profit which was paid on 30 December 2022. The Board of Directors proposed a final dividend of K4 billion in respect of 2022 profits to be approved at the Bank's 16th Annual General Meeting. This will bring total dividends from the 2022 profits to K15.1 billion, representing K2.19 per share.

OUTLOOK

Looking ahead, the local economic environment is expected to remain challenging in 2023 with the country still feeling the effects of the Russia-Ukraine war on the global supply chain and localised crises such as foreign currency shortages, slow economic growth and the most recent Cyclone Freddy which will affect agricultural produce in the Southern Region of Malawi. Economic growth is estimated at 2.6% in 2023, from 1.7% in 2022. However, it is yet to be determined what level of impact Cyclone Freddy will have on the country's growth prospects. Annual inflation is anticipated to average 18.2% in 2023 (2022: 21.0%), with the local currency continuing to depreciate against the major trading currencies as a result of a significant negative trade balance.

The Bank continues to implement the strategic objectives running to 2024, leveraging on our market position, widest distribution network, effective digital platform, brand equity, 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, 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 25 March 2022 and are available at the registered office of the Bank.

APPRECIATION

We would like to thank 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 a good performance in the year 2022.

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 Chipezaani
Head of Finance

20 March 2023



SUMMARY AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

FDH BANK PLC

1. STATEMENT OF COMPREHENSIVE INCOME

	Group 31-Dec-22 K'000	Group 31-Dec-21 K'000	Bank 31-Dec-22 K'000	Bank 31-Dec-21 K'000
Interest income	51,105,159	36,658,340	51,105,159	36,658,340
Interest expenses	(13,801,223)	(11,227,946)	(13,801,223)	(11,227,946)
Net interest income	37,303,936	25,430,394	37,303,936	25,430,394
Non-interest income	32,552,821	18,659,432	32,649,371	18,808,058
Total income	69,856,757	44,089,826	69,953,307	44,238,452
Operating expenses	(32,535,085)	(27,308,144)	(33,048,436)	(27,828,350)
Profit before provision for impaired loans and advances	37,321,672	16,781,682	36,904,871	16,410,102
Net charge on impaired loans and advances	(5,570,636)	(307,263)	(5,570,636)	(307,263)
Profit before tax	31,751,036	16,474,419	31,334,235	16,102,839
Taxation	(8,819,252)	(4,815,581)	(9,371,399)	(4,614,107)
Profit after tax	22,931,784	11,658,838	21,962,836	11,488,732
Other comprehensive income				
Revaluation Surplus	655,876	411,532	-	-
Deferred tax on revaluation surplus	(196,763)	(105,904)	-	-
Total other income net of tax	459,113	305,628	-	-
Total comprehensive (loss)/income for the year	23,390,897	11,964,466	21,962,836	11,488,732

2. STATEMENT OF FINANCIAL POSITION

	Group 31-Dec-22 K'000	Group 31-Dec-21 K'000	Bank 31-Dec-22 K'000	Bank 31-Dec-21 K'000
Liabilities, Capital and Reserves				
Liabilities				
Shareholder's loan	442,816	1,318,694	442,816	1,318,694
Long Term Loan	23,045,716	6,643,368	23,045,716	6,643,368
Liabilities to customers	328,111,963	193,640,208	328,246,568	193,641,231
Liabilities to other banks	16,392,950	39,175,904	16,392,950	39,175,904
Other liabilities	19,495,198	30,024,947	18,767,013	29,040,073
Lease liabilities	1,134,834	457,360	2,135,166	1,447,986
Income tax payable	4,029,313	3,182,629	3,999,223	2,981,156
Total liabilities	392,652,790	274,443,110	393,029,452	274,248,412
Capital and Reserves	41,846,054	31,555,188	39,736,119	30,873,315
Total liabilities, capital and reserves	434,498,844	305,998,298	432,765,571	305,121,727
Assets				
Cash and funds with Reserve Bank of Malawi	13,312,950	27,308,323	13,312,950	27,308,323
Placements with other banks	73,291,679	42,544,443	73,291,679	42,544,443
Malawi Government Treasury Bills	173,804,773	88,454,487	173,138,807	87,705,718
Loans and advances to customers	104,604,861	104,077,381	104,604,861	104,077,381
Investments	146,232	31,032	7,066,465	6,951,265
Other assets	46,984,612	25,273,925	46,076,112	24,084,514
Property plant and equipment	18,775,773	16,912,013	11,905,723	10,731,663
Right of use assets	1,260,579	430,700	2,260,912	1,421,325
Deferred tax asset	2,317,385	965,994	1,108,062	297,095
Total assets	434,498,844	305,998,298	432,765,571	305,121,727

3. STATEMENT OF CHANGES IN EQUITY

	Group 31-Dec-22 K'000	Group 31-Dec-21 K'000	Bank 31-Dec-22 K'000	Bank 31-Dec-21 K'000
At the beginning of the period	31,555,188	27,890,722	30,873,315	27,684,583
Total comprehensive (loss)/income for the year	23,390,898	11,964,466	21,962,836	11,488,732
Dividends paid	(13,100,032)	(8,300,000)	(13,100,032)	(8,300,000)
At the end of the period	41,846,054	31,555,188	39,736,119	30,873,315

