FMBcapital Holdings plc

SUMMARY UNAUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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In US' Dollars

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Consolidated		Separate	
	6 months to 30-Jun-18	12 months to 31-Dec-17	6 months to 30-Jun-18	12 months to 31-Dec-17
	Unaudited	Audited	Unaudited	Audited
Income				
Interest income	50,521,021	63,707,350	421	1,392
Interest expense on deposits and other accounts	(12,182,202)	(20,281,940)	(556,071)	(365,890)
Net interest income	**38,338,818**	**43,425,410**	**(555,649)**	**(364,498)**
Fees and commissions	22,790,923	22,115,286	353	18,726
Income from investments	1,431,799	3,227,697	5,598,519	-
Gain on foreign exchange transactions	11,802,635	10,106,665	-	-
Other operating income	359,285	474,055	-	-
	36,384,642	**35,923,703**	**5,598,872**	**18,726**
Gain on a bargain purchase	-	18,655,953	-	-
Total operating income	**74,723,460**	**98,005,066**	**5,043,222**	**(345,772)**
Staff and training costs	24,222,856	26,107,000	627,372	-
Premises and equipment costs	6,740,882	7,991,424	21,492	18,062
Depreciation expense	3,966,947	4,425,278	-	-
Other expenses	12,897,224	13,615,555	779,565	1,352,491
Impairment loss	2,591,850	3,313,768	-	-
Total expenses	**50,419,760**	**55,453,025**	**1,428,429**	**1,370,553**
Profit/(loss) before income tax expense	**24,303,700**	**42,552,041**	**3,614,793**	**(1,716,325)**
Income tax expense	(4,187,375)	(7,693,878)	-	-
Profit for the period	**20,116,325**	**34,858,163**	**3,614,793**	**(1,716,325)**
Other comprehensive income				
Items that will never be classified to profit or loss				
Deferred tax on revalued property	-	4,354	-	-
Fair value gain through other comprehensive income	80,838	-	-	-
	80,838	**4,354**	-	-
Items that are or may be classified to profit or loss				
Translation difference for foreign operations	(1,175,187)	1,915,676	-	-
Total other comprehensive income for the period	**(1,094,349)**	**1,920,030**	**-**	**-**
Total comprehensive income for the period	**19,021,976**	**36,778,193**	**3,614,793**	**(1,716,325)**
Profit or loss attributable to:				
Owners of the parent	10,839,195	30,304,809	3,614,793	(1,716,325)
Non-controlling interest	9,277,130	4,553,354	-	-
Profit for the period	**20,116,325**	**34,858,163**	**3,614,793**	**(1,716,325)**
Total comprehensive income attributable to:				
Owners of the parent	10,429,432	31,294,685	3,614,793	(1,716,325)
Non-controlling interest	8,592,544	5,483,508	-	-
Total comprehensive income for the period	**19,021,976**	**36,778,193**	**3,614,793**	**(1,716,325)**
Basic and diluted earnings per share (US' cents)	*0.464*	*1.297*		

In US' Dollars

STATEMENTS OF FINANCIAL POSITION	Notes	Consolidated		Separate	
		6 months to 30-Jun-18	12 months to 31-Dec-17	6 months to 30-Jun-18	12 months to 31-Dec-17
		Unaudited	Audited	Unaudited	Audited
ASSETS					
Cash and cash equivalents		374,155,401	499,167,446	2,932,108	44,257
Money market investments		135,015,034	161,819,258	1,470,000	-
Loans and advances to customers		402,024,425	350,516,403	-	-
Finance lease receivables		4,638,141	5,288,322	-	-
Derivative assets		16,908,947	34,789,390	-	-
Current tax asset		3,947,711	5,014,906	-	-
Available for sale investments		153,974,133	4,254,012	-	-
Investments at fair value through profit or loss		8,148,083	7,184,758	-	-
Investment in subsidiary companies	*1*	-	-	123,128,150	123,128,045
Investment property		6,340,494	6,343,495	-	-
Intangible assets	*2*	7,920,616	8,490,060	-	-
Property and equipment	*2*	45,253,843	44,357,263	55,319	-
Assets held for sale		15,129,298	15,129,612	-	-
Other assets		18,863,871	16,116,501	161,131	976
Total assets		**1,192,319,998**	**1,158,471,426**	**127,746,709**	**123,173,278**
LIABILITIES AND EQUITY					
Liabilities					
Balances due to other banks	*3*	45,251,100	63,787,552	-	-
Customer deposits		918,557,841	874,615,899	-	-
Other payables		30,891,749	37,788,043	2,354,942	1,916,305
Subordinated debt	*4*	13,972,295	14,224,307	-	-
Deferred tax liabilities		3,652,622	4,833,105	-	-
Income tax payable		695,926	348,766	-	-
Provisions		2,363,121	2,375,719	-	-
Loans payable	*5*	6,500,000	6,500,000	7,020,000	6,500,000
Redeemable preference shares	*6*	10,786,747	10,786,747	10,786,747	10,786,747
Total liabilities		**1,032,671,402**	**1,015,260,138**	**20,161,689**	**19,203,052**
EQUITY					
Share capital		105,707,965	105,707,965	105,707,965	105,707,965
Share premium		-	-	-	-
Restructuring reserve		(54,510,623)	(54,510,623)	-	-
Loan loss reserve		4,174,501	1,869,083	-	-
Other non-distributable reserves		191,207	15,348	-	-
Translation reserve		(435,569)	17,020	-	-
Retained earnings		26,101,829	19,614,393	1,877,054	(1,737,739)
Total equity attributable to equity holders of the company		**81,229,309**	**72,713,186**	**107,585,019**	**103,970,226**
Non-controlling interest		78,419,287	70,498,102	-	-
Total equity		**159,648,596**	**143,211,288**	**107,585,019**	**103,970,226**
Total equity and liabilities		**1,192,319,998**	**1,158,471,426**	**127,746,709**	**123,173,278**