4. STATEMENT OF CASHFLOWS

	Group 31-Dec-22 K'000	Group 31-Dec-21 K'000	Bank 31-Dec-22 K'000	Bank 31-Dec-21 K'000
Cash generated from operations before taxation	87,083,912	32,804,384	90,692,953	33,048,441
Income tax paid	(9,520,723)	(3,259,462)	(9,164,299)	(3,136,549)
Cash flows generated from operating activities	77,563,189	29,544,922	81,528,654	29,911,892
Net cash used in investing activities	(61,268,004)	2,099,469	(61,206,498)	2,693,769
Net cash generated from/ (used in) in financing activities	456,677	(8,481,548)	(3,570,294)	(9,442,818)
Net (decrease)/ increase in cash and cash equivalents	16,751,862	23,162,843	16,751,862	23,162,843
Cash and cash equivalents at the beginning of the period	69,852,766	46,689,923	69,852,766	46,689,923
Cash and cash equivalents at the end of the period	86,604,628	69,852,766	86,604,628	69,852,766

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

	31 Dec 2022		31 Dec 2022		31 Dec 2022	
	Outstanding Amount K'000	Impaired Amount K'000	Expected Credit Loss K'000	Outstanding Amount K'000	Impaired Amount K'000	Expected Credit Loss K'000
1. Agriculture, forestry, fishing and hunting	7,638,830	122,299	73,763	8,621,065	330,865	347,126
2. Mining and quarrying	26,350	1,480	893	251,181	604	1,057
3. Manufacturing	12,571,720	2,576	1,554	6,002,475	3,624	17,889
4. Electricity, gas, water and energy	3,893,678	1,484	895	3,833,133	2,653	10,743
5. Construction	13,170,516	20,934	12,626	9,798,267	37,022	54,785
6. Wholesale and retail trade	40,003,972	6,926,310	6,210,306	38,530,007	128,396	161,360
7. Restaurants and hotels	239,168	193	116	367,014	1,332	4,483
8. Transport, storage and communications	2,177,052	9,247	5,577	2,391,885	29,444	30,126
9. Financial services	7,132,898	6,473	3,904	7,375,144	12,275	46,581
10. Community, social and personal services	24,741,194	738,664	680,883	28,627,301	781,049	1,045,942
TOTAL	111,595,378	7,829,659	6,990,517	105,797,473	1,327,264	1,720,092

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 Capital*	31 Dec 2022		31 Dec 2021	
	K'000	% of Core Capital	K'000	% of Core Capital
Government Institution	-	0.0%	6,500,000	26.1%
Agriculture	7,512,760	25.7%	7,650,000	30.7%
Electricity, gas, water and energy *	40,656,404	139.0%	8,084,500	32.4%
Construction	8,174,693	27.9%	-	0.0%
Manufacturing	-	0.0%	6,734,938	27.0%

* These are non-funded facilities which are fully cash covered

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

	31 Dec 2022 K'000	31 Dec 2021 K'000
Directors		
Balance at the beginning of the year	93,586	64,240
Loans granted during the year	25,102	79,495
Repayments	(30,698)	(50,150)
Balance at the end of the year	87,990	93,586
Other related parties		
Balance at the beginning of the year	1,788,338	4,933,895
Loans granted during the year	3,400,305	4,900,000
Repayments	(1,105,354)	(8,045,557)
Balance at the end of the year	4,083,289	1,788,338
Senior Management Officials		
Balance at the beginning of the year	558,617	200,528
Loans granted during the year	1,264,170	592,094
Repayments	(424,227)	(234,005)
Balance at the end of the year	1,398,560	558,617

8. BASE LENDING RATES

	31 Dec 2022	31 Dec 2021
Base Lending Rate	13.5%	12.1%
Maximum Applicable Range (basis points)	11.1%	11.1%
Base Lending Rate (Foreign)	N/A	N/A
RBM Bank Rate	18.2%	12.2%

9. DIRECTORS REMUNERATION, BONUSES AND MANAGEMENT FEES

	31 Dec 2022	31 Dec 2021
Directors' fees	338,297	189,789
Other directors' expenses	94,328	89,288
Bonuses	2,205,817	894,329

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS OPINION

The summary consolidated and separate financial statements, which comprise the summary statement of financial position as at 31 December 2022, the summary statement of comprehensive income, summary statement of changes in equity and summary 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 2022.

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 of cash flows for the year then ended and related notes, are derived from the audited financial statements of FDH Bank Plc and its subsidiary, MSB Properties Limited ("the Group"), and the basis described on the basis for preparation paragraph.

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 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 FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 13 March 2023. 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 FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the summary 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.



Chartered Accountants (Malawi)
Chiwemi Chihana
Registered Practising Accountant
17 March 2023