In US' Dollars

STATEMENTS OF CHANGES IN EQUITY	Consolidated		Separate	
	6 months to 30-Jun-18	12 months to 31-Dec-17	6 months to 30-Jun-18	12 months to 31-Dec-17
	Unaudited	Audited	Unaudited	Audited
As at the beginning of the period	**143,211,288**	**60,582,985**	**103,970,226**	**(21,314)**
Net profit for the period	20,116,325	34,858,163	3,614,793	(1,716,325)
IFRS 9 Transition adjustment (Net of tax)	-	-	-	-
Other comprehensive income	(3,679,017)	1,611,360	-	-
Comp. Income attributable to owners	**159,648,596**	**97,052,508**	**107,585,019**	**(1,737,639)**
Dividends paid	-	(1,611,593)	-	-
Other transactions with owners	-	47,770,373	-	105,707,865
Balance at the end of the period	**159,648,596**	**143,211,288**	**107,585,019**	**103,970,226**

STATEMENTS OF CASH FLOWS	Consolidated		Separate	
	6 months to 30-Jun-18	12 months to 31-Dec-17	6 months to 30-Jun-18	12 months to 31-Dec-17
Cash flows from operating activities				
Interest and fees received	85,225,166	95,544,070	774	20,118
Interest paid	(12,182,202)	(20,281,940)	(556,071)	(365,890)
Cash paid to suppliers and employees	(53,505,562)	(50,300,508)	(1,150,052)	517,163
	19,537,402	**24,961,622**	**(1,705,349)**	**171,391**
(Decrease)/Increase in net customer balances	(30,559,694)	88,114,207	-	6,199
Cash generated from operations	**(11,022,292)**	**113,075,829**	**(1,705,349)**	**177,590**
Dividend received net of tax	468,474	421,749	5,598,519	-
Income taxes paid	(3,953,503)	(7,116,058)	-	-
Cash flows from operating activities	**(14,507,321)**	**106,381,520**	**3,893,170**	**177,590**
Cash flows from investing activities				
(Purchases)/maturities of investment securities	(122,915,896)	(58,861,161)	(1,470,000)	-
Maturities/(Purchases)of currency swaps	17,880,443	(8,289,390)	-	-
Payment for acquisition of business, net of cash acquired	-	341,865,513	-	-
Subscription of shares in subsidiary companies	-	-	-	(6,633,333)
Proceeds from sale of equipment	-	23,206	-	-
Acquisition of property and equipment	(4,294,084)	(8,030,976)	(55,319)	-
Cash outflows applied to investing activities	**(109,329,537)**	**266,707,192**	**(1,525,319)**	**(6,633,333)**
Cash flows from financing activities				
Dividend paid to shareholders of the parent	-	(1,611,593)	-	-
Dividends paid to non-controlling interests	-	(583,751)	-	-
Loan from related parties	-	-	520,000	-
Proceeds of long term borrowings	-	9,373,255	-	6,500,000
Cash flows from financing activities	**-**	**7,177,911**	**520,000**	**6,500,000**
Net Increase in cash and cash equivalents	**(123,836,858)**	**380,266,623**	**2,887,851**	**44,257**
Cash and cash equivalents at 1 January	499,167,446	116,985,147	44,257	-
Effect of changes in exchange rates	(1,175,187)	1,915,676	-	-
Cash and cash equivalents at period end	**374,155,401**	**499,167,446**	**2,932,108**	**44,257**

NOTES TO THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

(1) Investment in subsidiary companies

At end of the reporting period the Company's portfolio of investments in subsidiary companies comprised:

	US$
First Merchant Bank Plc	105 707 965
Afcarme Zimbabwe Holdings (Private) Limited	17 420 080
First Capital Shared Services Limited	105
	123 128 150

(2) Property, equipment and intangible assets

Additional capital expenditure during the year was financed using internally generated resources.

(3) Balances due to other banks

All balances due to other banks represent short term borrowings for liquidity purposes, borrowing under currency swap arrangement and credit line facilities for on lending to customers in specified economic sectors. The line of credit facilities carry interest between 3.9% and 5.8% per annum and are repayable in equal bi annual instalments. Borrowing under currency swap arrangements carry interest at an average interest rate of 12% per annum.

(4) Subordinated debt

The subordinated debt notes constitute direct, subordinated and unsecured obligations as follows:

a) On 3 June 2016, FMB Plc issued through private placement K7 billion (US$ 9 665 870), fixed term unsecured floating rate subordinated note which will mature in its entirety on 3 June 2023. Interest is referenced against the published average yield for 91 day Malawi Government Treasury Bills for auctions preceding repricing dates and is payable quarterly in arrears.

b) Capital Bank Botswana (CBB), a subsidiary of FMB, issued P30 million (US$ 3 038 958), floating rates notes maturing on 18 January 2022 which earn interest at 70 basis points below the bank rate for the first 5 years, and thereafter at 20 basis points below the bank rate. During the year, CBB also issued P15 million (US$ 1 519 479) floating rate notes maturing on 1 July 2027 and earning interest at 270 basis points above the bank rate. CBB has an early optional redemption date of 18 January 2022 subject to prior written consent from the Bank of Botswana

(5) Loan Payable

FMBcapital Holdings Plc, obtained loan facilities of US$6.5million from related parties for the purpose of discharging the purchase consideration for acquisition of shares in Afcarme. These loans are unsecured and bear an interest of 9% pa, with the first interest payment due one year after drawdown and thereafter every quarter. The principal amount including any interest outstanding is repayable after six years.

(6) Redeemable preference shares

FMBCH concluded an agreement with Barclays Bank PLC ("BBPLC"), for the acquisition of the 81% of the issued share capital in Afcarme Zimbabwe Holdings (Private) Limited (holding company of Barclays Bank of Zimbabwe Limited). Payment for the acquisition was made partly through cash consideration of US$6.6 million and partly by issue to BBPLC of 10 786 747 convertible preference shares of US$1.00 each in the capital of the Company with redemption option.

Preferred dividend

The Preference shareholders shall be entitled to be paid out of profits or other reserves available for distribution a fixed cumulative preferential dividend of 5% per annum thereon in priority to any payment of any distribution to the holders of any other class of shares. The holder has no voting right at any General Meeting.

Redemption

The Company may, at its absolute discretion, subject to law, redeem or buy back the Preference Shares (in whole or in part) together with a sum equal to the prorated Preferred Dividend payable in respect of the relevant financial year, plus any Preferred Dividend accrued but not paid from previous financial years.

The holders of the preference shares shall have the right to require the Company to redeem the whole of the preference shares when there is a change of control of the company or upon expiry of three years from the issue date.

Convertibility into ordinary shares

In the event that the preference shares are not redeemed as provided, the holder shall be entitled to convert all its shares into full ordinary shares by providing a conversion notice to the Company. Each preference share shall be converted into ordinary shares at a predetermined conversion price of US$ 0.0472

Status and ranking of the redeemable preference shares

Preference Shares shall constitute unsecured and subordinated obligations of the Company and shall accordingly rank junior to all secured and unsubordinated creditors of the Company but ahead of ordinary shareholders. Preference Shares have been classified as a financial liability in the balance sheet.

Review of the period

Against the background of a relatively modest 3% growth in total group assets over the period, we have taken steps to deploy a greater proportion of group funds in higher yielding assets. In Zimbabwe, for example, we have placed US$150million in treasury bills for investment purposes and have grown our advances portfolio by US$30million. Even so, group banks continue to maintain highly liquid balance sheets with over 50% of group assets in liquid or near liquid form. In general, business sentiment remains cautious across our territories of operation and this has limited the quantum of lending opportunities that meet our underwriting criteria. Growth in customer liabilities has been contained accordingly with the focus on increasing the proportion of lower cost transactional balances.

The increase in Zimbabwe interest earning assets has translated into a significant increase in net interest income and, despite a lower interest rate regime in all territories, interest margins have been maintained across the group. Overall, non-interest income is in line with plan as income from foreign exchange transactions exceeded forecast and compensated for a lower than expected level of fee and commission income. Operating expenditure has been contained with a downward trend in the cost to income ratio which, at 64%, remains nevertheless some way off our medium term target of 50%. On an annualized basis, profit attributable to shareholders for the six months of US$10.8million is approximately 15% ahead of the 2018 profit forecast contained in our July 2017 pre listing statement.

Outlook

The capital adequacy and liquidity ratios of all group banks comfortably exceed the prescribed prudential minimum ratios in their respective territories. As a result, significant capacity exists to grow our assets and increase the proportion of higher yielding risk assets in our asset base. We will, however, continue to exercise prudence in our balance sheet management and do not foresee a major increase in our risk appetite given the current economic and business environment prevailing in territories where we operate.

Two major projects are underway, both of which are progressing satisfactorily, namely, the implementation of an enhanced technology platform in Zimbabwe and the establishment of a group shared services centre in Mauritius. While these initiatives may initially lead to some upward pressure on costs, the eventual outcome should be major efficiency gains, an enhanced customer experience and a more robust risk and compliance infrastructure for the group as a whole.

From its current strong base, the group is confident of its ability to achieve sustained growth and deliver increased future value to all its stakeholders.

Dheeraj Dikshit
Director

John M. O'Neill
Director